



Analyst presentation



Introduction to 2004 Group results

Tommaso Tommasi di Vignano
Chairman



Thanks to the first significant merger in the Italian Utility Sector, Hera Group is today a leading player.

The Group mission is to be faithful to its “unique” and successful aggregation philosophy to:

- **Expand markets and vertically integrate** the low risk and diversified portfolio business (Waste, Water and Energy services mainly)
- **Exploit synergy** potentials of the complementary businesses
- **Maintain customer loyalty**
- **Enhance returns** of Hera tangible and intangible distinctive asset



Hera is the “first mover” in the fast changing Italian sector

Strategic guidelines implemented successfully in 2003 and 2004



Two years results of the aggregation model

2002

- Establishment of Hera Group through: the first and most significant sector consolidation initiative of the Italian Utility Industry



Creation of the Group

Leading Player

2003

- **Investment rationalisation**
- **Acquisition/Merger** of Geat
- **Acquisition** of 42% stake of **Ferrara multi-utility**
- **Expansion** into 3 minor Municipalities
- **Synergy** exploitation and **Organic Growth**



Organisation of the Group

+50 mln € Ebitda

2004

- Further investment rationalisation
- **Merger with Ferrara multi-utility**
- Reached 26.9% stake of **Aspes**
- **Acquisition** of:
 - 100% of **CE of Ravenna**
 - 20% stake of **SGR**
 - 39% stake of **SET**
 - 15% stake of **Calenia Energia**
- **Synergy** exploitation and **Organic Growth**



Expansion of the Group

+58 mln € Ebitda

Hera strategy, brought to “system”, has proved to be successful

Two years outstanding profitable results

<i>mln euro</i>	2002	2003	2004	2Y Cagr %
Sales	1,099	1,241	1,520	+16%
Ebitda	192	242	300	+25%
Net Profit	33	50	57	+31%
Dividend	3.5	5.3	6.0	+31%
<small>* Euro cent per share</small>				
D/E	29.3%	49.7%	57.3%	
ROI	6.9%	8.4%	9.4%	+250 <small>basis points</small>



In a fierce competitive industry, the Hera project will shape the Group future

Two Years Results: At Glance

Hera Group Consolidated Results

Stefano Aldrovandi
Chief Executive



Significant Growth track record

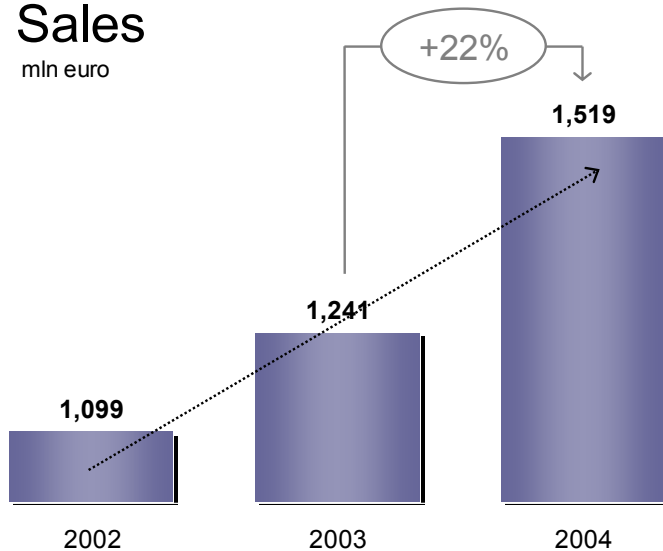
- **Hera has recorded a fast increase in the main financial figures:**
 - outperforming expectations already in the first year after the Hera establishment
 - confirming expectations in 2004 and setting higher targets for the future
- **Group Ebitda has increased in 2 years of about +108 million (+25% cagr) and assured higher returns to shareholders.**
- **These results enhance Hera reliable platform for long term growth (in line with Hera challenging plans)**



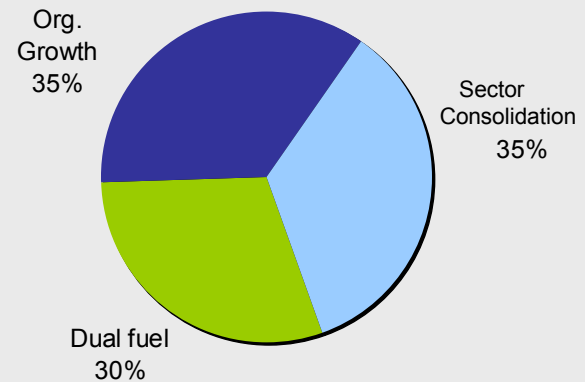
Once again Hera confirms strong growth trends

Sales Growth (16% cagr in 2 years) balanced drivers for market expansion

Sales
mln euro

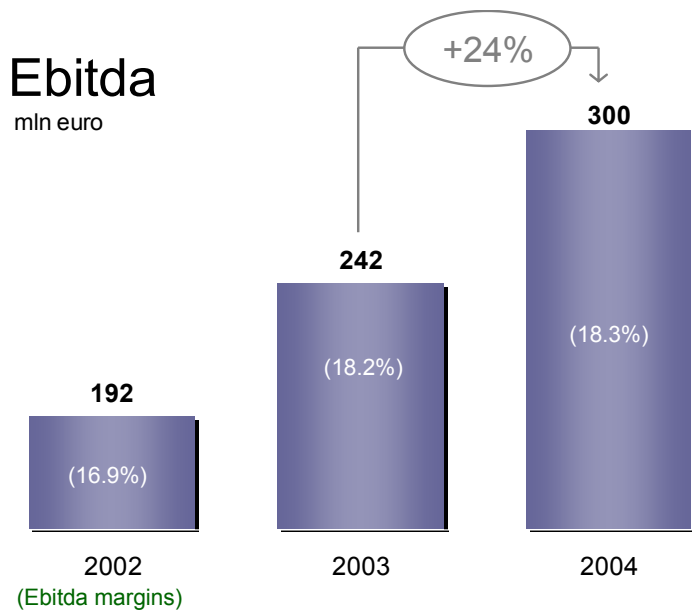


Sales Growth Drivers

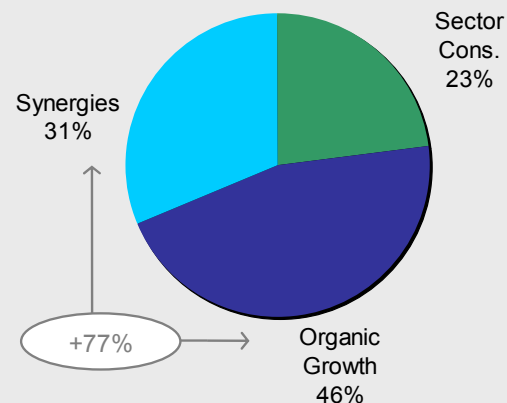


<i>mln euro</i>	2003	2004	2Y
Sector C.	0	+146	+146
Dual fuel	+48	+78	+126
Org. Growth	+94	+54	+148
Total	+142	+278	+420

EBITDA up by +108 mln € (25% cagr) in 2 years driven by Internal growth and Sector Consolidation

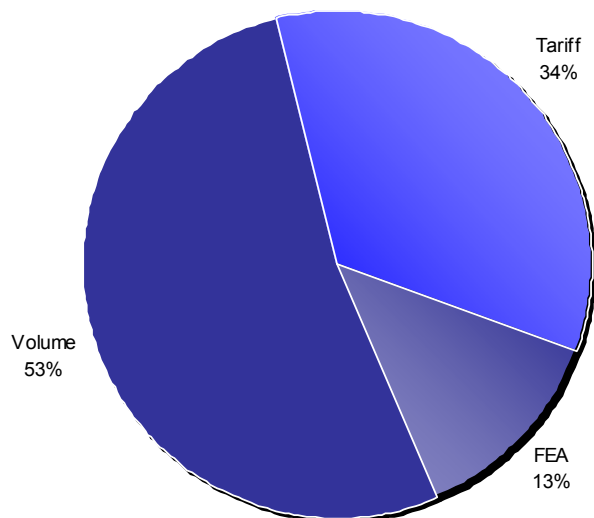


Ebitda Growth Drivers



<i>mln euro</i>	2003	2004	2Y
Org. Growth	+27	+22	+49
Synergies	+23	+11	+34
Sector Consolidation	0	+25	+25
Total	+50	+58	+108

Organic Growth

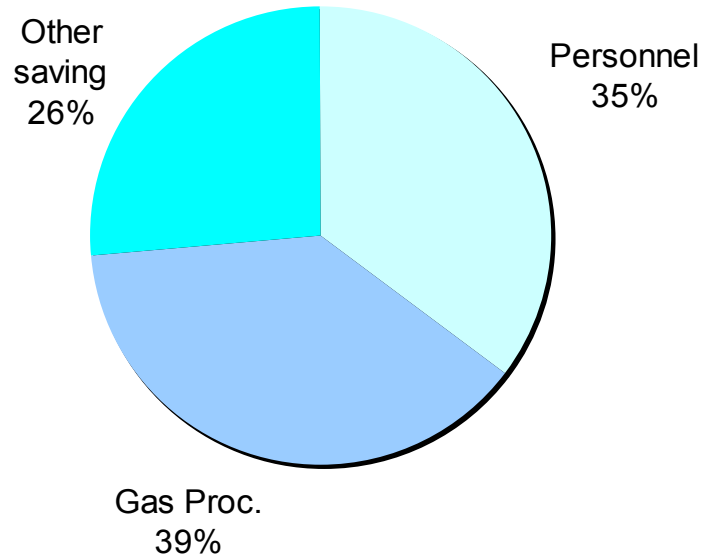


Ebitda - Organic Growth

<i>mln euro</i>	2003	2004	Total
Volumes incr.	+15	+11	+26
Tariff incr.	+12	+5	+17
FEA WTE*	0	+6	+6
Total	+27	+22	+49

