



1H2005

Hera Group presentation



In 1H2005, main accretive initiatives were achieved:

Meta merger: accomplished in record time

- Hera and Meta merger, approved by the shareholders' meeting, will bring Hera to a leading position in all main businesses (estimated +20 mln € Ebitda in '08).

Water and Waste: tariffs are agreed

- Water and Waste tariff increase were agreed for next 3 years starting from Jan. 2005 at average yearly rates of 3,5% and 2,5% respectively.

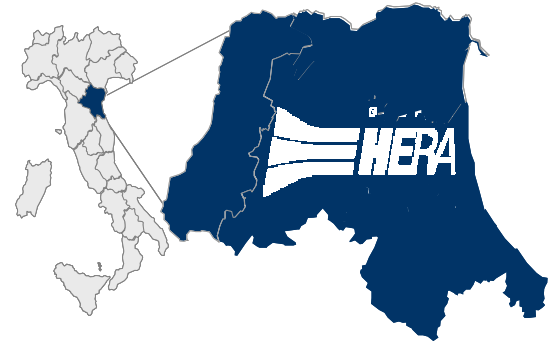
Gas market

- Hera has continued market expansion in the reference territory through the acquisition of small sized companies (Argilegas, Tecnometano and Gasgas) and 20% stake in SGR .

IAS

- In accordance to Consob n. 14990 14/4/'05, Hera issued its first report in accordance to IAS criteria (1H2004 data have also been adjusted to IAS).

Hera-Meta reference market



70% coverage of the rich Emilia-Romagna marketplace

Vs. Peers	Hera-Meta
Sales	1st Italian local player
Ebitda	3rd Italian local player
Ebit	
ROI	2nd Italian local player
MKT Capitalisation	

Maintaining growth through internal and external development

Ebitda: +16.5%

- **First Half 2005** results highlight a significant growth vs. 1H2004.
- Results were **achieved thanks to external** (Ferrara consolidation and C.E. of Ravenna acquisition) **and internal development**, which was able to fully off set the reduction of energy distribution tariffs.
- **IAS** had substantially a neutral impact

Ebit: +14.3%

- Benefits from **IAS** introduction

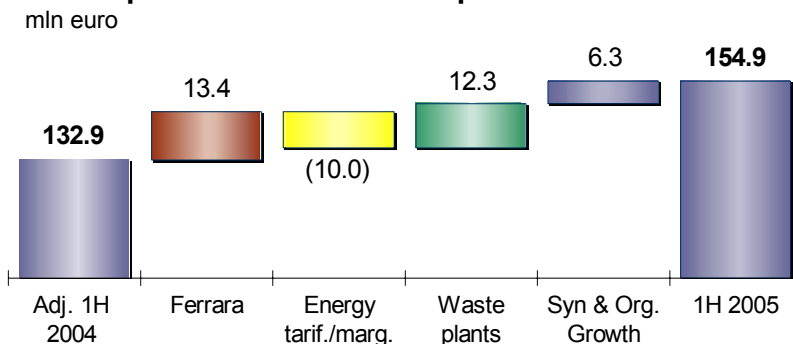
Net Profit: +5.1%

- Interests expenses are affected by temporary change in NWC

mln euro	Adj 1H 2004*	%	1H 2005	%	Inc. %
Value of Prod	757.1	100%	944.7	100%	24.8%
Operating cost	(526.5)	(69.5%)	(672.5)	(71.2%)	27.7%
Personnel cost	(97.7)	(12.9%)	(117.3)	(12.4%)	20.1%
Ebitda	132.9	17.6%	154.9	16.4%	16.5%
Amm. & Depr.	(49.7)	(6.6%)	(59.8)	(6.3%)	20.3%
Ebit	83.2	11.0%	95.1	10,1%	14.3%
Interest & Adj.	(14.1)	(1.9%)	(23.2)	(2.5%)	64.7%
Tax	(24.5)	(3.2%)	(25.0)	(2.6%)	2.0%
Net Profit	44.6	5.9%	46.9	5.0%	5.1%

