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quarterly report  
january - march





***Quarterly Report of the Hera Group as  
at March 31, 2004***

## Results of the HERA Group

<i>(Euro millions)</i>	<b>Q 1 2003</b>	<b>Q 1 2004</b>	<b>Change %</b>
<b>Value of Production</b>	<b>401.1</b>	<b>440.4</b>	<b>9.8%</b>
<b>Ebitda</b>	<b>81.2</b>	<b>90.9</b>	<b>11.9%</b>
<i>Margin</i>	20.2%	20.6%	
<b>Ebit</b>	<b>51.9</b>	<b>60.0</b>	<b>15.5%</b>
<i>Margin</i>	12.9%	13.6%	
<b>Pre-tax result</b>	<b>48.7</b>	<b>53.7</b>	<b>10.4%</b>



## ***Index***

### **Information on the operations to March 31, 2004 of the Hera Group**

1.	Introduction	5
2.	Consolidated results of the Hera Group	7
3.	Net financial position of the Hera Group	9
4.	Analysis of the results by business area	10
4.1	Energy Business	10
4.2	Integrated Water Cycle Business	13
4.3	Waste Management Business	14
4.4	Other Services	15
5.	Investments	16
6.	Human Resources	17

### **Consolidated financial statements as at March 31, 2004 of the Hera Group**

Income Statement	19
Net Financial Position	20

***Information on the operations of the  
HERA Group to March 31, 2004***

## **1. Introduction**

### **Information on the quarterly financial statements of the Hera Group**

In the first quarter of 2004, the Hera Group achieved positive results in all of the business sectors confirming the creation of economic and financial synergies. The period ended with increases in all of the principal economic indicators and an improvement in the net financial position of Euro 88.8 million.

Activities continued in 2004 relating to organisational rationalisation, creation of further synergies and those directed at external growth.

Among the reorganisation activities of the Group, particularly noted are the simplification of the corporate structure (achieved through the further reduction of minor participations not considered strategic), the rationalisation of all of the activities relating to the Public Lighting business into a special purpose company, Hera Luce, and the strengthening of the commercial structure.

In addition, following the completion of the implementation in all of the principal Group companies of the SAP information system, an integrated revision project of the Customer System commenced, of the management of the billing system and of the CRM System (Customer Relationship Management), which is expected to enter into service by the year end in some Group companies.

Finally, in view of the full entry into service of the Electricity Exchange, the rationalisation of all the trading activities are in the completion phase for a more efficient management of the different sources of energy procurement.

Particular attention was given, in the first months of the year, to the company Agea, in view of its progressive integration into the Group. The first operational rationalisation projects have already commenced. Among these is the project for the construction of a WTE plant, for which Agea has already received the authorisation, that will be constructed in complete synergy with the plants already planned by the Group.

The project in the Ferrarese Area completes the Group development plan in the Waste Management business that provides for the construction or enlargement of 5 other WTE plants. The most important of these, the new waste-to-energy plant of 180 thousand tonnes/year at Bologna (FEA), that has received CIP6 authorisation for 22 MW of installed power, is in the pre-operational testing phase and is expected to enter into service in the second half of the year. For the other plant, all of the authorisation procedures with the local public administrations have been completed and the tender processes for the supply of the principal components have commenced.

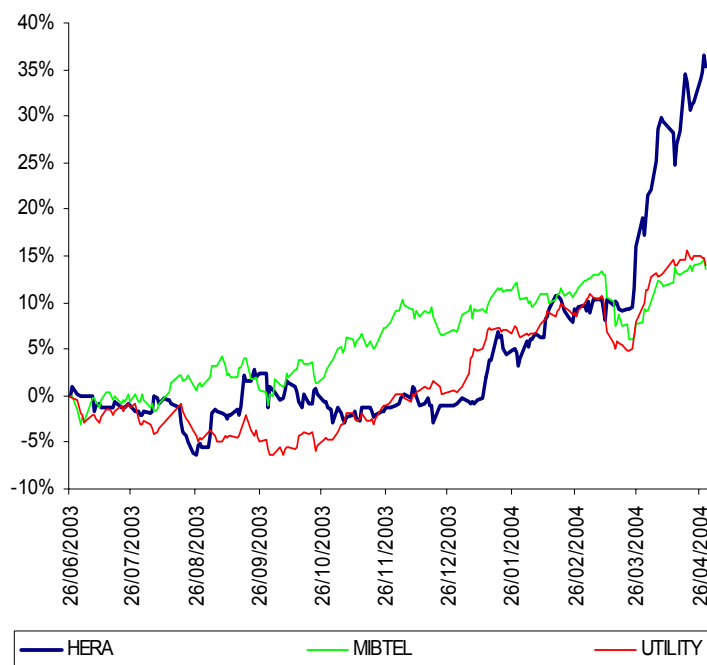
The Hera Group continued its search for external growth opportunities in order to consolidate its presence in the Waste Management Business. Among these the tender for the acquisition of the Ecologic Centre of Ravenna by Eni Ambiente is of particular note, in which the binding offer must be received by May 17, 2004. The operation relates to the acquisition of a series of activities that would permit the Hera Group to strengthen its leadership also in the treatment of special harmful waste. The

