
The multiutility business of HERA
START

Introduction

- **2004 First half results highlight double digit growth thanks to the efficiency improvement on activities of Hera, strategic focus on organic development and synergy exploitation. Results do not account FEA contribution which entered into operations in 3Q 2004.**
- **Results do not account Sector consolidation and M&A activities accomplished to date:**
  - **Sector Consolidation activities related to Agea** (full merger approved by BoM in July 2004 on the basis of a total consideration equal to EV/Ebitda'04 of 5,5x) that will be reflected on full year accounts.
  - **M&A activity related to Centro Ecologico of Ravenna** (preliminary contract signed on the 5th July 2004 on the basis of a consideration equal to EV/Ebitda'04 of 5,4x) that will be accounted from fourth quarter 2004 (consolidation from closing date expected in October 2004)

SYNERGY AND ORGANIC GROWTH ARE THE MAIN DRIVERS ALSO IN 1H 2004

Turnover +14.6%

- The effect of planned decrease in energy business tariffs have been more than offset thanks to:
  - Mkt expansion in all businesses
  - Increase in customer consumptions

Ebitda +10.1%

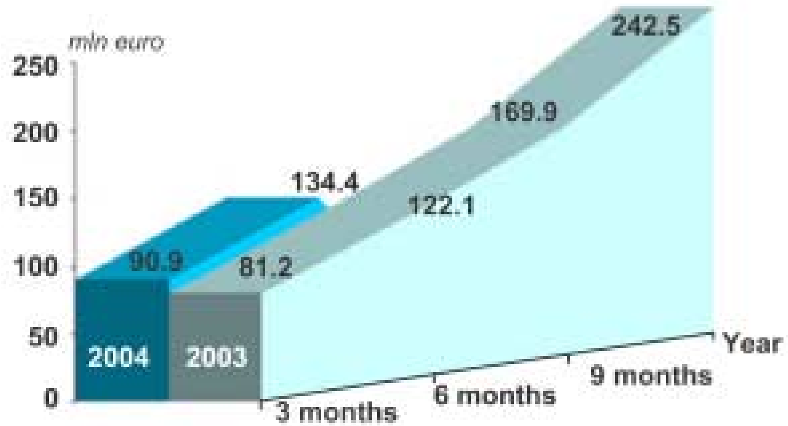
- Organic growth and synergies have guaranteed Ebitda improvement, compensating the decrease in energy margins. Ebitda/Sales ratio maintained in line with last year.

Pretax Profit: +23,4%

- Financial interests in line with NFP increase and lower extraordinary expenses

HERA GROUP	1H 2003	%	1H 2004	%	INCR.%
Sales	632.5	94.5%	701.8	91.5%	11.0%
TURNOVER	**659.6**	**100.0%**	**755.9**	**100.0%**	**14.6%**
Raw Materials	(274.0)	(41.5)%	(310.1)	(41.0)%	13.3%
Other operating cost	(166.4)	(25.2)%	(211.2)	(27.9)%	26.9%
Personnel cost	(96.9)	(14.7)%	(100.2)	(13.3)%	3.4%
EBITDA	**122.1**	**18.5%**	**134.4**	**17.8%**	**10.1%**
Ebitda/Sales	*19.3%*		*19.2%*		
Amm. & Depr.	(47.6)	(7.2)%	(47.2)	(6.2)%	(0.8)%
Provisions	(16.4)	(2.5)%	(17.8)	(2.4)%	8.5%
EBIT	**58.1**	**8.8%**	**69.4**	**9.2%**	**19.4%**
Financial results	(9.6)	(1.5)%	(11.1)	(1.5)%	15.6%
Extraordinary inc./(exp.)	(3.2)	(0.5)%	(2.4)	(0.3)%	(25.0)%
Pre tax Profit	**45.3**	**6.9%**	**55.9**	**7.4%**	**23.4%**

Ebitda performance through the year



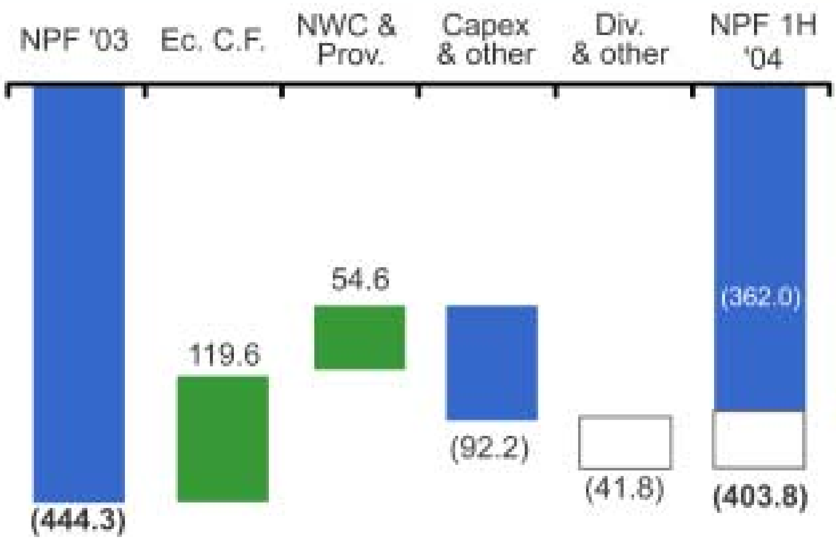
CAPEX

- Capex in line with 2004 budget
- Staff investments mainly related to IT development
- Capex on water, gas and electricity networks include both extraordinary maintainance and asset expansion

CASHFLOWS

- Strong business cash flow and effective working capital management fully funded cash outflows for capex and dividends
- Net financial debt reduced by 41 mln €.

HERA GROUP	1H 2004
Business Waste	11.8
Business Water	27.2
Business Gas	7.8
Business Electricity	1.3
Business Other	8.7
Staff & IT	16.6
Capex	73.4
Financial Investments	2.2
Total	75.6



Working Capital

- Enhanced credit management provided significant working capital improvements

Net Financial Position

- Better NFP mainly related to reduction in Working Capital and strong cash generation from operating activities

Net financial position E2004

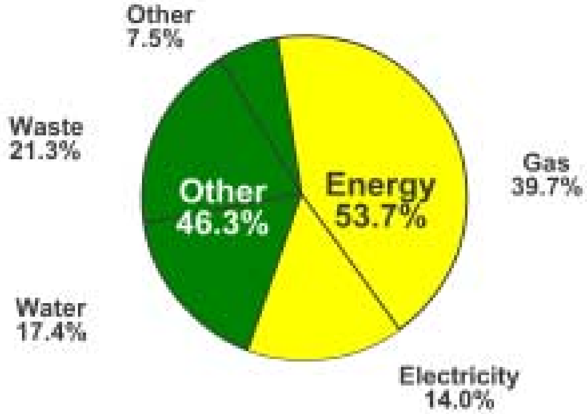
- Year end NFP hovering around 550 mln€ including cash outflows for Agea and Centro Ecologico acquisitions excluding cash in flows from sale of 75% Acosea Impianti

HERA GROUP	1H 2003	1H 2004
Fixed assets	1,427.0	1,472.0
Working capital	89.2	28.8
(Provisions)	(177.4)	(191.2)
INVESTED CAPITAL	1,338.8	1,309.6
Net Equity	894.5	905.8
Net Financial Position	444.3	403.8
FINANCIAL HIGHLIGHTS	1,338.8	1,309.6

• Business Portfolio

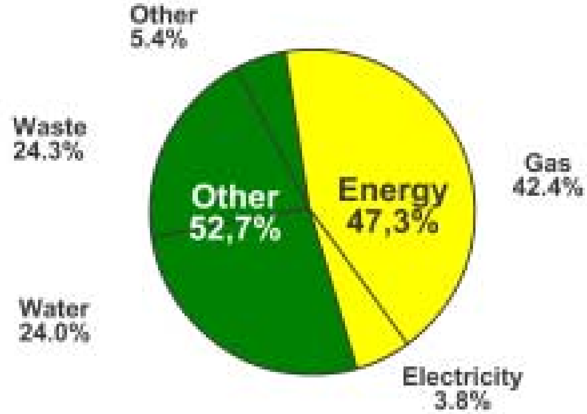
- Energy business contribute for over 50% to Group Sales thanks to higher electricity volumes sold

1H 2004 Sales Breakdown



- Breakdown of Group Ebitda reflects the balanced contributions of regulated businesses and energy

1H 2004 Ebitda Breakdown



Sales **+18.0%**

- Integration of Riccione services
- Increase of tariffs mainly underpinned by better disposal cost coverage

