FIRST HALF RESULTS 2006 AND 2006–2009 BUSINESS PLAN

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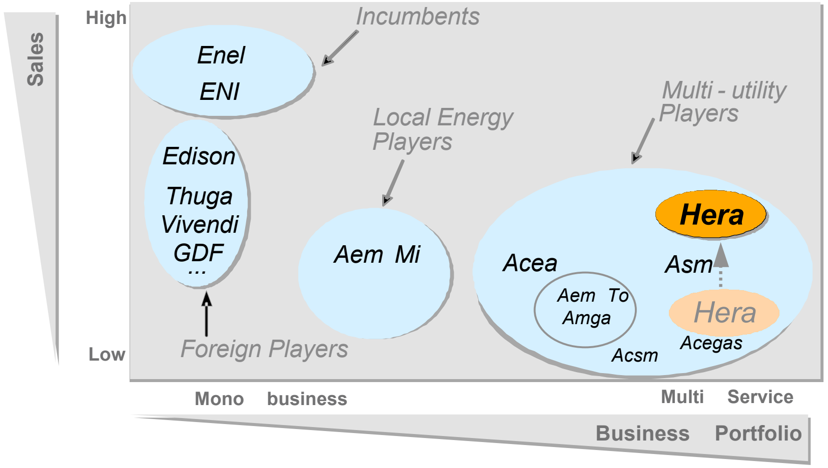
1. Introduction to Hera Group

The consolidation process is speeding up in the Italian local multi-utility sector

Hera is the fastest growing company

> Hera has become one of the largest Italian multi-utility following a significant consolidation process primarily focused on one of the wealthiest regions (Emilia Romagna).

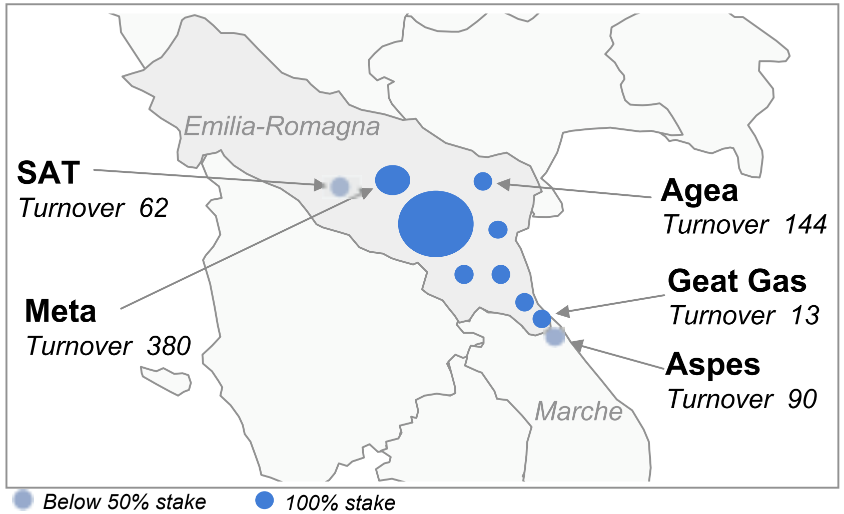
Hera positioning in the utility sector



Hera sector consolidation track record

	Year	N. of Targets	Stake	Ebitda (m €)	EV/ Ebidta
11 companies	'02	11	100.0%	192	-
Agea	'04	1	100.0%	25	5.5x
Meta	'05	1	100.0%	65	7.5x
Geat Gas	'06	1	100.0%	2	7.0x
Aspes	'06	1	22.9%*	13	6.2x
SAT	'06	1	46.5%	12§	7.5x

*Total stake held 49.79% § Adjusted for non-recurrent revenues (Ebitda 2005 = 15 m€)



Hera leadership underpinned by an effective aggregation model

Hera growth based on "balancing"

> Expansion carried out through mergers which involves public shareholders of merged companies (deals based on cash and share swaps).

> Unique multi-utility with no "absolute controlling shareholder" (public shareholders are committed to maintain 51%).

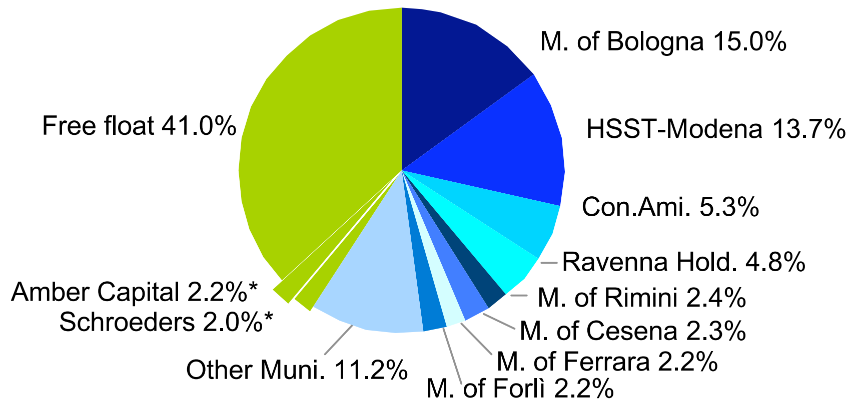
Full reorganization

> Reorganization into 7 multi-business L.O.C.s (100% owned) and few divisions.

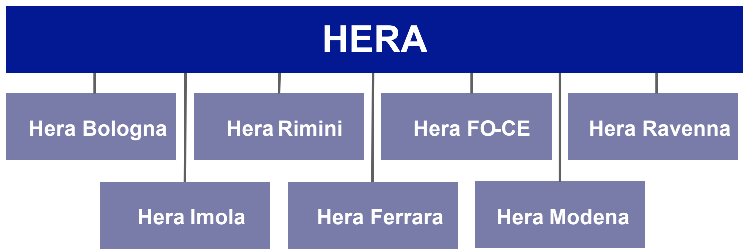
> Holding concentrates all corporate functions whereas LOCs manage operations and customer relations with a tight territorial presence.

> L.O.C.s are benchmarked in order to define and share best practices.

ShareHolding: 1,016.8 m shares **(Aug. '06)**



Territorial presence through L.O.C.s



** Included in free float*

Fast and progressive sustainable growth

3 years double digit growth

> Ebitda Doubled and net profit tripled.

> 3Y Ebitda growth (+194 Ml€) underpinned by the benefits of the effective aggregation model.

> The Ebitda growth was mainly achieved:

>54% synergy exploitation (cost cutting, efficiency gains and HC reduction) and organic growth;

>46% contribution of the merged companies.

> Dividends increased significantly, maintaining comfortable debt levels.

> ROI rose by 190 basis points.

> Total average shareholders return at 35.8%.[§]

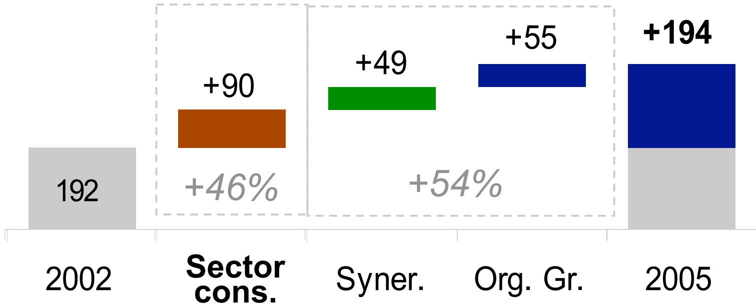
2002-2005 Economic Highlights

m €	2002*	2003*	2004	2005	Cagr%
Revenues	1,099	1,241	1,529	2,148	25.1%
Ebitda	**192**	**242**	**292**	**386**	**26.2%**
Net profit	33	50	81	101	45.2%

%	2002*	2003*	2004	2005
D/E	*29*	*50*	*53*	*65*
DPS	*0.035*	*0.053*	*0.060*	*0.070*
ROI	*6.9*	*8.4*	*10.9*	*8.8*

3Y Ebitda Growth by Value Drivers

m €



§ capital gain and dividends from IPO to 31/12/2005. Benefit of bonus shares have not been accounted

* Figures stated following Italian accounting principles

Synergies and organic growth achieved through an unique and low risk business portfolio

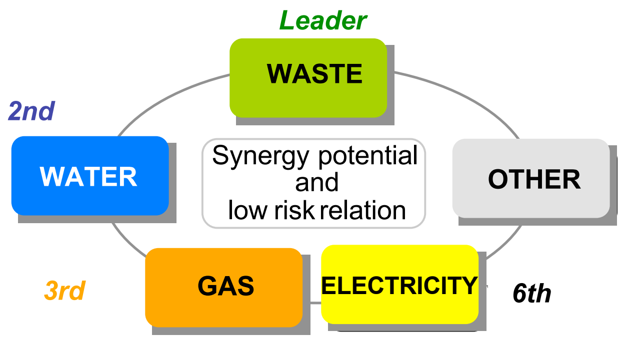
Hera multi-service business portfolio highlights synergy and low risk profile

> Complementarity, low inter-dependence of businesses and strong market positions enhance synergy and organic growth potentials.

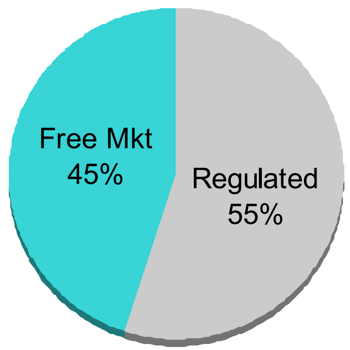
> Balance between regulated (with long term concessions and diversified authorities) and competitive market businesses provides low risk profile.