plant at the Centre create an annual turnover of approximately Euro 25 million including a WTE plant that benefits from CIP 6 authorisation for the sale of electricity at subsidised tariffs.

In relation to the Company development plans for the production of Electricity, in addition to the two CCGT plants at Imola (80 MW) and Rimini (230 Mw) and the minority participation in the gas combined cycle plant of 800 Mw at Sparanise (CS), negotiations began for the acquisition of 40% of a gas combined cycle with 400 Mw, already in construction.

The overall results achieved to-date have induced management to begin the review of the industrial plan to include the significant further synergies and growth opportunities that have emerged. It is expected that the review will be completed and communicated to the market in September 2004.

The share price of Hera ended the quarter at Euro 1.49, an increase of approximately +20% compared to the beginning of the year, and reached stable quotations of around Euro 1.67 at the end of April (approximately +35%), following the publication of the annual results and a Road Show in all of the principal European and American stock markets. The liquidity of the share has increased significantly (average of over 1 million shares traded daily), following the greater interest shown by the financial community in the Company.



## 2. The consolidated results of the Hera Group

The Hera Group closed the first quarter of the year, in line with forecasts, with an increase in all of the economic indicators compared to the same period in the previous year as shown in the table below:

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>March 31, 03</b>	<b>March 31, 04</b>	<b>Change %</b>
Revenues	1,221.5	385.2	412.3	7.0%
Other income	19.5	9.1	8.0	(12.1)%
Increase in capitalised assets	90.3	6.8	20.1	195.6%
<b>Value of Production</b>	<b>1,331.3</b>	<b>401.1</b>	<b>440.4</b>	<b>9.8%</b>
Operating costs	(896.4)	(270.0)	(299.7)	11.0%
<i>incidence %</i>	-67.3%	-67.3%	-68.0%	
Personnel costs	(192.4)	(49.9)	(49.9)	0.0%
<i>incidence %</i>	-14.5%	-12.4%	-11.3%	
<b>EBITDA</b>	<b>242.5</b>	<b>81.2</b>	<b>90.9</b>	<b>11.9%</b>
<i>margin %</i>	18.2%	20.2%	20.6%	
Amort., depreciation & provisions	(129.7)	(29.3)	(30.9)	5.5%
<i>incidence %</i>	-9.7%	-7.3%	-7.0%	
<b>EBIT</b>	<b>112.8</b>	<b>51.9</b>	<b>60.0</b>	<b>15.5%</b>
<i>margin %</i>	8.5%	12.9%	13.6%	
Interest and adjustment to financial assets	(21.2)	(2.9)	(4.5)	54.7%
Extraordinary income (charges)	(3.0)	(0.3)	(1.7)	-
<b>Pre-tax result</b>	<b>88.6</b>	<b>48.7</b>	<b>53.7</b>	<b>10.4%</b>
<i>margin %</i>	6.7%	12.1%	12.2%	

The results achieved in the first three months of the year confirm the success of the strategies pursued in terms of cross selling and search for synergies in accordance with the guidelines for the current year.

The value of production increased from Euro 401.1 million in the first quarter of 2003 to Euro 440.4 million, an increase equal to 9.8%.

Revenues benefited in particular from the increase in electricity sales deriving from the success of the dual fuel policy during the course of 2003.



The internal constructions increased from Euro 6.8 million to Euro 20.1 million due to the progressive change in the organisational model of the Group already noted in the annual accounts for 2003.

The operating costs, although benefiting from the synergies deriving from the efficiencies acquired, increase as a percentage on the Value of Production due to the increase in internal constructions and the aggressive commercial policy in the energy sector with an increase in the volumes of electricity sold.