*FEA WTE entered into operation in October 2004

Synergies

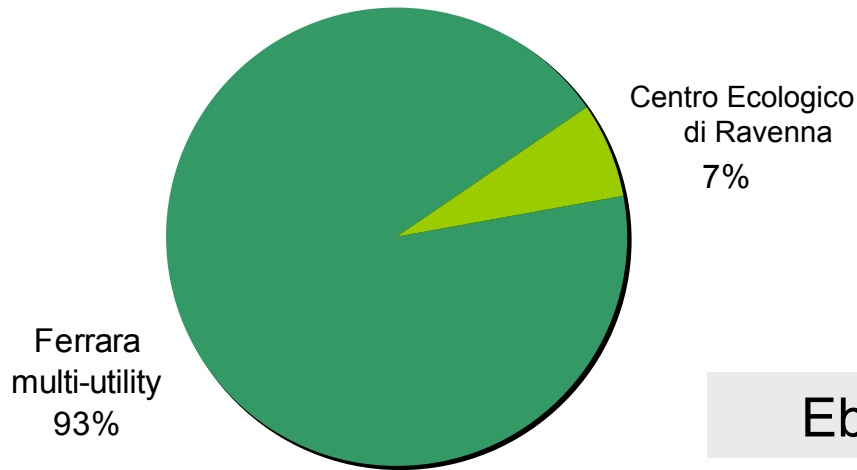


Ebitda - Synergies

<i>mln euro</i>	2003	2004	Total
Gas Procur.	+12	+1	+13
Personnel c.	+5	+7	+12
<i>HC reduction</i>	(214)	(105)	(319)
Cost cutting	+6	+3	+9
Total	+23	+11	+34

Ebitda: Synergies

Sector Consolidation

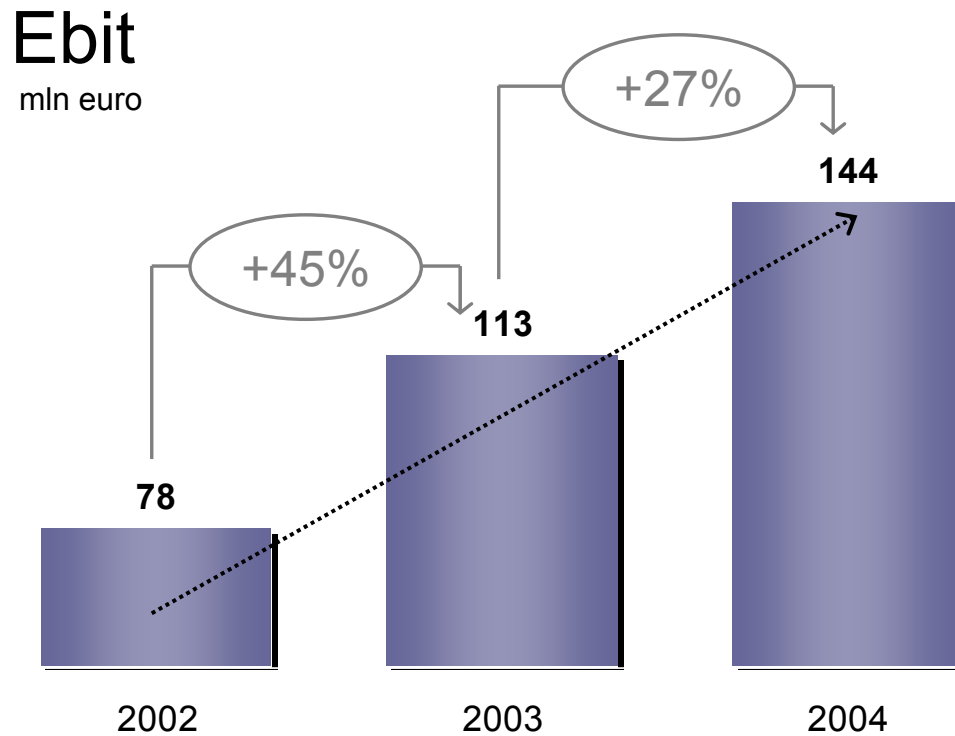


Ebitda – Sector Consolidation

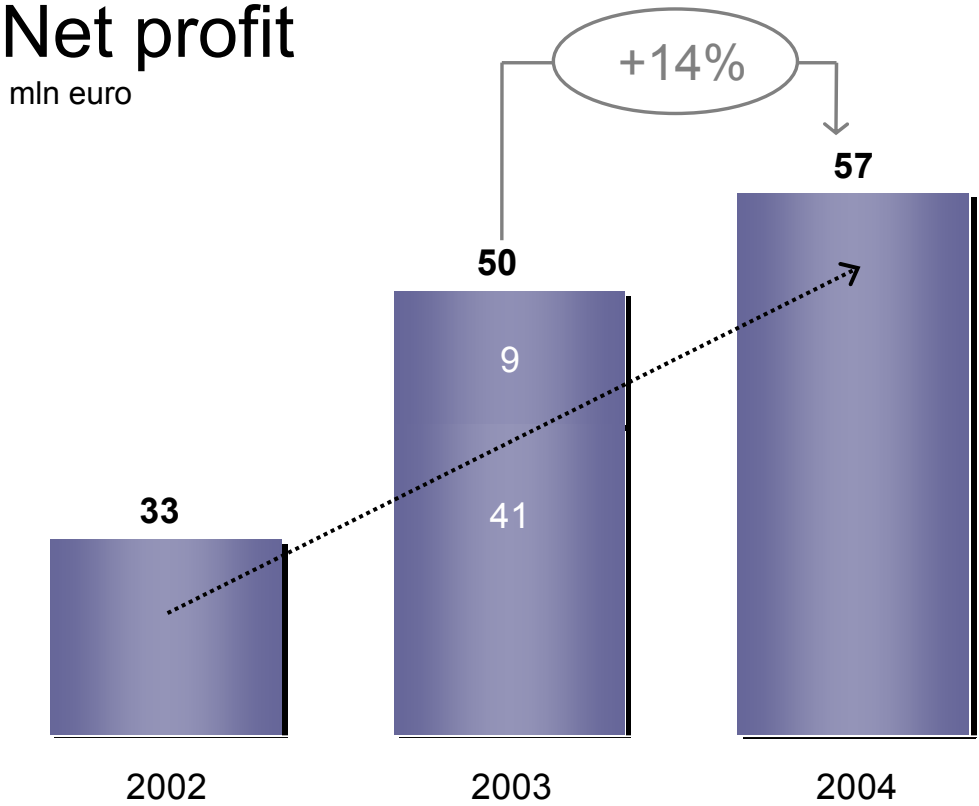
<i>mln euro</i>	2003	2004	Total
Ferrara multi-ut.	+0	+23	+23
CE of Ravenna*	+0	+2	+2
Total	+0	+25	+25

*Centro Ecologico of Ravenna acquisition was signed in September 2004

Operating Profit growth at 36% cagr over the last 2 years.

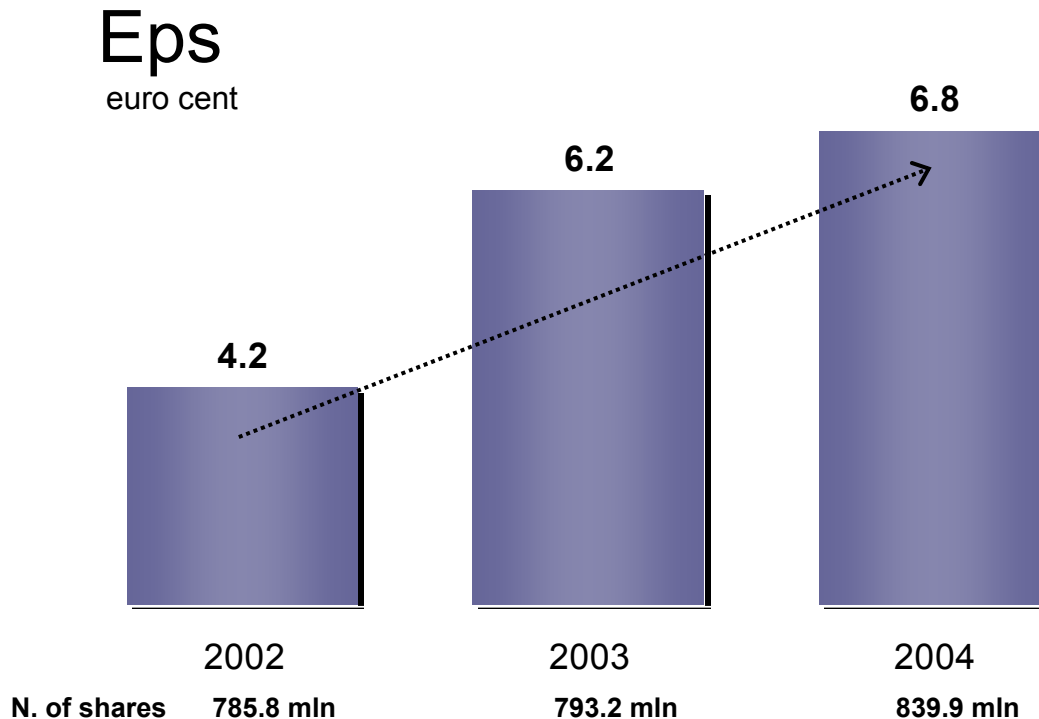


2004 Net Profit grows by 14%. The increase is up to +39% excluding 9 mln € 2003 extraordinary tax benefits.



Earning per share: Cagr +27% in 2 years.