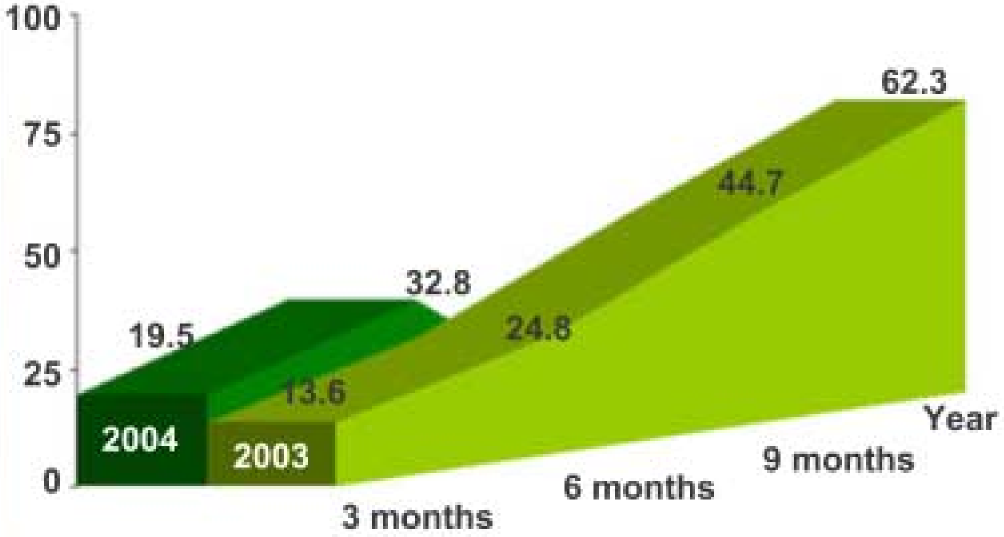
Ebitda: **+32.8%**

- Increased contribution of high value added activities
- Higher utilisation of company treatment capacity

- *FEA and Centro Ecologico will contribute to further increase business profitability by year end*

WASTE	1H 2003	%	1H 2004	%	Incr.%
Sales	131.9	100.0%	155.7	100.0%	18.0%
Other operating cost	(71.9)	(54.5)%	(81.6)	(52.5)%	13.5%
Personnel cost	(35.3)	(26.8)%	(41.3)	(26.5)%	17.0%
EBITDA	24.7	18.7%	32.7	21.1%	32.8%

Ebitda performance through the year



Sales +7.3%

- 4% growth in volumes sold
- Increase of tariffs just above inflation

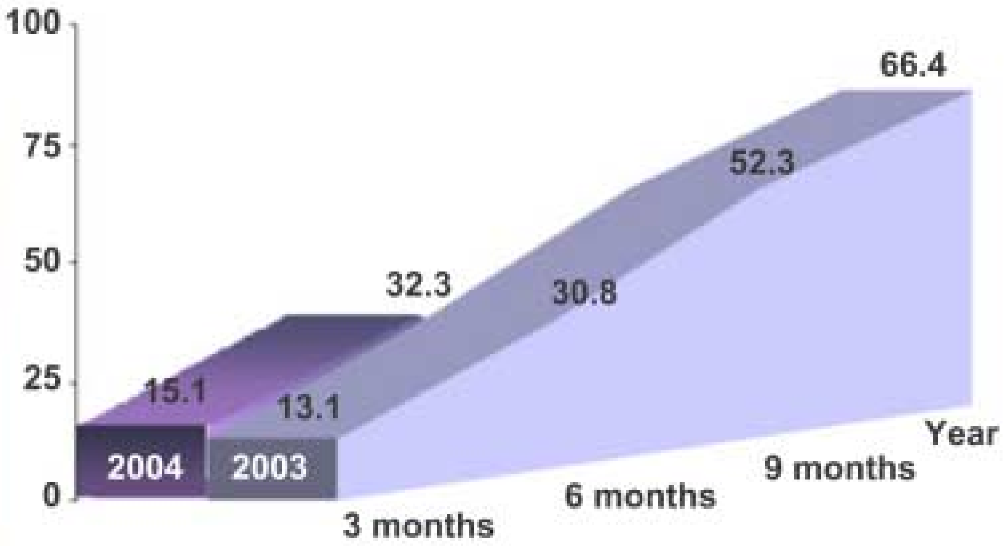
Ebitda: +4.9%

- Personnel cost declined by 3.1% consistently with the achieved HC reduction.
- The new water purchase contract, that recognises progressive volume discounts, has driven the increase on first half operating costs .

- *First half results do not account the benefits of Galli Law implementation yet*

WATER	1H 2003	%	1H 2004	%	Incr.%
Sales	117.9	100.0%	126.5	100.0%	7.3%
Other operating cost	(61.2)	(51.9)%	(69.1)	(54.6)%	12.9%
Personnel cost	(25.9)	(22.0)%	(25.1)	(19.8)%	(3.1)%
EBITDA	30.8	26.1%	32.3	25.5%	4.9%

Ebitda performance through the year



Sales -2.9%

- Climate conditions and customer base expansion provided an increase of +6.3% in volume sold
- Decrease in distribution tariffs: -7.2%

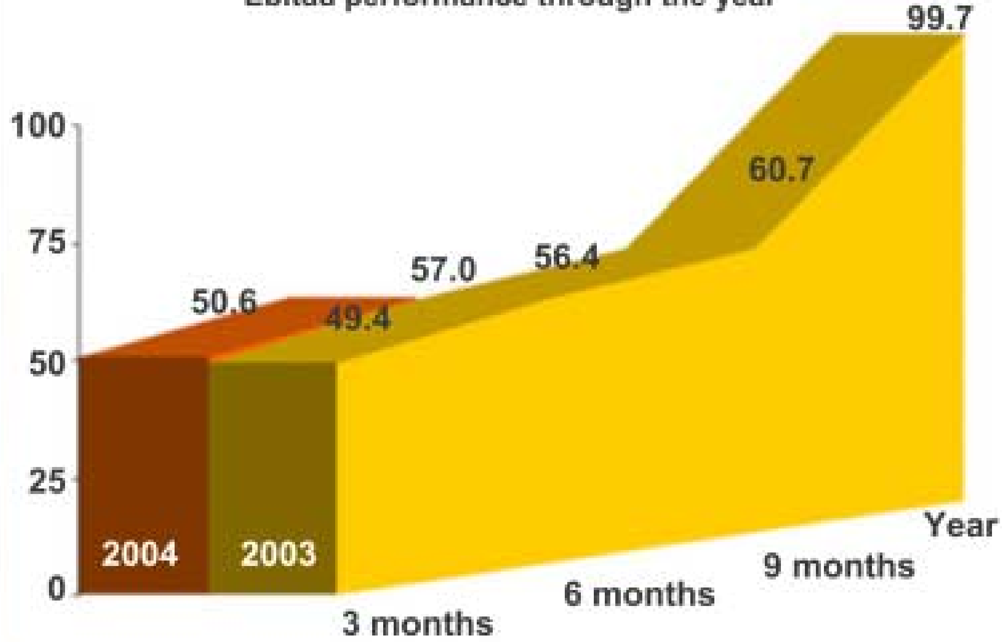
Ebitda: +1.2%

- Lower procurement cost and synergy exploitation have driven the Ebitda margin up to 19.6%

- *2004/2005 supply contract with VNG signed in August*
- *Sizable import gas volumes contracted from "Gas release"*
- *Up to now on yearly basis sources other than ENI are about +20-25%*

GAS	1H 2003	%	1H 2004	%	Incr.%
Sales	**299.4**	**100.0%**	**290.8**	**100.0%**	**(2.9)%**
Other operating cost	(228.9)	(76.5)%	(220.6)	(75.9)%	(3.6)%
Personnel cost	(14.1)	(4.7)%	(13.1)	(4.5)%	(7.1)%
EBITDA	**56.4**	**18.8%**	**57.1**	**19.6%**	**1.2%**

Ebitda performance through the year



Sales **+82.9%**

- 45% volume increase as a result of dual fuel and changed customer mix

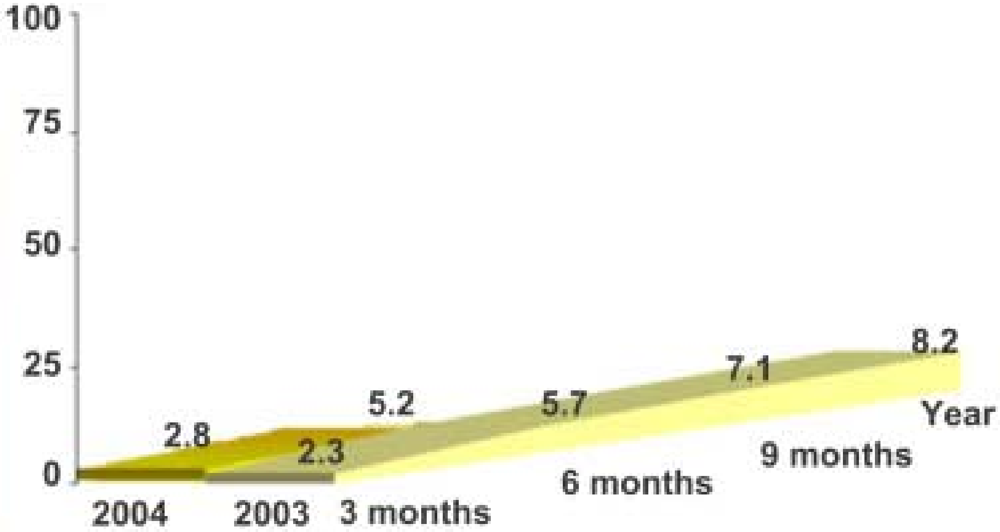
Ebitda: **- 8.8%**

- Additional volumes allowed to offset price competition
- Optimisation of electricity procurement