The maintaining of personnel costs in absolute terms in line with the previous year, despite the contractual increases and increase in services, permitted a reduction in percentage terms on the Value of Production from 12.4% to 11.3%. This result was achieved due to the progressive reduction in personnel numbers during the course of 2003.

The consolidated Ebitda increased by +11.9% from Euro 81.2 million to Euro 90.9 million. This increase, achieved with the contribution of all of the business sectors (Energy, Integrated Water Cycle, Waste Management and Other Services), is also reflected in terms of margin with an increase in the percentage from 20.2% in the first quarter of 2003 to 20.6% in 2004.

Amortisation, depreciation and provisions increased from Euro 29.3 million to Euro 30.9 million which as a percentage on the value of production decreased from 7.3% in 2003 to 7.0% in 2004.

The Ebit increased by 15.5% compared to the same period in the previous year from Euro 51.9 million in 2003 to Euro 60.0 million in 2004. The percentage margin also increased significantly from 12.9% in 2003 to 13.6% in the current year.

The increase in financial charges is principally related to the increase in bank indebtedness. These costs should benefit, in the coming months, from the significant reduction in the net financial position already in the first quarter of 2004 and described below.

The extraordinary income and charges, equal to Euro 1.7 million, which principally relate to adjustments to equity values partly due to disposals, do not impact on the operating results.

The first quarter of 2004 ended with a pre-tax profit of Euro 53.7 million, an increase of +10.4% compared to the first quarter of 2003.

### 3. Net Financial Position

In illustrating the Net Financial Position (NFP) a comparison is made with December 31, 2003 and March 31, 2003 as shown in the table below:

	Dec. 31, 03	Mar. 31, 03	Mar. 31, 04	Change quarter
Liquid assets	92.7	150.2	124.6	31.9
Current financial assets	9.9	9.1	11.6	1.7
Short-term bank and other loans	(194.1)	(247.0)	(92.4)	101.7
Short-term bonds	(5.2)	(2.6)		5.2
Other short-term lenders	4.4	8.2	4.1	(0.2)
<b>Net short-term financial position</b>	<b>(92.2)</b>	<b>(82.1)</b>	<b>48.0</b>	<b>140.3</b>
Medium/long-term bank and other loans	(352.6)	(198.0)	(403.6)	(51.0)
Other medium/long term financial receivables	0.5	1.4		(0.5)
<b>Net medium/long-term fin. position</b>	<b>(352.2)</b>	<b>(196.6)</b>	<b>(403.6)</b>	<b>(51.4)</b>
<b>Net financial position</b>	<b>(444.4)</b>	<b>(278.6)</b>	<b>(355.6)</b>	<b>88.8</b>

In absolute terms the Net Financial Position of the Group decreased by Euro 88.8 million at the end of the first quarter compared to the end of 2003, and, compared to the same period in the previous year, increased by Euro 77 million including approximately Euro 58 million relating to the acquisition of 42% of AGEA Spa.

The significant improvement compared to the end of the previous year is due in particular to the uniformity and rationalisation of the working capital management policies, despite significant operating investments.

The structure of the bank debt was further improved with a large part of the debt classified as medium/long-term.

## **4. Results by business area**

Below the results of the business lines in which the Group operates are set out: Energy (distribution and sale of methane gas and LPG and distribution and sale of electricity), Integrated Water Cycle (Aqueduct, Purification and Sewerage), Waste Management (Collection and Treatment of waste) and Other Services (District Heating, Heat Management, Cemetery Services and Public Lighting).

The economic data of the period is compared, in addition to the annual results, to the pro-forma results relating to the same period in the previous year, prepared based on the management accounts and taking into consideration changes in the consolidation area.

The income statements by business sector include structural costs and inter-divisional transactions. For a better understanding of the results, it is noted that these transactions are recorded at market prices.

It is also noted that, in order to provide a clear representation of the operations, the analysis by business sector is net of internal constructions (and relative capitalised costs).

### **4.1 Energy Business**

The business sector, which includes the distribution and sale of gas and electricity, is the largest business of the Group both in terms of sales and profitability.

The increased activities in the Electricity business benefited from the traditional focus in the gas area which, with over 700,000 customers, represents a potential customer base on which to base a commercial policy, privileging growth opportunities where the utilisation of the “price lever” permits the optimisation of both businesses (Gas and Electricity).

The positive result of this approach is evident from the growth rates achieved, despite the electricity sector having a marginal influence on the Group's overall profitability.