In 2004 share capital increased by 46.7 mln shares following the merger of Ferrara multi-utility



Earnings per Share

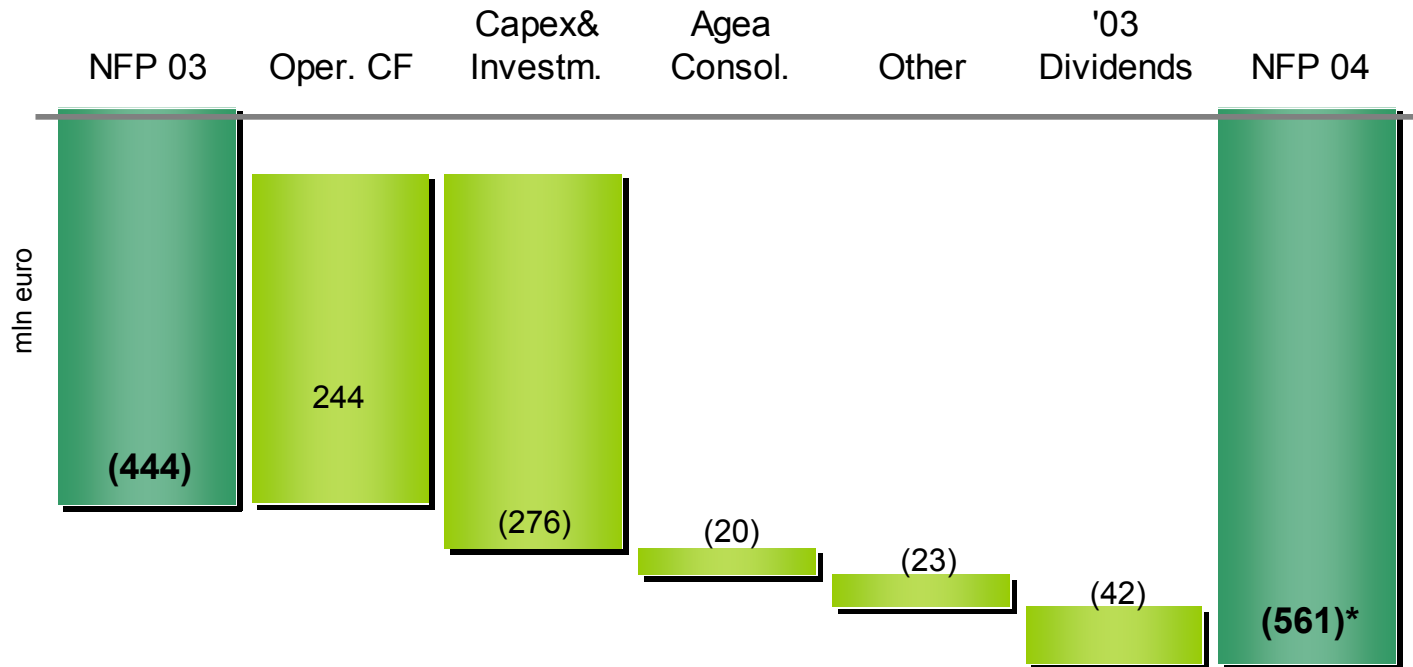
Operating Cash Flows increased by +42% in 2004
 Free Cash Flows improved by +54%

<i>mln €</i>	2003	2004	Incr. %
Net Profit	50	57	
Deprec, Amm.& Accruals	125	155	
NWC	(26)	32	
Operating CF	149	244	+42%
Capex & Investments	(320)	(276)	
Leasing effect, Minorities & Other	9	(23)	
Ferrara multi-utility Consolidation	0	(20)	
Free CF	(162)	(75)	+54%

Net Financial Position: Outperformed expectations

Net Financial Position 2004

mln euro

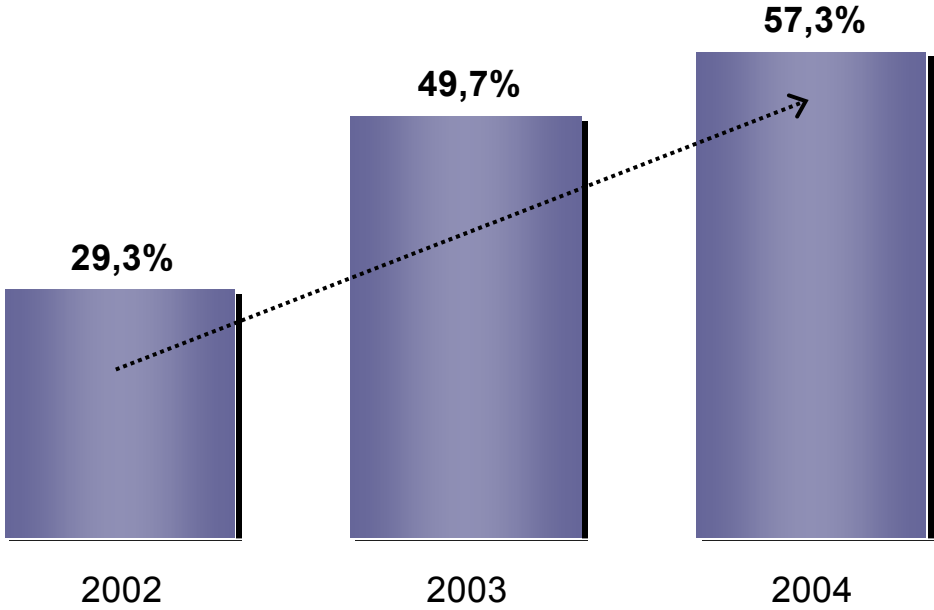


*Including 100% of FEA financial net debts (equal to 81,8 mln €) mainly related to a non-recourse Project Financing. Hera holds 51% of Fea share capital.

D/E ratio permits further expansion opportunities and implies a low exposure to changes in interest rates.

Debt/Equity

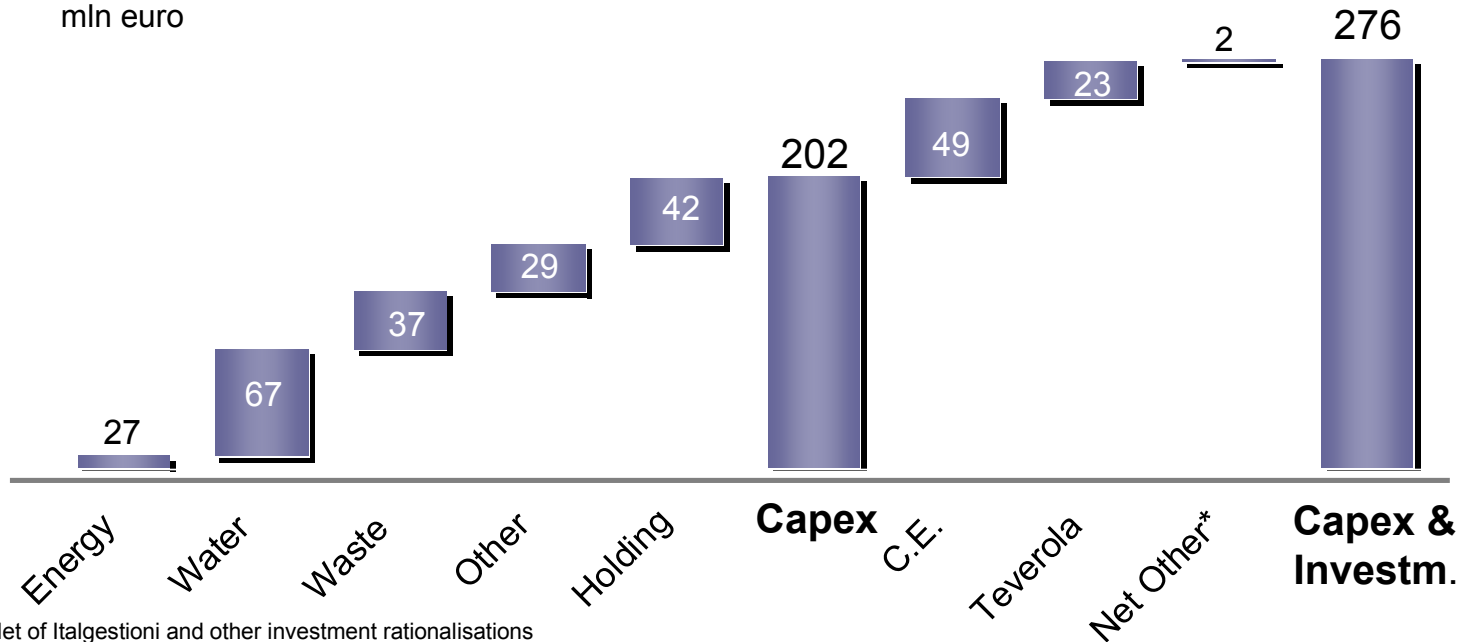
%



Operating Capex and Investments in “up stream” activities.

