Acquisition of Centro Ecologico of Ravenna

Conference call held on 6th July 2004

- Executive Summary
- The Deal Strategic Framework
- The Acquisition
- Asset Acquired
- Financial Overview
- Capex
- Synergy Potentials and Future Capex Options
- Conclusions

TOPICS	HIGHLIGHTS
• Strategy	• Reach a leading position in industrial waste treatment business. Asset rationalisation and organic growth potentials are possible thanks to the leading edge technology, the remarkable size and location of Centro Ecologico
• The Deal	• 100% acquisition of a NewCo specially established to sell Centro Ecologico Strategy. Assets will be valued at Hera's acquisition price, optimising fiscal impact and financial leverage.
• Price	• 48,9 million euro (cash consideration). Implicit Ev/Ebitda 2004 of 5,4x. The deal could be financed through already existing "stand by" credit lines (cost euribor + 0,5% insured variable rates).
• Assets and Capex	• Newly revamped plants: estimated capex of 2,6 million in 5 years ('04-'08)
• Economics	• (see table below)
• Further value creation	• Synergies of about 0,2 mln €/year and avoid capex of about 7,5 mln€ • Options: further capex in 2007-2009 with a NPV of about 4 mln€ ('09-'17)
• Closing	• Approx. end of September

Highlights *(mln euro)*	2000	2001	2002	2003	E2004
Turnover	24.5	22.1	25.9	23.4	25.2
Ebitda	**10.7**	**7.8**	**12.8**	**6.9**	**9.0**
Margin%	*43.7%*	*35,4%*	*49,4%*	*29,7%*	*35,6%*
Ebit	6.0	3.1	7.8	1.6	3.9

Executive Summary

- **Expansion in the Special Waste Treatment Business**, through the increase of complementary technologies (thermo-combustion and biological treatments)

- **Strengthen the WTE** becoming the **third best player in Italy** (after EDF-Fenice and Ecodeco) in the industrial waste treatment business with a 6% market share.

- **Acquisition of a nation wide perspective to serve national and international clients (including ENI)** reaching a tight integration with the petrol-chemical district of Ravenna

- The Plants (recently built or newly revamped) are of a remarkable capacity which is sufficient **to create cost optimisation** (synergies) **and Organic growth potentials**

- Opportunities to **rationalise operating plant sites** throughout Ravenna area, concentrating new capex in the new site and leveraging on existing infrastructures.

- The deal regards the acquisition of **100% of a NewCo** into which the Centro Ecologico will be merged

- **The NewCo will include only assets with no financial debt.** The main asset is a WTE plant for Special (solid and liquid) waste.

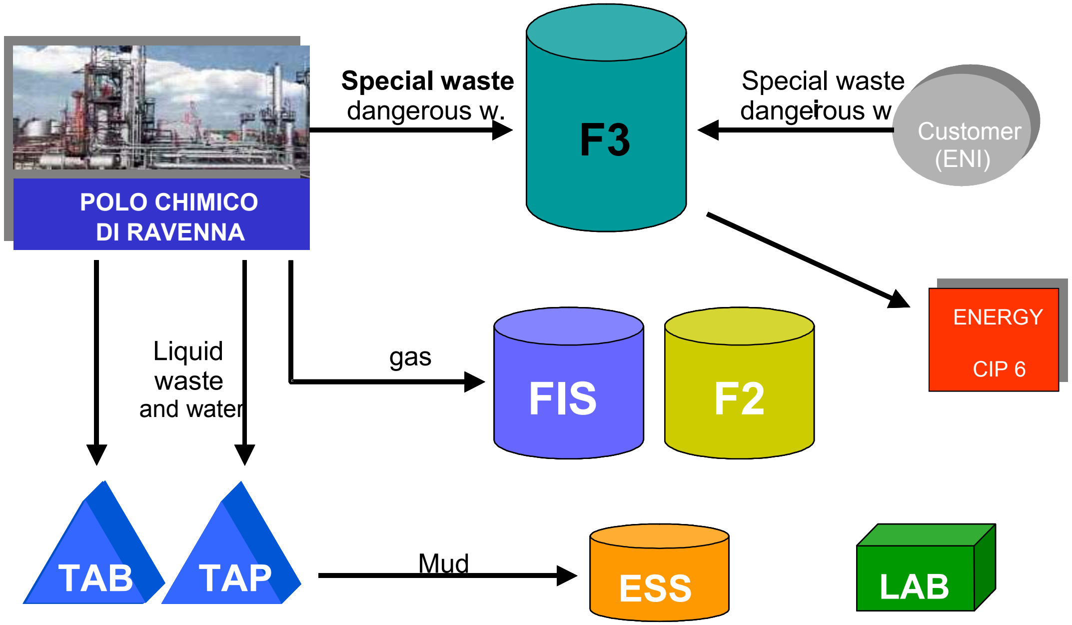
- **The net book value** of NewCo will **equal** the **consideration paid Hera**