**Distribution and sale of gas**

The first quarter of the year is normally the most important period for the gas business in which the largest amount of sales are concentrated:

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Sales - Gas Business	514.1	222.8	224.0	0.5%
Increase in internal const.	15.5			
<b>Sales</b>	<b>529.6</b>	<b>222.8</b>	<b>224.0</b>	<b>0.5%</b>
Operating costs	(400.0)	(166.1)	(165.8)	-0.2%
<b>Added value</b>	<b>129.6</b>	<b>56.7</b>	<b>58.2</b>	<b>2.6%</b>
Personnel cost	(29.9)	(7.3)	(7.6)	4.1%
<b>EBITDA</b>	<b>99.7</b>	<b>49.4</b>	<b>50.6</b>	<b>2.4%</b>
<i>margin % (net of internal const.)</i>	<i>19.4%</i>	<i>22.2%</i>	<i>22.6%</i>	

The sales of Gas are in line with the same period in the previous year increasing from Euro 222.8 million to Euro 224.0 million.

This result derives from the combined effect of the increase in volumes and decrease in tariffs as a consequence of the regulations issued by AEGG.

The principal indicators in determining the performance of the distribution and sales of gas are shown below:

<b>Quantative Data Gas Business</b>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Number of Customers (units)	699,885	678,979	701,686	3.3%
Volumes sold (millions of mc)	1,634.0	764.6	781.2	2.2%

The Ebitda in the Gas business increased from Euro 49.4 million in the first quarter of 2003 to Euro 50.6 million in 2004, an increase of 2.4%; this increase corresponds to a slight increase in the margin of approximately 0.4 percentage points due to the further improvements in the purchasing conditions of raw materials.

### **Distribution and sale of electricity**

The business related to the sale of electricity saw the most significant growth in the Hera Group as shown below:

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Sales - Electricity Business	126.6	23.8	51.2	115.1%
Increase in internal const.	2.4			
<b>Sales</b>	<b>129.0</b>	<b>23.8</b>	<b>51.2</b>	<b>115.1%</b>
Operating costs	(116.2)	(20.4)	(47.3)	131.9%
<b>Added value</b>	<b>12.8</b>	<b>3.4</b>	<b>3.9</b>	<b>14.7%</b>
Personnel cost	(4.6)	(1.1)	(1.1)	0.0%
<b>EBITDA</b>	<b>8.2</b>	<b>2.3</b>	<b>2.8</b>	<b>21.7%</b>
<i>margin % (net of internal const.)</i>	<i>6.5%</i>	<i>9.7%</i>	<i>5.5%</i>	

The revenues from the distribution and sale of electricity more than doubled, increasing from Euro 23.8 million to Euro 51.2 million. This increase was achieved principally due to the greater volumes sold due to the “Duel Fuel” policy as previously described.

As shown in the table below, the percentage of electricity sold to eligible clients increased from 70.6% in the first quarter of 2003 to 90.0% in the same period in 2004.

The sales volumes are shown below:

<b>Electricity</b>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
<b>Volumes sold (GW/h)</b>	<b>1,628.0</b>	<b>211.0</b>	<b>519.2</b>	<b>146.1%</b>
Non-eligible customers	228.0	62.0	51.7	-16.6%
Eligible customers	1,018.0	149.0	467.5	213.8%
Trader	382.0	0	0	

The decrease in the volumes to non-eligible customers is due to the lowering of the entry level for eligible customers as of May 1, 2003.

The Ebitda in the Electricity business increased from Euro 2.3 million in the first quarter of 2003 to Euro 2.8 million in 2004, an increase of 21.7%; this increase corresponds however to a decrease in the margin of approximately 4.2 percentage points due to the above-mentioned change in the customer composition.

## 4.2 Integrated Water Cycle Business

The Group covers a primary role in the competition for the national water sector and is among the primary operators in Italy thanks to its almost complete coverage in the 4 ATO areas of the Provinces of Ravenna, Forlì-Cesena, Rimini and Bologna.

Work has been on-going for some time with the ATO's for the definition of the framework for the service and consequent tariff systems. This technical work was completed for the ATO's of Bologna and Forlì-Cesena and it is expected that the new tariff structures will be applied as of July 1, 2004. For the other two ATO's, given the less advanced progress on the work, the new tariff structure will be implemented, at the latest, at the beginning of 2005.

### *Integrated water cycle business*

Below is shown an analysis of the results in the integrated water cycle business.