- *Focus on creating sizable customer base to leverage future production capacity*

ELECTRICITY	1H 2003	%	1H 2004	%	Incr.%
Sales	56.6	100.0%	103.5	100.0%	82.9%
Other operating cost	(48.9)	(86.4)%	(96.5)	(93.2)%	97.3%
Personnel cost	(2.0)	(3.5)%	(1.8)	(1.7)%	(10.0)%
EBITDA	5.7	10.1%	5.2	5.0%	(8.8)%

Ebitda performance through the year



Sales **+29.4%**

- Marketing focus has provided important developments

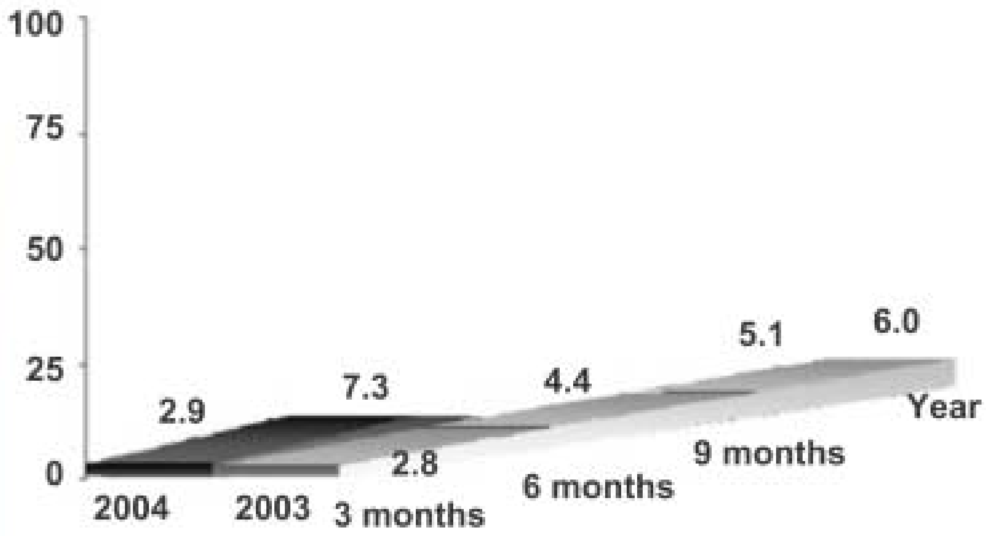
Ebitda: **+65.9%**

- Synergies from economies of scale and cost focus for District Heating and Public Lighting have allowed enhancement of Ebitda

- *Agea consolidation will further strengthen business position*

OTHERS	1H 2003	%	1H 2004	%	Incr.%
Sales	42.5	100.0%	55.0	100.0%	29.4%
Other operating cost	(28.9)	(68.0)%	(37.5)	(68.2)%	29.8%
Personnel cost	(9.2)	(21.6)%	(10.2)	(18.5)%	10.9%
EBITDA	4.4	10.4%	7.3	13.3%	65.9%

Ebitda performance through the year



- First Half results confirm the positive growth trend reassuring on about 300 mln€ 2004 Ebitda target.
- Second Half will benefit from the start up of WTE plant of Bologna FEA, and will account Agea and C.E. of Ravenna results
- Activities planned for 2 Half:
    - Full Agea merger and establishment of a new Local Operating Company (LOC)
    - Construction start up of WTE Canalbianco
    - Complition of approval process for Forlì and Imola
    - Strengthen initiatives on synergy and organic growth
    - Deployment of SAP/ISU IT system in some Local Operating Companies
- Further customer base expansion opportunities through acquisition are currently under evaluation.
- Concrete opportunities in further Sector Consolidation activities

Hera Group New Business Plan

Introduction

- The new Business Plan covers a period up to 2007 and represents the first update after the IPO presented to investors about a year ago
- 2003 Results and First Half 2004 represent the platform on which the new Business Plan has been developed
- Business Plan strategy and objectives provide full consistency with recent results of the company

Value Growth

Top Line Growth
Extend and strengthen core business

Profitability Increase
Exploit synergies on operating model

Sustainable Development
Pursue Business Development with social responsibility

Business Portfolio Strengthening
Exploit value opportunities in complementary businesses

Strategic Platform

Multi-business and balanced portfolio	Large and loyal customer base	Contiguous territorial coverage	Remarkable growth potential
Sizeable opportunities for cost synergies	Sound and solid Balance Sheet	Credible Management	Business Consolidator

Top Line Growth

- Achieve organic growth through cross-selling and customer base development
- Upstream integration in Waste and Energy through direct investments
- Keep on leading sector consolidation

Profitability Increase

- Further exploit synergies potential and asset optimisation
- Enhance operating model

Sustainable Development

- Optimise environmental impact pursuing best use of resources (i.e. Waste to Energy)

Business Portfolio Strengthening

- Exploit value focusing development on District Heating and Public Lighting

Continuous and Profitable Growth

Sales 12.5% Cagr

- Organic Growth and market presence expansion
- M&A and plant development

Ebitda Improvement 16.8 Cagr

- Synergy exploitation through:
  - Cost Efficiency improvement
  - Operating model enhancement

Doubling Profitability

Cashflow fully covering investment plan

Outstanding pay out ratio

P&L	2003	%	E2007	%	Cagr.
Sales	1.241	100.0%	1.990	100.0%	12.5%
Other operating cost	(826)	(66.6%)	(1.336)	(67.1%)	(12.8%)
Personnel cost	(173)	(13.9%)	(204)	(10.3%)	(4.2%)
Ebitda	242	19.5%	450	22.6%	16.8%

	E2004	E2005-E2007
Investment plan	284*	696

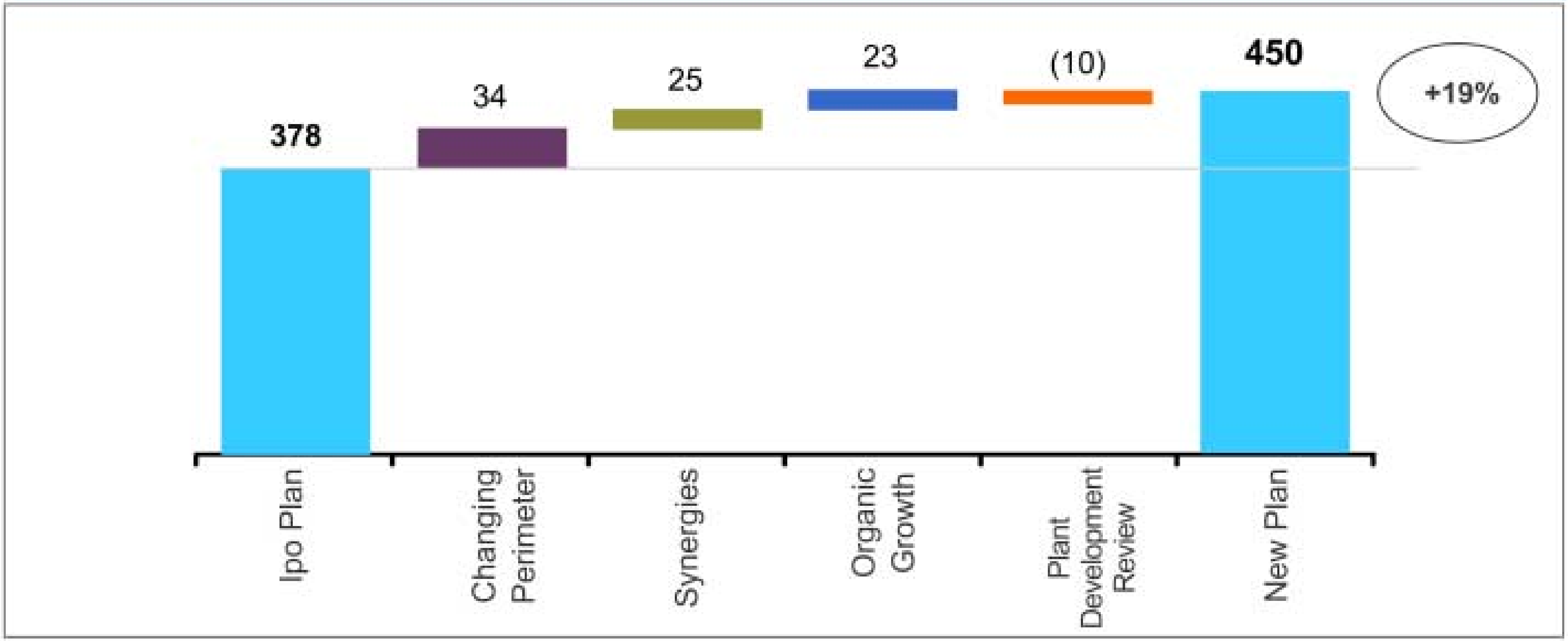
RATIOS	2003	E2007
D/E	0.5	~0.5**
ROI	8.4%	16.0%
ROE	5.9%	11.6%
Pay Out	85%	85%

