



*Hera-Meta integration  
project is now underway*

*Creating the  
Italian Leading Local Multi-utility*

## *Hera-Meta merger*

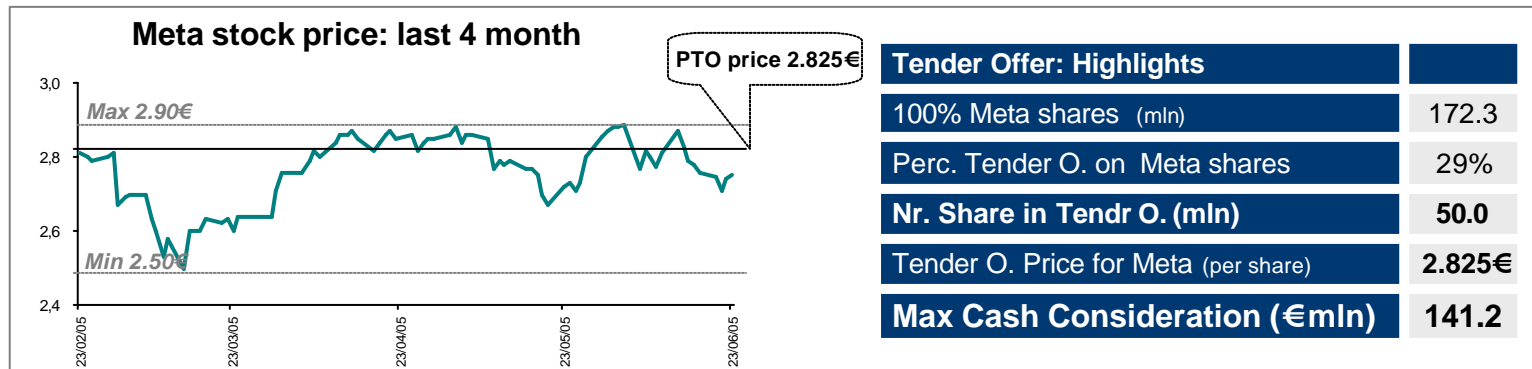
▶ Introduction	3
▶ Deal structure	4
▶ Meta	8
▶ Strategic Framework	11
▶ Merger value creation	14
▶ Conclusions	17

## Hera-Meta agreed to merge creating a leading player

- ▶ Following the agreement signed in May by Hera and Meta main public shareholders, **on the 24th June the Board of Directors of both companies have approved the project to integrate Meta into Hera Group within year 2005.**
- ▶ **Meta project is similar to Hera past mergers** and it highlights **potentials to strengthen** all main core business, **create value** leveraging upon the existing scale and know how and deploy **Hera successful integration model**
- ▶ **Integration project is structured into:**
  1. **a preliminary tender offer covering** up to 29% of Meta capital
  2. **subsequent merger.**

## Tender offer on 29% of Meta share capital at 2,825€ per share

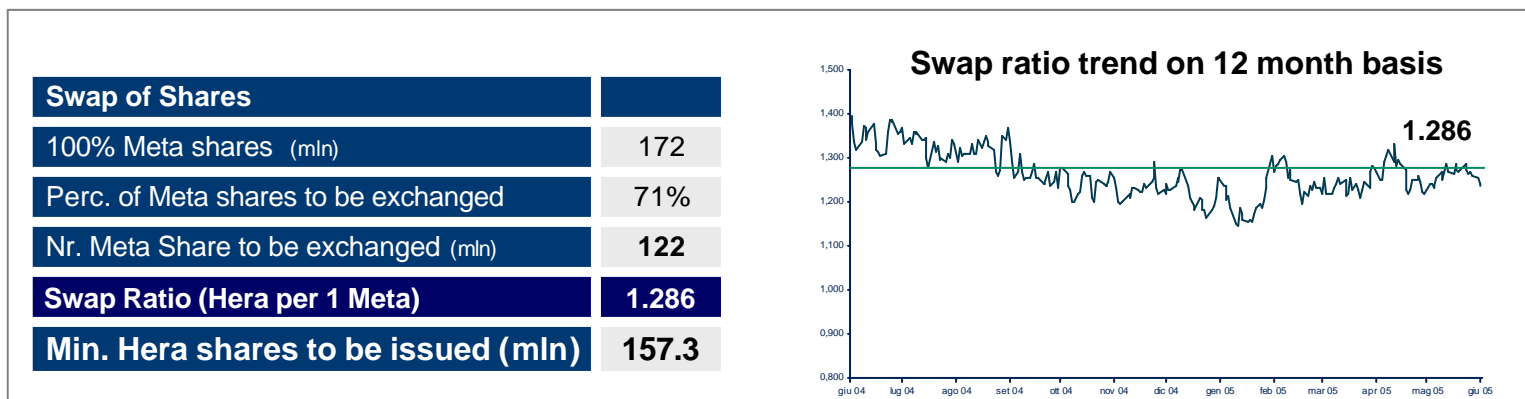
- ▶ Hera will launch a partial voluntary tender offer (“Offerta Pubblica di Acquisto”) on Meta shares
  - ▶ **Tender offer price: 2,825 € per share**
  - ▶ **Up to 29% of Meta share capital (minimum amount of 15% of Meta)**
  - ▶ **Meta Public shareholders will tender max 15% of Meta shares capital**
  - ▶ **Timing: November 2005**