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Sales - Wate Cycle Business	248.0	53.6	55.3	3.2%
Increase in internal const.	53.8			
<b>Sales</b>	<b>301.8</b>	<b>53.6</b>	<b>55.3</b>	<b>3.2%</b>
Operating costs	(175.7)	(27.1)	(28.1)	3.7%
<b>Added value</b>	<b>126.1</b>	<b>26.5</b>	<b>27.2</b>	<b>2.6%</b>
Personnel cost	(59.7)	(13.4)	(12.1)	-9.7%
<b>EBITDA</b>	<b>66.4</b>	<b>13.1</b>	<b>15.1</b>	<b>15.3%</b>
<i>margin % (net of internal const.)</i>	<i>26.8%</i>	<i>24.4%</i>	<i>27.3%</i>	

In the first three months of 2004, sales amounted to Euro 55.3 million, an increase of +3.2% compared to the same period in 2003, principally due to the increased tariffs as per the CIPE regulations in force.

The Ebitda increased from Euro 13.1 million in the first quarter of 2003 to Euro 15.1 million in 2004, an increase of 15.3%; this increase saw a significant increase in the margin from 24.4% in 2003 to 27.3% in 2004, benefiting in particular from the reduction in personnel costs.

### 4.3 Waste Management business

Hera is focused in the Waste Management business which represents an important part of the overall Group business. The waste treatment plants held place Hera among the most important groups in the sector at a European level.

The Group has matured through its considerable experience in this business sector and today is capable of processing significant levels of material, optimising its treatment and waste disposal capacity and contributing to the solution of the “waste emergency” in other regions in Italy.

#### **Waste Management business**

Below is shown an analysis of the results in the Waste Management business:

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Sales - Waste Management Business	284.6	68.6	74.7	8.9%
Increase in internal const.	1.2			
<b>Sales</b>	<b>285.8</b>	<b>68.6</b>	<b>74.7</b>	<b>8.9%</b>
Operating costs	(148.4)	(36.5)	(36.3)	-0.5%
<b>Added value</b>	<b>137.4</b>	<b>32.1</b>	<b>38.4</b>	<b>19.6%</b>
Personnel cost	(75.1)	(18.5)	(18.9)	2.2%
<b>EBITDA</b>	<b>62.3</b>	<b>13.6</b>	<b>19.5</b>	<b>43.4%</b>
<i>margin % (net of internal const.)</i>	<i>21.9%</i>	<i>19.8%</i>	<i>26.1%</i>	

Sales increased 8.9%, from Euro 68.6 million to Euro 74.7 million, in part due to the tariff/contractual increases obtained and new services acquired.

The Ebitda increased by 43.4%, from Euro 13.6 million in 2003 to Euro 19.5 million in 2004, an increase of 6.3 percentage points. The significant increase in the operating margin compared to the previous year results from the increase in sales without any significant increases in costs due to the important synergies achieved during the year 2003.

#### 4.4 Other Services

Hera performs complementary services to its principal businesses in order to integrate its range of services to its customers. In particular the Group operates funeral and cemetery services, district heating and heat management and public lighting.

This business area has a minor impact on the overall sales of the Group that continues a rationalisation and focus on the traditional business sectors.

Below is shown an analysis of the results in the Other Services.

<i>(Euro millions)</i>	<b>Dec. 31, 03</b>	<b>Mar. 31, 03 pro-forma</b>	<b>Mar. 31, 04</b>	<b>Var %</b>
Sales -Other Services	83.7	24.9	24.1	-3.2%
Increase in internal const.	17.7			
<b>Sales</b>	<b>101.4</b>	<b>24.9</b>	<b>24.1</b>	<b>-3.2%</b>
Operating costs	(72.2)	(17.8)	(16.6)	-6.7%
<b>Added value</b>	<b>29.2</b>	<b>7.1</b>	<b>7.5</b>	<b>5.6%</b>
Personnel cost	(23.2)	(4.3)	(4.6)	7.0%
<b>EBITDA</b>	<b>6.0</b>	<b>2.8</b>	<b>2.9</b>	<b>3.6%</b>
<i>margin % (net of internal const.)</i>	<i>7.2%</i>	<i>11.2%</i>	<i>12.0%</i>	

The value of production remained substantially unchanged with a slight decrease of Euro 0.8 million, from Euro 24.9 million to Euro 24.1 million.

The total of the other services resulted in an Ebitda of Euro 2.9 million, an increase of 3.6% compared to the previous year, due in particular to the first rationalisation operations, as for example in the previously mentioned Public Lighting sector.