Reg. Business	Waste	Water	Gas dist.	Ele. dist.
Authority	6 different Ato		Aeeg	
Next tariff rev.	2008		2008	
Concession	2012	2022	2010	2030

Business portfolio & Market positioning



Contribution to Ebitda by type of business

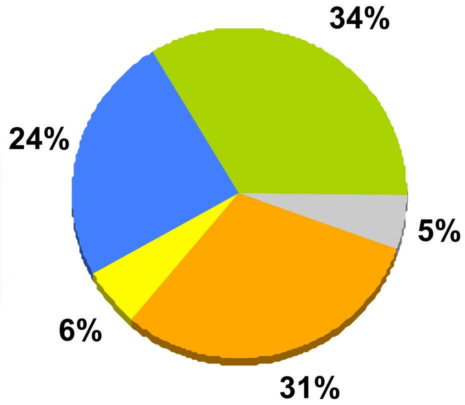


Business strength tied to a wide loyal customer base along with an extensive asset base

WATER	2005
Volume sold (m mc)	228
Population served (m unit)	2.3
Customers (K unit)	914
Pipeline (km)	23,474

WASTE	2005
Urban waste (m tons)	1.6
Special waste (m tons)	2.2
Population served (m unit)	2.4
Treatm. plants	72

2005 Group Ebitda breakdown by business



OTHER	2005
Light towers (K unit)	293
Heat distribution (Gwht)	470

ELECTRICITY	2005
Volume sold (Gwh)	3,755
Volume distributed (Gwh)	1,507
Customers (K unit)*	250
Network (km)	5,586

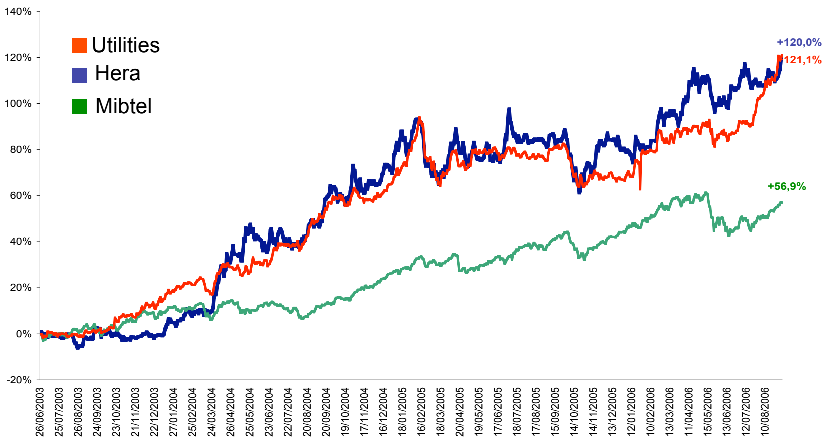
** Including Enel network in Modena province acquired in 2006*

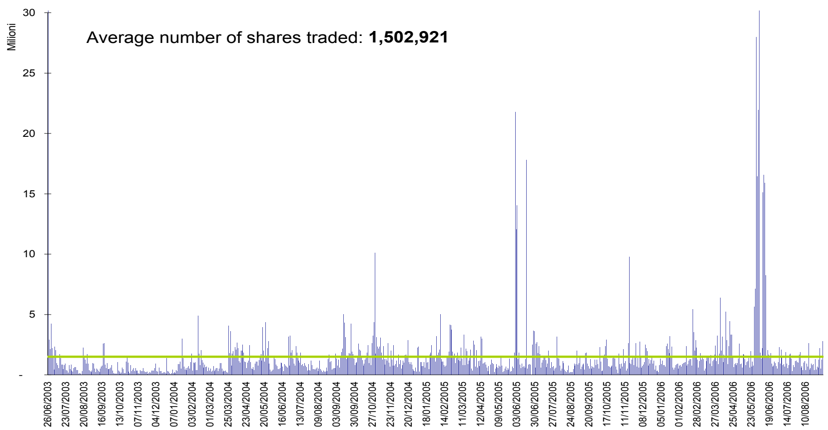
GAS	2005
Volume sold (m mc)	2,786
Volume distributed (m mc)	2,399
Customers (K unit)*	940
Network (km)	11,511

** Including Geat clients acquired in 2006*

3 years stock performance

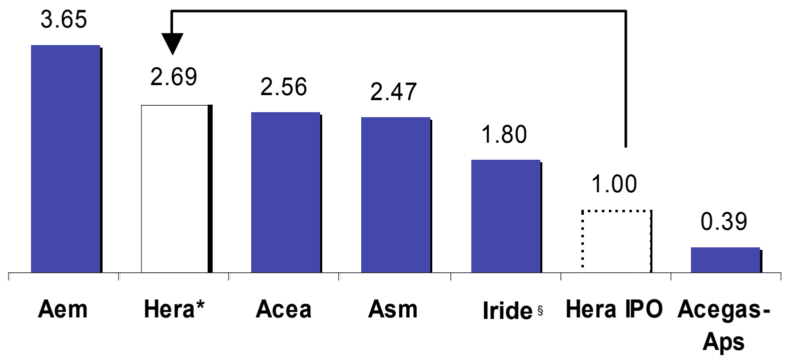
+120% stock performance since IPO





Hera 3Y market cap growth

b €



Stock liquidity and coverage

Daily avg trading	**2004**	**2005**	**2006**
Value (m €)	*2.5*	*3.3*	*5.7**

> *Hera is currently covered by 14 national and international broker house.*

§sum of current mkt cap of Aem To and Amga

**as of 30th August 2006*

2. First Half 2006 results

Confirming past growth and guaranteeing further expansion

> **1H 2006 results in line with budgets and business plan highlights double digit Ebitda growth (+35.5%) thanks to:**

- > Meta merger (+21.4% of Ebitda);
- > Synergies and Organic Growth (+14.1% of Ebitda) confirmed last 3Y growth performance.

> **Further strategic M&A achieved**

- > Enel Network in Modena Province* *(accounting starting from 1/7/2006)*
- > Geat Gas full merger *(accounting starting from 1/1/2006)*
- > SAT minority stake of 46.5%
- > Aspes stake increased to 49.8%

M&A: Expansion achieved in 2006

	Enel Network	**SAT**	**Geat Gas**	**Aspes**
Turnover (m €)	51	62	13	90
EBITDA (m €)	13	12 §	2	13
NFD (m €)	0	(18.5)	0.7	(5.7)
Deal data				
Stake	*100%*	*46.5%*	*100%*	*22.9%**
Consideration (m €)	*107*	*34*	*14*	*16.6*
EV/Ebitda	***8.2x***	***7.5x***	***7.0x***	***6.2x***
Operations				
N. Clients (K unit)	*81*	*44*	*21*	*80*
Location (region)	*E-R*	*E-R*	*E-R*	*Marche*
Volumes of:				
Electricity (GWh)	*650*	-	-	-
Gas (mc gas)	-	*105*	*43*	*92.4*
Water (m mc)	-	*9.5*	-	*16.6*
Waste (K tons)	-	*76.7*	-	*77.0*

** Total stake in Aspes 49.79%*
§ Adjusted for non recurrent revenues (Ebitda 2005 = 15 m€)

1H'06 achievements provide confirmation of E2008 targets

**Only deal included in 2005-2008 Business plan targets*

1H2006 results continue to show strong 2-digit growth

Value of Production
+33.7%

> Meta contributed by +21.3% to revenues growth; +12.4% increase related mainly to energy prices and to the increase in "WW"* and of Other services.

Ebitda
+35.5%

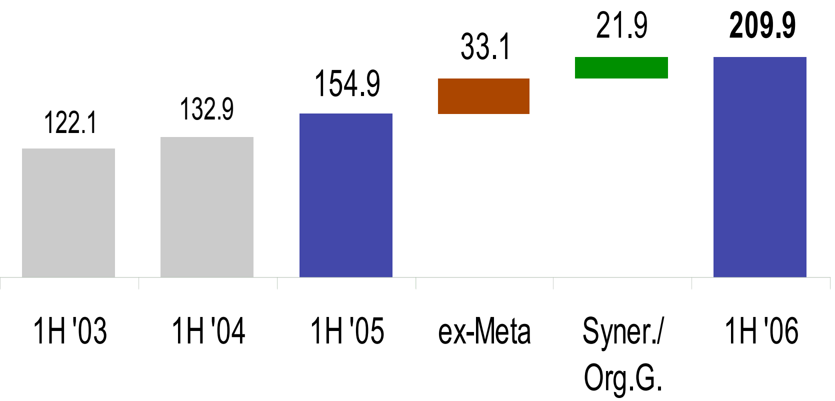
> +14.1% growth achieved on a stand alone basis (excluding ex-Meta contribution) thanks to synergies and Org. Growth (+21.9 m€) which more than off set higher energy costs.

Net Profit
+26.8%

> Improved financial management allowed savings.

m €	1H '05	%	1H '06	%	*Inc. %*
Value of Prod.	**896.4**	***100%***	**1,198.0**	***100%***	***+33.7%***
Operating cost	(672.5)	*(75.0%)*	(915.8)	*(76.4%)*	*+36.2%*
Personnel cost	(117.3)	*(13.1%)*	(142.2)	*(11.9%)*	*+21.1%*
Total costs	***(789.8)***	***(88.1%)***	***(1,058.0)***	***(88.3%)***	***+33.9%***
Capitalisations	48.3	*5.4%*	69.9	*5.8%*	*+44.4%*
Ebitda	**154.9**	***17.3%***	**209.9**	***17.5%***	***+35.5%***
Am.& Dep.	(59.8)	*(6.7%)*	(87.7)	*(7.3%)*	*+46.7%*
Ebit	**95.1**	***10.6%***	**122.2**	***10.2%***	***+28.5%***
Fin. Inc./exp.	(23.2)	*(2.6%)*	(22.9)	*(1.9%)*	*(1.3%)*
Pre tax profit	**71.9**	***8.0%***	**99.3**	***8.3%***	***+38.1%***
Net Profit	**46.9**	***5.2%***	**59.4**	***5.0%***	***+26.8%***

1H 2006 Group Ebitda build up
m €



* "WW "refers to waste & water business

Lower working capital contributed to maintain Net financial Debts unchanged

Capex & Investments

- **Capex** focused on asset base development and upstream integration.
  - >74% of capex spent in waste business relates to new WTE plants;
  - >Water asset enhancement is remunerated in tariff.
- **Investments** mainly relate to Enel Network acquisition and Geat Gas merger.