**Deal Structure: PTO on 29%**

## Meta merger into Hera

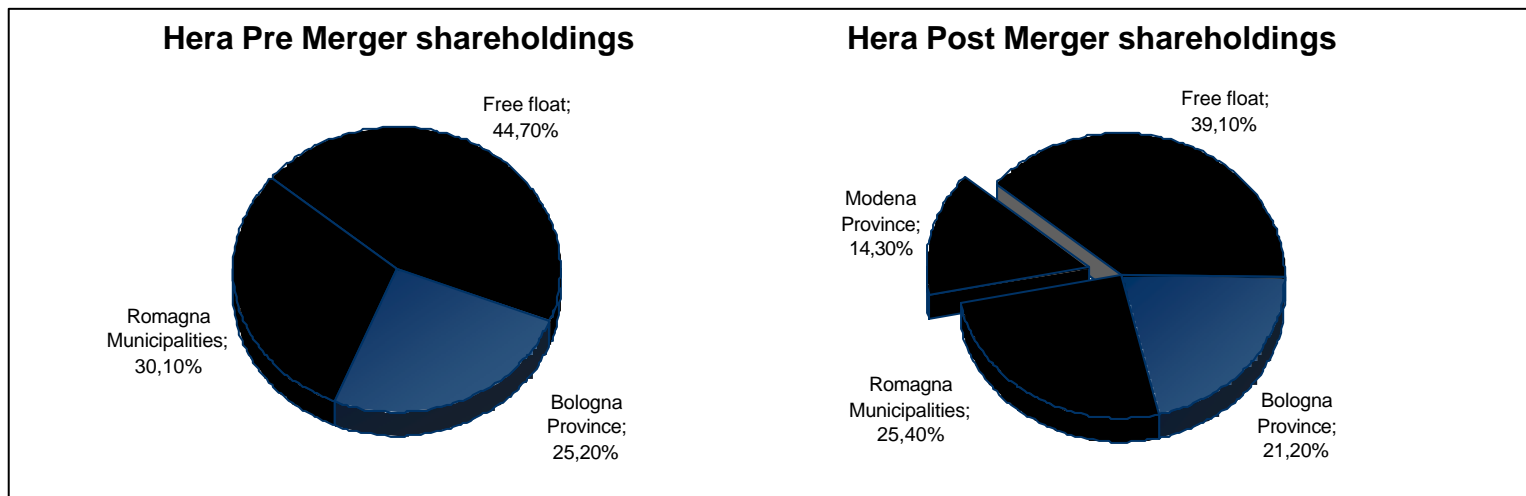
- ▶ All Meta shares not acquired through the tender offer will be exchanged into Hera new issued shares
- ▶ **Exchange ratio: 1,286 Hera shares** for each of Meta's
- ▶ Timing: 15 Dec. 2005 with legal effect at the 31st Dec. 2005 and financial effect back to 1st Jan. 2005
- ▶ "Hera Modena" LOC will be operating from 1st Jan. 2006