* Including acquisition cost for Ecologico Ravenna (49 Mln €) and capex of Agea Ferrara

** Excluding additional M&A activity

• The new 2007 targets (+19% vs IPO Plan) is equally underpinned by group expansion and by further improvements on current activities

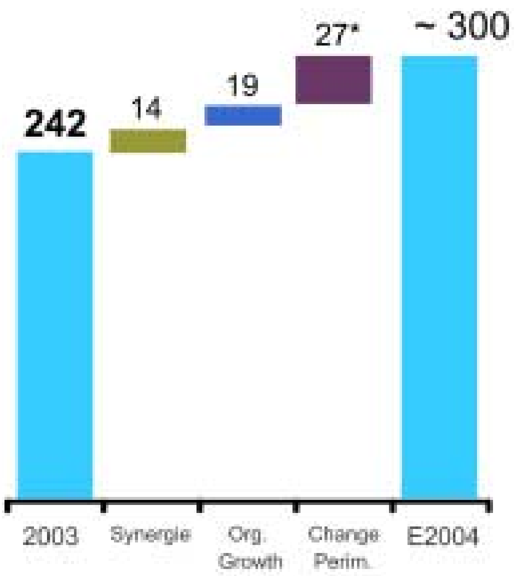
COMPARISON ON 2007 TARGET



Business Plan:
New 2007 target is +19% versus IPO

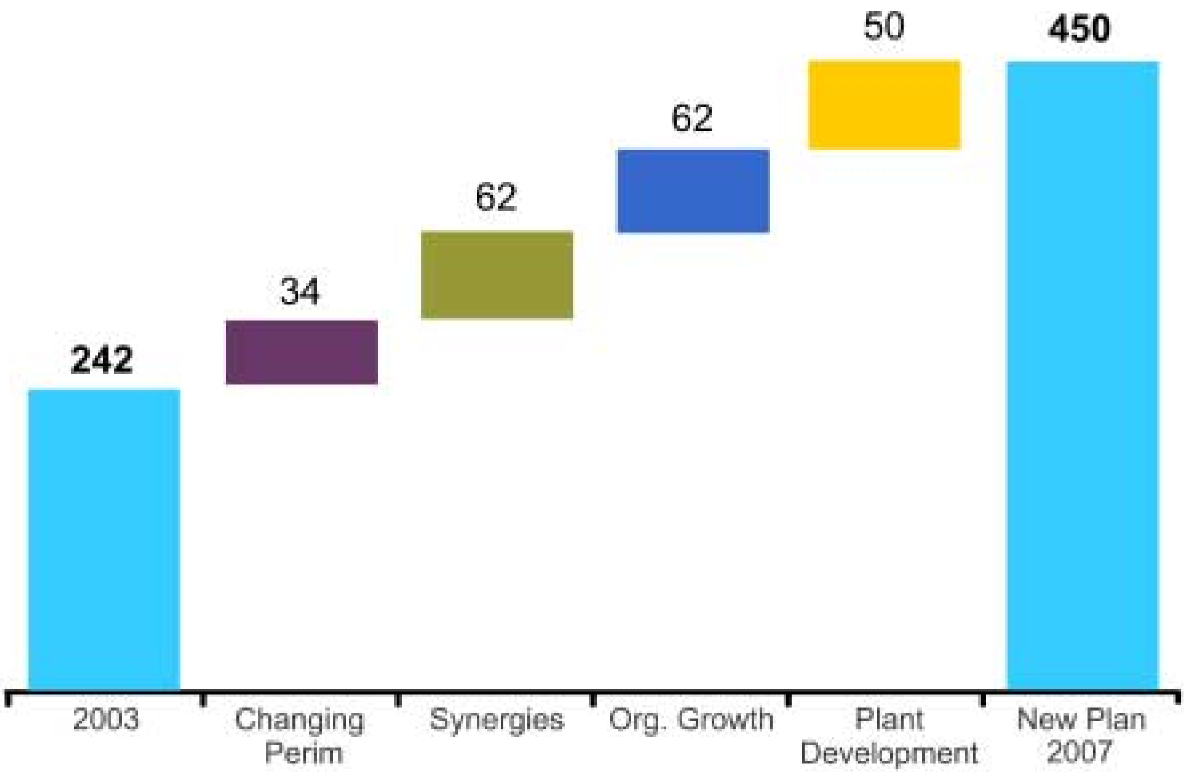
EBITDA increase is achieved through balanced contribution from cost reduction, business growth and new plants development

2003-E2004 EBITDA BUILD UP



*Centro Ecologico of Ravenna is accounted for one quarter in 2004 and full year in 2005

2003-E2007 EBITDA BUILD UP



Agea SpA: Local Multi-Utility Company

- Agea serves a territory nearby Hera
- Agea has a business portfolio as Hera
- The integration will be operative by year end
- Consideration paid: 5,5x EV/Ebitda 2004

(mln euro)	2002	2003	E2004
Turnover	97.4	139.3	141 - 144
Ebitda	**8.8**	**23.5**	**24**
Margin%	9.0%	16.9%	16.7%-17%
Head Counts			*623*

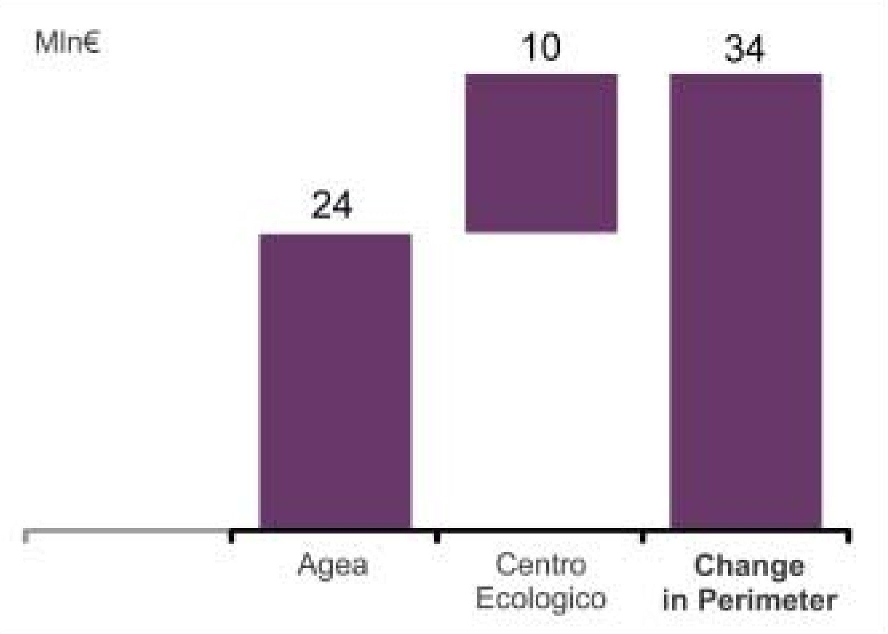
Centro Ecologico

- Special Waste business strengthening
- Increasing capacity by 60 ktons
- Increasing market share to 6% in special waste to energy business

(mln euro)	2002	2003	E2004
Turnover	25.9	23.4	25.2
Ebitda*	**12.8**	**6.9**	**9.0**
Margin%	49.4%	29.7%	35.6%
Head Counts			*72*

* Excluding IAS adjusting, EBITDA 2004 after IAS Adjustment is 10 Mln €

Change in Group Perimeter



- *The Business Plan does not accounts any further expansion through sector consolidation and M&A activity*
- *Some acquisition opportunities are under evaluation on energy customers and electricity generation projects*

