



1Q2005

Hera Group presentation



Y2005 has been characterized by a stream of achievements:

► Corporate Governance

- A new BoD was appointed in April.

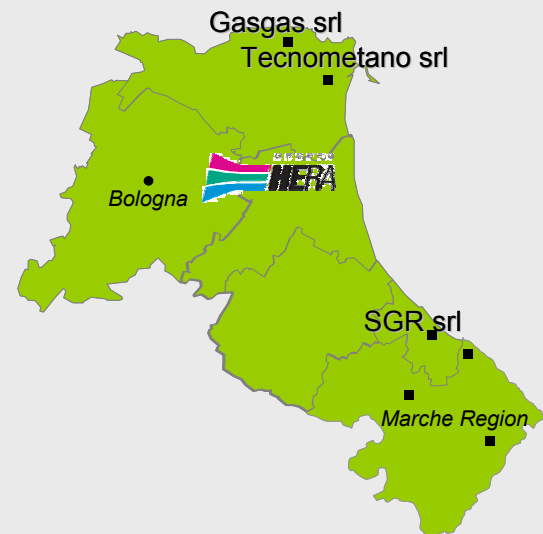
► Further penetration of the Hera Gas market:

- 1,500 new clients (consuming to 10 mln mc yearly consumptions) attained through **Tecnometano srl and Gasgas srl acquisitions** (paid 6.0x EV/Ebitda)
- Execution of 20% acquisition of **SGR srl** - attaining 150,000 customers
- 2,800 new clients (consuming 7.5 mln mc yearly) gathered through **Argilegas Srl 100% acquisition** (paid 4.5x EV/Ebitda)

► Developments in Sector consolidation activities:

- **Signed a preliminary agreement** to create a single multi-service company in the province of Pesaro through the consolidation of the 3 operating companies: Hera will remain the reference industrial shareholder.

Hera reference territory

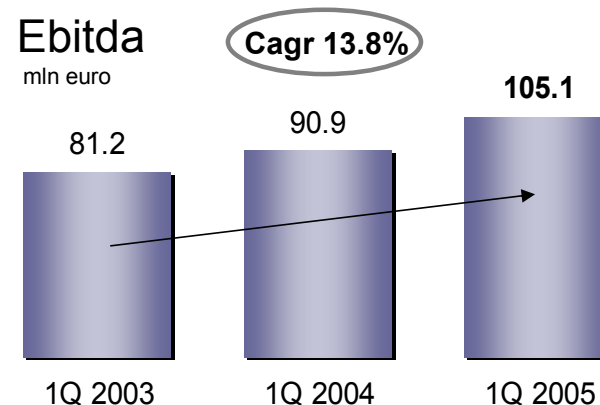


+15.6% EBITDA Growth

- **First quarter 2005** results highlight a growth in line with the **Budget 2005** and the **Business Plan**.
- These results were **achieved thanks to external** (Ferrara and C.E. of Ravenna) **and internal development** (Fea new WTE plant, synergies and organic growth).
- **1Q 2005** include a conservative estimation of the energy distribution tariff reduction introduced by d. 170/04 of AEEG.
- In the following, **2004 figures have been adjusted to include the Ferrara operation (proforma)**.
- IAS adjustment will be applied from 1st half 2005

mln euro	1Q '04*	%	1Q '05	%	Inc. %
Value of Prod.	440.4	100%	551.2	100%	+25.2%
Ebitda	90.9	20.6%	105.1	19.1%	+15.6%
Ebit	60.0	13.6%	67.7	12.3%	+12.8%
Pre Tax Profit	53.7	12.2%	59.5	10.8%	+10.8%

*Do not include Ferrara results



Internal and external growth:
+ 15.6 % Ebitda

Value of Production: +12.3%

- Increase reached in all business areas.

Ebitda: +6.0%

- Organic Growth and Synergy, exploited in all business areas, more than compensate the energy distribution tariff reduction effect of -10 mln€.