Net Financial Debt unchanged

- Working capital management helped to fund capex & investm. and dividend payment (0.07 € per share equal to 71 m€).
- Enhanced the conservative financial structure (100% LT financial debts with a D/E of 66.5%) rated by S&P and Moodys A+ and A1 rating respectively.

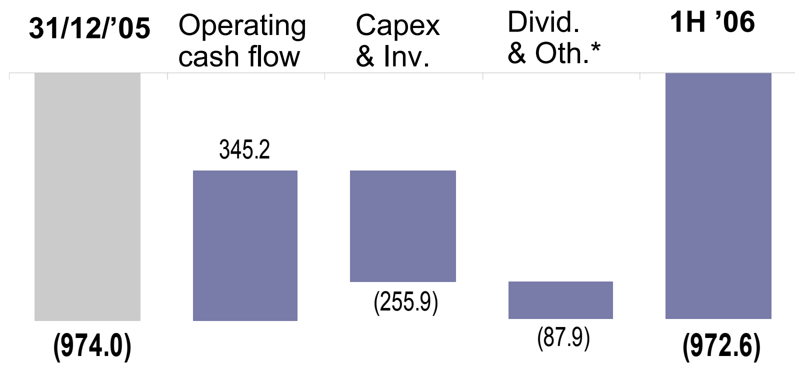
Capex & Investments

m €

	Hera	*ex-Meta*	**1H '05**	**1H '06**
Waste	*34.2*	*11.4*	**45.6**	**35.5**
Water	*27.6*	*3.0*	30.6	43.8
Gas	*10.5*	*1.6*	12.1	11.5
Electricity	*1.4*	*2.2*	**3.6**	**4.6**
Other	*9.5*	*0.7*	**10.2**	**12.9**
Holding	*24.9*	*3.0*	**27.9**	**23.6**
Capex	*108.1*	*21.9*	**130.0**	**131.9**
Investments	*7.0*	*-*	7.0	124.0
Total	*115.1*	*21.9*	**137.0**	**255.9**

Net Financial Debt

m €



Mainly Dividends and Buy Back Plan of 5.5 million shares serving Geat Gas merger

Persistent double-digit growth in all businesses

1H 2006 Ebitda at a glance: +35.5%

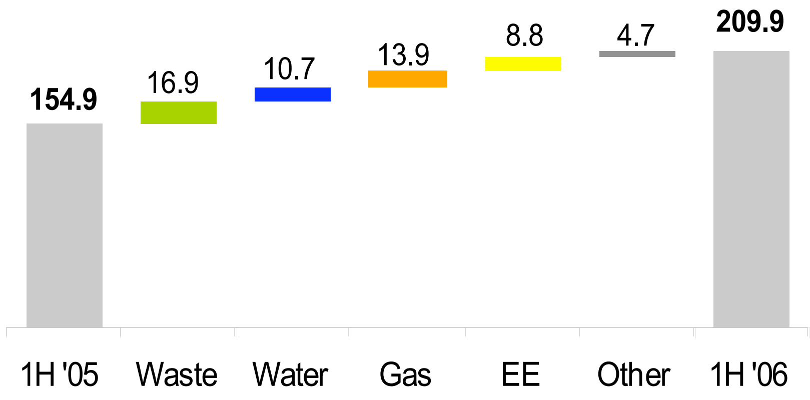
> Growth thanks to Meta and Syn. & Org. G.
  - >**Waste:** benefits mainly from sales increase, WTE performance and ongoing tariff increase;
  - >**Water:** performance underpinned by ongoing tariff increase;
  - >**Gas:** benefits also from Geat Gas merger
  - >**Electricity:** primarily benefits from Meta merger;
  - >**Other:** driven synergies and business expansion.

1H2006 EBITDA Growth Drivers

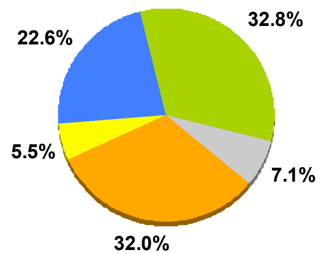
m €	1H '05	*ex Meta*	*Internal Growth*	1H '06	Inc.%
Waste	51.9	*6.8*	*10.1*	68.8	+32.6
Water	36.7	*5.5*	*5.2*	47.4	+29.2
Gas*	53.2	*11.8*	*2.1*	67.1	+26.1
Electricity	2.8	*7.6*	*1.2*	11.6	+4.1x
Other	10.3	*1.4*	*3.3*	15.0	+45.6
Total	**154.9**	***33.1***	***21.9***	**209.9**	**+35.5**

EBITDA Growth Breakdown

m €



EBITDA Breakdown by Business



**Effects on the still pending decision on del. 248/04 of AEEG not accounted*

3. 2006-2009 Business Plan

A further year of significant growth on a “stand alone basis”

> **Business plan 2006-2009 updates prior plan, substantially confirming E2008 targets and adding a year of further growth on core businesses: consistency in strategic guidelines keeps on paying back.**

> The strategy aims at strengthening **Hera full range service offering** to a wide and loyal customer base pursuing:

>> **Upstream integration on liberalised businesses to enhance competitive position and profitability;**

>> **Organic growth through pro-active marketing** on existing customer base to cross sell liberalised services and expanding reference territorial market.

> **New initiatives on cost reduction and effectiveness have been identified: development to start as soon as at year end.**

> **Strategy aims to take advantage of** recent favourable market evolutions leveraging on **Hera’s unique and effective aggregation model**.

> **Additional consolidation opportunities and further upstream integration projects have been identified** but have **not been included** in business plan 2006-2009 targets.

Keep on “organic growth” leveraging on well known strategic levers

E2009 targets: Opportunities for growth with sound capital structure confirmed

> **Value of production** **+6.7% Cagr**

Mainly related to Dual Fuel commercial proposal (+6.7% cagr of sales), physiological volume growth of businesses, tariff increase (Water +4.5%, Waste +2.2%, energy distribution assumed substantially steady).

> **Ebitda** **+13.9% Cagr**

Balanced contribution from all strategic pillars (not including M&As) confirming E2008 target and envisaging further growth by 50 m€ in 2009.

> **Capex plan**

Fully funded by operating cash flows.

> **Returns and Dividends**

Expected increase of all ratios.

Confirmed dividend soaring +15% per year through out 2009.

P&L (m €)	**2005**		**E2009**		**Cagr %**
Value of Production	2,148	100%	2,784	100%	+6.7%
Operating. c.	(1,636)	*76%*	(1,983)	*71%*	+4.9%
Personnel c.	(270)	*13%*	(286)	*10%*	+1.4%
Capitalis.	144	7%	135	5%	(1.6)%
Ebitda	**386**	***18%***	**650**	***23%***	**+13.9%**

Capex plan E2006-E2009	**1.42 b€**
(of which investments)	*0.13 b€*

(m €)	**2005**	**E2009**
Net invested capital (b €)	**2.5**	**2.9**
ROI	9%	14%
ROE	7%	12%
D/E	0.7	~0.6
Net financial Debt/Ebitda (x)	2.5	~1.7
FFO/Net financial debt	29%	~ 40%
Dividend Cagr	+17%	~ +15%

Continuing on solid double digit growth based on “organic” levers and proven “approach”

Growth based on well known drivers

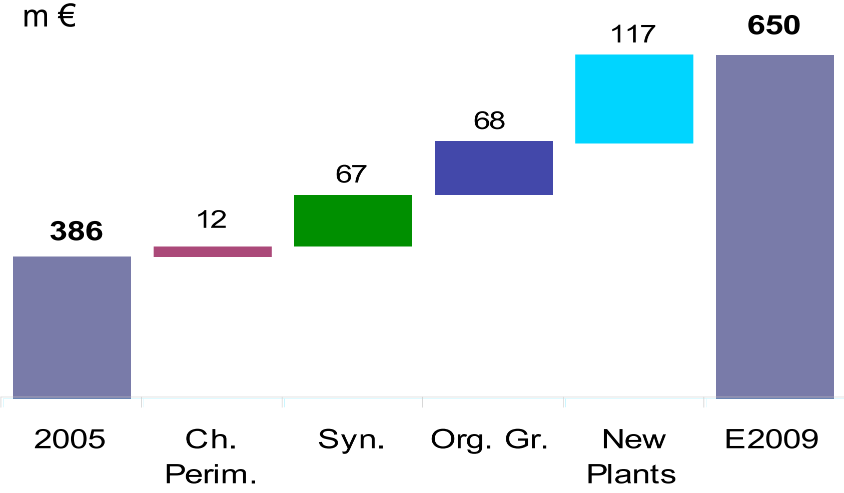
> **Change in perimeter** relates to Enel electricity network in Modena province (acquired in July 2006).

> **Synergies** (expected avg. of +17 ml€/y in line with past track record) driven by cost cutting, efficiency improvement and HC rationalisation (−300 net HC turnover).

> **Organic Growth,** in line with last years, mainly relates to market expansion and “WW” tariff increase converging towards national law provisions (contribution of around +86 m €).

> **Plants development** contribution mainly relates to WTE +75 m€ and other power gen. plants +42 m€.