- The **consideration** of **48.9 mln** € will be **in cash** (**5,4x** Ev/Ebitda E2004)

- **Timing:**

  - 5th July — The sale-purchase agreement has been signed
  - July-September — Environmental audit and anti-trust authorisation
  - September end — CLOSING

The Acquisition



	Capacity	Year
F3	40.000 t/year of special / dangerous waste	1997
FIS	4.700 Kg/h non chlorinated gas	2002
F2	2.000 Kg/h chlorinated gas	2002 revamping
TAB	"White water"	-
TAP	1.200 m3/h water waste of process	Revamping in progress
EES	16.000 t/year of mud dried	-

PLANTS

- **F3** WTE plant
- **F2** thermo-treatment of chlorinated gas
- **FIS** thermo-treatment of non chlorinated gas
- **TAP** water (from process) treatment
- **TAB** water ("white") treatment
- **ESS** drying plant of mud
- **LAB** analysis centre

Asset Acquired

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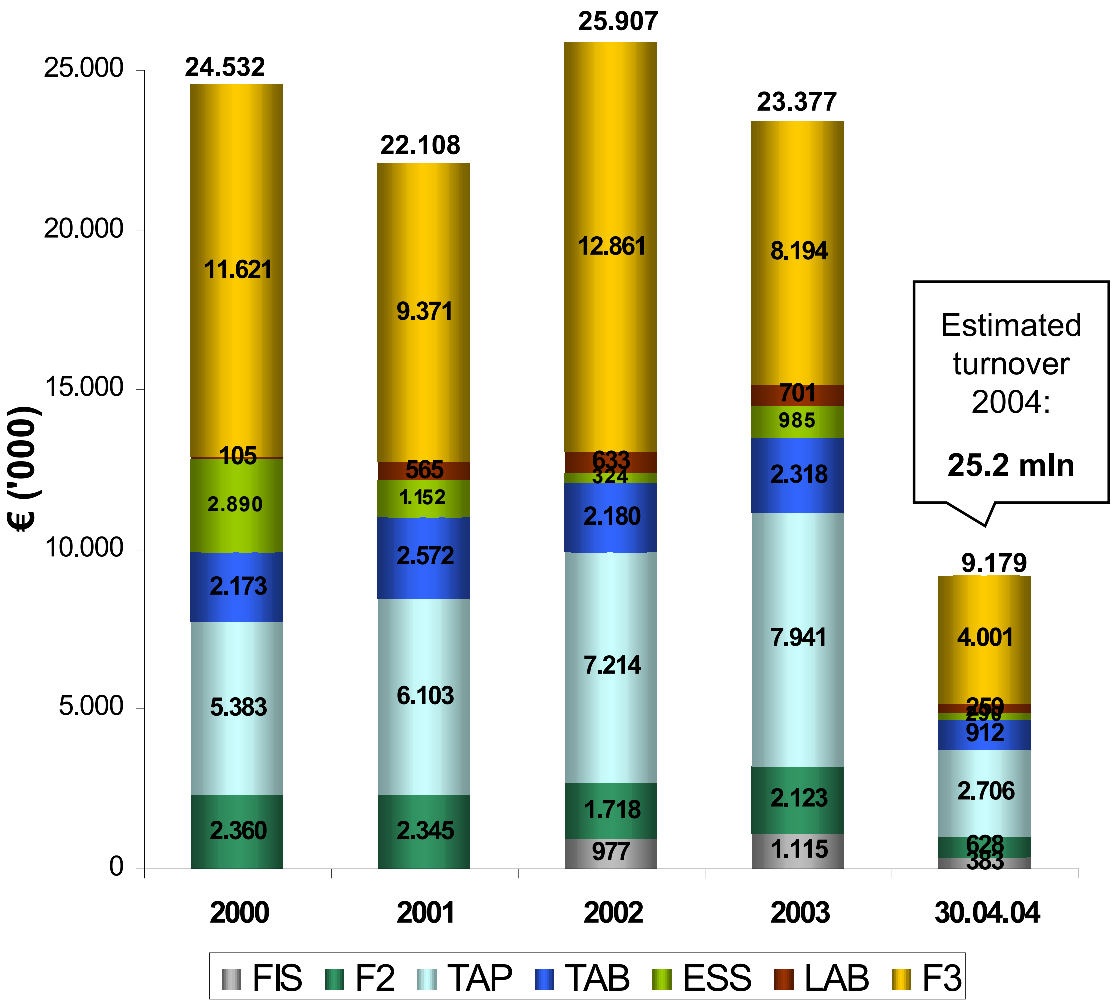
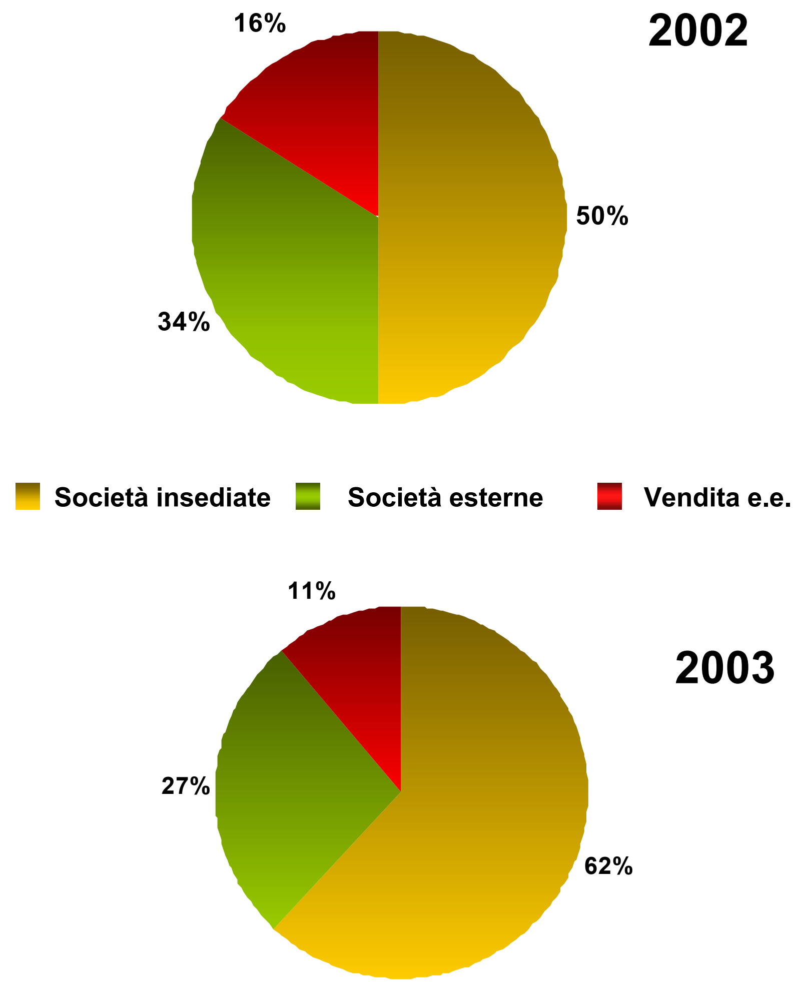
- Commercial relationship with onsite customers are regulated by 8 year contracts
- The WTE plant produce electricity sold to the national grid at incentive tariff scheme CIP6 expiring the second half of year 2007 (3.0 mln € average contribution over last years). Following minor capex the plant might obtain authorisation to sell green certificates once cip6 will expire.
- The Ebitda of last 4 years has reached up to 50% of turnover (changing in relations to the amount of waste treated and maintenance stop of the plant).
- 72 people are employed