**Deal Structure: 71% of Meta swapped with Hera Shares**

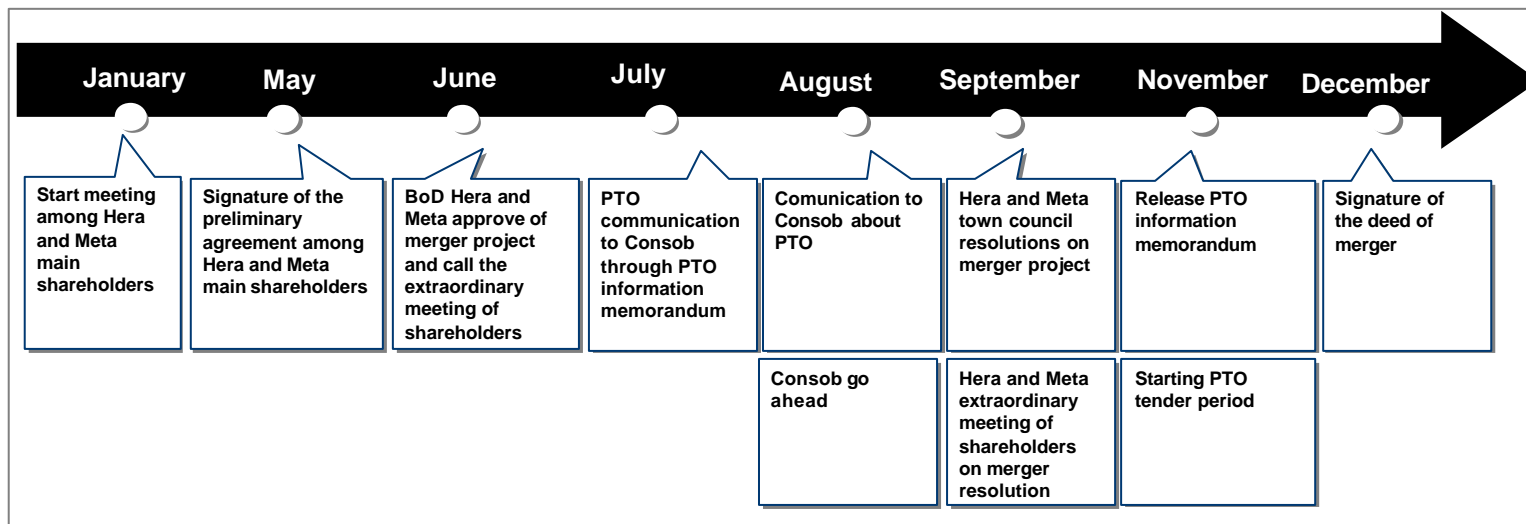
## Post merger Organisation, Governance and Shareholdings

- ▶ Hera Board of Directors will be enlarged by 3 new members appointed by Meta public shareholders and by 1 further appointed by minority shareholders (18 members in total).
- ▶ Following the merger the shareholding pact of the combined entity will include the present public shareholders of Meta