2005 – E2009 Ebitda Build up



Syn. & Org. G. targets vs track records

m €	'03-'05	Avg. '03-'05	Avg. 'E06-'09	E'06-'09
Synergy	+49	+16.3	+16.8	+67.0
Org. Gr.	+55	+18.3	+17.0	+68.0
Syn & Org. G.	*+104*	***+34.6***	***+33.8***	*+135.0*

Strategic guidelines – Consistency and focus on priorities

Growth in core business

> **Focus on profitability through:**
>
> > Upstream integration in energy and waste businesses (balancing with downstream presence)
>
> > Development of cross selling opportunities and strengthening of market shares in core businesses
>
> > Sector consolidation

Innovation and rationalisation

> **Synergy exploitation and efficiency enhancement through**:
>
> > Development and sharing of innovative business solutions
>
> > Further rationalisation of operating model/organisation

Sustainable Development

> **Further enhancement of a long term sustainability approach**
>
> > Deployment of Hera mission and values
>
> > Balancing of stakeholders expectations

Upstream gas: Increasing access to competitive sources

Up to 28% of E2009 sales covered by directly imported gas

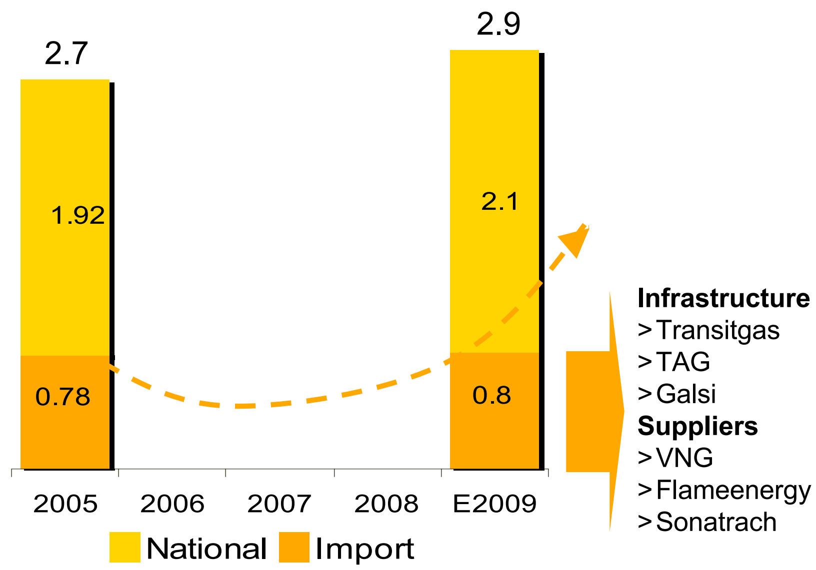
>**Current** shortage of gas availability and European price levels tackled by:

- >Mid term existing contracts (3y with VNG, primarily through Transitgas)
- >Optimisation on the entire value chain (logistics, procurement, storage and trading) and Flameenergy
- >Opportunities from national suppliers/producers

>**In the mid and long term** new additional supplies to come from:

- >TAG (1st lot)
- >Next tenders on TAG and TTPC

International Gas Procurement E2009



Sales coverage by foreign gas

2005		***E2009***	
28%	→	*28%*	*Percentage of Imported gas on sales*

Upstream electricity: Market development underpinned by own capacity

73% coverage of potential 2009 sales

>Prior plan Initiatives confirmed

>800 MW and 400 MW CCGT in Sparanise and Teverola construction is fully on track.

>80 MW Imola cogeneration plant.

>Further new Initiatives

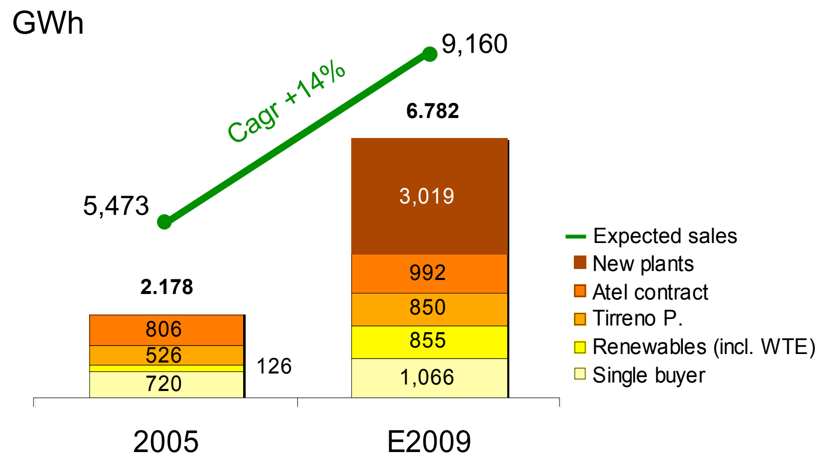
>100 MW OCGT power plant in Ortona has construction permits in progress and kick off planned for 2007.

>60 MW Power gen. from renewable and industrial cogen.: 12 projects ongoing in cogen. and new opportunities in renewable under evaluation (wind and biomass).

>First solar plant under construction (200 kw) and 2 mini-hydro plants.

>Virtual power plant contracting under negotiation to fulfill sales position.

Electricity potential demand coverage



Power generation construction plan

Plant constr.	Stake %	Hera's (Twh)	'06	'07	'08	'09
Prior plan						
Teverola	39	1.2				
Sparanise	15	0.9				
Imola	100	0.7				
New Plants						
Ortona	66	0.2				
Other renew.	-	0.1				

Construction phase

Upstream waste: Further strengthening Hera's leading asset base

Enhanced asset base enables a fast market expansion

>**New WTE plants** to extend capacity and landfill duration

>**50% of Waste capex plan** (about 456 m€) to develop WTE and other plants expansion

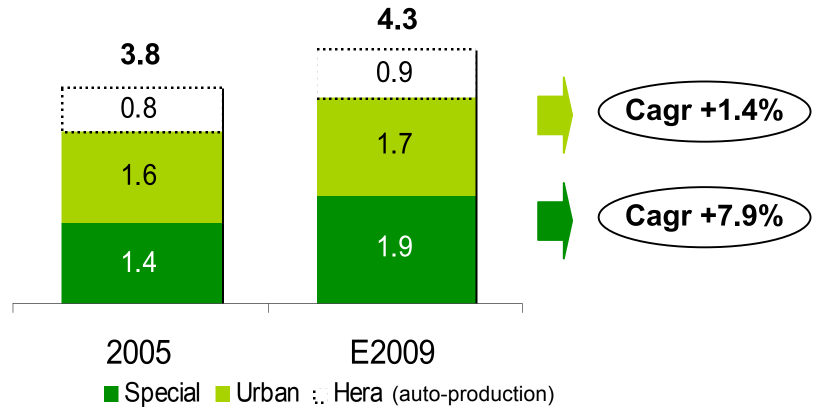
>**New partnership** established with special waste global players (e.g. Veolia, Sita) for market/industrial cooperation

>**New initiatives on urban and special waste** to strengthen asset base and market presence

>**Special waste market** (˜70% of national waste business) signed an increase of +5.7% cagr (2000-2003)

Hera Special Waste Volume Increase

m tons



Hera expected WTE capacity

	Inst cap. MW	E. prod GWh	Tariffs scheme	Stake %
Bologna (Fea)	22	140	CIP6/'11	51%
Rimini	**11**+10	**74**+18	CIP6/'07-**GC**	100%
Forlì	**11**	**74**	CIP6/'08-**GC**	100%
Modena	**25**	**150**	**GC**	100%
Ferrara	**13**+3	**73**+10	CIP6/'09-**GC**	100%
Ravenna	6	32	CIP6/'09-**GC**	100%
C. E. Ravenna	4.2	21	CIP6/'07	100%
TOTAL	105	592	-	-

***Data in bold** refer to New WTE plants*

Hera 2006-2009 Organic Growth challenging targets

Electricity: 9 Twh sales (+14% cagr)

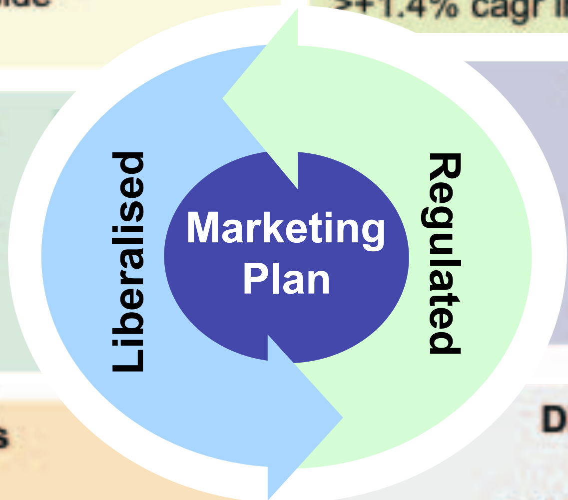
> "Gas business clients" with Dual Fuel proposal;
> Opportunistically outside reference territory.

Urban Waste: +2.2% expected tariff cagr

>Reaching almost full application of law provision;
>+1.4% cagr in volumes (1.7 m tons).

Special Waste: 1.9 m tons

> "full" service contracts;
> Partnership;
> "trial fuel" offering.



Water: +4.5% tariff cagr

> Reaching almost full application of law provision;
> 237 mc sold.

Gas: 2.9 bcm to final clients

> +2.7% increase mainly on business clients compensating local competition (churn 2.0-2.5%/y) maintaining 90% reference market share.

District Heating

> New development in Bo, Fe, Fc and Ra with total capex of 90 m€;
> 700 Gwht volume sold, or 74,000 equivalent flats.