2004 Capex & Investments

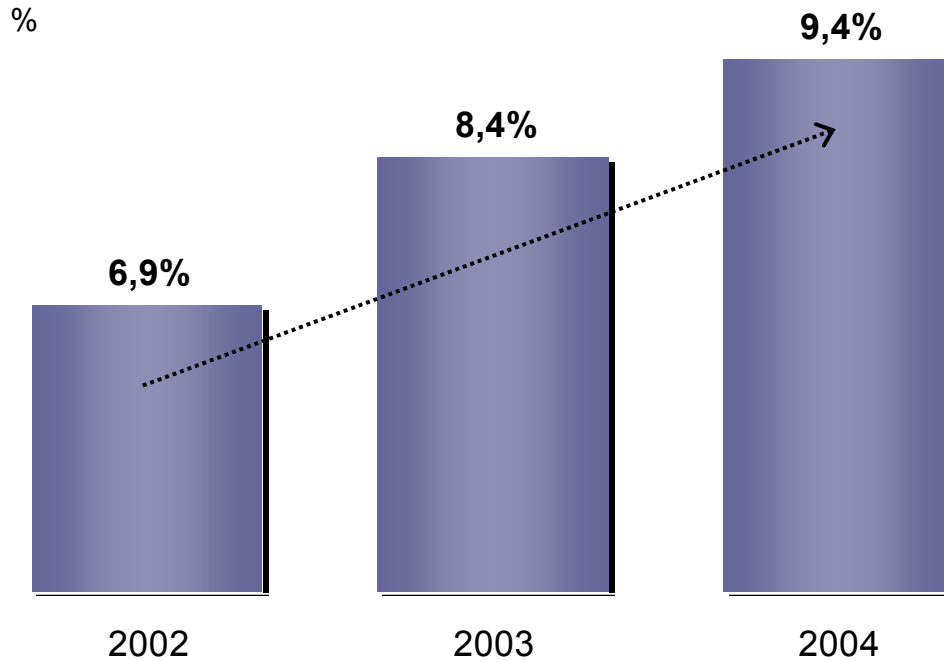
mln euro



*Net of Italgestioni and other investment rationalisations

Return on Invested Capital increased by 250 basis points

Return on Invested Capital



Low Group Risk Profile

Balanced business portfolio
Low gearing
Strong track record
Sound economic perspectives



S&P's A+
rating

... not forgetting ...

ISO 9001,
ISO 14000,
EMAS cert.
Positive customer satisfaction (88%)

Conclusions

- 2004 results confirm the significant growth of Hera business model
- Synergy exploitation and Organic growth increased the profitability in 2004 from top to bottom line
- 2004 ROI is up by 100 basis point with significant capex & investments
- Low risk profile and leverage confirmed in 2004 by an “A+” of S&P
- Medium-long term growth potentials through synergies and M&A
- Dividends and total shareholders return outperforming expectations



**Hera Group: Reliable and solid
economic perspectives**

Breakdown by business

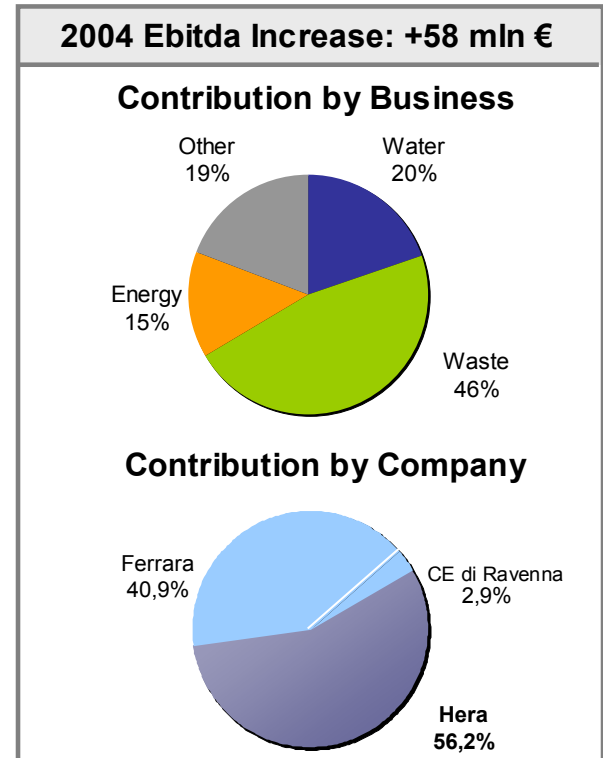
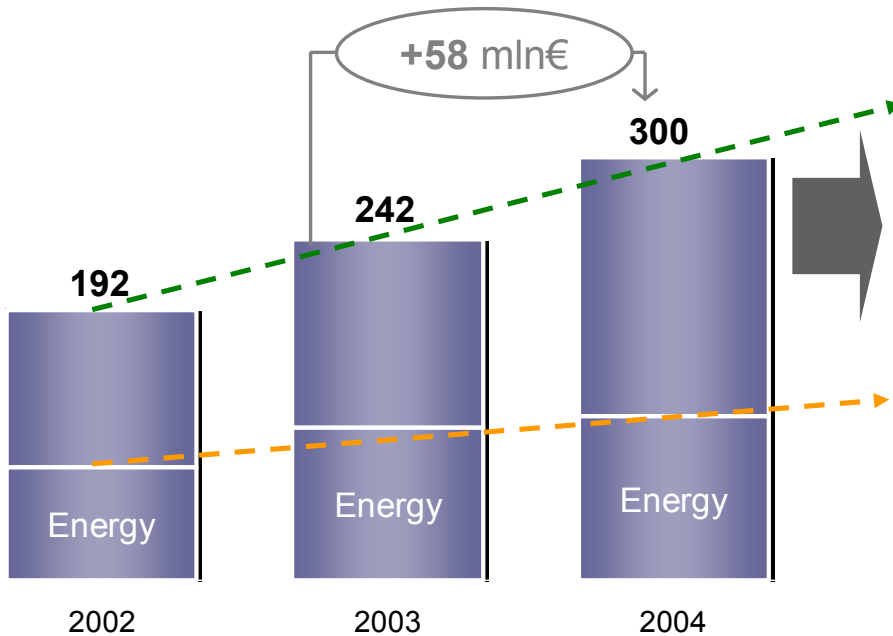
Roberto Barilli
General Manager



300 mln € 2004 Ebitda target confirmed mainly thanks to Waste, Water and Other activities

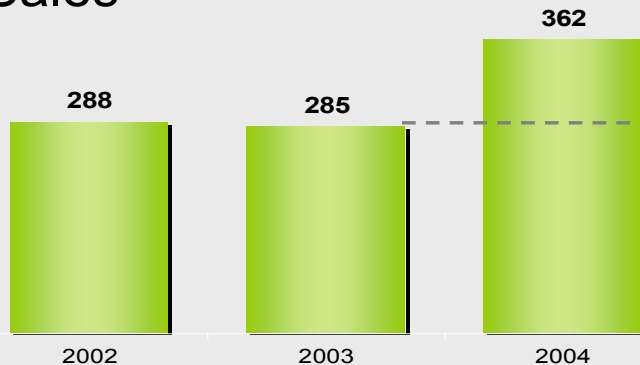
EBITDA

mln euro



2004 Sales Growth: +77 mln€ (+27%)

Sales*



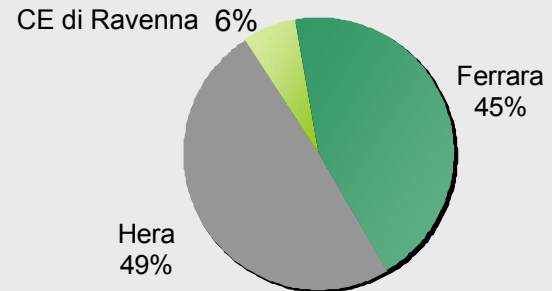
* Including transactions at market prices among business areas and excluding Work in progress

Drivers & Data

mln euro	2004
Service incr. & Other increase	+41
Volume increase	+20
Tariff increase	+9
Energy increase from WTE	+7
mln Kwh/year	+40
Total increase	+77

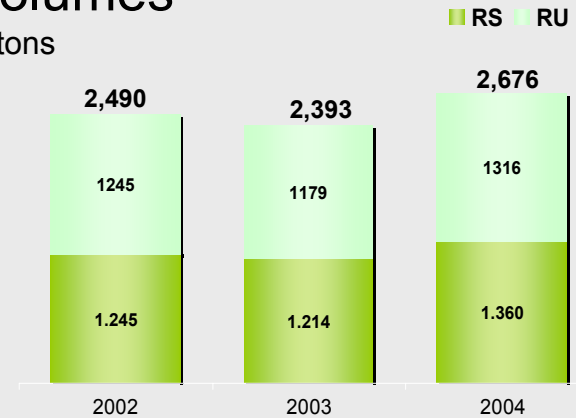
* Including transactions at market prices among business areas and not including Work in progress