* Adjusted in accordance to IAS

Group Ebitda build up



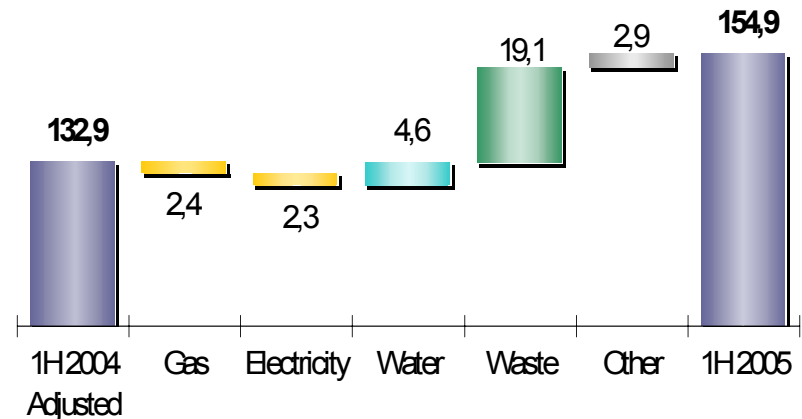
Hera Business portfolio guarantee significant growth rates

Breakdown by business

- **Gas and Electricity** distribution tariff reduction were partially recovered by Group expansion with Ferrara merger.
- **Step up in Waste business underpinned by new operating assets** (FEA and C.E. of Ravenna WTE plants) and by Ferrara contribution.
- **Water and Waste businesses** are only partially benefiting from tariff increase which will provide higher contribution in 2006 and 2007.

Ebitda Growth: Breakdown by business

mln euro



The balanced business portfolio guarantees performing results

Net Working Capital reflecting transitory conditions

Balance sheet

- Net Working Capital**

The increase by 188,6 mln€ is partly due to business growth and temporary delays in invoicing related to new billing systems (114,7 mln€).

- Net Equity**

Reflects basically 1H2005 Net profit, dividend payments and IAS adjustments on reserves (-18.3 mln€).

- NFP**

Increase mainly related to the NWC change, dividend payment, and IAS effects.

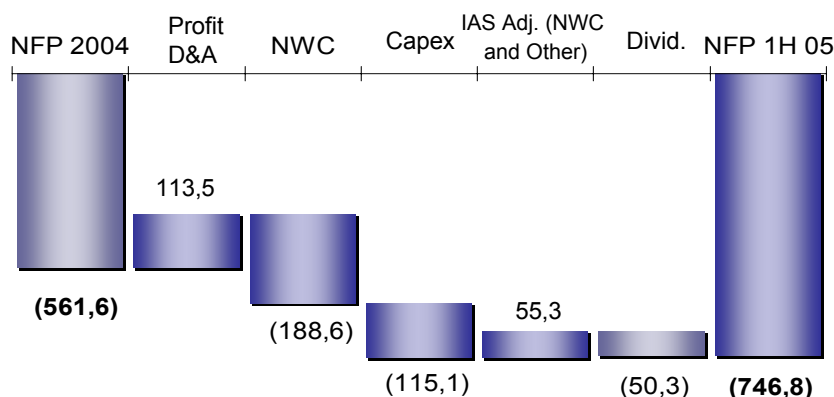
D/E is comfortable (0,72x) as confirmed by S&P's

mln euro	Y 2004*	%	1H 2005	%	Inc. %
Fixed assets	1,723.9	106.0%	1,719.8	96.1%	-0.2%
NWC	63.7	3.9%	252.3	14.1%	+3x
(Provisions)	(161.8)	(10.0%)	(182.8)	(10.2%)	+13.0%
NIC	1,625.8	100.0%	1,789.3	100.0%	+10.1%
Net equity	1,064.2	65.5%	1,042.5	58.3%	(2.0%)
NFP	561.6	34.5%	746.8	41.7%	+33.0%
NIC	1,625.8	100.0%	1,789.3	100.0%	+10.1%

* Adjusted in accordance to IAS

Net Financial Position

mln euro



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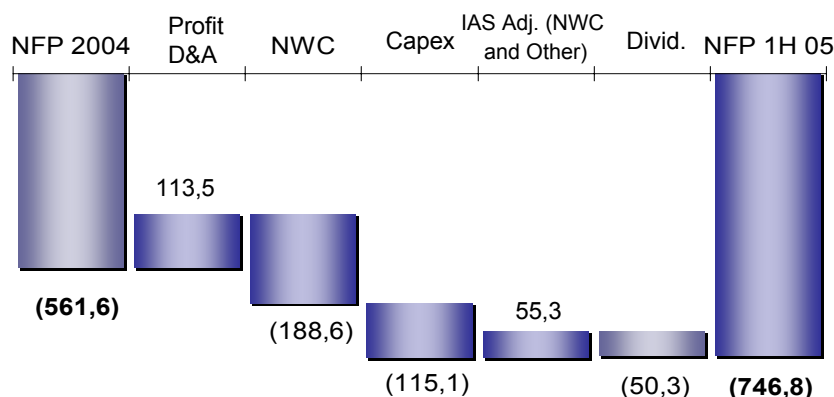
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Net Financial Position

mln euro



Capex on track

• Capex & Investments

Capex are on track with Hera plans.