## 5. Investments of the Hera Group

The investments in the first three months of 2004 amounted to approximately Euro 33.9 million, of which Euro 3.5 million of a financial nature and the remaining operating investments as follows.

In Euro millions	Dec. 31, 03	Mar. 31, 03 pro-forma	Mar. 31, 04
Gas Business	21.4	2.0	3.4
Electricity Business	2.7	0.5	0.8
Water Cycle Business	54.8	8.2	10.7
Waste Management Business	77.4	15.5	4.5
Other Services	23.5	2.8	6.6
Central Services	30.8	1.3	4.5
<b>Operating investments</b>	<b>210.6</b>	<b>30.3</b>	<b>30.4</b>

The operating investments in the first quarter of 2004 are substantially in line with those of the same period in the previous year.

It should be noted that in the first quarter of 2003, there were numerous delays on the commencement of work as a consequence of the reorganisation of the areas covered that slowed down the awarding of the principal contracts.

In relation to the central structure, it is noted that in the first quarter of 2003, the significant costs relating to the revision of the IT systems and group reorganisation were only included to a limited extent.

## 6. Human Resources

Below is shown the composition of the Group personnel:

	Dec. 31, 03	Mar. 31, 03 pro-forma	Mar. 31, 04
Executives	67	72	70
Managers	149	141	155
White-collar	1,663	1,646	1,713
Blue-collar	2,549	2,677	2,507
<b>Total</b>	<b>4,428</b>	<b>4,536</b>	<b>4,445</b>

The following table shows an analysis of the movements from the beginning of the year 2004 resulting in an increase in employees from 4,428 to 4,445.

	2003	Q 1 04
<b>Personnel at beginning of period</b>	<b>4538</b>	<b>4,428</b>
New hires	63	46
Departures	(277)	(32)
<b>Net movement</b>	<b>(214)</b>	<b>14</b>
Change in consolidation area	104	3
<b>Total movement</b>	<b>(110)</b>	<b>17</b>
<b>Personnel at end of period</b>	<b>4,428</b>	<b>4,445</b>

The slight increase recorded in the quarter, due to the strengthening of the organisational areas in greatest need of resources, such as the commercial area, was limited due to the continuation of the block on turnover in the areas of lowest added value. This policy, already implemented in 2003, permitted the increase in the value added per employee from Euro 28.9 thousand to Euro 31.7 thousand, an increase of almost 10%.

## **Consolidated financial statements as at March 31, 2004 of the Hera Group**

**Reclassified consolidated Income Statement**

<i>in Euro thousands</i>	March 31, 2003	Dec. 31, 2003	March 31, 2004
<b>Revenues from sales and services</b>	<b>385,237</b>	<b>1,221,533</b>	<b>412,336</b>
Change in inventory of work in progress, semi-finished and finished products	-276	-309	-117
Change in contract work in progress	510	23,131	18,809
Increase for capitalised costs	6,318	67,501	1,406
Other income and revenues	9,281	19,443	7,993
<b>Value of production</b>	<b>401,070</b>	<b>1,331,299</b>	<b>440,426</b>
Raw materials, ancillary, consumables and goods	-190,038	-520,583	-207,596
Use of third part assets	-16,909	-58,217	-15,883
Services	-59,459	-301,744	-70,971
Other operating costs	-3,604	-15,824	-5,212
<b>Production costs</b>	<b>-270,010</b>	<b>-896,368</b>	<b>-299,662</b>
<b>Value added</b>	<b>131,060</b>	<b>434,931</b>	<b>140,764</b>
Personnel costs	-49,895	-192,429	-49,855
<b>EBITDA</b>	<b>81,165</b>	<b>242,502</b>	<b>90,909</b>
Amortisation and depreciation	-21,266	-95,541	-23,055
Provisions	-7,999	-34,134	-7,866
<b>EBIT</b>	<b>51,900</b>	<b>112,827</b>	<b>59,989</b>
Net financial income (charges)	-3,287	-15,994	-3,885
Adjustments to financial assets	367	-5,216	-633
<b>Result from ordinary operations</b>	<b>48,980</b>	<b>91,617</b>	<b>55,471</b>
Extraordinary income (charges)	-314	-3,022	-1,727
<b>Pre-tax profit</b>	<b>48,666</b>	<b>88,595</b>	<b>53,743</b>