Increase Breakdown

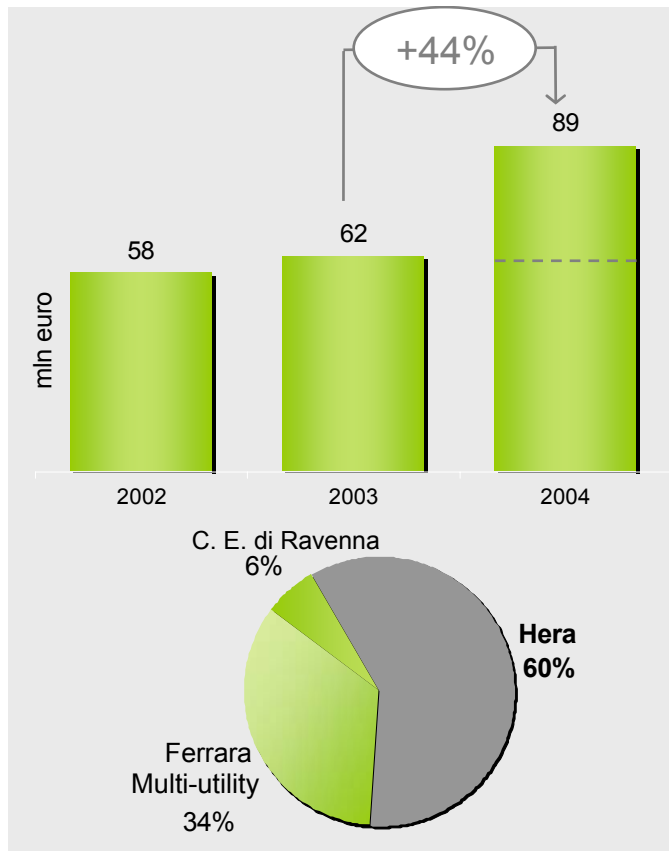


Volumes

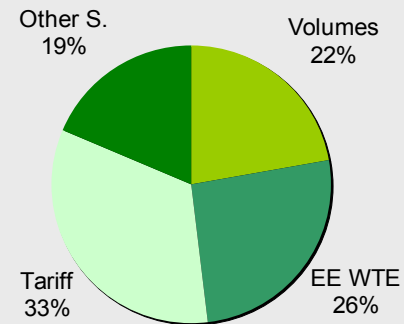
k tons



2004 Ebitda growth: +27 mln €



2004 Ebitda drivers

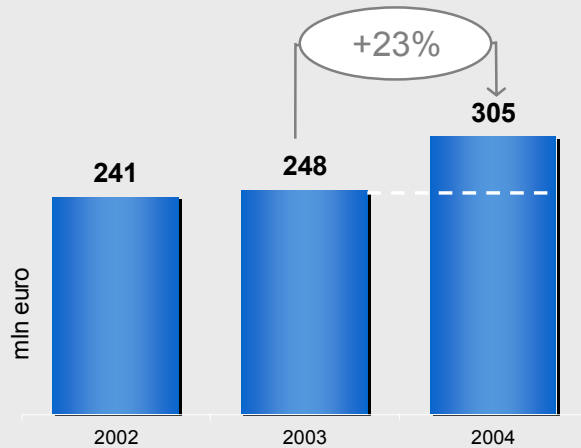


<i>mln euro</i>	2004
Service increase & Other	+5
Volumes increase (+12%)	+6
Tariff increase (+3.9%) <i>urban waste collection & Treatment</i>	+9
Energy increase from WTE <i>+40 mln of Kwh/year</i>	+7
Total increase	+27

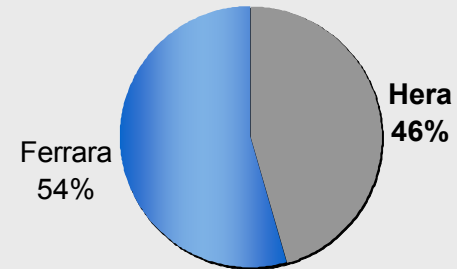
Highlights

- **The new waste to energy plant** of Bologna contributed to results starting from October 2004
- **The Autorità Territoriale d'ambito Ottimale (“ATO”)** has set an yearly average **tariff increase** of +2.5% on urban waste collection and treatment for the years 2005-2007 in line with Hera plan.
- **2004 results benefit from Ferrara aggregation and Centro Ecologico of Ravenna** (C.E. contribution in 2004 was limited to 2/12 of the year)
- Starting from 2005, a **Special Waste Business Unit** has been established and empowered with marketing tools in order to pursue significant expansion opportunities

2004 Sales* Growth: +57 mln€



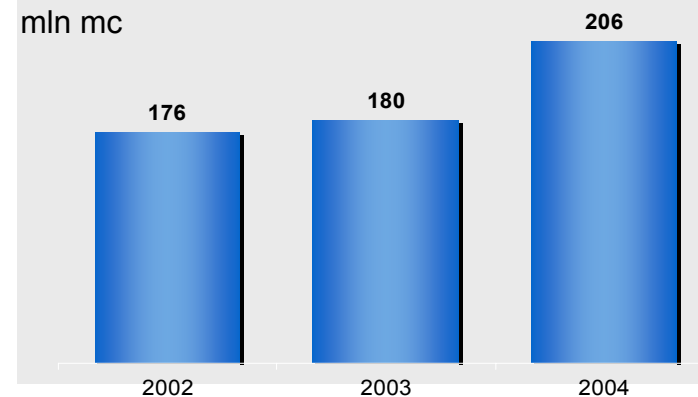
Increase Breakdown



Drivers & Data

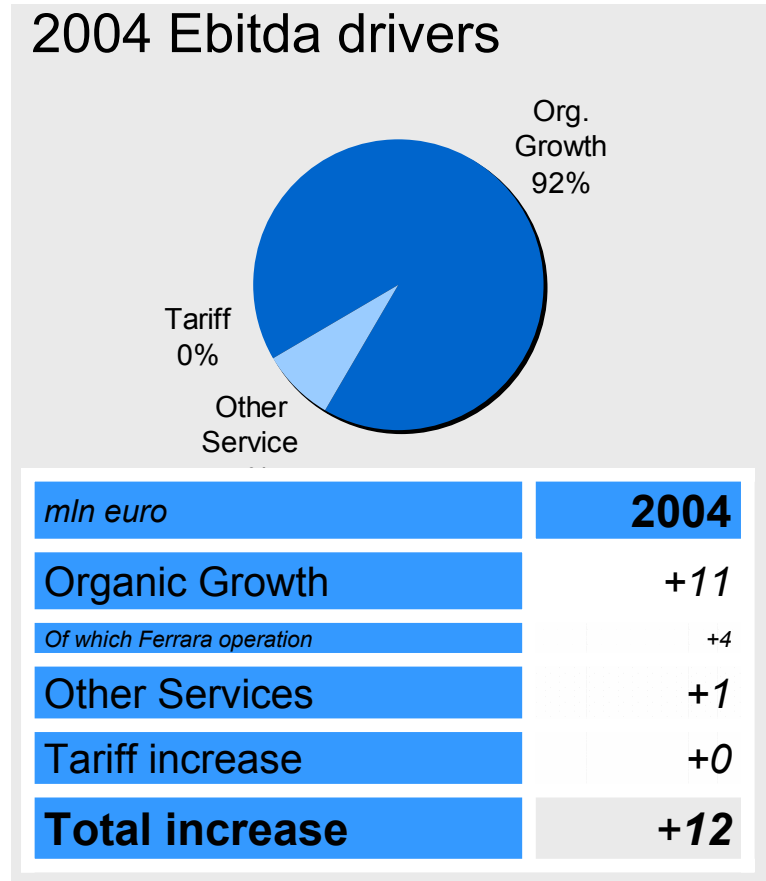
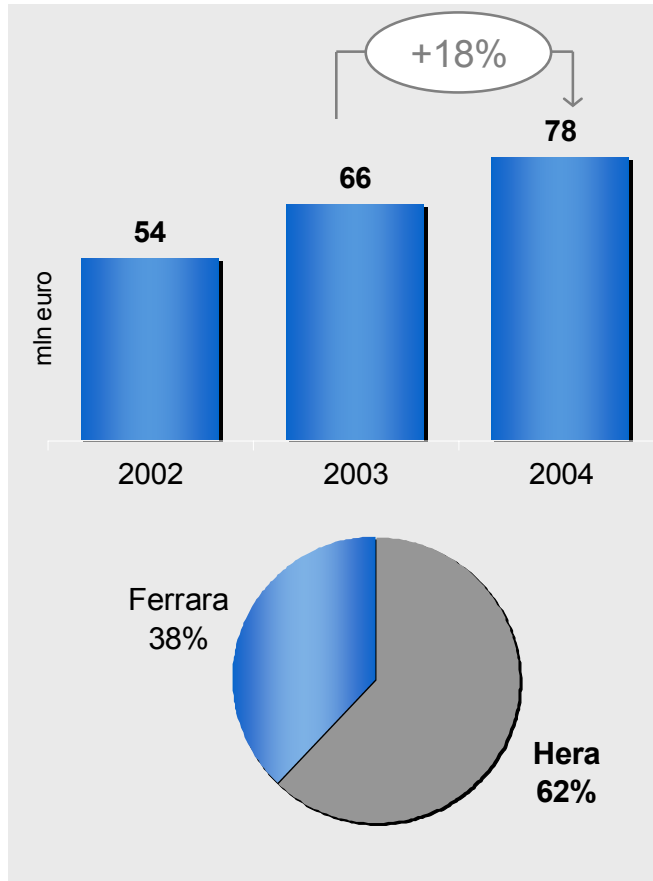
mln euro	2004
Organic Growth	+43
Of which Ferrara operation	+31
Other Services	+14
Tariff increase	+0
Total increase	+57