Business Plan:
2004 acquisitions determines an EBITDA growth by 34 Mln €

Additional Synergies vs IPO +25 mln€

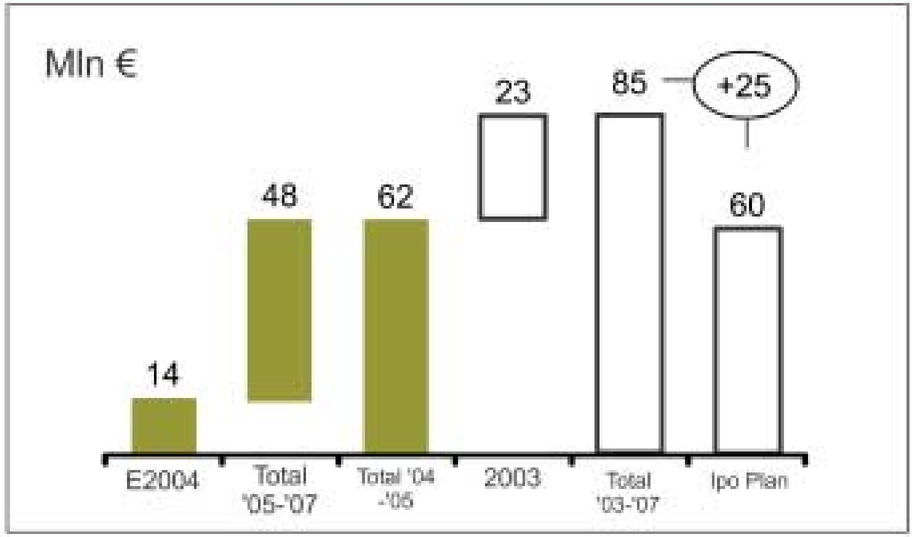
Additional savings by 25 Mln € vs IPO target thanks to:

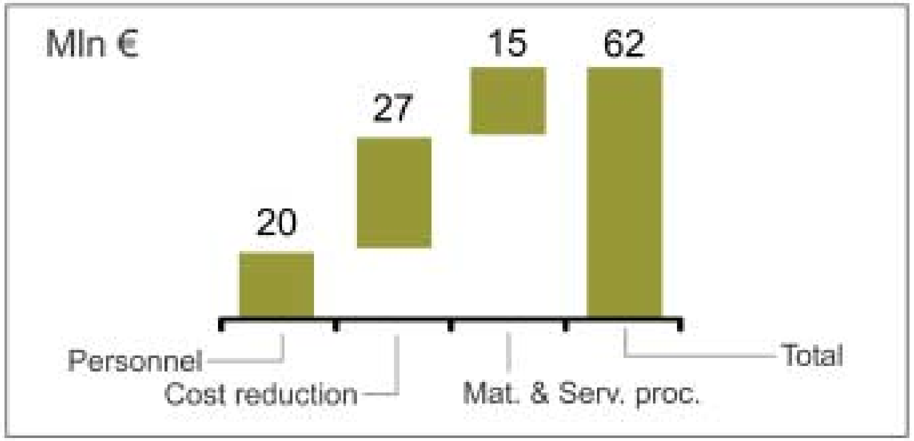
• Agea integration	5 mln €
• Material & services procurement cost	6 mln €
• Further efficiencies on core processes	14 mln €

E2004-E2007 Synergies 62 mln€

• **Personnel cost reduction**	**20 Mln €**
Headcounts end 2003	*4.428*
Change in Group perimeter	*695*
Net Head Count Reduction	*(341)*
Target 2007	***4.782***
• **Cost base reduction**	**27 Mln€**
• Process efficiencies	
• Saving from IT deployment	
• Demand management	
• **Material&Serv. Procurement cost**	**15 Mln€**
• Materials & services Standardisation	
• Sourcing practices	
• Supplier Base Rationalisation	

Cost Reduction Targets





Organic growth vs IPO +23 mln€

Further growth thanks to:

- Tariff review on reg. businesses 9 mln €
- Other Business" 14 mln €
  (District Heating; Public Lighting, ...)

E2004-E2007 Organic Growth 62 mln€

- **Tariff increase**
  - Water (+3.5%/year)
  - Waste (+2.5%/year)

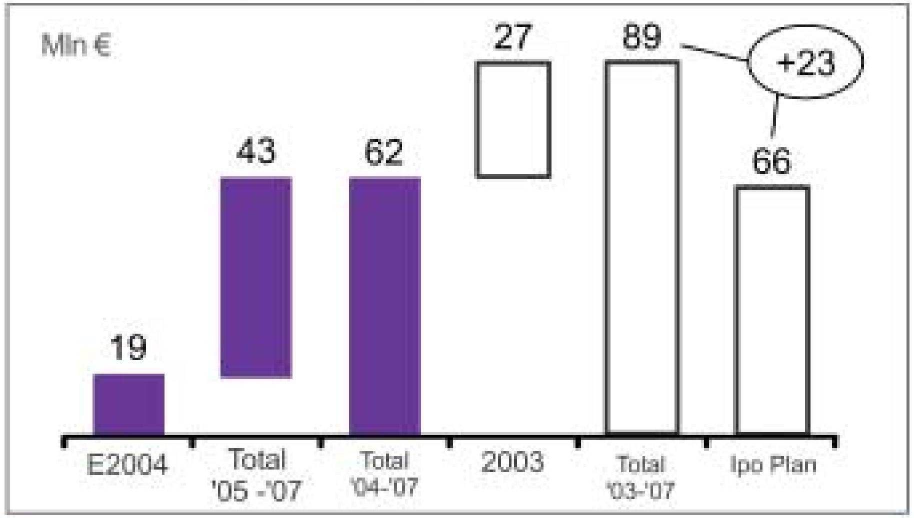
- **Market Presence Expansion**
  - Energy
  - Special Waste
  - District Heating/Public Lighting

- **Full operation of new plant Fea (2005)**

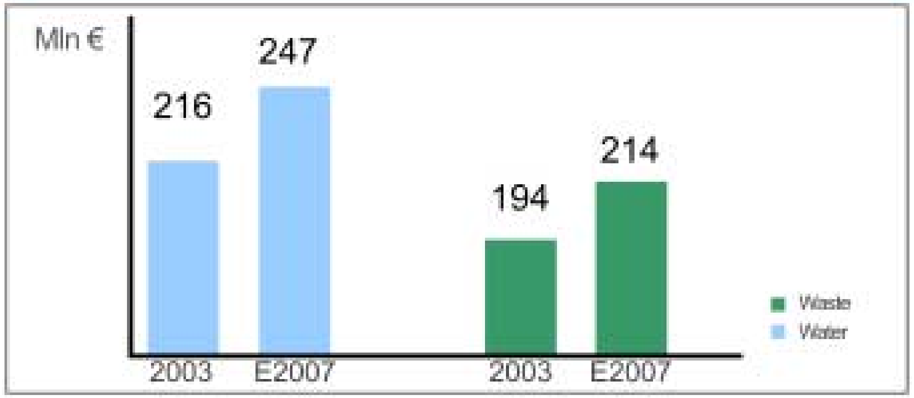
  ....

- Net of cost Inflation

Organic Growth targets



Tariff income development



Plant development Contribution -10 mln€

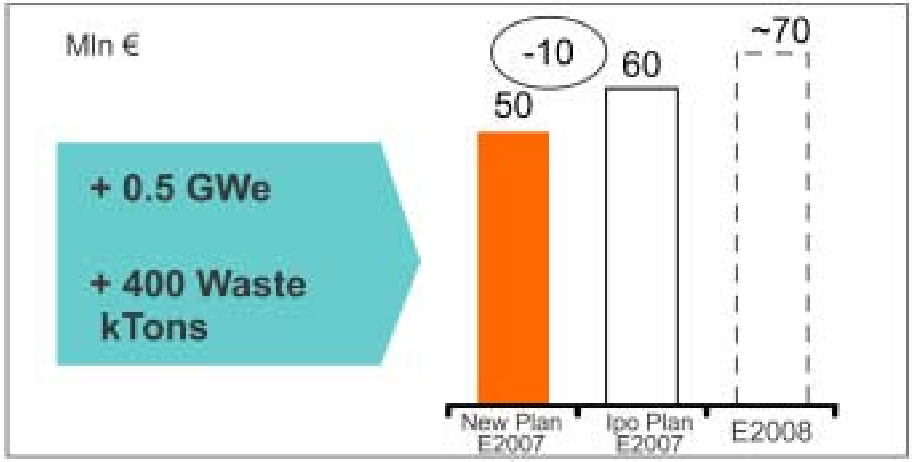
Gap is due to plants start up rescheduling (-10 mln €)
In 2008 additional margins will be achieved thanks to new plants (Ravenna & Canal Bianco WTEs and Sparanise Plant)

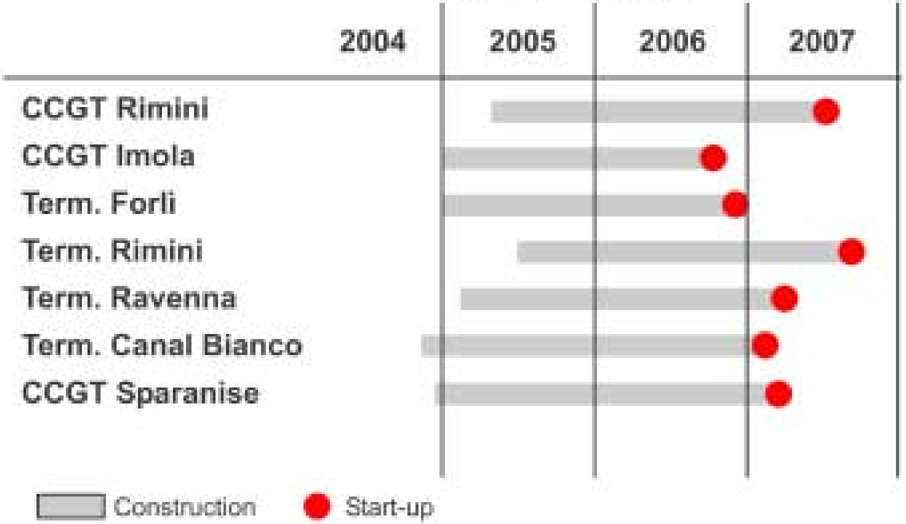
Plant Development 50 mln€

- **WTE PROJECTS** **27 mln€**
  - Expansion WTE Canal Bianco (Ferrara)
    (currently under construction)
  - Expansion WTE Forlì
    (VIA authorisation obtained)
  - Expansion WTE Ravenna
    (in progress to obtain authorisation)
  - Expansion WTE Rimini
    (in progress to obtain authorisation)