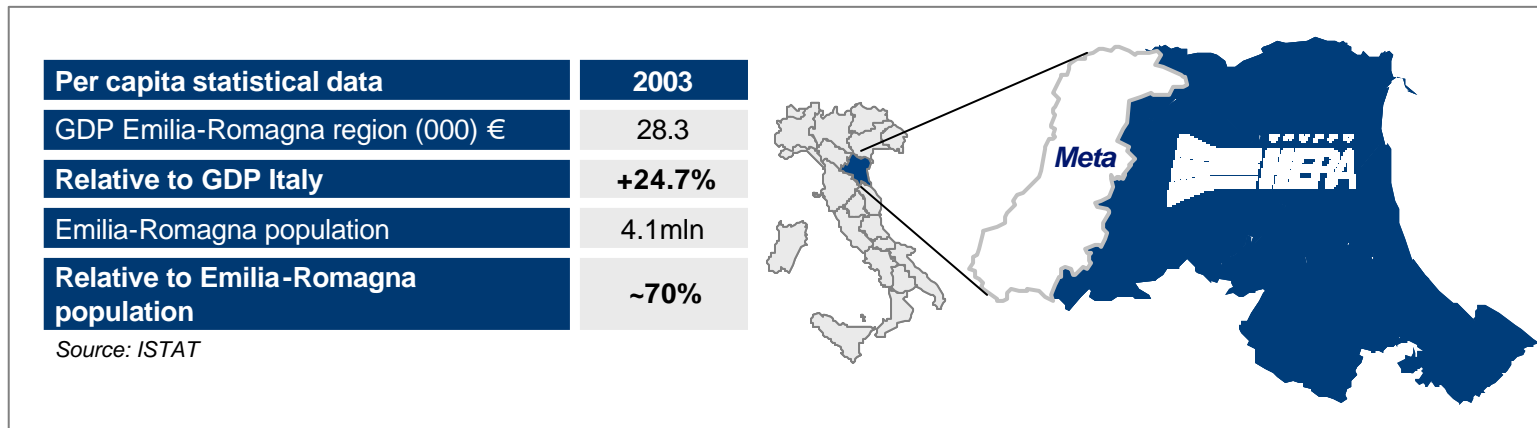
## The merger timetable

- First and most relevant merger ever achieved in the sector realized between two listed companies
- The transaction will be carried out in less than 12 month and the closing is expected by 2005 year-end
- Hera financial report of year end will account for the Meta merger on a full year basis.



## Meta is an unique and attractive opportunity of widening customer base

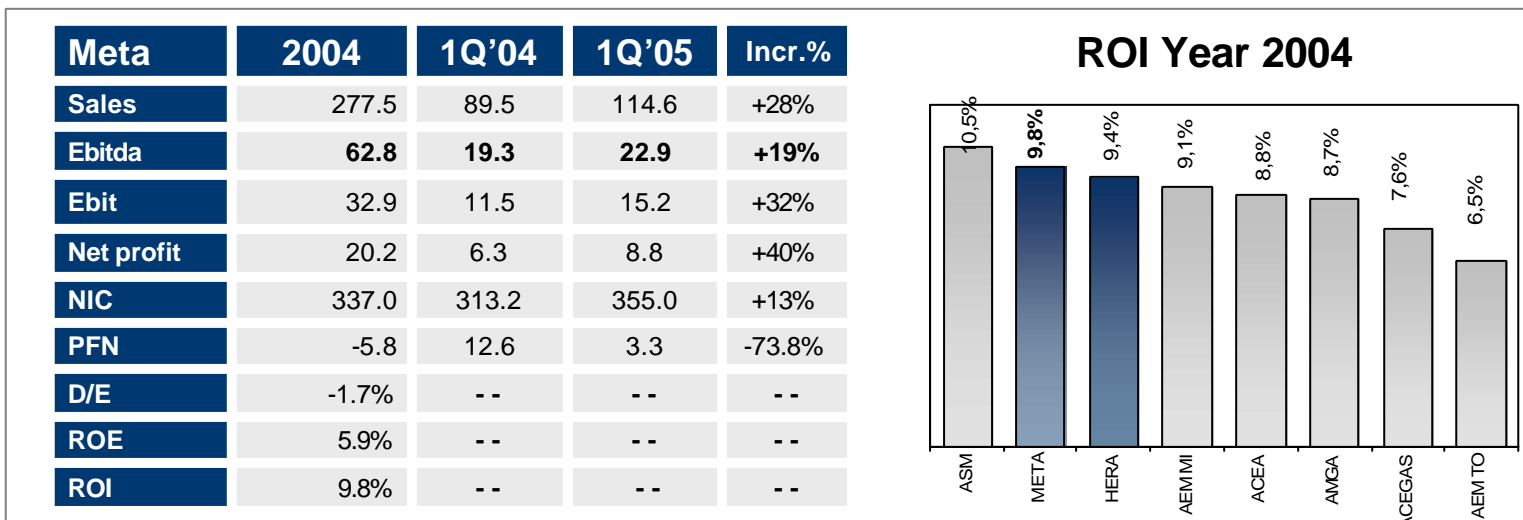
- ▶ The geographical fit enhances synergy potentials in any core business
- ▶ Synergies are expected to be effective through an accelerated development path
- ▶ The new entity will serve about 70% Emilia-Romagna territory, consolidating its presence in one of Italy's richest market