## Consolidated net financial position

	Mar. 31, 03	Dec. 31, 03	Mar. 31, 04
<i>Liquid assets</i>	<i>a 150.211</i>	<i>92.718</i>	<i>124.608</i>
<i>Current financial assets</i>	<i>b 9.140</i>	<i>9.935</i>	<i>11.627</i>
<i>Short-term bank and other loans</i>	<i>c -248.293</i>	<i>-194.087</i>	<i>-92.355</i>
<i>Short-term bonds</i>	<i>d -2.582</i>	<i>-5.165</i>	
<i>Other short-term financial payables</i>	<i>e -7.100</i>		
<i>Other short-term financial receivables</i>	<i>f 16.559</i>	<i>4.350</i>	<i>4.149</i>
<b>Net short-term financial position</b>	<b>-82.065</b>	<b>-92.249</b>	<b>48.028</b>
<i>Medium/long-term bank and other loans</i>	<i>g -192.817</i>	<i>-352.648</i>	<i>-403.619</i>
<i>Medium/long term bonds</i>	<i>h -5.165</i>		
<i>Other medium/long term financial receivables</i>	<i>i 1.409</i>	<i>552</i>	
<b>Net medium/long-term fin. position</b>	<b>-196.573</b>	<b>-352.096</b>	<b>-403.619</b>
<b>Net financial position</b>	<b>-278.638</b>	<b>-444.345</b>	<b>-355.590</b>

## Form and contents of the consolidated financial statements

The quarterly report as at March 31, 2004 was prepared in accordance with article 82 of the Consob Regulation n° 11971 of 14/5/1999 and consists of the financial statements and the directors' report on the operations. The quarterly report was not audited.

The financial statements are compared to the consolidated financial statements as at December 31, 2003, and consist of the re-classified consolidated income statement and the net financial position.

The income statement data relates to the quarter under examination; comparative data is presented for the same period in the previous year and the full year for 2003.

The data for the net financial position is provided with reference to the closing date of the quarter, and is compared to the data in the same period in the previous year and to the end of the previous year.

The data in the financial statements is expressed in Euro thousands.

The interim results are shown as pre-tax.

## Accounting policies and consolidation principles

The accounting policies and consolidation principles adopted in the preparation of the quarterly financial statements as at March 31, 2004, are those utilised in the consolidated financial statements as at December 31, 2003 and have not been modified. The companies included in the consolidation area are as follows:

				Percentage held		Total holding
Company	Registered office	Curr.	Share capital	Direct	Indirect	
<b><u>Companies included in the consolidation under the line-by-line method:</u></b>						
Akron SpA	Imola (Bo)	Euro	1,000,000	51.00%	-	51.00%
Amga Energia Srl	San Mauro Pascoli (FC)	Euro	1,331,783	80.00%	-	80.00%
Ares SpA Cons.	Bologna	Euro	1,125,240	65.00%	-	65.00%
Baricella Ambiente SpA	Baricella (Bo)	Euro	258,230	50.00%	-	50.00%
Cales Srl	Imola (Bo)	Euro	11,000	50.09%	-	50.09%
Cir Secco SpA	Voltana di Lugo (Ra)	Euro	1,000,000	56.46%	43.54%	78.67%
Dirama Srl	Mordano (Bo)	Euro	99,000	-	100.00%	51.00%
Eos Energia SpA	Ravenna	Euro	2,600,000	100.00%	-	100.00%
Famula On-Line SpA	Bologna	Euro	516,427	60.00%	-	60.00%
Frullo Energia Ambiente Srl	Bologna	Euro	17,139,100	51.00%	-	51.00%
Gal.A S.p.A.	Bologna	Euro	100,104	50.00%	-	50.00%
Geat Service Srl	Riccione (RN)	Euro	163,000	100.00%	-	100.00%
Hera Comm Srl	Imola (Bo)	Euro	88,591,541	100.00%	-	100.00%
Hera Bologna Srl	Bologna	Euro	1,250,000	100.00%	-	100.00%
Hera Imola-Faenza Srl	Imola (Bo)	Euro	750,000	100.00%	-	100.00%
Hera Luce Srl	San Mauro Pascoli (FC)	Euro	216,600	69.30%	-	69.30%
Hera Ravenna Srl	Ravenna	Euro	850,000	100.00%	-	100.00%
Hera Forlì-Cesena Srl	Cesena (FC)	Euro	650,000	100.00%	-	100.00%
Hera Rimini Srl	Rimini	Euro	1,050,000	100.00%	-	100.00%
HeraSocrem Spa	Bologna	Euro	2,218,368	51.00%	-	51.00%
Ingenia Srl	Imola (Bo)	Euro	52,000	74.00%	-	74.00%
Medea SpA	Sassari	Euro	4,000,000	100.00%	-	100.00%
Nuova Geovis SpA	Sant'Agata Bolognese (Bo)	Euro	2,205,000	51.00%	-	51.00%
Romagna Compost Srl	Cesena (FC)	Euro	310,000	60.00%	-	60.00%
SBI Srl	Bologna	Euro	100,000	51.00%	-	51.00%
Seas Lavori e Servizi Scarl	Bologna	Euro	51,000	6.00%	94.00%	85.30%
Selecta SpA	Coriano (Rn)	Euro	567,600	100.00%	-	100.00%
Sinergia Srl	Forlì (Fc)	Euro	414,000	51.00%	-	51.00%
Sotris SpA	Ravenna	Euro	2,340,000	62.00%	-	62.00%
Uniflotte Srl	Bologna	Euro	2,254,177	51.00%	-	51.00%
<b><u>Companies valuerd under the net equity method:</u></b>						
Acantho SpA	Imola (Bo)	Euro	1,240,000	93.00%	-	93.00%
Adriatica Acque Srl	Rimini	Euro	209,435	41.78%	-	41.78%
Agess Scarl	Forlì (FC)	Euro	79,750	21.44%	-	21.44%
Amav Ambiente SpA	Sant'Anastasia (Na)	Euro	103,200	49.00%	-	49.00%
ASA SpA	Castel Maggiore (Bo)	Euro	1,820,000	20.00%	-	20.00%
Aspes Multiservizi SpA	Pesaro	Euro	10,963,627	24.00%	-	24.00%
Attivabologna Srl	Bologna	Euro	2,558,600	-	48.00%	48.00%
Consortile						
Azimut Srl	Rimini	Euro	50,000	29.00%	-	29.00%
Energica SpA	Faenza (Ra)	Euro	200,000	50.00%	-	50.00%
Italgestioni Srl	Bologna	Euro	14,000,000	49.00%	-	49.00%

