

## **Press release**

Bologna-Modena 24 June 2005

### **Boards of Directors approved the merger by integration project of Meta S.p.A. into Hera S.p.A.**

**Hera e Meta merger is at the starting blocks: the Board of Directors of the companies have approved the merger of Meta into Hera Group together with a voluntary public tender offer on 29% Meta share capital.**

Boards of Directors of the companies approved the merger by integration of Meta S.p.A. into Hera S.p.A. The merger by incorporation foresees the merger on the base of a exchange ratio of 1.286 Hera shares, with a par value of Euro 1.00 each, for every Meta share, with a par value of Euro 1.72 each.

The Hera Board of Directors has also approved to launch a voluntary and partial public tender offer on the 29% of Meta share capital at a price equal to 2.825 Euro per share limited to the Italian territory; the tender offer is consistent to the agreement signed on May 23<sup>rd</sup> 2005 by Public Shareholders of the two companies and to offer the same opportunities to Meta public and private shareholders.

In accordance to the art. 102 of TUF (Italian financial code), the public tender offer will be launched before the merger and will not proceed in case that Meta shareholders, representing at least 15% of Meta share capital, does not attend the offer nor in the case of unsuccessful inscription of the merger deed into the Register of Companies within December 2005.

In order to give execution to the agreement signed on May 23<sup>rd</sup> 2005 by Public Shareholders of the two companies, Meta public shareholders have the commitment to attend the tender offer with maximum 15% stake of Meta share capital.

The new entity is the first or second largest company among Italian local utilities:

- serving more than 2.5 million inhabitants,
- selling more than 2.2 millions cm of gas
- distributing about 234 million of cm of fresh water
- treating approximately 1.5 millions tons of urban waste.

The combined entity show in 2004, a turnover of about 1.8 bln Euro, an EBITDA of about 360 mln Euro, a market capitalization of 2.2 bln Euro and a business platform of primary standing.

The similar business portfolio of the companies together with the interesting reference market will permit to enhance the value of their know how and will allow to exploit significant synergies.

The companies have estimated an yearly improve of Ebitda up to 20 mln Euro by 2008 thanks to potential synergies exploitation mainly related to:

- procurement cost saving of raw materials (gas and electricity) and of services;
- development of the organisational structure and of the waste business.

The scale reached by the new entity will also allow the optimisation of the capital expenditure.

The merger of Meta is an unique opportunity to progress in Hera strategy focused on:

- Improving the service quality delivered to customers maintaining the Group strong competitiveness;
- Enhancing the growth potentials and improving the “social and economic sustainability” profile of the Group;
- Creating value to shareholders.

Meta merger by integration into Hera implies the establishment of a fully owned Local Operating Company (LOC) which will be operating by 1° January 2006.

The reorganisation of the activities will include the assignment of the responsibility of the Plant development, Engineering, and Electricity Network Division to Modena, being able to deploy their existing specific know how and to allow Modena to contribute to the Group growth supervising the significant development program of Waste-To-Energy and Electricity generation plants.

The merger will be realised through an increase of Hera share capital excluding pre-emptive rights of existing shareholders stated by art. 2441 comma 5° of the Italian civil code. The share capital of Hera will be increased from 839,903,881 to 997,226,553 Euro in case of 29% redemption of the tender offer and up to 1.028.247.925, in case of a partial redemption of 15% of the tender offer.

The merger will be subject to the approval of the extraordinary shareholders meetings of Hera and Meta which have been called for 22nd and 23rd September 2005 after the approval on the merger by the Antitrust Authority (law n. 287/90).



The merger will be accounted for in Hera financial report 2005 on a full year basis.

As a consequence of the merger and according to the agreement signed by Hera and Meta public shareholders, Hera corporate bylaw will change: the Hera Board of Directors will be enlarged from 14 to 18 members in order to guarantee additional 3 members to be appointed by current Meta public shareholders (article 2449 of Italian civil code) and 1 additional member to be appointed by private shareholders through the mechanism of list vote.