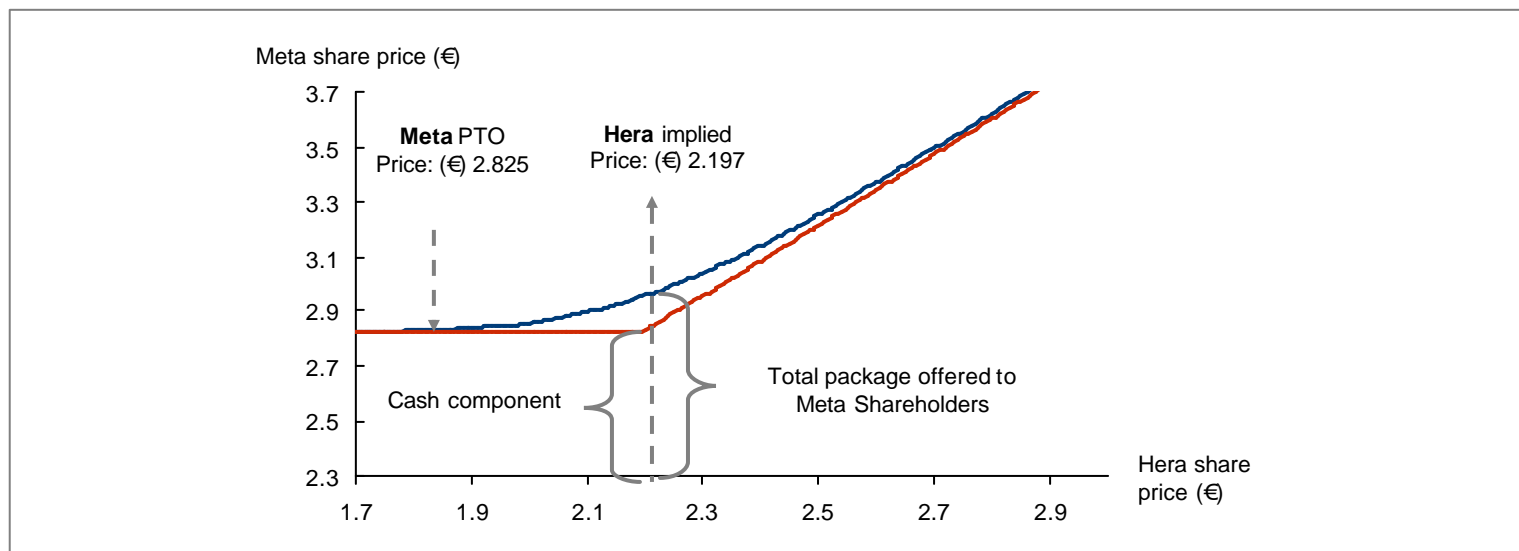
## Meta sound financials contribute to strengthen balance sheet providing opportunities to optimise deal structure

- Meta reported positive economic results in 1Q 2005
- Meta financial structure had no debt at year end 2004
- Returns on Invested capital above sector average (9.8%)



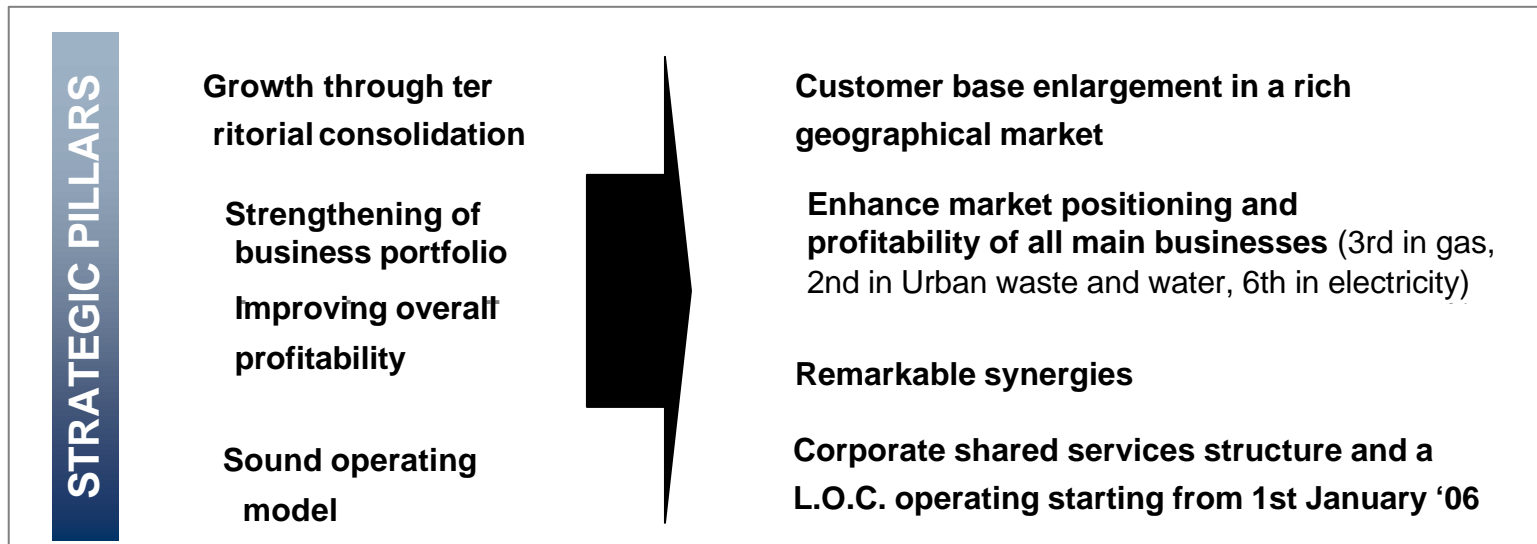
## Meta shareholders: upside potential, downside protection