Volume



* Including transactions at market prices among business areas and not including Work in progress

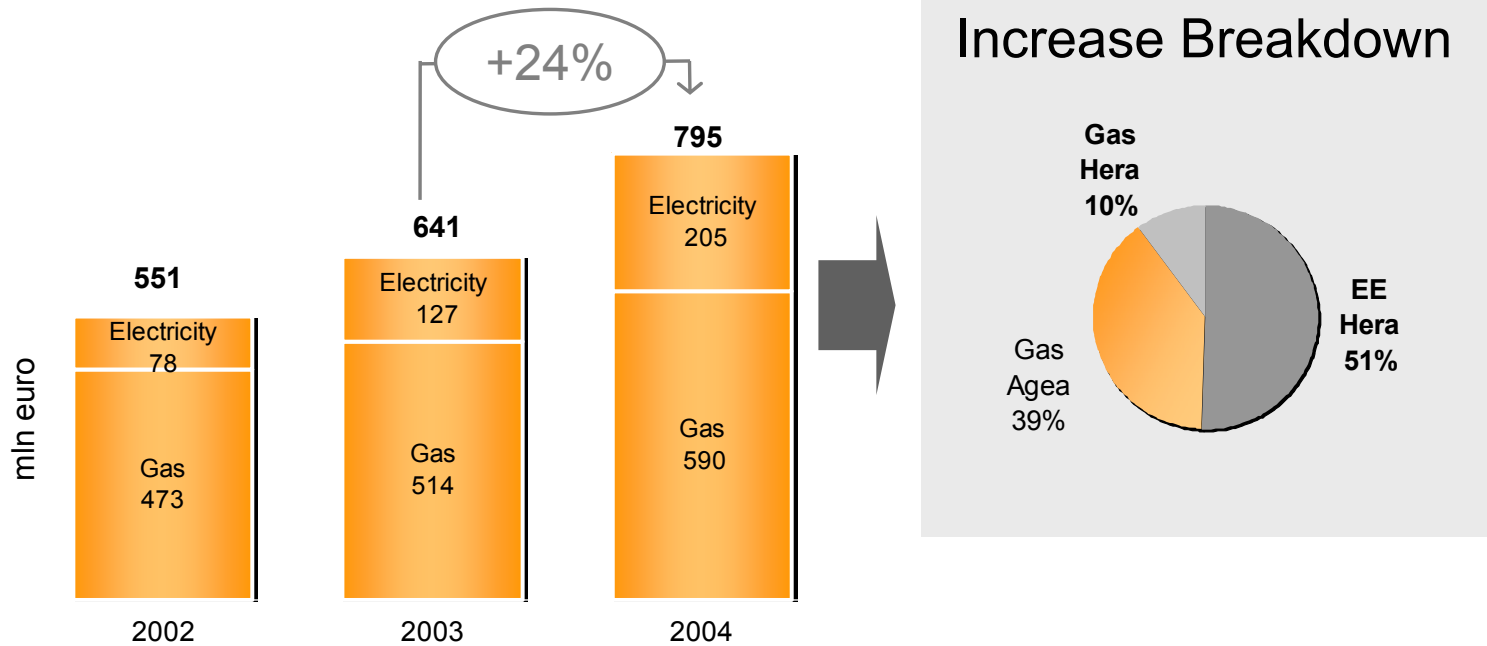
2004 Ebitda growth: +12 mln€ (+18%)



Highlights

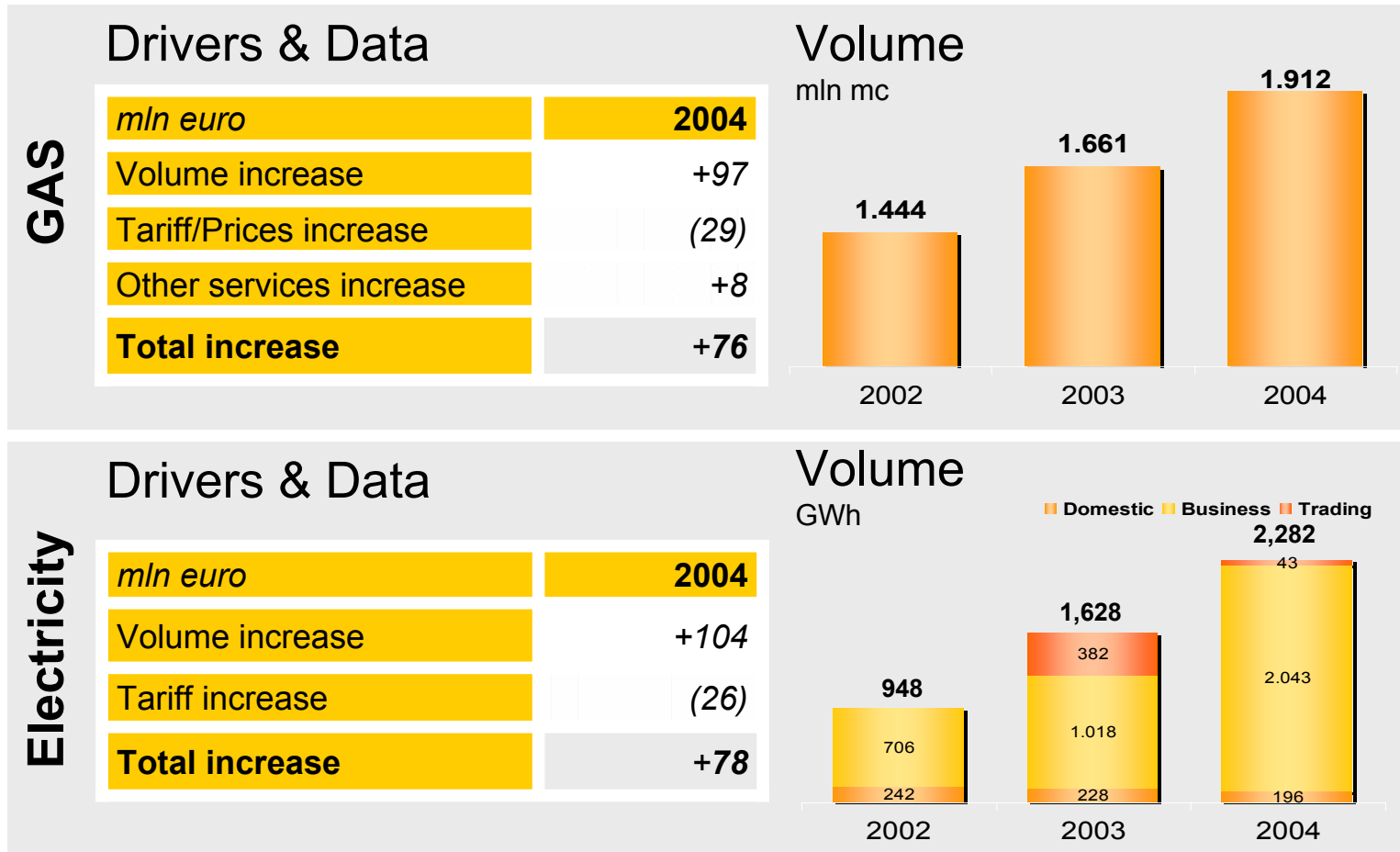
- **The Autorità Territoriale d'ambito Ottimale (“ATO”)** has set an average yearly **tariff increase** of +3.65% on water services for the years 2005-2007 slightly better than expectations (all contracts are signed)
- **Obtained 10 years longer Water concessions** (guaranteed business of over 5.0 bln € for next 18 years)

2004 Sales* growth: +154 mln €

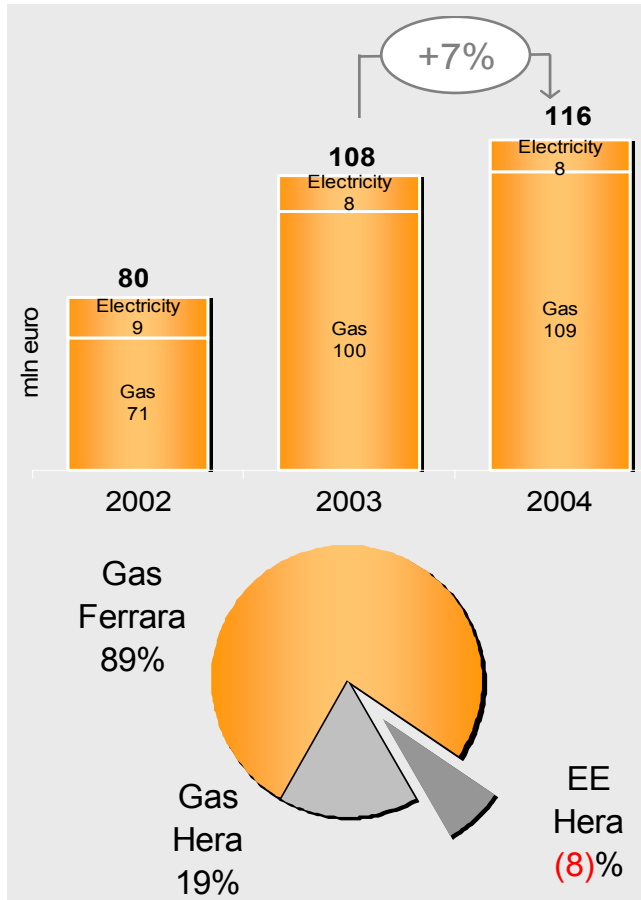


* Including transactions at market prices among business areas and not including Work in progress