Pre tax Profit: +2.0%

Growth fully offset
considerable tariff cuts

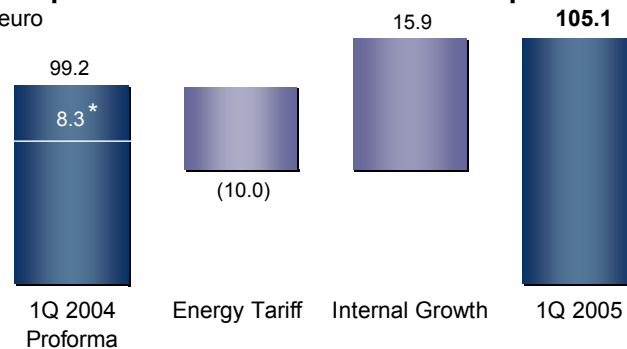
mln euro	1Q '04*	%	1Q '05	%	Inc. %
Value of Prod.	490.7	100%	551.2	100%	+12.3%
Operating costs	(335.1)	(68.3)%	(386.2)	(70.0)%	+15.2%
Personnel costs	(56.4)	(11.5)%	(59.9)	(10.9)%	+6.2%
Ebitda	99.2	20.2%	105.1	19.1%	+6.0%
Amm. & Depr.	(34.0)	(6.9)%	(37.4)	(6.8)%	+10.0%
Ebit	65.2	13.3%	67.7	12.3%	+3.9%
Interest.& Adj.	(5.1)	(1.0)%	(8.9)	(1.6)%	+74.5%
Extr. Inc	(1.8)	(0.4)%	0.7	0.1%	-
Pre Tax Profit	58.3	11.9%	59.5	10.8%	+2.0%

* Pro forma

(IAS not applied)

Group Ebitda 1Q '05 build up

mln euro



* Ferrara Ebitda

SAP ISU Implementation


- **SAP ISU** implementation process is on track. About **70% of Group turnover is invoiced by new SAP platform** (unique local utility in Italy).
- As planned, in 1Q **Bologna and Ravenna LOCs froze temporarily invoicing** determine an increase of trade receivables.

NFP: 689.4 mln €

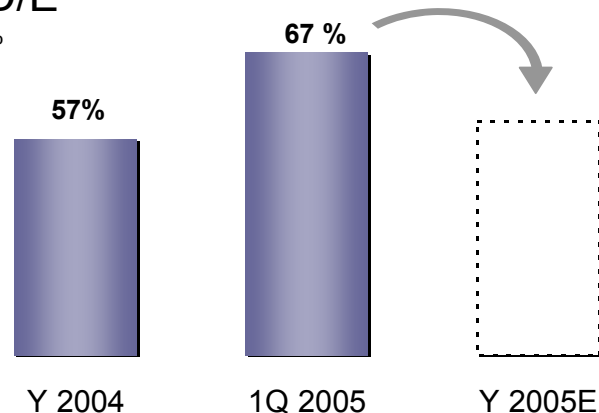
- SAP implementation **impact on working capital** will be **fully recovered by year end**.
- **Cash generation** will allow to substantially cover 300 mln € of budgeted 2005 capex leading to a **NFP of 635 mln €**.
- **D/E** within year end is **still expected in line with the conservative business plan** (excluding possible investments).

SAP implementation schedule

LOCs	Bo	Rim	Rav	For	Imo	Fer
Schedule	✓	✓	✓	✓	Oct.	Oct.
Turn. %	31%	14%	14%	13%	9%	19%


72%

D/E
%

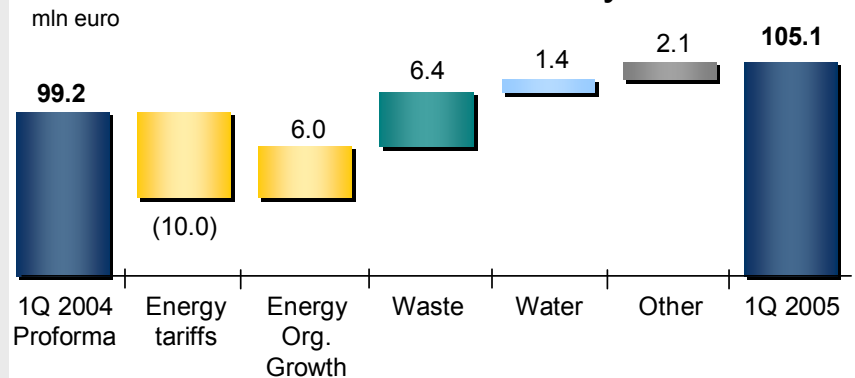


Net Financial Position

Breakdown by business

- **Development in Gas sales/whole sale and cost reduction allowed to significantly reduce impact of distribution tariff reduction (170/'04).**
- **All businesses provide tangible contribution to Ebitda increase.**
- **Step up in Waste business underpinned by new operating assets (FEA and C.E. of Ravenna WTE plants).**

Ebitda Growth: Breakdown by business



The balanced business portfolio guarantee performing results

Sales: + 12.4 %

	1Q 2005
Fea WTE Plant	+2.8
C.E. of Ravenna (WTE)	+6.2
Organic Growth	+1.2
Total Increase	+10.2

Ebitda: +30.2 %

	1Q 2005
Fea WTE Plant	+2.8
C.E. of Ravenna (WTE)	+2.2
Org. growth & Syn.	+1.4
Total Increase	+6.4