- ▶ Market friendly transaction
- ▶ The combination of a cash and a shares exchange offer provides Meta shareholders with the opportunity to benefit from any Hera share price increase, maintaining a solid downside protection until the end of the PTO



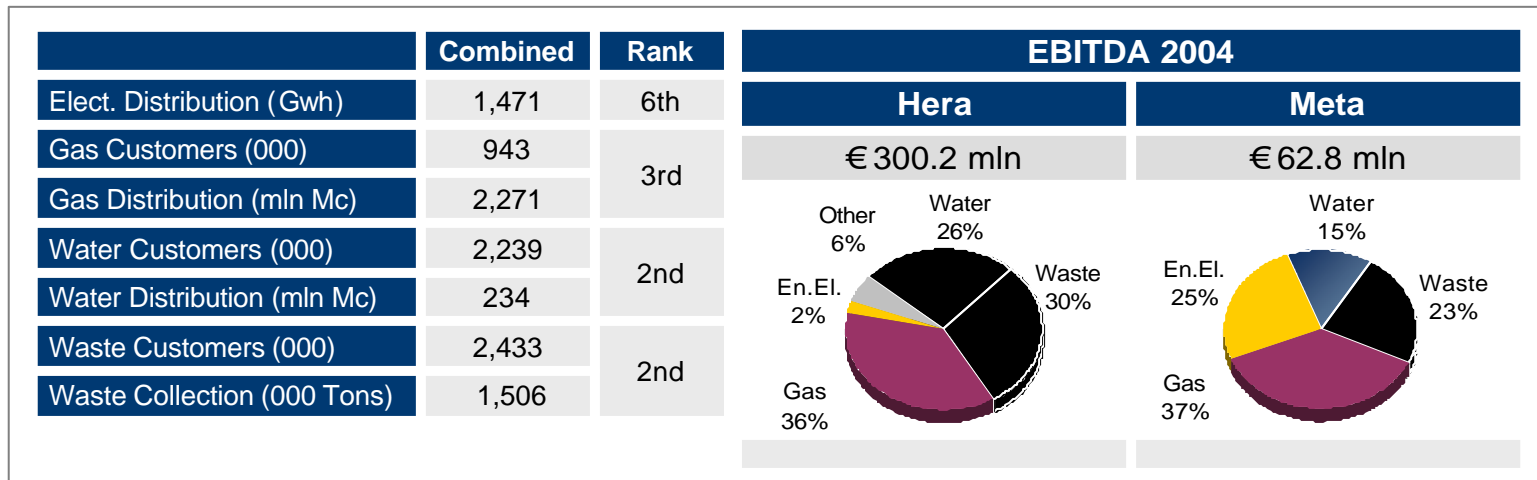
## Meta integration will assure a consistent and full rounding business strengthening

- ▶ Meta business platform offers a remarkable opportunity to progress in Hera strategy implementation
- ▶ Meta integration provides the new entity with a substantial opportunity for strategy execution



## Business portfolio allows to enhance competitive positioning of the new entity

- ▶ Hera – Meta will achieve leadership in all key businesses both liberalized and regulated.
- ▶ Meta will contribute significantly to strengthen Hera Electricity distribution business
- ▶ Asset base will be further enhanced achieving a strong national leadership (networks, operating plants – WTE)