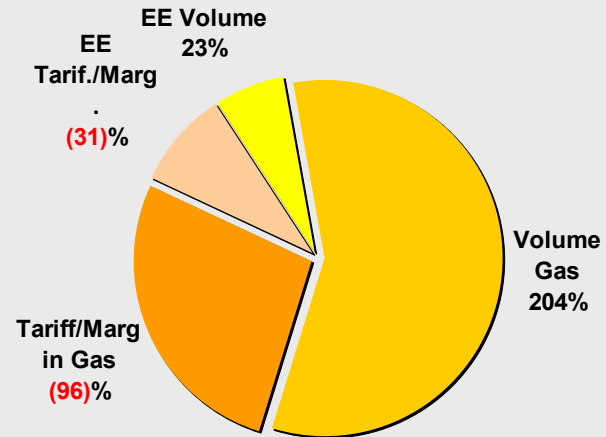
2004 Sales* Growth: Gas and Electricity drivers



2004 Ebitda growth: +8 mln€ (+7%)



2004 Ebitda growth drivers

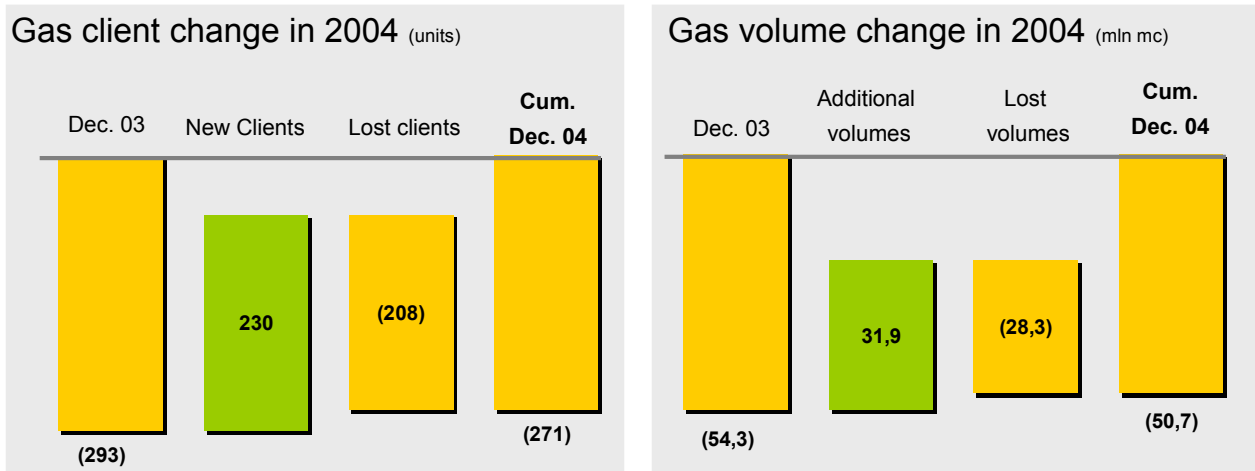


mln euro	Gas	EE	2004
Volumes	+17.0	+1.9	+18.9
Of which Ferrara operation	+7	0	+7
Tariff & Margins	(8.0)	(2.6)	(10.6)
Total increase	9.0	+(0.7)	+8.3

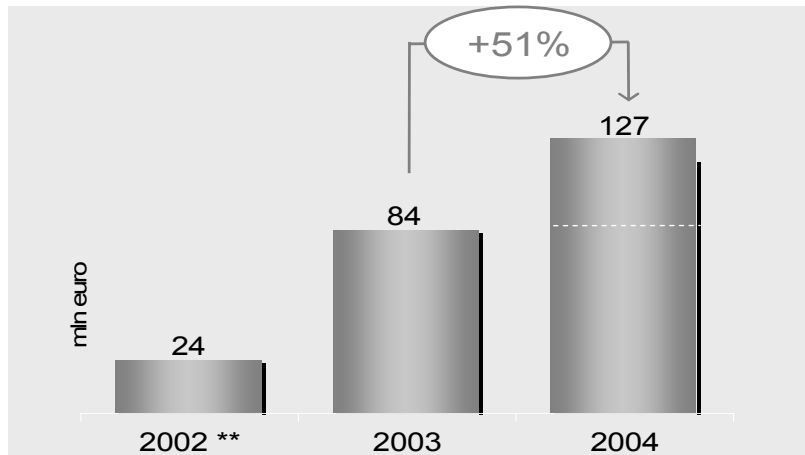
Highlights

- **Dual fuel commercial proposal** has significant results in Electricity sales expansion on Hera gas and positive returns in terms of customer retention

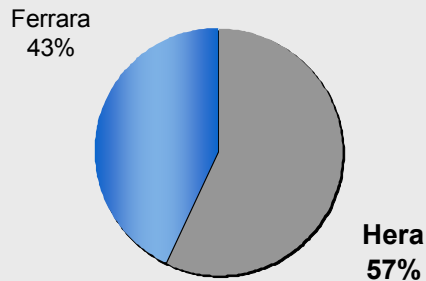
Gas Churn Rates



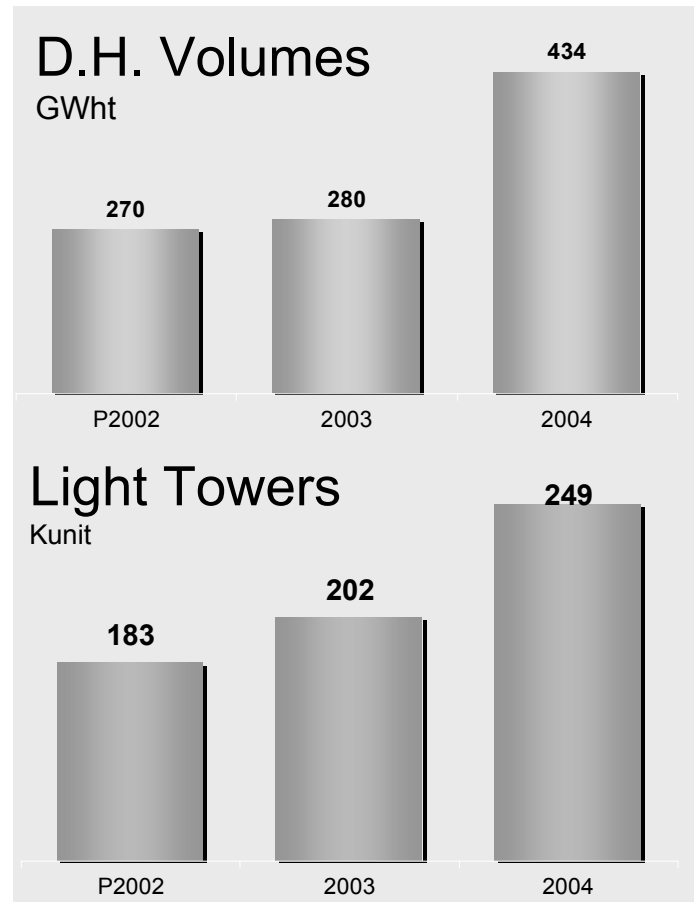
2004 Sales* Growth: +43 mln € (+51%)



Increase Breakdown

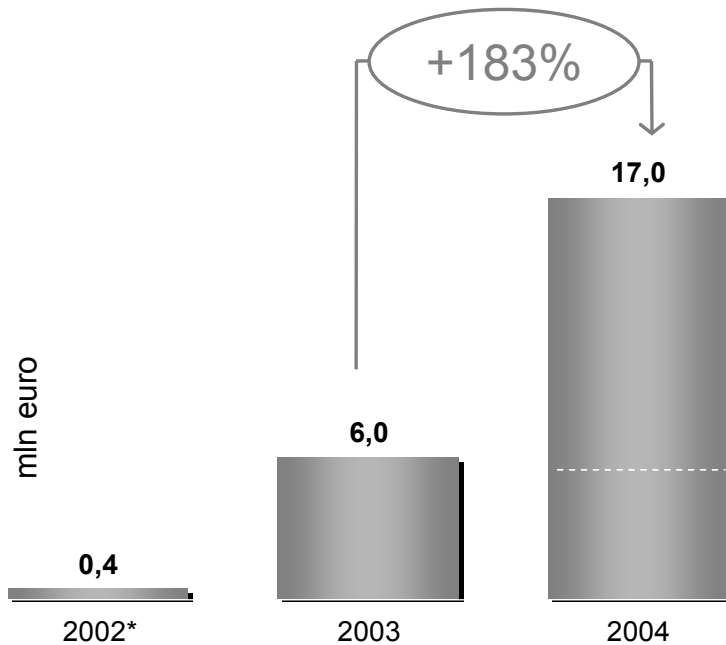


* Including transactions at market prices among business areas and not including Work in progress
 **2002 figure does not include District Heating and Public Lighting