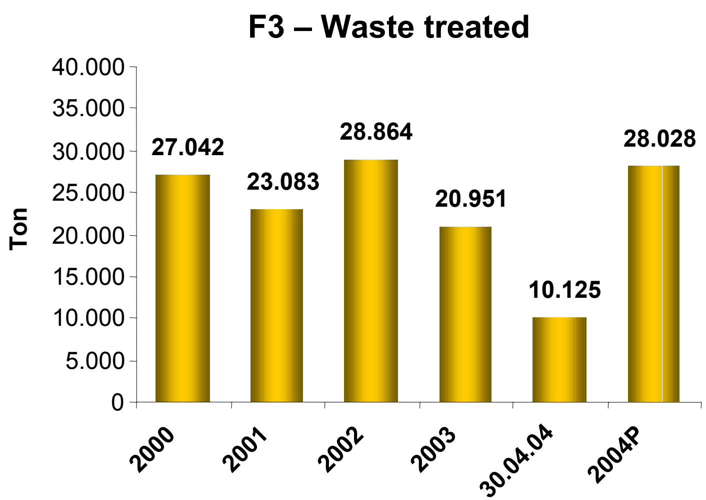
Turnover breakdown by plant

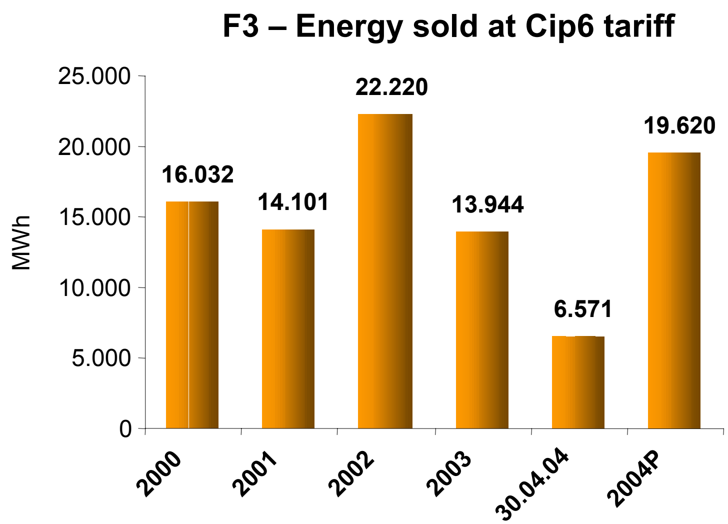


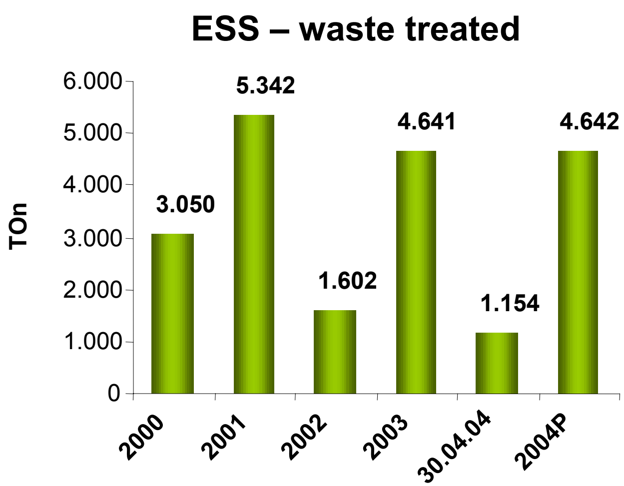
Turnover breakdown by customer

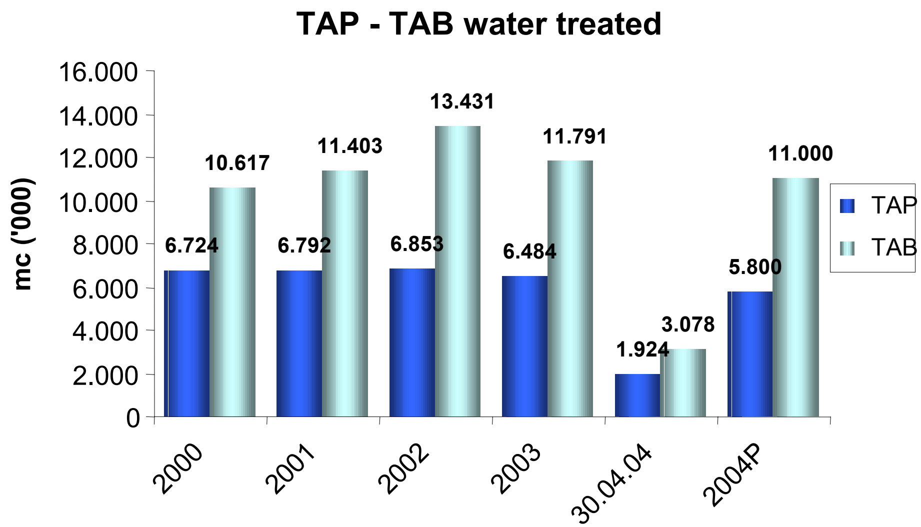


Financial overview: Turnover breakdown







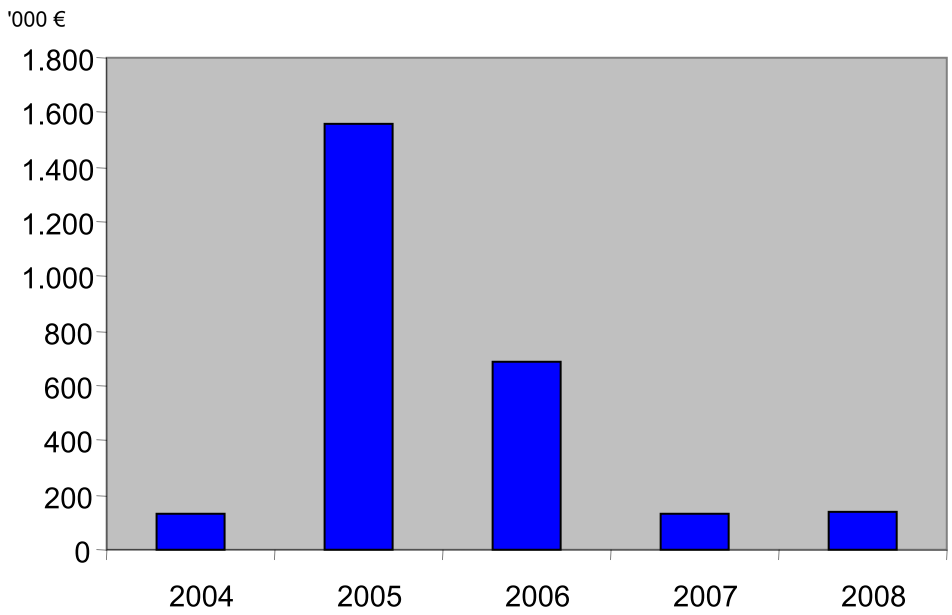


Financial Overview: Waste treated and energy produced

Highlights (mln €)	Centro Ecologico	HERA
Turnover 2003	25,2	285,8
Ebitda 2003	6,9	62,3
Margin %	*29,7%*	*21,8%*
Special Waste Treated 2003 (t.)	67,900	1,213,000

Hera waste management business will benefit from Centro Ecologico higher profitability

- Capex in progress
  - 16.4 mln € capex to expand biological treatment capacity are in progress and will be completed within year end. The 86% of capex are charged to captive site customers through 8 years contracts. Those capex are financed by leasing contracts.
- Operating Capex (upgrading plants)
  - 2.6 mln € in 5 years



Capex

SYNERGIES

CTIDA PLANT

NETWORK OF CUSTOMER

MUD TREATMENT

Capex avoid: 7,5 mln€

Revenues and cost synergies:

ca. 0.2 mln €/year

OPTIONS

REVAMPING OF ELECTRICITY PRODUCTION FACILITIES (GREEN CERTIFICATES)

EXPANSION OF DRYING PLANT

NPV of 3,0-4,0 mln€

Synergy potential and future capex options

- Hera strengthens its market position in a profitable business with high entry barriers (authorisation from authorities and inhabitants consensus)

- Hera has plants now located within the petrol-chemical area of Ravenna (Emilia Romagna) serving new clients (including ENI) with long term contracts

- Revenues increase (cross selling opportunities) and cost cutting potentials (synergies with existing business) are achievable in future

- Commercial agreements are under negotiation to consolidate operations

- Further expansion opportunities are available thanks to the acquisition

- Consideration of 48.9 mln € imply an EV/Ebitda E2004 multiple of 5,4x