Following the merger, the shareholders pact among public shareholders will be changed to include the municipalities of Modena province (current shareholders of Meta), and will lock up 51% of the combined entity share capital owned by the municipalities.

In case of full redemption from the public tender offer (to be launched on 29% of Meta share capital), the municipality of Bologna will hold a stake of 15,29% of the new entity, the Consorzio AMI will hold a stake of 5,29%, and the municipality of Modena will become the second main shareholder with a stake of 11,46%.

Once approved the merger, the Meta shareholders who should not agree with that integration, will have guaranteed the escape right (ex article 2437, first comma letter g of the Italian civil code).

During the merger project set up Hera has been assisted by Unipol Merchant and Banca IMI as financial advisors and by Studio Legale Associato Avvocato Serafini as legal advisor; Meta has been assisted by UBM and Banca Popolare dell'Emilia Romagna as financial advisors and by Studio Chiomenti and Prof. Renzo Costi as legal advisors.

## Hera –Economic and Operating highlights

€ mln	2003	2004	1Q '04	1Q '05
Sales	1241,0	1519,2	468,8	528,8
<i>increase %</i>	<i>n.d.</i>	22%	<i>n.d.</i>	13%
Ebitda	242,5	300,2	99,2	105,1
<i>Ebitda %</i>	19,5%	19,8%	21,2%	19,9%
Ebit	112,8	144,3	65,2	67,7
<i>Ebit %</i>	9,1%	9,5%	13,9%	12,8%
Group Net Profit	49,5	56,7	<i>n.d.</i>	<i>n.d.</i>
<i>Net Profit %</i>	4,0%	3,7%	<i>n.d.</i>	<i>n.d.</i>
Equity	894,5	979	<i>n.d.</i>	<i>n.d.</i>
NFP	444,3	561,3	355,6	689,4

Key figures		2003	2004
Gas sold	<i>Mln cm</i>	1.634	1.886
Gas customers	<i>n.</i>	699.885	798.716
Electricity distributed	<i>Gwhe</i>	509	536
Electricity sold	<i>Gwhe</i>	1.628	2.282
Electricity customers	<i>n.</i>	50.075	53.759
Urban waste collected	<i>K ton</i>	1.117	1.260
Urban waste treated	<i>K ton</i>	1.179	1.316
Special waste treated	<i>K ton</i>	1.214	1.360
Differentiated waste	<i>%</i>	26,4%	28,3%
Water sold	<i>Mln cm</i>	180	206

### Meta – Economic and Operating highlights

€ mln	2002	2003	2004	1Q '04	1Q '05
Sales	262,6	295,2	277,5	89,5	114,6
<i>increase %</i>	<i>n.d.</i>	12,4%	-6%	<i>n.d.</i>	28,1%
Ebitda	55,0	68,1	62,8	19,3	22,9
<i>Ebitda %</i>	21,0%	23,1%	22,6%	21,6%	20,0%
Ebit	26,3	35,7	32,9	11,5	15,2
<i>Ebit %</i>	10,0%	12,1%	11,8%	12,9%	13,3%
Group Net Profit	12,6	17,9	20,2	6,3	8,8
<i>Net Profit %</i>	4,8%	6,1%	7,3%	7,1%	7,7%
Equity	262,3	294,3	342,8	300,6	351,7
NFP	51	35,6	-5,8	12,6	3,3

Key figures		2003	2004
Gas sold	<i>Mln cm</i>	347,5	340,0
Gas customers	<i>n.</i>	141.843	141.873
Electricity distributed	<i>Gwhe</i>	932,5	934,8
Electricity sold	<i>Gwhe</i>	807,0	768,5
Electricity customers	<i>n.</i>	113.641	114.482
Urban waste collected	<i>ton</i>	239.343	246.433
Waste treated	<i>ton</i>	412.828	415.378
Differentiated waste	<i>%</i>	27,9%	29,4%
Water sold	<i>Mln cm</i>	29,8	28,7

**For further information please contact:**

**Jens Klint Hansen**  
IRM Hera Group  
+39-051-28.77.37

**Massimo Romani**  
IRM Meta  
+39-059-40.74.25