Each client provided with almost 3 services within 2009

Innovation and rationalization: Ever improving efficiency-effectiveness

Innovation and Rationalization will balance inflation effects

>**Operating efficiencies** includes:

>**Information systems**

>**Water and waste asset** control (centralised control room and operating procedure optimisation)

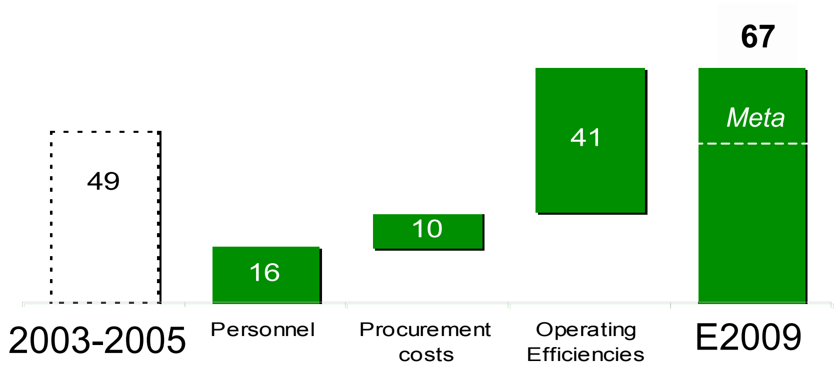
>**Best practise sharing** and rationalization of territorial operations

>**Automation** of meter reading (primarily electricity)

>**Additional innovation projects** not included in business plan 2006-2009 (CO2 project and Water meters replacement).

Synergies breakdown

m €



> Hera aims to exploit 67 m€ synergies in next 4 years.

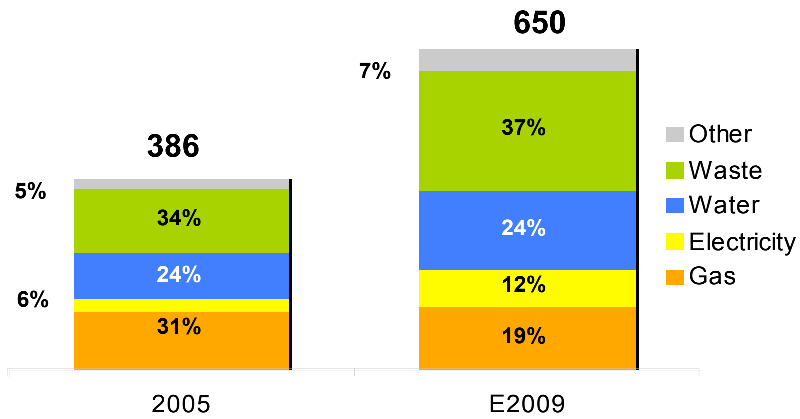
> Meta integration will contribute by 20 m€.

> Excluding contribution from Meta merger synergies will be equal to an avg of 12 m€ per year (vs 16 m€ of last 3 years).

Full range, complementary and balanced Portfolio mix will provide soaring cash flows

Ebitda 2005 & E2009 by Business

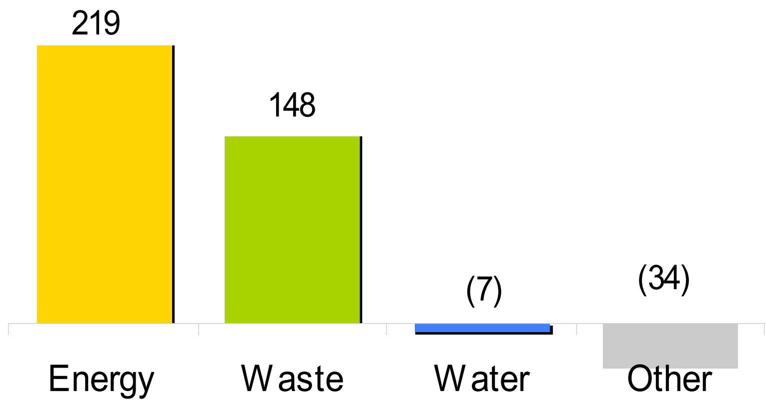
m €



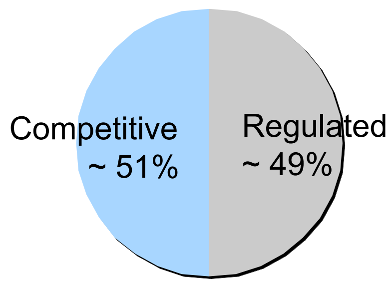
…cross selling opportunities and upstream integration boost electricity and waste businesses

E2006-E2009 Cash flows by Business*

m €



E2009 Ebitda by type of Business



**Excludes cash out for dividends*

Capex plan is proportionally split between maintenance and development

>**1.42 b € investment plan sustains profitable growth.**

>**Maintenance capex**: about 0.37 b€ refers to Water assets, recovered from tariff increase (7% on RAB).

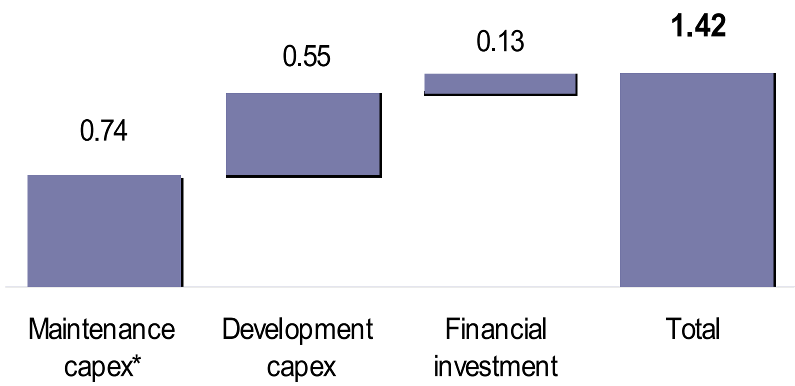
>**Development capex:** about 0.3 b€ relates to power gen plants (WTE, CCGT, OCGT and renewables) providing IRR above 10%.

>**Financial investments** of 0.13 b€ includes Enel network acquisition (already executed at 107 m € in June 2006).

ROI increase from 9% to 14%

E2006-E2009 Investments Breakdown

m €



Capex breakdown by business

Business	'06-'09
Waste	32%
Water	26%
Gas	9%
Electricity	20%
Other business	13%
Toal (1.42 b€)	**100%**

** Maintenance capex includes some minor enhancements on current asset base*

4. Closing Remarks

What's "On top" in Upstream: Almost "Full" direct access to energy

GAS up-stream initiatives

>Galsi Project (8 bmc/y capacity)

>1 bmc supply agreed with Sonatrach

>Hera equity commitment up to 40 m€

>Phase 2 of the project starting in Oct. 2006

>LNG plant

>Target to contract about 0.6-1.0 bcm

>3 option under evaluation

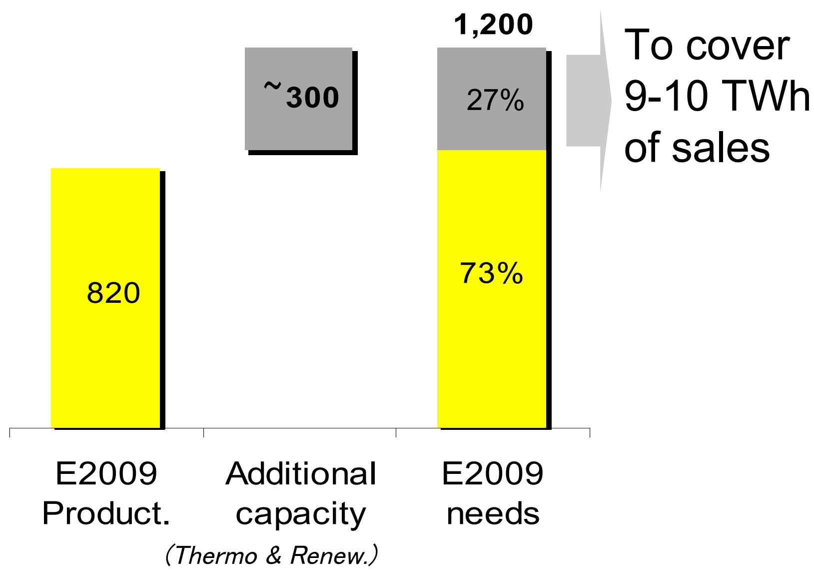
>Storage facility

>Direct control on storage capacity to strengthen position in gas procurement

>Cooperation agreement with Independent Resources Company Plc that is developing a project in reference territory

Upstream in power gen

MW



JV is the preferred option to expand in power gen. development

What’s “On top”: Keep on expanding in surrounding areas

Clear further expansion opportunities

>**Aspes**

- > **49.79% stake** already reached (Hera appoints **the CEO** of Aspes).
- > Advisors studying the **merger among Aspes, Megas and Aset** and strategic agreement to create a single company (Hera take: ˜30%)

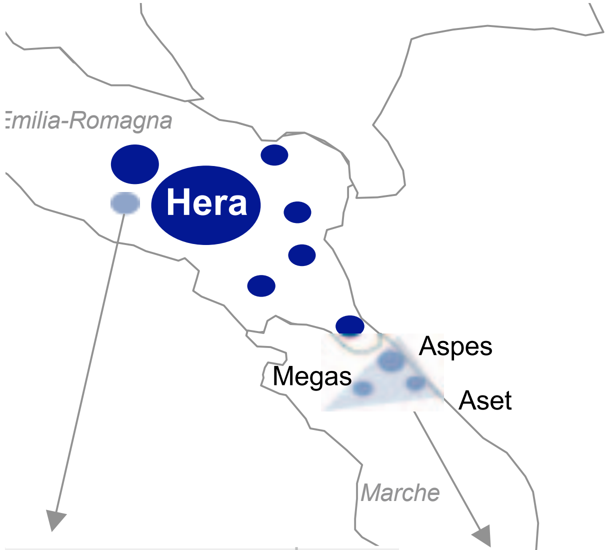
>**SAT**

- > Acquired **46.5% stake** in SAT
- > SAT’s **CEO** to be appointed by Hera
- > Talks for full merger will start in the next months

>**Additional opportunities in surrounding area**

- > Hera is currently in confidential talks with a multi-utility outside E-R region (with 90 m€ of turnover and 16–18 m€ of Ebitda).