The capex in **Waste** sector mainly relate to treatment plants (FEA, C.E. of Ravenna and Canal Bianco).

In **Water** business the capex are mainly related on the aqueduct pipe lines

Other Activities capex include mainly district heating pipes development

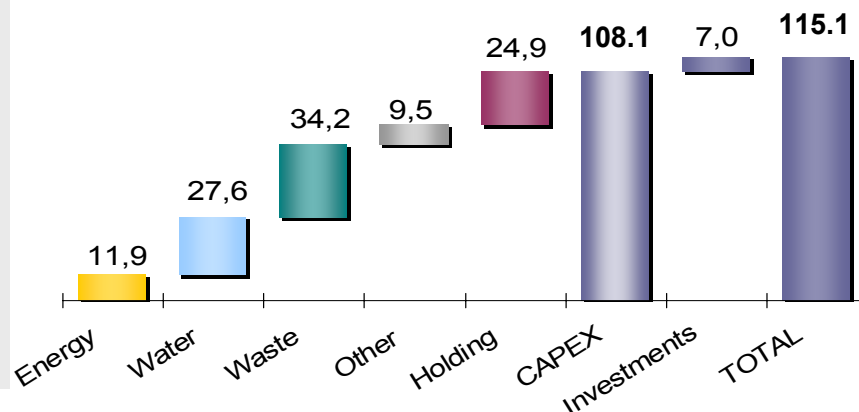
Capex in the **Holding** are mainly related to IT systems

Investments were mainly related to Tirreno Power (capital increase) and SGR (acquisition of 20%).

Capex & Investments

mln euro

mln euro	1H 2004	1H 2005
GAS	7.8	10.5
Electricity	1.3	1.4
Water	27.2	27.6
Waste	12.2	34.2
Other Activities	8.7	9.5
Holding	29.1	24.9
Investments	2.2	7.0
CAPEX & INV.	88.5	115.1



Hera portfolio business is well balanced

• Sales

Gas and Electricity sales were up mainly thanks to Oil prices

ATO tariff increase partially compensate energy tariff reduction

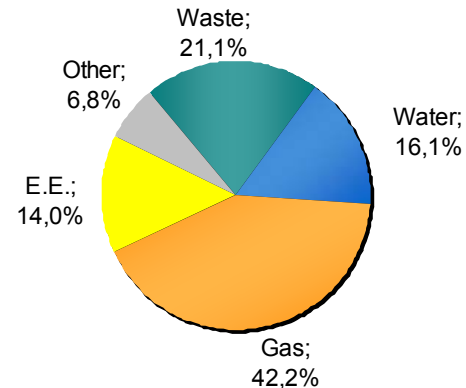
Ferrara merger contributed to all main business (excluding the Electricity area)

• Ebitda

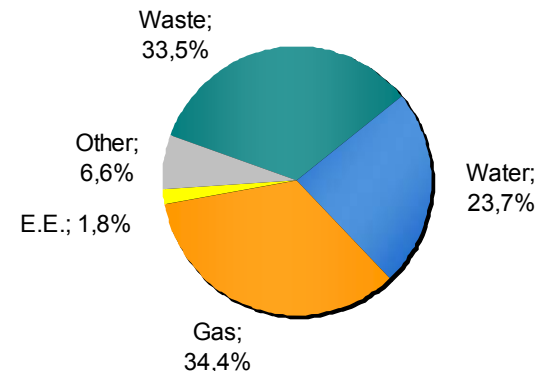
Balanced contribution to EBITDA from all main business.

