



INDEX

02 Focus on 9M 2013 results

03 2013-2017 Business Plan
Right issue under way
Relevant reorganisation of shareholdings in the Italian North-Eastern region

04 Hera and the Stock Exchange
Financial Calendar
Analyst Coverage

01 Message from the Chairman of the Board

Growth by M&A, combined with a focus on efficiency and synergies, underlies our results



Dear Shareholders, the results approved by our BoD confirm that Hera is successfully tracking the growth path indicated in the 2013-2017 Strategic Plan. The EBITDA increase of 129 million euro in the first nine months of 2013 at 79% is due to AcegasAps inclusion in the Group scope of consolidation. The acquisition continues to prove its effectiveness through quarterly results achieved. Moreover the integration proceeds at brisk pace, making the 7 million euro of synergies targeted by year-end ever more visible.

Our multi-utility approach allows us to drive EBITDA growth through the positive contribution of different business areas, with sound performances both in regulated activities and also in liberalised markets, in which the longstanding recession has heavily affected demand patterns and the competitive environment has become tougher.

It is truly remarkable that in the first nine months of 2013, to set some examples, in the Electricity segment we succeeded in increasing the number of our clients by 9%, while over the same period we achieved a 27% growth in volumes of waste disposals. The larger size that the Group has gained

thanks to the acquisition of AcegasAps and Energonut allows a presence of the Hera operating platform much wider than in recent past, while opening new market opportunities in which we can exploit our strengths.

While we focus on extracting value from our assets, on the other hand we continue to look at further deals; our talks on AMGA Udine go ahead in a constructive way, while we have finalised a relevant re-organisation of the AcegasAps shareholdings in three Gorizian energy companies.

M&A, combined with the continuous quest for efficiency and synergies, is a strategic pillar of the Business Plan that we presented in late September, with new targets extending the time horizon to 2012 and incorporating the changes in the scenario experienced in the last year. The Plan, whose key features we analyse in

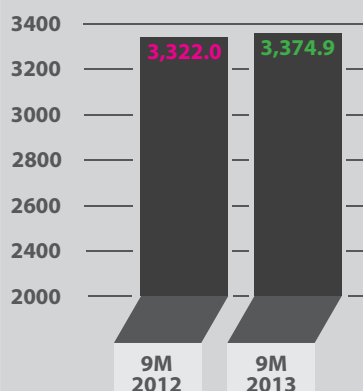
the following pages, still targets a strong cash generations and a risk profile that is even more controlled than in the past: a substantial premise to guarantee the satisfactory shareholder remuneration to which we remain committed.

Tomaso Tommasi di Vignano

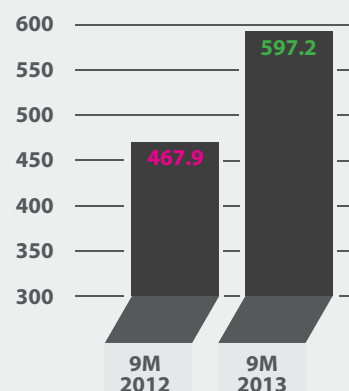
WITH A 24.5% EBITDA GROWTH, INTERIM RESULTS CONFIRM THE POSITIVE CONTRIBUTION PROVIDED BY THE ACEGASAPS INTEGRATION AND THE SOUND PERFORMANCE OF HERA ON A LIKE-FOR-LIKE BASIS.

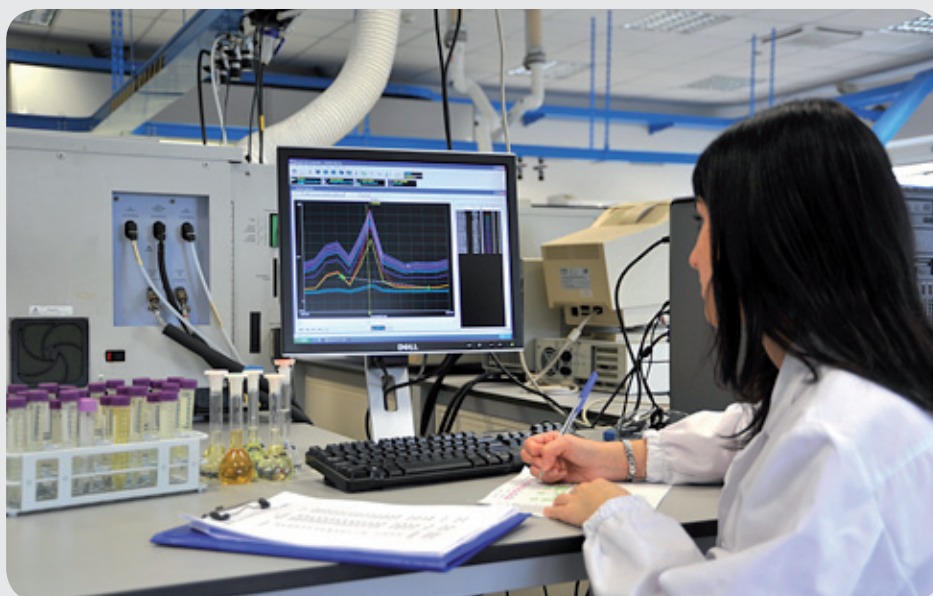
In a still critical operating environment, all business segments of the Hera Group have improved their respective EBITDA.