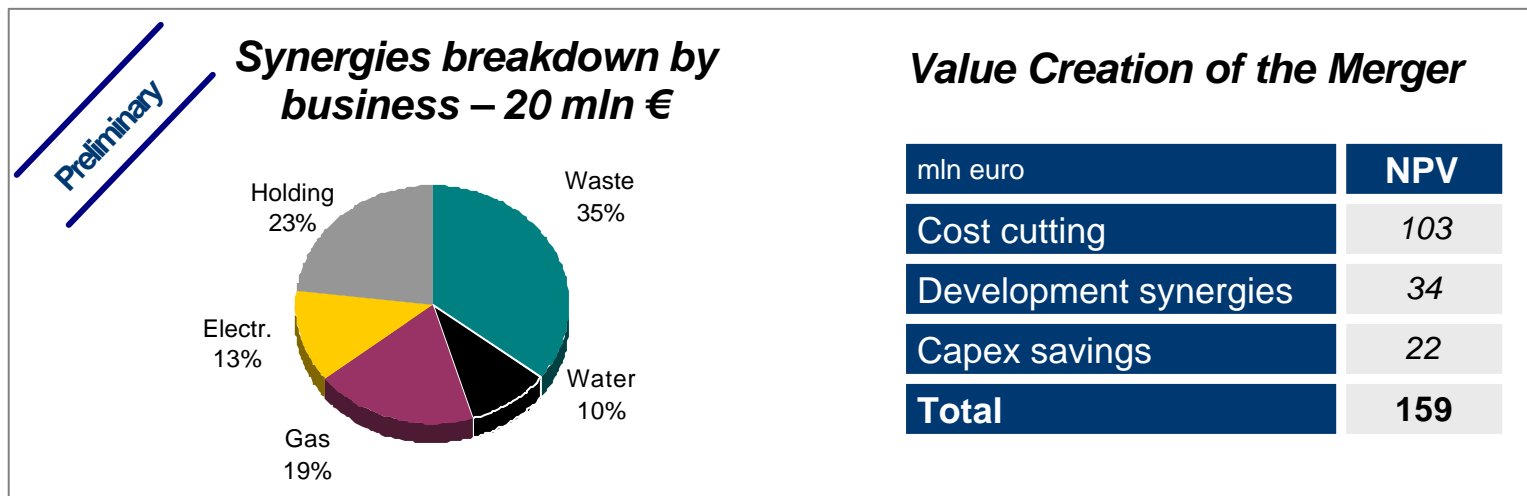
## Economic size and profitability of the combined entity

- ▶ Top ranking among Italian Multi-utilities
- ▶ The combined entity will present a proforma FY2004 Ebitda margin of 19% and Ebit margin about 9%.
- ▶ Returns on Invested Capital moving up to approx. 10%.

<i>P'04 figures</i>	<b>Hera</b>	<b>Meta</b>	<b>Combined</b>	<i>Vs. Peers</i>	<i>Combined</i>
<b>Sales</b>	1639.0	277.5	1916.5	<b>Sales</b>	1st Italian local player
<b>Ebitda</b>	<b>300.2</b>	<b>62.8</b>	<b>363.0</b>	<b>Ebitda</b>	3rd Italian local player
<b>Ebit</b>	144.3	32.9	177.2	<b>Ebit</b>	3rd Italian local player
<b>Net profit</b>	56.7	20.2	76.9	<b>ROI</b>	2nd Italian local player
<b>ROE</b>	5.8%	5.9%	n/a	<b>MKT Capitalisation</b>	2nd Italian local player
<b>ROI</b>	9.4%	9.8%	n/a		

## The Merger will allow to create additional shareholders value by 160 million €

- Thanks to Hera and Meta company size and consistent business portfolios, the merger will allow to **achieve an Ebitda improvement of 20 mln €/year by 2008**
- The combined entity shareholders will benefit from an overall value of synergies assessed at around 160 mln €



## Preliminary synergy estimates accounts in 20 mln €year by 2008

### Waste

- Cost reduction on special waste treatments leveraging upon Meta's CIC technology
- Market expansion of special waste business integrating respective asset base
- Exploitation of spare capacity (Spilamberto plant)
- Expansion of soil treatment business

### Energy

- Economies of scale on services and materials purchasing
- Commodities procurement cost reduction
- Efficiency improvement on network maintenance
- Trading cost optimisation