Waste sector is progressively increasing its contribution to Group Ebitda, in line with business plan

Sales breakdown by business



Ebitda breakdown by business



Waste business is the best performer with +44% cagr. in 2 years

Sales: + 27.6 %

- The expansion of plant capacity and the reorganisation of Special Waste activities allowed a major increase of turnover.
- Ferrara contribution amount to 14.5 mln€

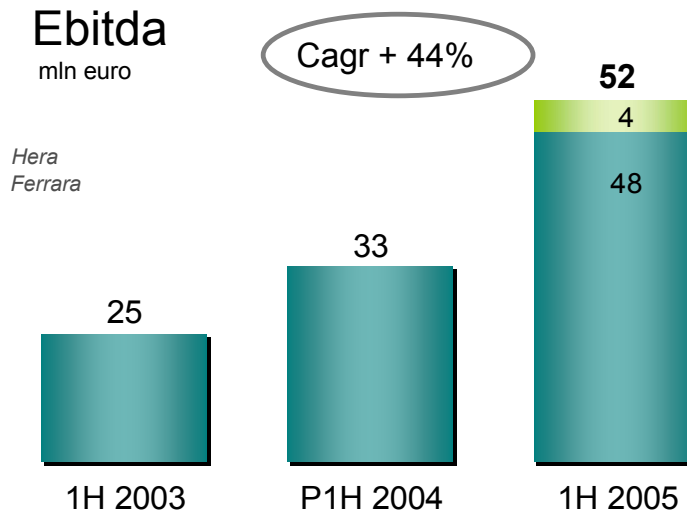
Ebitda: + 58.4 %

- New Fea and C.E. of Ravenna plants contributed for about 12.5 mln€.
- Ferrara merger contributed for about 3.6 mln€

Significant increase in Ebitda margin (+510 bp)

WASTE	1H 2004*	%	1H 2005	%	Inc. %
Sales	156.3	100%	199.4	100%	+27.6%
Operating cost	(83.2)	(53.2%)	(98.7)	(49.5%)	+18.6%
Personnel cost	(40.4)	(25.8%)	(48.9)	(24.5%)	+21.0%
Ebitda	32.7	20.9%	51.9	26.0%	+58.4%

* Adjusted in accordance to IAS



Benefit from ATO agreements: main increase will come in 2006 and 2007

Sales: +16.2 %

- Ferrara contributed for about 16 mln€
- Organic Growth reached 4 mln€
- Tariff increased by 3.1%

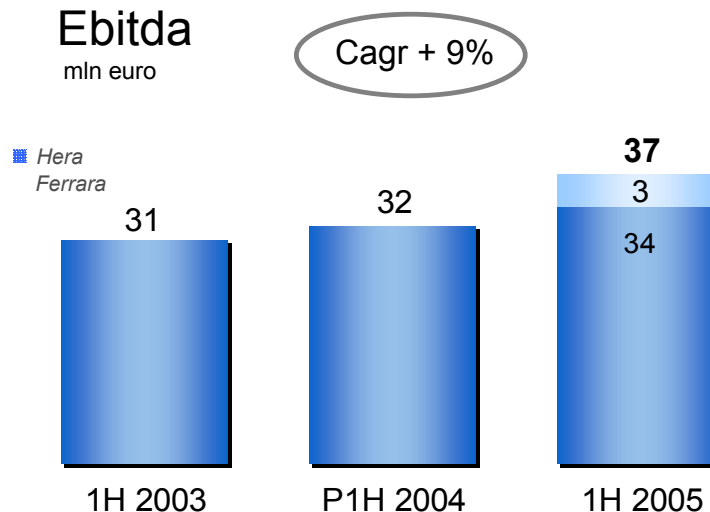
Ebitda: +14.3 %

- Ferrara contribute amount to 2.5 mln€
- Tariff increase has been conservative in 2005
- The increase was reached despite write off following the adoption of a different calculating systems applied to estimate accruals at the end of the period

ATO agreements started to provide contribution

WATER	1H 2004*	%	1H 2005	%	Inc. %
Sales	155.2	100%	180.3	100%	+16.2%
Operating cost	(94.0)	(60.6%)	(109.4)	(60.7%)	+16.4%
Personnel cost	(29.1)	(18.8%)	(34.2)	(19.0%)	+17.5%
Ebitda	32.1	20.7%	36.7	20.4%	+14.3%

* Adjusted in accordance to IAS



External Growth reduces impact of distribution tariff reduction

Sales: + 35.4 %

The increase is mainly related to trading activities, Oil prices and Ferrara merger (which contributed for 36.2 mln€)

Distribution tariff reduction impact on revenues amount to 7.5 mln€.