- **CCGT PROJECTS** **23 mln€**
  - Imola (Cogen)
    (Final stage of authorisation process)
  - Rimini
    (in progress to obtain authorisation)
  - Sparanise
    (fully authorized- construction by year end)

Plant Development Targets





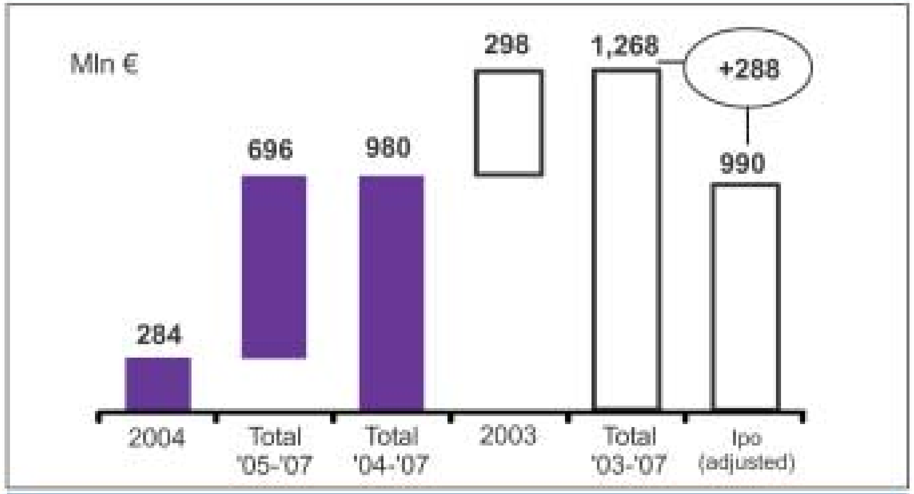
Business Plan:
Enriched plant portfolio with start ups in 2006

New Capex vs IPO	+288 mln€
AGEA Operating Capex	66 mln€
Financials (not included in IPO)	115 mln€
New Plants (Canal Bianco, Sparanise)	66 mln€
Other Operating Capex	41 mln€

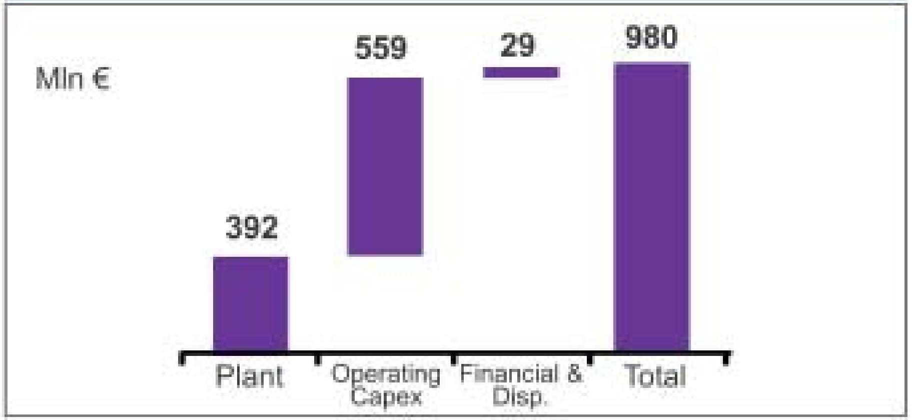
2004-2007 Capex Plan	980 mln€
Plant Development	**392 mln€**
WTE PROJECTS	193 mln€
CCGT PROJECTS (Incl. partecipations)	199 mln€
Operating Capex	**559 mln€**
Water, Gas and E.E. Networks	278 Mln €
Waste*	102 Mln €
Other business and Holding	179 Mln €
Financial and Disposals	**29 mln€**

*Includes 41 mln€ di Fea

Capex



Breakdown of Capex



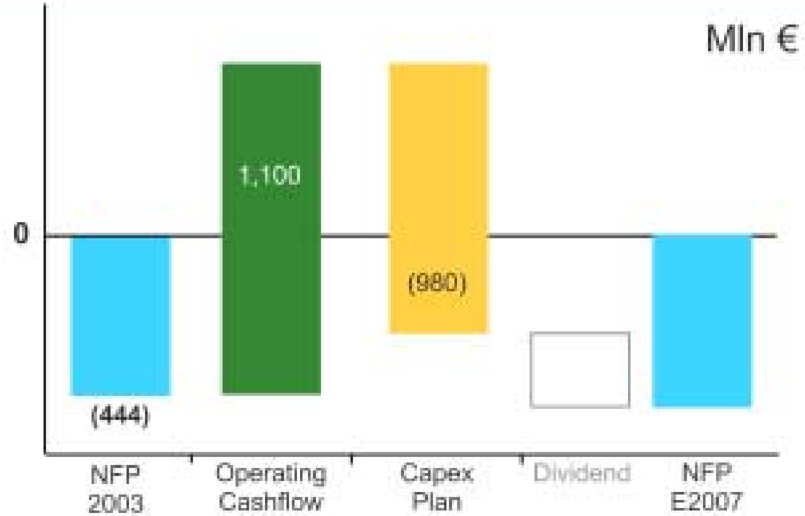
- **Working Capital**
  - Focused initiatives undertaken to enhance 2003 credit position and optimise cash management
- **ROI**
  - Expected to increase from 8,4% to 16,0% thanks to efficient Capex allocation
- **D/E Ratio**
  - 2007 D/E ratio in line with 2003
- **Cashflows**
  - Operating Cashflow will fully fund Investment plan and Dividend payment (confirmed 85% pay out ratio)

Financial Position allows further M&A activity to sustain profitable growth and business consolidation

Hera Group	2003	E2007
Net Invested Capital(mln €)	**1,541**	**1,656**
of which Fixed Asset(mln €)	*1,697*	*1,957*
ROI	8.4%	16.0%
ROE	5.9%	11.6%
D/E	0.5	~0.5*
Pay Out	85%	85%

** Do not account further M&A*

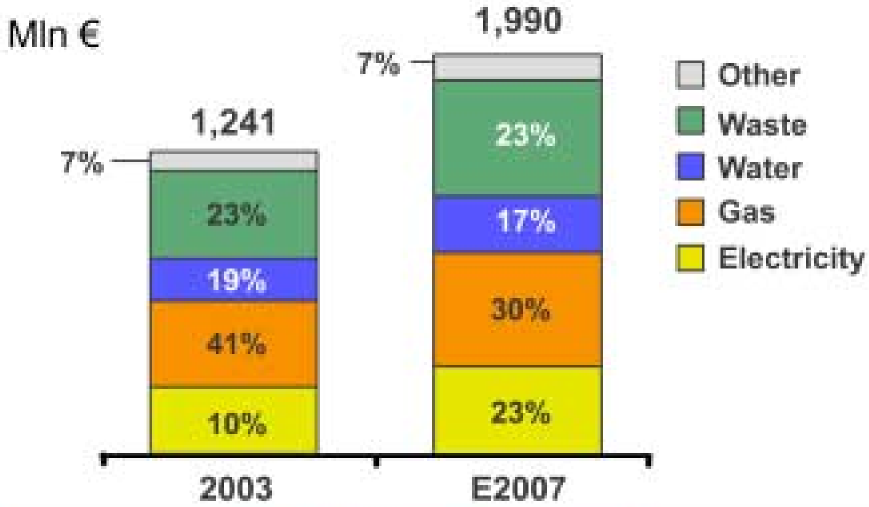
Cashflows E2004-E2007



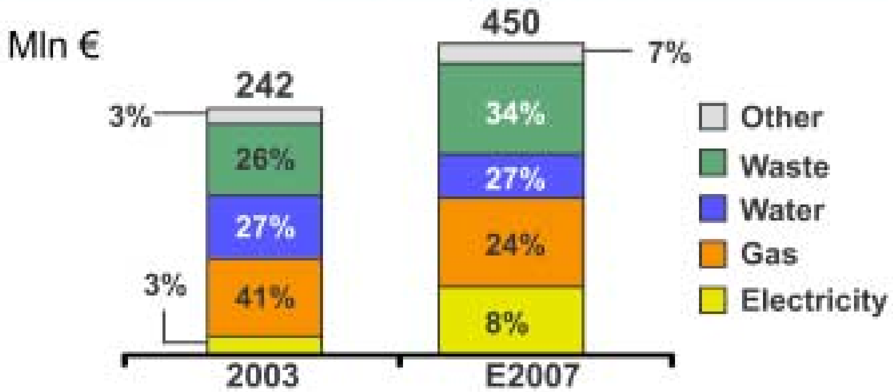
2007 Portfolio business

- **Waste** is expected to become the main Ebitda contributor (34%) thanks to the new WTE plants and organic growth.
- **Water** will maintain its percentage of 27% on 2007 Ebitda, mainly thanks to the synergies and the organic growth achievements.
- **Gas** and **Electricity** will relatively reduce their weight moving to preserve its overall margins covering one third of total 2007 Ebitda.
- **Electricity** is planned to increase business contribution leveraging upon new production capacity and customer base enlargement / dual fuel