Visible surrounding opportunities



SAT	2005
Turnover	*62*
Ebitda	*12*
(financial debts)	*19*
Business portf.	*Multi*
Energy	✔
Waste	✔
Water	✔

Aspes/Megas/Aset	2005
Turnover	141
Ebitda	20
(financial debts)	15
Business portf.	*Multi*
Energy	✔
Waste	✔
Water	✔

What's "On top": Hera geographically close to main market players

Hera is looking for opportunities applying the "full" merger model

> Hera consolidation options

> **Create a regional** multiutility player merging 100% with Enia

> Hera optimal geographic position provides for:

<u>"One off" opportunities</u>

Iride | Aem-Asm | Acea

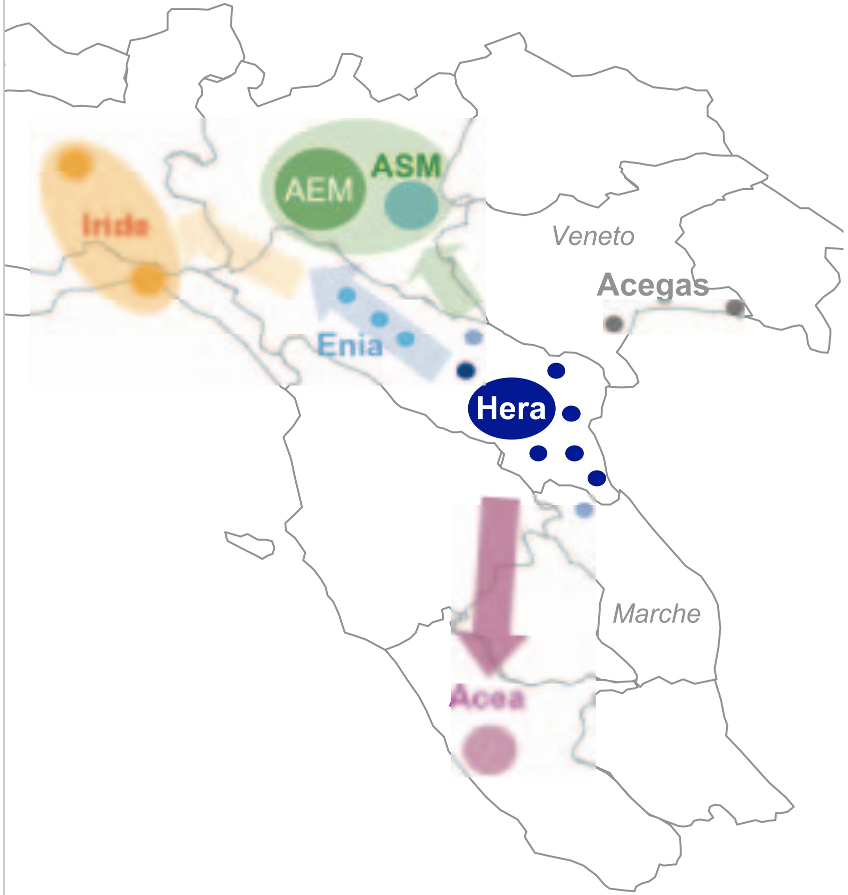
<u>Progressive consolidation of mid sized companies in surrounding areas</u>

... | ... | ...

> Hera consolidation proposal appeal:

>No controlling shareholders
>Model effective to extract synergies from mergers
>Sound financial structure and no limitation on industrial partner

Optimal Geographic position/options



Planned E2009 targets at a glance

- **Strategies and E2008 Ebitda targets** confirmed with the new plan.
- **E2009 Ebitda of 650 m€** underpinned by “internal growth” of **well known drivers.**
- **Asset base strengthening:**
    - upstream integration in energy activities (profitable and low risk projects);
    - maintaining a sound financial structure to fund further future expansion opportunities.
- **ROI above 14%** and **dividend** increase by **+15% per year.**
- **Additional “on top of plan” potentials:**
    - Gas/Electricity upstream projects to guarantee competitive supply;
    - Sector consolidation “in the surroundings” to strengthen presence on territory;
    - Analysing potential sizeable merger(s) to achieved a leap in size.

High returns to shareholders with visible “upside” potentials

Appendix

Business plan 2006-2009: WASTE Business

URBAN — Increasing profitability

> **Volume** expected to increase by 1.4% in line with historical growth rate

> **Tariff** increase at an avg of +2.2%/y reaching conservatively 96% of law provision.

> **Develop** the 4 new WTEs by 2008

SPECIAL — Developing market share

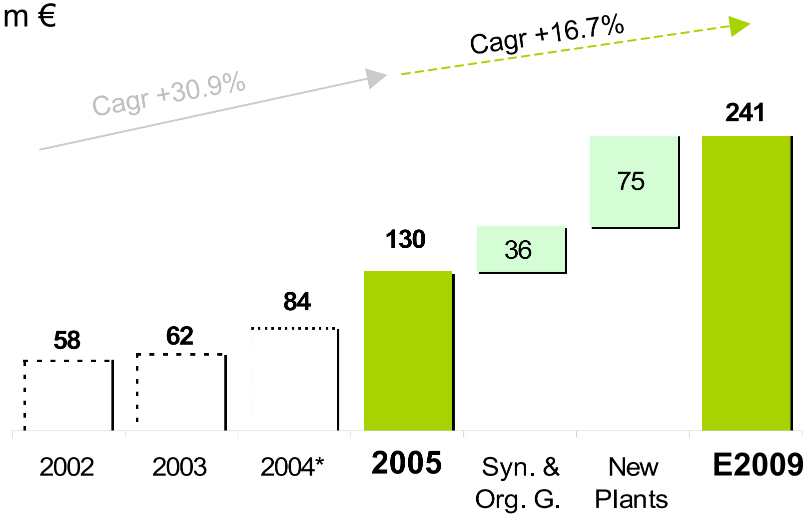
> **Volume increase by +7.9%** through market share expansion with "full" service contracts to business clients

> **Expanding assets base** in order to strengthen treatment capacity and expand range of technologies

Waste	2005	%	E2009	%	Cagr %
Revenues	482	100%	644	100%	+7.5%
Ebitda	**131**	**27.0%**	**241**	**37.4%**	**+16.7%**

Ebitda 2005-E2009

m €



Capex E2006-E2009: ˜0.46 b€

Business plan 2006-2009: WATER Business

Tariff increase applying national law provisions and rewarding additional capex

> **Tariff increase** at an avg of +4.5%/y reaching conservatively 97% of law provision

> **Volume** expected to increase by 0.5% in line with historical growth rate

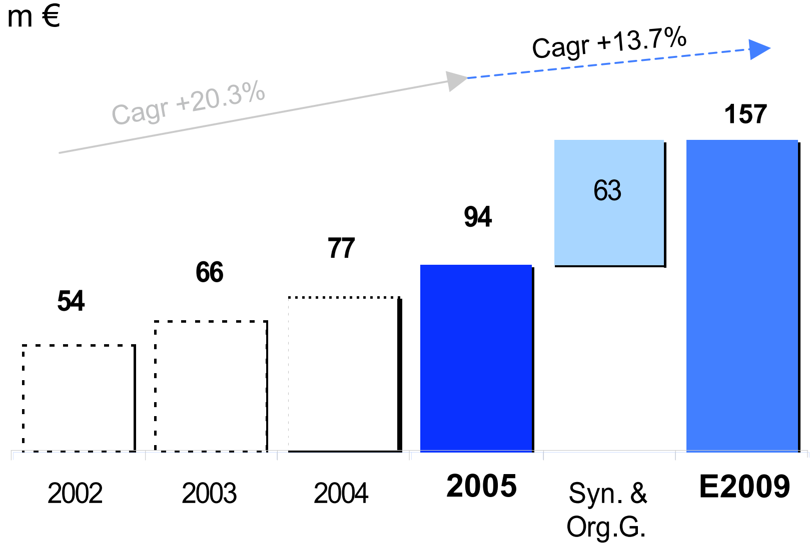
> **Maintain and develop** assets remunerated by tariff increase (7% RAB, as stated by law).

> **Capex plan** agreed with ATOs

Water	2005	%	E2009	%	Cagr %
Revenues	346	100%	420	100%	+5.0%
Ebitda	**94**	**27.2%**	**157**	**37.4%**	**+13.7%**

Ebitda 2005-E2009

m €



Capex E2006-E2009: ~ 0.37 b€

Business plan 2006-2009: GAS Business

Market expansion to more than off set effects of competition

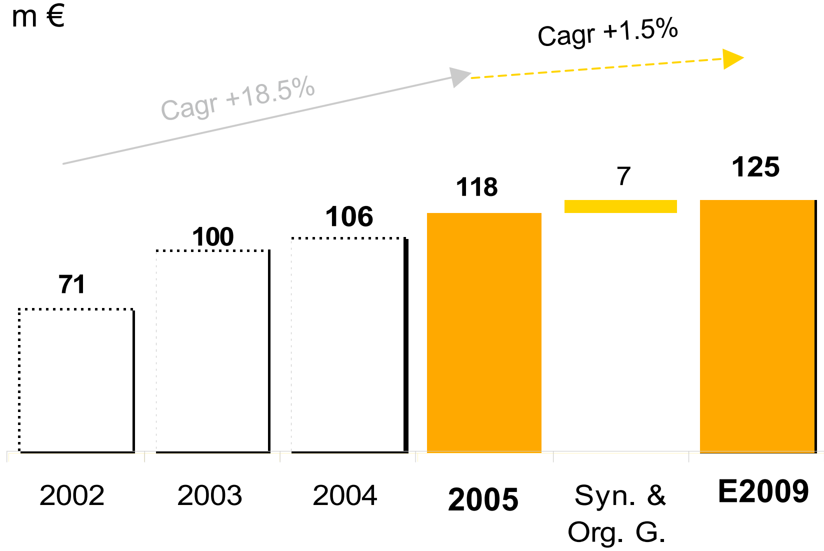
> **Distribution activities**
>
> > **Tariff expected** to remain steady
>
> > **Volume distributed** expected to reach 2.4 bmc in 2009