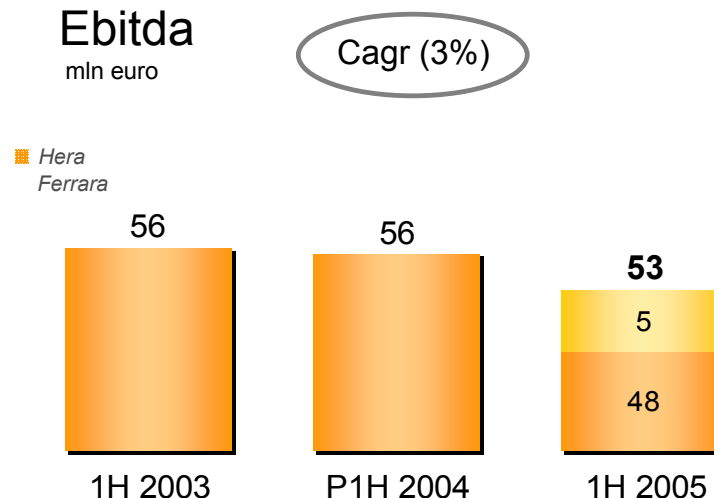
Ebitda: - 4.4 %

Distribution tariff decrease following AEEG d. 170 was partially compensated by Ferrara merger which contribution amount to 5.3 mln€

Gas customer retention rate almost at 100%

GAS	1H 2004*	%	1H 2005	%	Inc. %
Sales	297.8	100%	403.1	100%	+35.4%
Operating cost	(228.0)	(76.6%)	(328.6)	(81.5%)	+44.1%
Personnel cost	(14.1)	(4.7%)	(21.3)	(5.3%)	+50.8%
Ebitda	55.7	18.7%	53.2	13.2%	(4.4%)

* Adjusted in accordance to IAS



Defending Gas customers maintaining positive results

Sales: + 25.9 %

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

Dual fuel proposal yields still positive results.

Ebitda: - 44.5 %

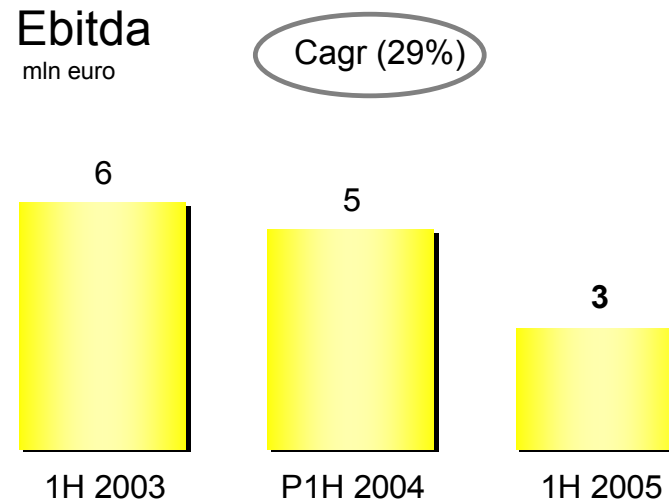
Ebitda affected by change in mix (Domestic and “eligible” clients) and by lower distribution tariffs.

Ferrara was not active in Electricity business

Sales reached 1.1 TW/h

ELECTRICITY	1H 2004*	%	1H 2005	%	Inc. %
Sales	105.1	100%	132.4	100%	+25.9%
Operating cost	(98.2)	(93.4%)	(128.3)	(96.9%)	+30.7%
Personnel cost	(1.9)	(1.8%)	(1.3)	(1.0%)	(31.6%)
Ebitda	5.1	4.8%	2.8	2.1%	(44.5%)

* Adjusted in accordance to IAS



Synergy created by dismissing low value added activities

Sales: + 6.4 %

- Ferrara contribution was 10.7 mln€
- Sales reduced following the exit from low value added activities

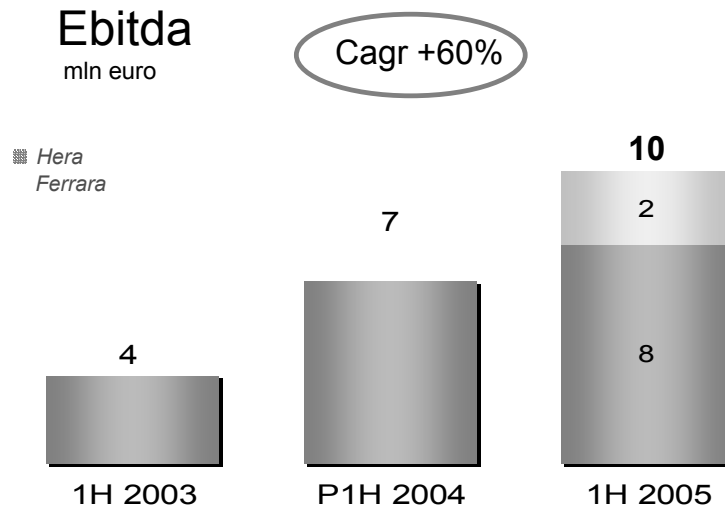
Ebitda: + 39.9 %

- Ferrara contribution amount to 1.8 mln€
- Ebitda benefit from organic growth and from synergy exploitation