Sales 2003 and 2007



Ebitda 2003 and 2007



Key Strenghts

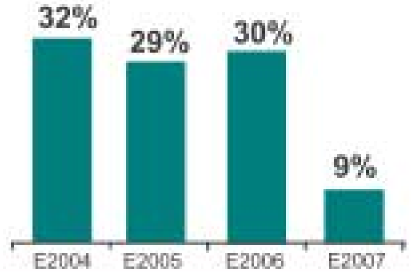
- Leader in urban and in special waste management
- Unique network of waste treatment plants with sizable development capacity
- Service provider to five ATOs of Emilia Romagna
- Opportunities in tax-to-tariff transition
- Long term concessions

Strategy

- Successfully complete the revamping of WTE plants
- Exploit full benefits from incentive tariff scheme on renewables (waste and biogas)
- Pursue a sustainable management of asset (landfields and WTE)
- Consolidate leadership on special waste business and exploit marketing synergies on industrial customer base
- Focus on value added operations

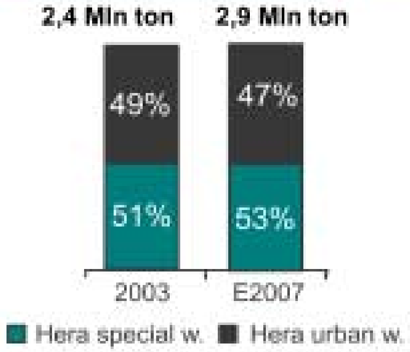
Targets

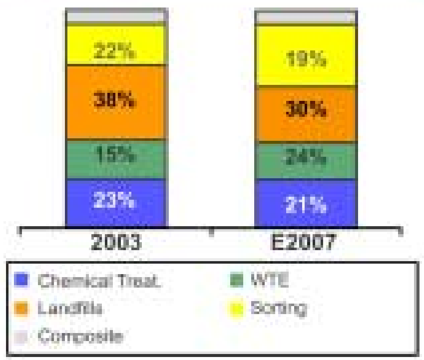
Waste	2003	%	E2007	%	Cagr.%
Sales	285	100.0%	464	100.0%	13.0%
Ebitda	62	21.8%	153	33.0%	25.4%



Investment '04-'07:
342 Mln€

Volume treated





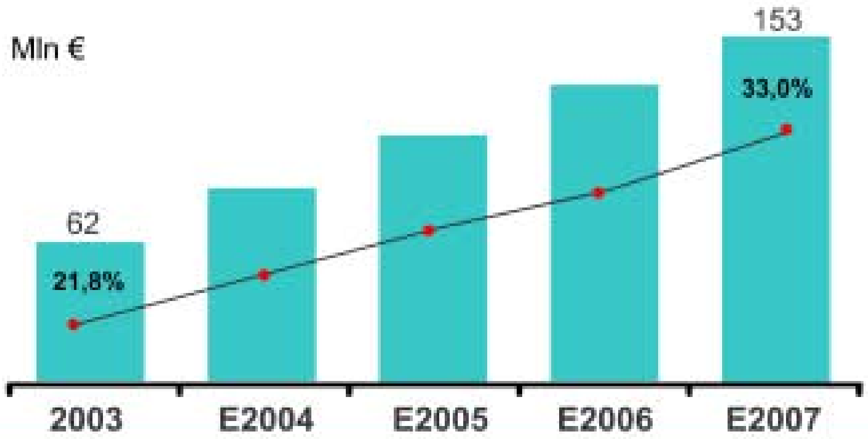
Main Growth Drivers

- **Ebitda increase of +91 Mln €:**
  - New WTE Plants 27 Mln €
  - Agea + Centro Ecologico 14 Mln €
  - Organic Growth and Synegies 50 Mln €
    - *of which FEA 22 Mln €*

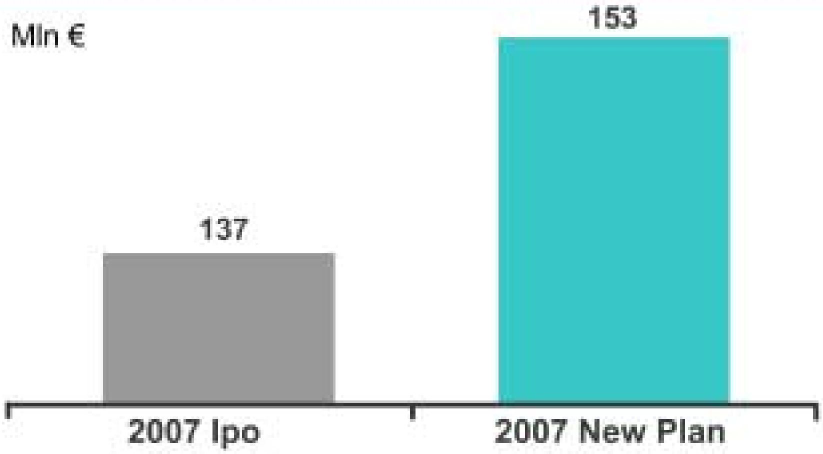
Further value potential growth:
Tariffs fully in line with Ronchi decree
(>4% vs 2,5% of 2004-2007)

- **Change vs. IPO target related to Agea and Ecologico of Ravenna**

Ebitda 2003-E2007



Increase vs Ipo Plan



New Plants included in the expansion plan

WTE	Treatment capacity(ton.)	Installed capacity(MW)	Elect. Prod. Regime(GWh)	Elect. Prod. 2007(GWh)	Tariff scheme	Share property	Full Operations
Rimini	100.000	11	59	12	Green Cert.	100%	2008
Forlì	100.000	11	59	51	Green Cert.	100%	2007
Ravenna	100.000	11	62	33	Green Cert.	100%	2008
Canal Bianco	100.000	13	58	48	Green Cert.	100%	2008
TOTAL	400.000	46	238	144	-	-	-
Caviro	*64.000*	*8,2*	*x*	*56*	*Green Cert.*	*50%*	*2008*

Operating plants

WTE	Treatment capacity (ton.)	Installed capacity (MW)	Elect. Prod. (GWh)	Tariff scheme	Share Property
Fea*	180.000	20	150	CIP6/'11	51%
Rimini	120.000	10	49	CIP6/'06	100%
Forlì	60.000	6	13	CIP6/'08	100%
Ravenna	55.000	6	26	CIP6/'09	100%
C.E.	40.000	4,5	18	CIP6/'07	100%
Canal Bianco	40.000**	7**	12**	Green Cert.	100%
TOTAL	495.000	49	268	-	-

*Accounted in the organic growth because of operation in 2004

** The existing capacity will growth after a revanpimg in 2008

Key Strenghts

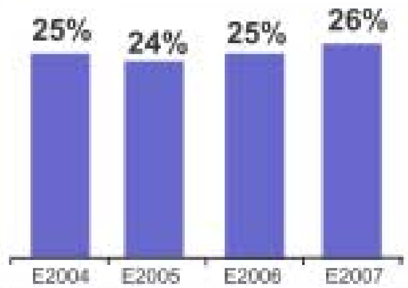
- Among top 3 Italian players (2 mln inhabitants) and additional 3 mln summer residents.
- The only Italian company currently operating in 5 ATOs (including Ferrara)
- Efficient network with leakage at European standard
- Potential upside from new tariffs scheme (plan assumption of +3.5% / year)
- Long-term concessions

Strategy

- Reach of full service coverage in the five ATOs
- Achieve operating efficiency improvement through best practices, deployment and cost savings
- Optimise water adduction/purchases mix
- Pursue full implementation of new tariffs and consistently deploy investment