- Ebitda margin: +400 basis points

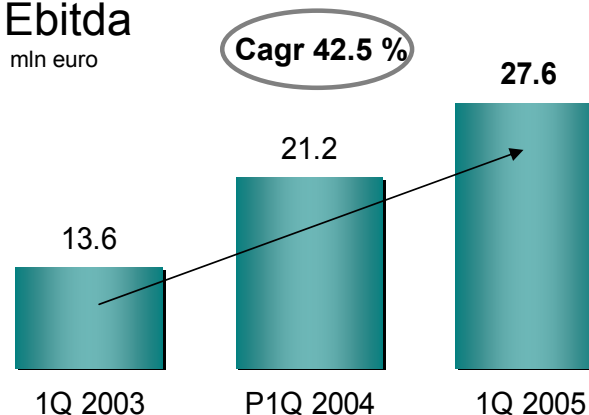
Waste confirmed to be the
outperforming business

WASTE	1Q '04*	%	1Q '05°	%	Inc. %
Sales	82.3	100%	92.5	100%	+12.4%
Operating costs	(40.1)	(48.7)%	(41.1)	(44.4)%	+2.5%
Personnel costs	(21.0)	(25.5)%	(23.8)	(25.7)%	+13.3%
Ebitda	21.2	25.8%	27.6	29.8%	+30.2%

* Pro forma

° IAS not applied

Ebitda
mln euro



Sales: + 10.7 %

	1Q 2005
Tariff increase	+1.5
Organic growth	+2.2
Other	+3.0
Total Increase	+6.7

Ebitda: +8.4 %

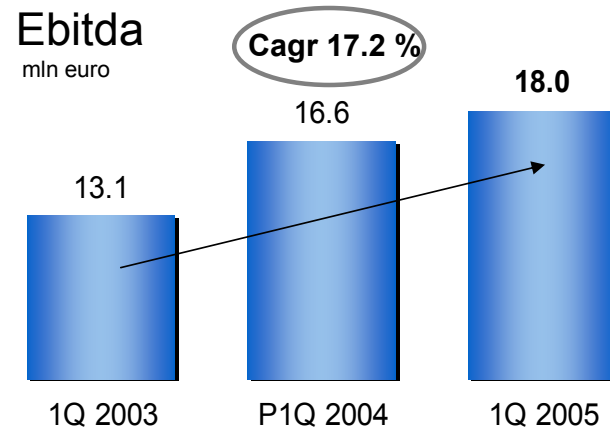
- Ebitda growth is mainly related to the increase of tariffs

ATO agreements start providing contribution

WATER	1Q '04*	%	1Q '05°	%	Inc. %
Sales	62.7	100%	69.4	100%	+10.7%
Operating costs	(32.1)	(51.2)%	(36.1)	(52.0)%	+12.5%
Personnel costs	(14.0)	(22.3)%	(15.3)	(22.0)%	+9.3%
Ebitda	16.6	26.5%	18.0	25.9%	+8.4%

* Pro forma

° IAS not applied



Sales: + 17.6 %

- Sales increase is mainly driven by larger volumes and “pass through” raw material costs increases.

Ebitda: - 4.4 %

	1Q 2005
Volumes & sales margin	+5.3
Other	+2.3
Tariff decrease	(10.0)
Total decrease	(2.4)

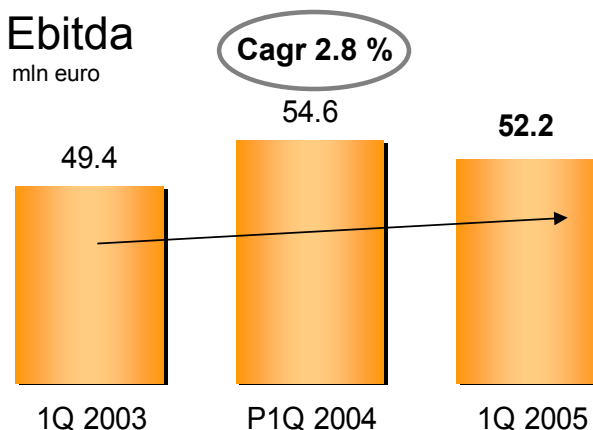
Almost full impact of d.170/04 is accounted for in the 1Q '05

GAS	1Q '04*	%	1Q '05°	%	Inc. %
Sales	250.6	100%	294.7	100%	+17.6%
Operating costs	(186.6)	(74.5)%	(231.5)	(78.6)%	+24.1%
Personnel costs	(9.4)	(3.8)%	(11.0)	(3.7)%	+17.0%
Ebitda	54.6	21.8%	52.2	17.7%	-4.4%

* Pro forma

° IAS not applied

Ebitda
mln euro



Sales: + 20.9 %

The increase is mainly related to “*pass through*” costs included in tariff.