Revenues m€



EBITDA m€





2013 NINE-MONTH RESULTS

(figures in million euro)

REVENUES

3,374.9 (+1.6%)

EBITDA

597.2 (+27.6%)

EBIT

294.5 (+24.3%)

INVESTMENTS

194.6

(of which 194.2 operating)

NET FINANCIAL DEBT

2,776.4

Focus on 2013 nine-month results

/// Approximately 79% of the Group EBITDA growth of 129.3 million euro derives from the AcegasAps integration. EBITDA margin reaches 17.7%, rising from 14.1% in the first nine months of 2012. Such figures confirm the substantial contribution provided by the acquisition to Group operating margins.

/// The 27.6% EBITDA growth has been driven by particularly strong dynamics in the Water business (+43.7%) and by a growth rate exceeding the average even in Electricity (+36.5%) and Waste (+33.5%).

2013 nine-month results of the Hera Group, which include in the scope of consolidation AcegasAps following up the merger through incorporation that is effective from 1 January 2013, present an EBITDA growth of 129.3 million euro (+27.6%), out of which 101.6 million can be attributable to the consolidation of AcegasAps and 27.7 million to Hera performance on a like-for-like basis. EBITDA margin sizably improves, moving from 14.1% in the

first nine months of 2012 up to 17.7%. Depreciation linked to new investments and cautious provisioning to risk funds are the main drivers for the strong increase (+31.0%) in the Depreciation and Provisions item. The improvement at EBIT level (+24.3%) then results in being slightly lower than the EBITDA one.

Net financial items, negative by 112.2 million euro (were equal to -95.5 million in the first nine months of 2012), reflect a 12.5 impact from the AcegasAps integration.

2013 nine-month P&L accounts moreover present, in line with the half-year report, 74.8 million euro posted as "other non operating revenues": an amount stemming from the comparison, calculated on a temporary basis, of the AcegasAps purchase price with the fair value of net assets. Taxes, equal to 84.3 million euro, weight for 32.8% on pre-tax profit of 257.26 million: excluding the impact of "other non-operating revenues", tax rate amounts to 46.2%, slightly above the 45.6% of the first nine months of 2012.

Net profit reaches 172.8 million euro, increasing by 124.9% over the first nine months of the previous year.

EBITDA

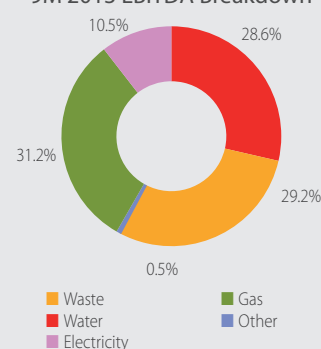
m€	9M 2012	9M 2013	Change
Waste	130.8	174.6	+33.5%
Water	118.7	170.6	+43.7%
Gas	159.3	186.3	+17.0%
Electricity	46.0	62.8	+36.5%
Other	13.1	2.8	-78.3%
TOTAL	467.9	597.2	+27.6%

All business areas in Hera portfolio provided a positive contribution to the improvement of consolidated EBITDA. **Water** shows the strongest dynamics (+43.7%, +51.9 million), largely deriving from the AcegasAps integration (38.7 million), but even benefitting from the application of newly agreed tariffs. In the **Electricity** sector the sizeable expansion in distributed volumes (+32.0%)

has allowed to contain the negative impact of sold volumes (-2.3%), which were affected by the demand fall (-3.7%), despite a 9.0% increase in the number of clients. All in all EBITDA presents a 36.5% increase due to the highest margins in sales and trading. Also **Waste** shows a substantial increase in EBITDA (+33.5%), thanks to the AcegasAps contribution (32.6 million, out of a total

EBITDA for the area of 43.8 million), to the increased number of operating assets as well as to the strong expansion in commercialised (+20.3%) and treated (+32.0%) volumes. Lastly, the 17.0% growth of **Gas** was driven by the favourable performance of distributed volumes (+24.3%) that counter-balanced the effects of the drop in trading, recently affected by declining margins.