Significant increase in Ebitda margin (+340 bp)

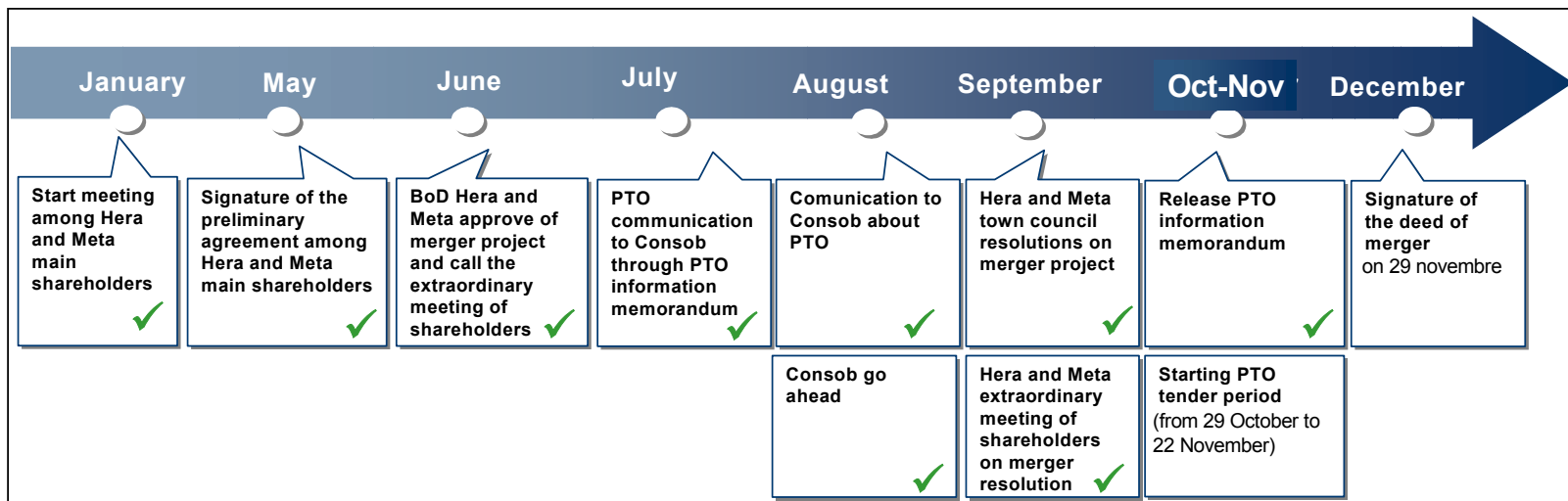
OTHERS	1H 2004*	%	1H 2005	%	Inc. %
Sales	67.0	100%	71.3	100%	+6.4%
Operating cost	(47.4)	(70.8%)	(48.8)	(68.4%)	+2.8%
Personnel cost	(12.2)	(18.2%)	(12.2)	(17.1%)	0.3%
Ebitda	7.4	11.0%	10.3	14.4%	+39.9%

* Adjusted in accordance to IAS



Meta merger

- By the end of November all accomplishments will be done and by year end the merger will be fully effective.
- The Management of the companies are already jointly coordinating initiatives to effectively and smoothly complete the integration:
 - Working groups are already in place to align IT systems and organisations
 - Raw materials procurement for 2006 are jointly negotiated
 - Marketing activities are pursued consistently.



Closing remarks

- **Hera “double digit” growth was achieved with the contribution of external growth.**
- **Internal growth (synergies and Organic Growth) achieved in 1H2005 was able to guarantee growing results despite the significant reduction in energy distribution tariff which affected the sector**
- **Net Financial Position will better as SAP implementation is almost completed in the main Group Companies**
- **META merger was just approved and will already give contribution to 2005 year end results**
- **Hera Group new business plan (Hera-Meta combined) is under way and will be discussed with the financial community together with 3Q2005 results.**