> **Supply activities: 2.9 bcm in E2009**
>
> > Expansion of sales on profitable segment of clients off setting estimated churn rate (avg of 2.0-2.5%/y)

Gas	2005	%	E2009	%	Cagr %
Revenues	871	100%	896	100%	+0.7%
Ebitda	**118**	**13.5%**	**125**	**14.0%**	**+1.5%**

Ebitda 2005-E2009

m €



Capex E2006-E2009: ~ 0.13 b€

Business plan 2006-2009: ELECTRICITY Business

Balancing mkt expansion with power generation

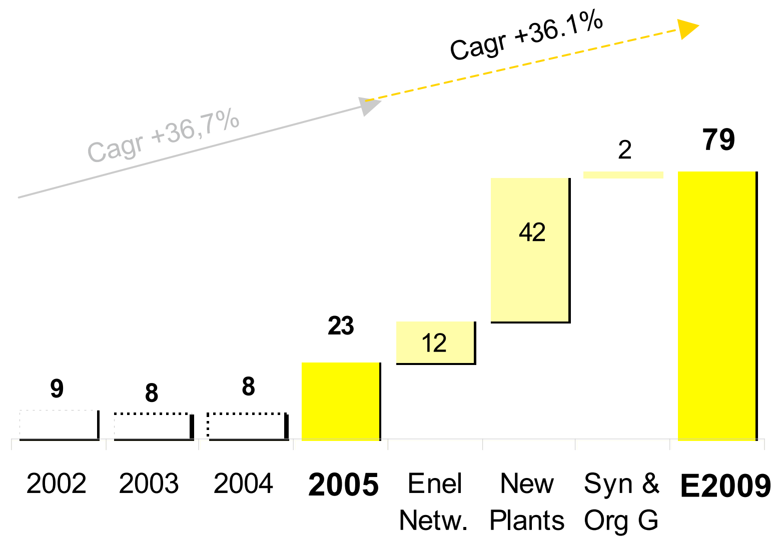
> **Distribution activities**
>
> > Tariff expected to remain steady
>
> > Volume distributed expected to increase to 2.4 TWh (including acquired Enel Network)

> **Supply activities**
>
> > Sales volumes expansion on profitable segment of clients up to 7.3 Twh, plus wholesale up to 1.9 Twh.

Electricity	2005	%	E2009	%	Cagr %
Revenues	397	100%	661	100%	+13.6%
Ebitda	**23**	**5.8%**	**79**	**12.0%**	**+36.1%**

Ebitda 2005-E2009

m €



Capex E2006-E2009: ~ 0.28 b€

Business plan 2006-2009: OTHER BUSINESS

District Heating

> District Heating business will be expanded by developing networks and delivering up to 700 GWht in 2009 (+10% cagr).

Public Lighting

> Expanding to 350.000 lighting towers in 2009 (+4.5% cagr).

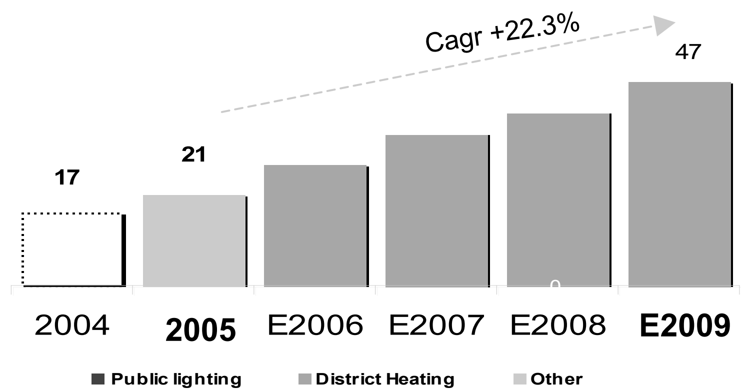
Other services

> Heat Management and Cogeneration activities expected Ebitda expected to more than double (from 3.9 m€) in 2009.

> Continuing rationalization of activities

Other	2005	%	E2009	%	Cagr %
Revenues	131	100%	162	100%	+5.5%
Ebitda	**21**	**16.0%**	**47**	**29.0%**	**+22.3%**

Ebitda 2005-E2009
m €



Capex E2006-E2009: ~ 0.18 b€

GALSI Project

Galsi timing of construction

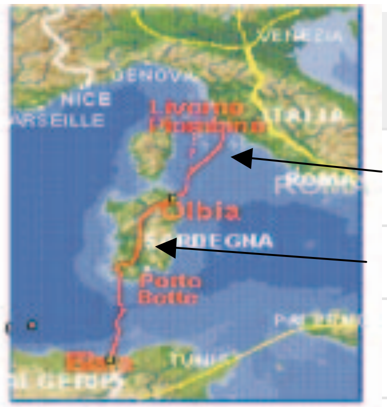
E. Timing	2006	2007	2008	2009	201 0
Project					
Construction					
Operations					

Construction

Galsi Shareholdings

Shareholders	Stake
Sonatrach	36.0%
Edison	18.0%
Enel	13.5%
Wintershall	13.5%
Hera	9.0%
SFIRS	5.0%
Progemisa	5.0%

Galsi pipe: 8 bmc/y (in 1st step)



Part	Pipe	Leng (km)	Deep (mt)	Invest (m €)
Olbia/ Tuscany	Offsh	300	700	600
Cagliari/ Olbia	Onsh	300	0	600
El Kala/ PortBotte	Offsh	280	2,800	700

Business plan 2006-2009: Main commitment with Stakeholders

Improving all main KPIs

> Hera sustainable approach is expected to yield higher performances together with an outstanding financial growth.

> Activities are monitored on a monthly basis and actual/target are checked every quarter with all top management.

> MBO includes also target on main KPIs committing directors and middle management.

Main Commitments	2005	E2009	Increase
Environment			
SortedUrban Waste	29.0%	**40.0%**	+1,100 bp
Waste sent to Landfill	30.0%	**15.0%**	-1,500 bp
Water net work leakage	24.9%	**21.0%**	-390 bp
Kyoto Standards (Co2)	93%	**102%**	+720 bp
Customer care			
Interruptions in electricity service (min/customer)	75	**50**	-33%
Avg waiting time shops	40 min	**20 min**	-50%
Avg waiting time teleph	70 sec	**20 sec**	-71%
Energy from renewable (TWh)			
Cogeneration	0.213	**1.370**	+543%
WTE	0.301	**0.629**	+109%
Geothermic	0.076	**0.081**	+7%
Other	0.050	**0.120**	+140%
Social responsibility			
N. employees	5,904	**5,600**	(5.1%)
New Employments	115	**115**	-
Avg Personnel cost (€)	46,409	**51,786**	+12%
Training (h. per capita)	19.1	**23.3**	+21%
Women (% of tot.)	20.9%	**-**	-
Protected cat. of empl.	0.7%	**-**	-
Incidents on Job*	67.6	**43.0**	(37%)
Gravity of damege**	1.6	**0.9**	(44%)

** Number of incidents/ number of working hours x 1,000,000*
*** Days absence from Job/ number employee x 1,000*

Appendix: 1H2006 results

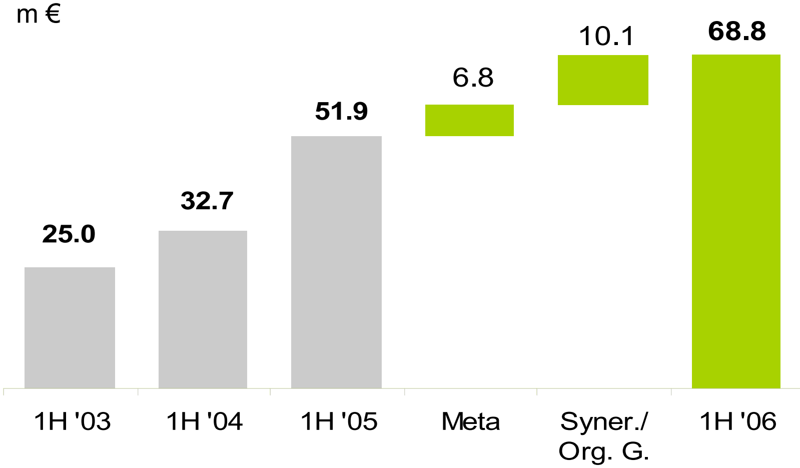
1H 2006 results: Waste – best of class

Profit and Loss

Ml€	1H '05	%	1H '06	%	*Inc. %*
Sales	197.4	*100.0%*	**255.7**	*100%*	**+29.5%**
Operating c.	(98.7)	*(50.0%)*	(128.1)	*(50.1%)*	*+29.9%*
Personnel c.	(48.9)	*(24.8%)*	(61.3)	*(24.0%)*	*+25.4%*
Capitalisation	2.0	*1.0%*	2.5	*1.0%*	*+25.0%*
Ebitda	**51.9**	***26.3%***	**68.8**	***26.9%***	**+32.6%**

1H EBITDA of last 4 years

m €



Ebitda growth:

> improved Ebitda margins mainly relates to:

>Electricity increased prices (CIP6) and volumes produced from waste treatment plants

>Higher volumes of special waste treated

>Synergies exploitation

1H Technical Data

K tons

Waste	1H '05	1H '06	*Inc. %*	*Meta*	*Hera*
Urban Waste.	641.6	784.4	*+22.3%*	*+15.5%*	*+6.8%*
Special Waste	756.5	967.3	*+27.9%*	*+17.1%*	*+10.8%*
Total	**1,398.1**	**1,751.7**	***+25.3%***		