9M 2013 EBITDA Breakdown



Right issue underway

/// Newly issued shares amount to approximately 80 million (+5.6%)

RIGHT ISSUE TERMS

Subscription price per share 1.25 euro

Offer ratio 1 newly issued share for every 17 shares held

Maximum number of shares that can be issued 78,466,539

Maximum amount of the right issue 98,083,173.75 euro

The newly issued shares will rank equally with all the shares outstanding.

RIGHT ISSUE SCHEDULE

Period in which option rights can be exercised 28 October 2013 – 19 November 2013

Period in which option rights are tradable 28 October 2013 – 12 November 2013



2013-2017 Business Plan



/// The Plan presented on 25 September targets a sizeable EBITDA increase, achieved by leveraging on a multi-utility strategy as usual. Hera expects that the cumulated increase in MOL of 289 million euro will stem by 45% from AcegasAps contribution and by another 10% from merger synergies. In terms of strategic areas, the EBITDA growth will be led by Networks. In 2017 regulated

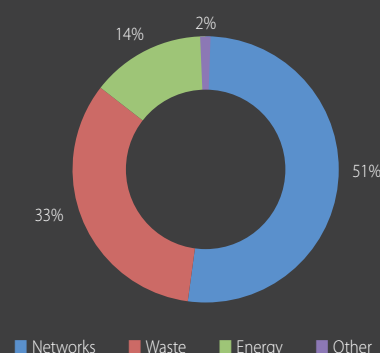
business are expected to generate 58% of consolidated EBITDA.

/// In the five-year period covered by the Plan, Hera is committed to invest 1.97 billion euro in terms of CapEx, of which 75% focused on regulated activities. The Company intends to fully fund investments thanks to the strong expected cashflow.

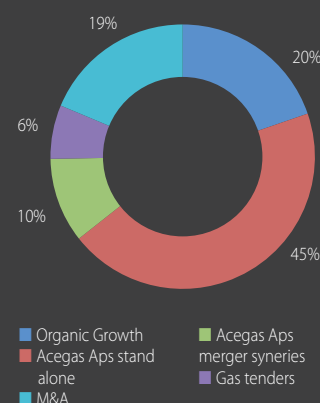
/// In 2017 the Plan targets a Free CashFlow of 171 million euro: Hera therefore seeks for a further strengthening of its capital structure, which is already strong, by leading the Debt-to-EBITDA ratio under the 3x threshold (2.9x in 2017).

/// The Plan aims to guarantee a satisfactory shareholder remuneration, in a multi-stakeholder approach: the 5% CAGR expected in Hera EPS represents a serious premise, as well as the commitment to a dividend distribution of at least 9 cents in each fiscal year of the Plan.

EBITDA 2017 TARGET: 951 m€
Breakdown by business area



2013-'17 EBITDA growth drivers
(289 m€)



TARGETS OF THE NEW BUSINESS PLAN

2017 EBITDA 951 ml euro/ +7.5% 2012-2017 CAGR (2012 EBITDA: 662 million euro)

2017 Free CashFlow 171 million euro

2017 EPS (Earnings Per Share) ca. 0.11 euro/ +5% 2012-2017 CAGR (2012 EPS: 0.09 euro)

2013-2017 DPS Floor of 9 euro cents yearly

2013-2017 CAPITAL EXPENDITURE 1.97 billion euro

2017 NET FINANCIAL DEBT/EBITDA 2.9x (3.3x in 2012)

Relevant reorganisation of shareholdings in the Italian North-Eastern region

/// AcegasAps will have a 100% control in Est Reti Elettriche and a 50/50 control shared with Eni in Isontina Reti Gas. The 100% of Est Più share capital goes to Eni.