Leucopetra SpA	Ercolano (Na)	Euro	350,880	48.00%	-	48.00%
Linpha Srl	Empoli (Fi)	Euro	90,000	-	50.00%	25.50%
Locride Ambiente SpA	Siderno Superiore (RC)	Euro	1,522,745	25.00%	-	25.00%
Oikothén Scarl	Siracusa	Euro	80,000	-	40.00%	26.00%
Penisola Verde SpA	Sorrento (Na)	Euro	103,200	48.00%	-	48.00%
Recupera Srl	Cassana (Fe)	Euro	413,200	24.50%	-	24.50%
Service Imola Srl	Borgo Tossignano (Bo)	Euro	10,000	40.00%	-	40.00%
SGS Srl	Rimini	Euro	52,000	41.00%	-	41.00%
Sinergie Ambientali Srl	Bologna	Euro	100,000	50.00%	-	50.00%
Viviservizi Srl cons.	Bologna	Euro	451,500	48.00%	-	48.00%
Yele SpA	Vallo della Lucania (Sa)	Euro	103,400	35.00%	-	35.00%

**Subsidiary and associated companies valued at cost:**

Agea Spa	Ferrara	Euro	12,756,220	42.00%	-	42.00%
Ambiente 3000 Srl	Bologna	Euro	100,000	51.00%	-	51.00%
Consorzio Energia Servizi Bologna	Bologna	Euro	5,200	51.50%	-	51.50%
Consorzio Frullo	Bologna	Euro	1,500	33.33%	66.67%	67.33%
Consorzio Rizzoli Energia	Bologna	Euro	10,400	27.00%	-	27.00%
Hera Clion Srl	Napoli	Euro	200,000	100.00%	-	100.00%
Hera Immobiliare Srl	Bologna	Euro	100,000	100.00%	-	100.00%
Hydrolazio in liquidation	Bologna	Euro	510,000	32.00%	-	32.00%
Ideametropoli Srl in liquidation	Bologna	Euro	21,045	76.98%	-	76.98%
Immobiliare Berti Pichat Srl	Bologna	Euro	10,000	100.00%	-	100.00%
Inter.Imm Srl in liquidation	Carpegna (Ps)	Euro	10,200	100.00%	-	100.00%
Italeko Spa	Sofia (Bulgaria)	Euro	50,000	33.00%	-	33.00%
Rio d'Orzo Srl	Castello di Serravalle (Bo)	Euro	115,000	21.00%	-	21.00%
STA Srl in liquidation	Modena	Euro	57,200	36.36%	-	36.36%