1H 2006 results: Water–visible benefit from tariff progression

Profit and Loss

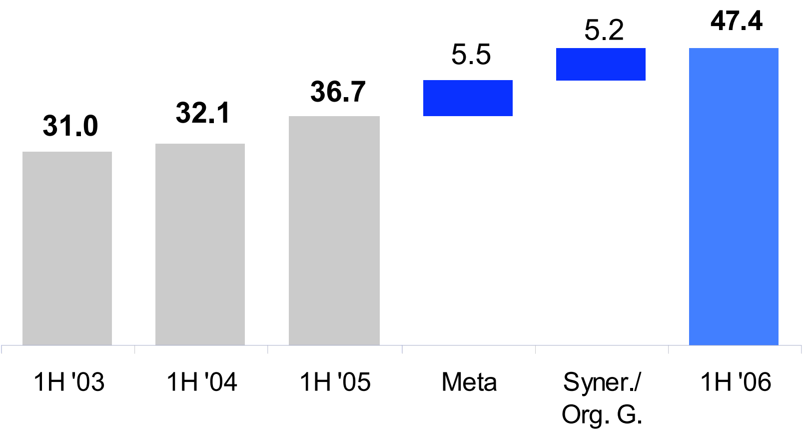
MI€	1H '05	%	1H '06	%	Inc. %
Sales	151.9	*100.0%*	**185.0**	***100.0%***	***+21.8%***
Operating c.	(109.4)	*(72.0%)*	(143.0)	*(77.3%)*	*+30.7%*
Personnel c.	(34.2)	*(22.5%)*	(39.6)	*(21.4%)*	*+15.7%*
Capitalisation	28.4	*18.7%*	45.0	*24.3%*	*+58.5%*
Ebitda	**36.7**	***24.2%***	**47.4**	***25.6%***	***+29.3%***

Ebitda growth:

> Tariff increase and volume expansion sustained higher levels of Ebitda and profitability

1H EBITDA of last 4 years

m €



1H Technical Data

m mc

Volume sold	1H '05	1H '06	Inc. %
Aqueduct	98.9	111.8	*+13.0%*
Depuration	86.9	100.1	*+15.2%*
Sewerage	84.0	96.7	*+15.1%*
Total	**269.8**	**308.6**	***+14.4%***

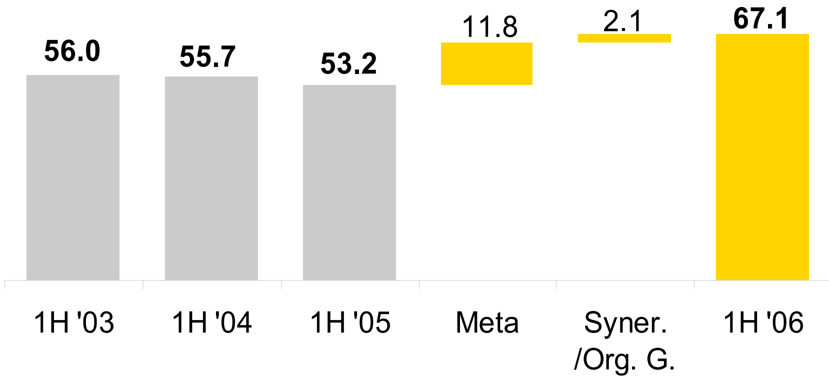
1H 2006 results: Gas – positive trend thanks to mergers

Profit and Loss

MI€	1H '05	%	1H '06	%	*Inc. %*
Sales	394.5	*100.0%*	**564.4**	***100.0%***	***+43.1%***
Operating c.	(328.6)	*(83.3%)*	(483.1)	*(85.6%)*	*+47.0%*
Personnel c.	(21.3)	*(5.4%)*	(24.5)	*(4.3%)*	*+14.9%*
Capitalisation	8.6	2.2%	10.3	*1.8%*	*+19.8%*
Ebitda	**53.2**	***13.5%***	**67.1**	***11.9%***	***+26.2%***

1H EBITDA of last 4 years

m €



Ebitda growth:

> Volume growth relates to Meta/Geat mergers

> Trading activities and Ebitda margin affected by higher oil prices

1H Technical Data

	1H '05	1H '06	*Inc. %*
N. Customer (k unit)	807.1	955.2	*+18.3%*
Volume distrib. (m cm)	1,143.2	1,340.0	*+17.2%*
Volume sold (m cm)	1,303.4	1,313.8	*+0.8%*
Trading (m cm)	176.0	134.2	*(41.8%)*

1H 2006 results: Electricity – major strengthening from Meta merger

Profit and Loss

Ml€	1H '05	%	1H '06	%	Inc. %
Sales	131.0	*100.0%*	**183.4**	***100.0%***	***+40.0%***
Operating c.	(128.2)	*(97.8%)*	(170.4)	*(92.9%)*	*+32.9%*
Personnel c.	(1.3)	*(1.0%)*	(5.0)	*(2.7%)*	*+3.8x*
Capitalisation	1.3	*1.0%*	3.6	*1.9%*	*+2.7x*
Ebitda	**2.8**	***2.2%***	**11.6**	***6.3%***	***+4.1x***

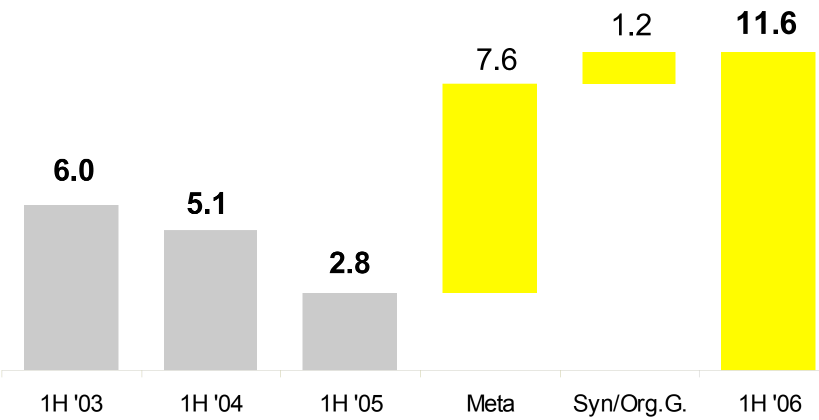
Ebitda growth:

> Improved margins also thanks to Meta merger

> Expansion on profitable customer off set overall volume decrease (highlighted in the comparison on 1H2006 proforma figures)

1H EBITDA of last 4 years

m €



1H Technical Data

GWh

Sales	1H '05	1H '06	*Inc. %*
Residential c.	94.9	341.8	*+3.6x*
Business c.	1,046.7	1,087.0	*+3.9%*
Total	**1,141.6**	**1,428.8**	***+25.2%***

1H 2006 results: Other businesses –growth at 4x in 3 years

Profit and Loss

Ml€	1H '05	%	1H '06	%	Inc. %
Sales	63.3	***100.0%***	**81.1**	***100.0%***	***+28.1%***
Operating c.	(48.8)	***(77.1%)***	(62.1)	*(76.6%)*	*+27.3%*
Personnel c.	(12.2)	***(19.3%)***	(11.8)	*(14.5%)*	*(3.3%)*
Capitalisation	8.0	***12.6%***	7.8	*9.6%*	*(2.5%)*
Ebitda	**10.3**	***16.3%***	**15.0**	***18.5%***	***+45.6%***

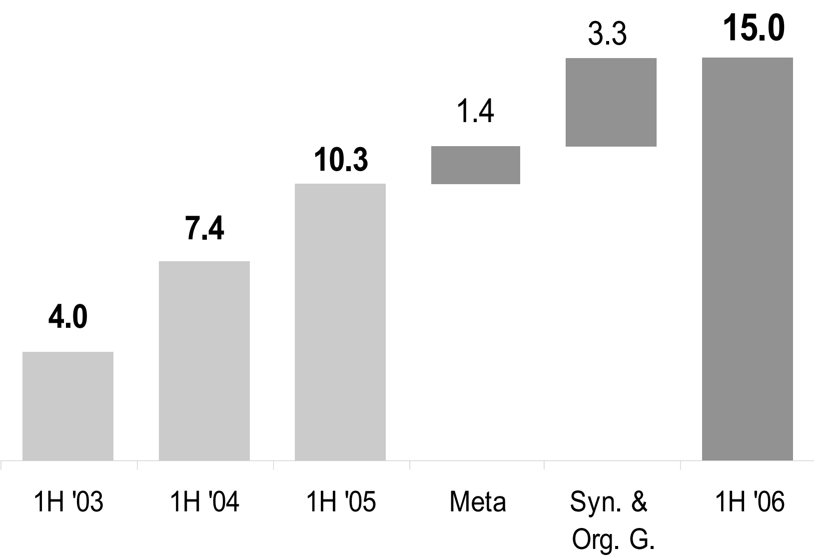
Ebitda growth:

> Ebitda benefit from current levels of energy prices (mainly in District Heating)

> Further rationalization on Public Lighting operations provided tangible contribution

1H EBITDA of last 4 years

m €



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> *This presentation contains forward-looking statements regarding future events (which impact on Hera Group future results) that are based on current expectations, estimates and opinions of management.*

> *These forward-looking statements are subject to risks, uncertainties and events that are unpredictable depending on circumstances that might change in future.*

> *As a consequence, any expectation on Group results and estimates set out in this presentation may differ significantly depending on changes in unpredictable circumstances on which they are based.*

> *Therefore, any forward -looking statement made by or on behalf of Hera Group speaks only as of the date they are made.*

> *Hera Group does not make the commitment to update forward-looking statements to reflect any changes in the Group expectations or in the events, conditions or circumstances on which any of such statements are based.*

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