The agreement signed in 30 September 2013 with the Eni Group allows to review the holding percentages in the share capital of the three Gorizian Companies operating in the Energy sector. Under the present ownership structure Eni has a 70% stake and Acegas a 30% stake in all the three companies. Considering the incoming gas tenders, aiming at an enlargement of the business perimeter looking at the nearby territories, the Hera Group has finalised a set of deals that will lead, once won the required Antitrust approvals, to



the following new shareholding structure:

Isontina Rete Gas	50% AcegasAps – 50% Eni
Est Reti Elettriche	100% AcegasAps
Est Più	100% Eni

The swaps of the stakes, valued with the help of financial advisors, require a balance of approximately 8 million euro to be paid to Eni.conguaglio a favore di Eni di 8 milioni di euro.

Hera share

Price as at 12 November 2013: **1.64 €**

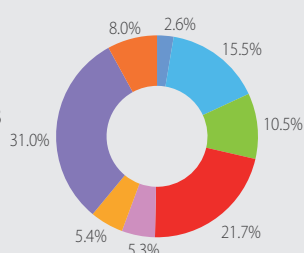
Low-High 365 dd: **1.14 - 1.65 €**

No. outstanding shares: **1,342,876,078**

Mkt. Cap.: **2.2 mld di €**

Consensus target price **1.61 €**

(source: broker research)



Shareholders

- Bologna municipalities
- Modena municipalities
- Trieste municipality
- Padova municipality
- Ferrara municipalities
- Other Romagna municipalities
- Private shareholders' pact
- Free float

Hera's stock index membership

FTSE Italia All-Share / FTSE Italia Mid Cap / FTSE Italia Servizi Pubblici

Dow Jones Stoxx 600 / Dow Jones Stoxx TMI / TMI Utility

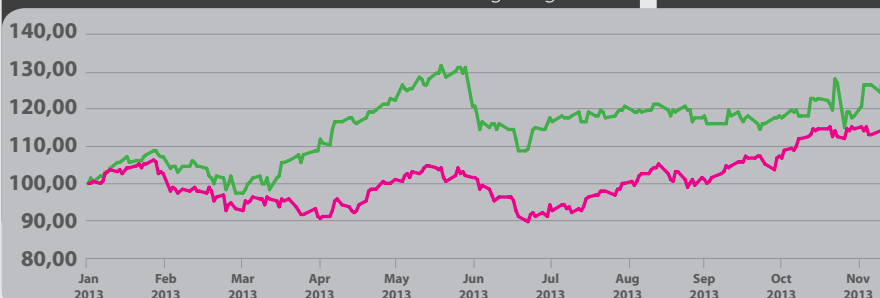
Axia Ethical / Kempen/SNS Smaller Europe SRI Index

FTSE ECPI Italia SRI Benchmark / FTSE ECPI Italia SRI Leaders

Hera's stock price since beginning of 2013



Hera vs. FTSE Italia All-share Index – Performance since beginning of 2013



Since the beginning of 2013 the Hera stock has continuously overperformed the Italian equity market index: an outperformance that in several moments reached the 30% extent and remaining still substantial even though the Italian stock market has started an uptrend from mid-June onwards, driven by the presence of a banking sector with a heavy weight on total market capitalisation - bank stock prices in particular strongly benefitted from ECB promises to keep interest rates low to favour GDP growth. Following the release of half-year results (on 28 August, the same date of the last issue of this newsletter), the stock price ranged between 1.43 and 1.50 euro till mid-October. From then on, the stock price again exceeded 1.60 euro. As in general the whole Italian equity market, Hera stock appreciation was driven by the favourable monetary policy outlook and by an increasing political stability that makes structural reforms aimed to fuel economy recovery more likely. Hera's price positively reacted to the release of the terms of the right issue on 24 October; it showed an increased volatility over the last trading days, while the negotiation of the option rights is underway.

ANALYST COVERAGE

Broker	Target price €	Rating
Banca Akros	1.60	Hold
Citi	1.35	Neutral
Equita	1.72	Hold
ICBPI	1.61	Buy
Intermonte	1.60	Neutral
Kepler	1.80	Buy
Average (6 brokers)	1.61	

12 November 2013

The average target price, calculated on the back of the six brokers' target price covering the stock, presents a marginal change to 1.61 euro, from 1.63 euro as at 27 August. The picture of ratings remained unchanged, with four analysts presenting neutral ratings and the remaining two suggesting to buy the stock. No broker recommends to sell the stock. The average of 1.61 euro is in line with recent Hera stock prices; nonetheless the six broker target prices presents a wide spread (over 33%), considering the low level of 1.5 euro and the high one of 1.80 euro.

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