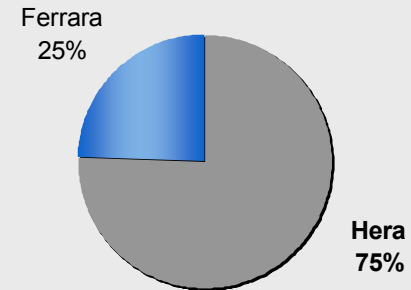
Other: Sales Drivers & Data

2004 Ebitda growth: +11 mln€ (+183%)



* 2002 figure does not include District Heating and Public Lighting

Increase Breakdown



Drivers & Data

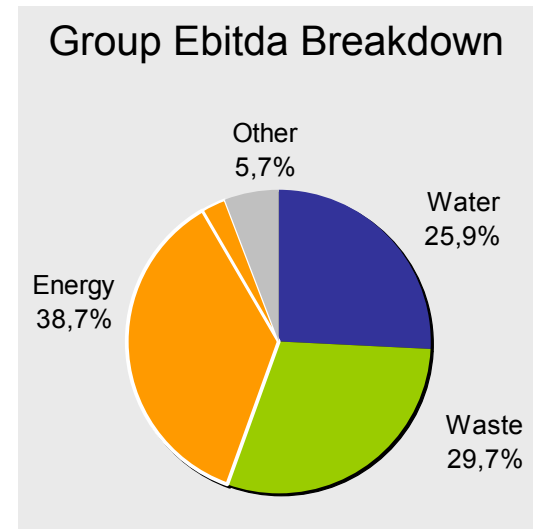
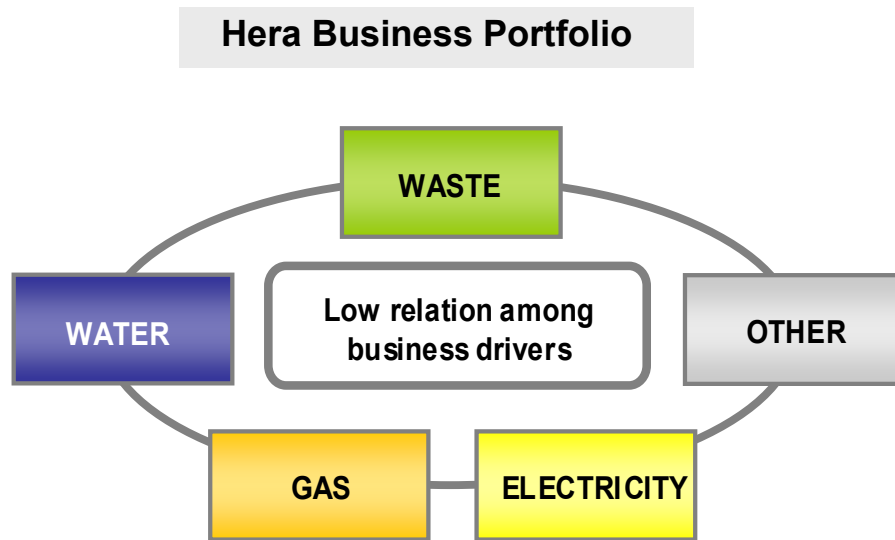
mln euro	2004
District Heating	+5
Public Lighting	+2
Other services	+4
Total increase	+11

Other: Ebitda Growth

Highlights

- Ferrara multi-utility consolidation contribution in Other business was significant in 2004 (mainly District Heating)
- Public Lighting growth was equally driven by Hera internal growth and Ferrara consolidation
- The above mentioned business still highlight synergy and growth potentials (e.g. “green” certificates in District Heating)

Hera complementary business portfolio



In 2004 Hera Group achieved results thanks to this “Low-Risk-Related” businesses portfolio

Conclusions

- Ferrara multi utility contribution to future results will increase thanks to the significant synergy and growth potentials (+9 mln€ in 2005-2007)
- Bologna new WTE entered into full operations in October 2004
- 2004 results have been reached also thanks to important internal growth rate in line with historical trends



Hera well balanced business portfolio
guarantee low risk and growing results

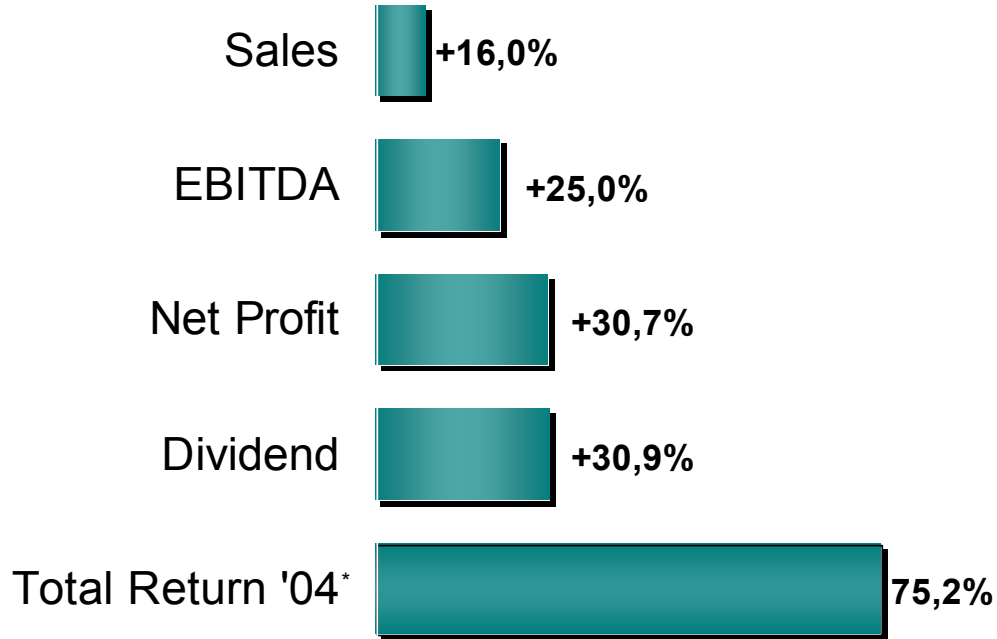
Conclusions

Tomaso Tommasi di Vignano
Chairman



Hera 2 years Trends

Hera 2Y Growth cagr %



* Dividend yield based on 2004 average stock price of 1.73€ and capital gain in 2004

... and the upcoming future

1. **On the basis of last two years results Business Plan confirms to be “consistent and achievable”**
2. **First 2 months** showed results **in line with budget** and for **2005** deployment will work on well known drivers:
 - Further headcount reduction (-100 units) and cost synergies
 - Enhancement of Return on invested capital (up 1%)
 - Capex just below 300 MI Euro, with almost half on strategic developments
 - Gearing under control and still conservative
3. **New Initiatives**, not included in the Business Plan, are focused on:
 - **Sector consolidation**, with Meta probably on “starting blocks”
 - **Up stream integration**, enlarging partnership approach on new initiatives, to strengthen balancing between supply and generation and position on renewable



Reliable and credible performance



Appendix

Profit & Loss

mln euro	2003	%	2004	%	Inc%
Sales	1,221.5	91.8%	1,491.4	91.0%	22.1%
Other revenues	109.8	8.2%	147.6	9.0%	34.4%
Value of production	1,331.3	100.0%	1,639.0	100.0%	23.1%
Raw Materials	(520.6)	(39.1)%	(619.6)	(37.8)%	19.0%
Other Operating costs	(375.8)	(28.2)%	(498.7)	(30.4)%	32.7%
Personnel costs	(192.4)	(14.5)%	(220.6)	(13.5)%	14.7%
EBITDA	242.5	18.2%	300.2	18.3%	23.8%
Ammortisations & Depr.	(129.7)	(129.7)%	(155.8)	(9.5)%	20.1%
EBIT	112.8	8.5%	144.3	8.8%	27.9%
Financial results	(21.2)	(1.6)%	(23.4)	(1.4)%	10.4%
Extr income (expenses)	(3.0)	(0.2)%	(3.8)	(0.2)%	26.7%
Pre tax Profit	88.6	6.7%	117.1	7.1%	32.2%
Tax	(35.6)	(2.7)%	(55.1)	(3.4)%	54.8%
Net profit	53.0	4.0%	62.0	3.8%	17.0%
Group Net profit	49.5	3.7%	56.7	3.5%	14.6%

Balance sheet

mln euro	2003	%	2004	%
<i>Intangible fixed assets</i>	386.1	26.9%	379.5	24.8%
<i>Tangible fixed assets</i>	774.4	68.0%	1167.3	76.2%
<i>Financial fixed assets</i>	44.9	11.7%	167.9	11.0%
Total Fixed Assets	1427	106.6%	1722.4	111.8%
Net Working Capital	89.2	6.7%	56.7	3.7%
(Provisions)	(177.4)	(13.3%)	(238.8)	(15.6%)
Net Capital Invested	1,338.8	100.0%	1540.3	100.0%
Shareholder's Equity	894.5	66.8%	979.0	63.6%
<i>Long t. financial debts</i>	352.4	26.3%	498.8	32.5%
<i>Short t. financial debts</i>	199.2	14.9%	234.9	15.3%
<i>Availability</i>	(-107.3)	(8.0%)	(172.4)	(11.2%)
Net financial position	444.3	33.2%	561.3	36.4%
Financial Structure	1,338.8	100.0%	1540.3	100.0%