### Water

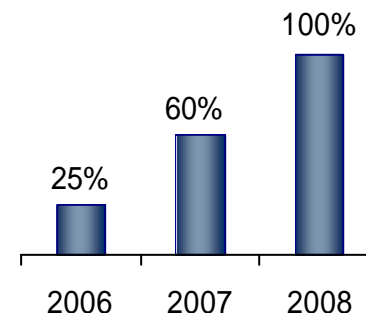
- Service procurement cost reduction and efficiencies
- Sharing of know how in liquid industrial treatment

### Holding

- Efficiency gains on shared services and staff activities
- Economies of scale on services purchasing

### Synergies: 20 mln€

*Time distribution*

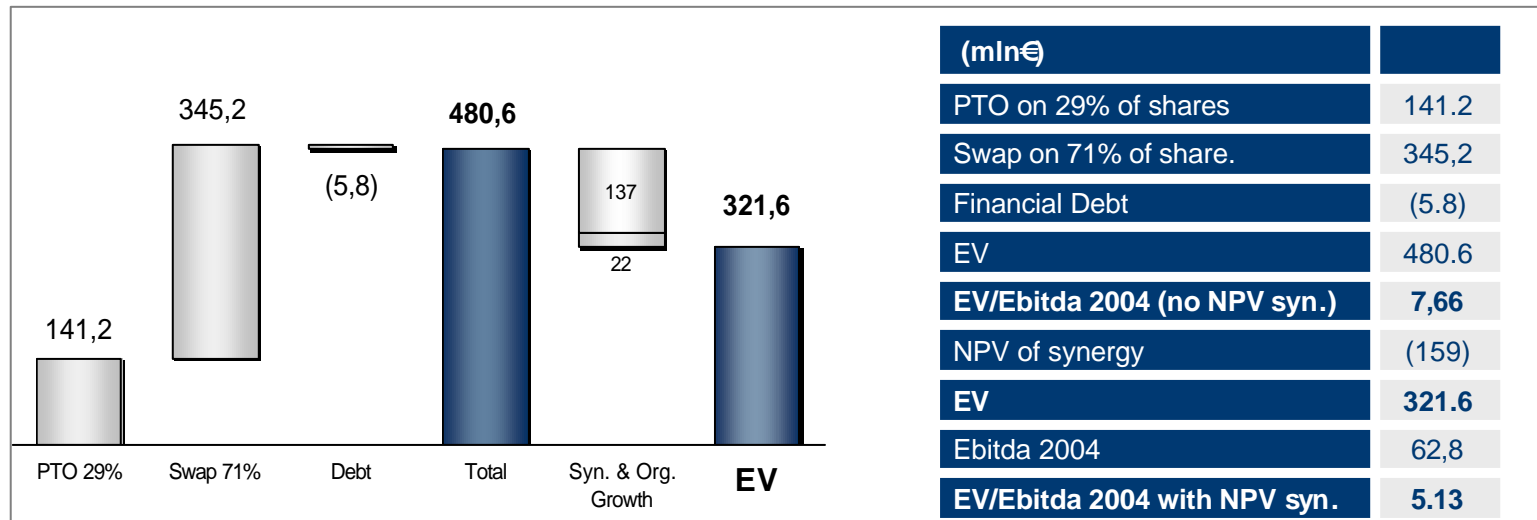


### Breakdown of Synergies

mln euro/year	
Cost cutting	14.6
Organic Growth	5.4
<b>Total</b>	<b>20.0</b>

## Implied value of the deal

- ▶ The transaction has an overall financial value of 486.4 mln €, approx. 1/3 about paid in cash
- ▶ Implied value for Meta at 7.6x EV/Ebitda 2004
- ▶ **Accounting for the value generated** of the synergies (approx. 160 mln €), the implied **EV/Ebitda 2004 goes down to 5.13x.**
- ▶ Benefits from deal execution will be shared by Hera and Meta sha reholders





## Closing remarks

- ▶ The project has been set up and agreed in less than 4 weeks
- ▶ Deal structure is confirming Hera management commitment to financial discipline and shareholders return while maintaining a market friendly approach.
- ▶ Tender offer will allow to optimise the new entity financial gearing
- ▶ Unique business perspective of the combined entity
- ▶ Remarkable growth potentials leveraging upon the combined business platforms, territorial coverage and know how
- ▶ The new business plan 2006-2008 is scheduled by year-end and will be disclosed to shareholders

**Keeping on developing the Italian local utilities leader**