Ebitda: - 57.1 %

Ebitda affected by change in mix (Domestic and “eligible” clients) and by lower distribution tariffs.

ELECTRICITY	1Q '04*	%	1Q '05°	%	Inc. %
Sales	51.2	100%	61.9	100%	+20.9%
Operating costs	(47.3)	(92.4)%	(60.3)	(97.4)%	+27.5%
Personnel costs	(1.1)	(2.1)%	(0.4)	(0.6)%	-63.6%
Ebitda	2.8	5.5%	1.2	1.9%	-57.1%

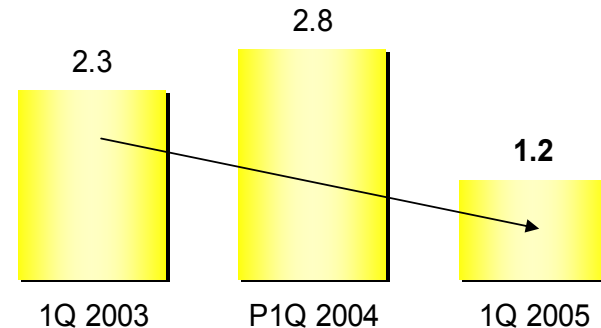
* Pro forma

° IAS not applied

Dual fuel commercial proposal still provide positive economic results

Ebitda
mln euro

Cagr (27.8)%



Sales: + 15.9 %

- Positive results achieved in Public Lighting (increase of lighting towers).
- Increase in District Heating and Heat management sales driven by favourable climate conditions.

Ebitda: + 52.5 %

- Ebitda increase benefit arising from organic growth and from synergy exploitation started in Y'04.

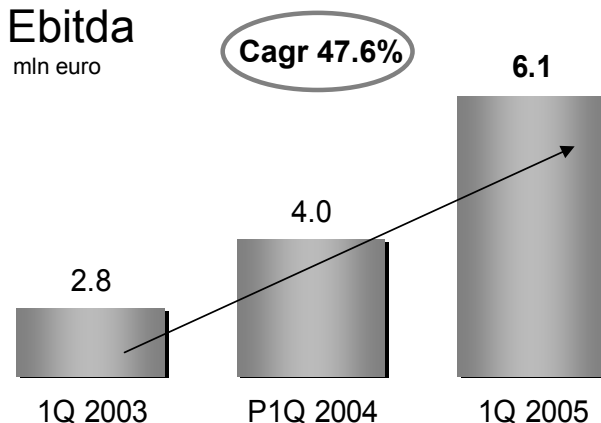
Remarkable results of Organic Growth and Synergy exploitation

OTHERS	1Q '04*	%	1Q '05°	%	Inc. %
Sales	30.9	100%	35.8	100%	+15.9%
Operating costs	(21.8)	(70.6)%	(23.5)	(65.6)%	+7.8%
Personnel costs	(5.1)	(16.5)%	(6.2)	(17.3)%	+21.6%
Ebitda	4.0	12.9%	6.1	17.0%	+52.5%

* Pro forma

° IAS not applied

Ebitda
mln euro



Conclusions

- **The 1Q'05 results confirm the Group Ebitda historical double digit growth** trends thanks to the contribution of:
 - **Strategic External Growth** activities (+10% growth contribution)
 - **Strong Internal Growth** drivers (+6% contribution from Organic Growth and Synergy exploitation) able to more than offset a sharp decrease of energy distribution tariffs.
- **Net Financial Position** records a planned increase in 1Q up to **690 mln €** (related to SAP billing system implementation in the main operating companies of the Group) that **will be reduced by year end to 635 mln € about**, despite the budgeted capex of about 300 mln €.
- On 28th April, the general shareholders' meeting approved the distribution of a **0.06€ dividend per share**.

Conclusions

- **Strategic issues:**
 - **Vertical Integration in energy businesses:**
 - **Possible acquisition of 90% stake in a mid size wind farm** (project portfolio of about 30-50 MW installed capacity) – due diligence already in progress.
 - **Acquisition of two Wind farms in south Italy dropped** due to investment commitments required – risk/return profile not meeting Hera requirements.
 - **Project to develop jointly with VNG a new European trading company** focused on exploiting opportunities in surrounding countries.
 - **Sector Consolidation:** Hera is on starting blocks for Meta project (expected to start in short time)



Ready to expand Group growth potentials