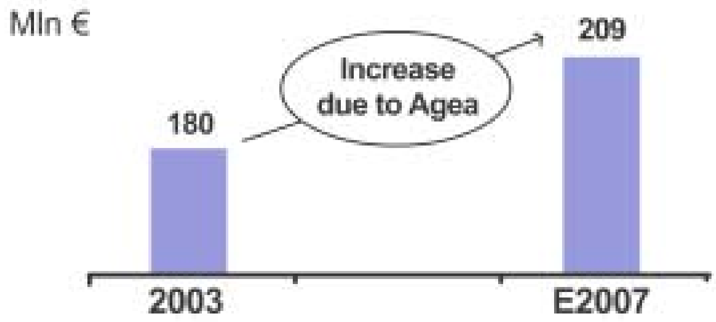
Targets

Water	2003	%	E2007	%	Cagr.%
Sales(Mln€)	248	100.0%	338	100.0%	8.0%
Ebitda	66	26.6%	122	36.1%	16.6%



Investment '04-'07:
215 Mln€

Volume Invoiced



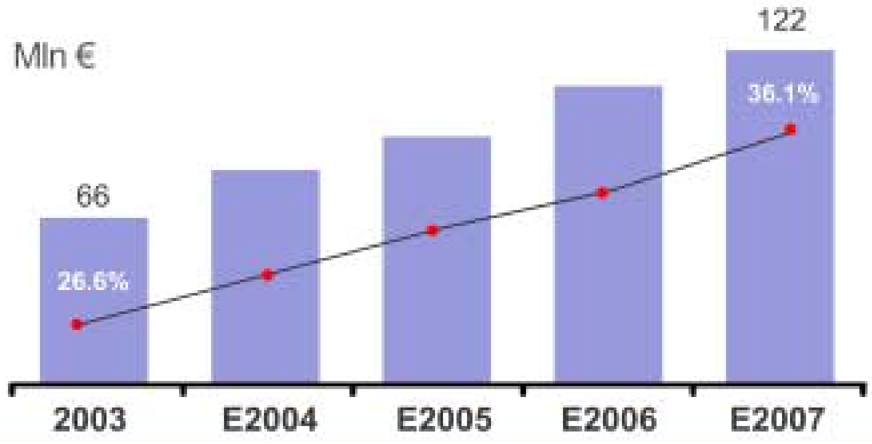
Main Growth Drivers

- **Ebitda increase of 56 mln€:**
  - Agea 7 Mln €
  - Organic Growth and Synegies 49 Mln €
    - *of which tariff income increase 31 Mln €*

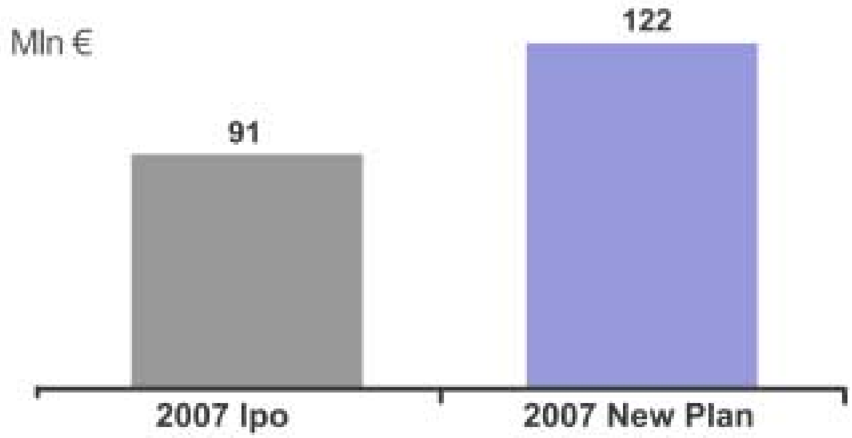
Further value potential growth:
Full convergence of tariffs to Galli law
(>4% vs 3,5% of 2004-2007 plan)

- **Increase E2007 Ebitda vs. IPO Plan**
  - The main differences vs IPO are related to:
    - Integration of Agea
    - New synergies and updated tariff change (additional 0,5% year)

Ebitda 2003-E2007



Increase vs Ipo Plan



Key Strenghts

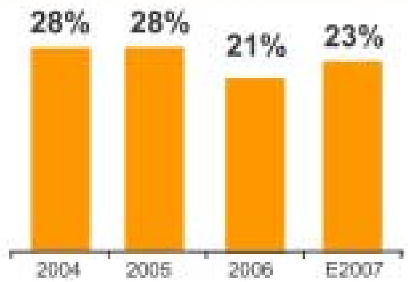
- Third largest player by gas sales (1.6 bln mc to about 700,000 customers)
- Dominant Market share in the territory
- Diversified procurement sources including VNG partnership
- Long-term distribution concessions (until year 2009)

Strategy

- Maintain distribution margins fully balancing operating cost reduction requested by regulator
- Exploit growth opportunities in the Territory and selectively penetrate in surrounding areas
- Optimise procurement portfolio leveraging upon partnership, market size and trading know how
- Balance liberalisation impact focusing on most profitable customers and extending offering to electricity and services
- Target net churn rate less than 10% in 2007

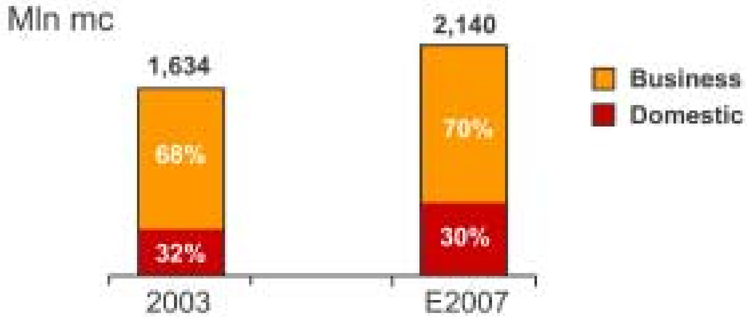
Targets

Gas	2003	%	E2007	%	Cagr.%
Sales(Mln €)	514	100.0%	597	100.0%	3.8%
Ebitda(Mln €)	100	19.5%	107	18.0%	1.8%



Investment '04-'07: 56 Mln€

Gas Volume Sold



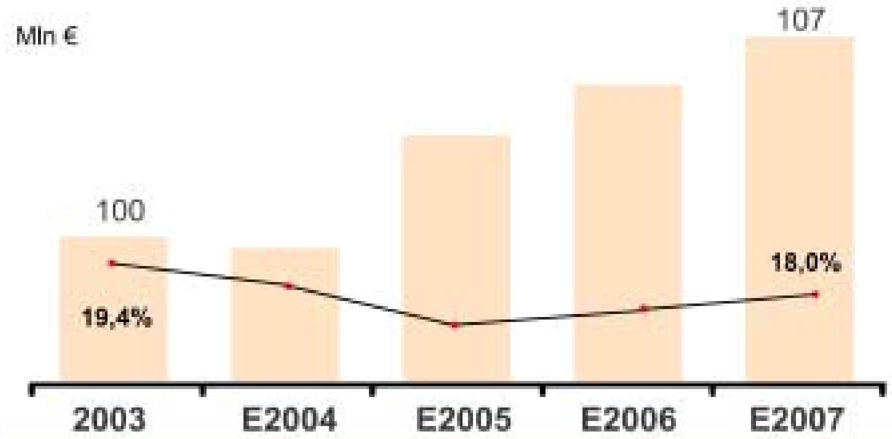
Main Growth Drivers

- **Ebitda increase of +7 Mln €:**
  - **Agea** **+ 8 Mln €**
  - **Organic G. and Synergies** **-1 Mln €**
    - *liberalisation impact on customer base* *-14 Mln €*
    - *new client development* *+ 12 Mln €*
    - *distribution margins and synergies* *+1 Mln €*

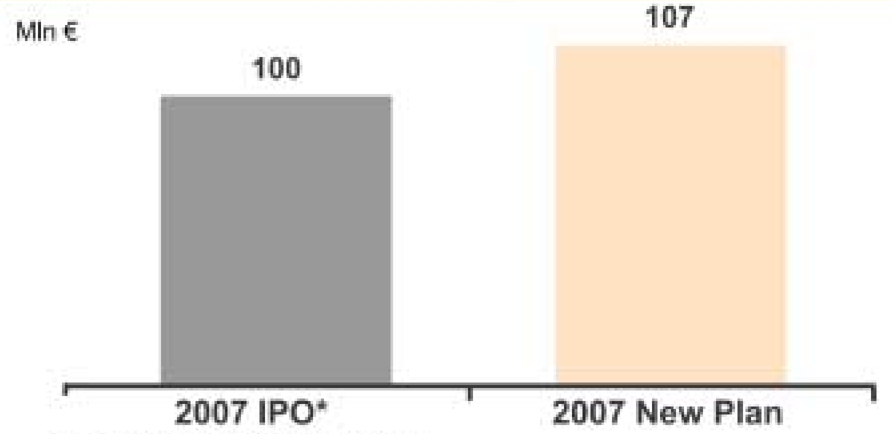
Further value potential growth:
Reduction of liberalisation impact and higher penetration in new territories

- **Increase E2007 Ebitda vs. Ipo Plan**
  - The main differences vs IPO are mainly:
    - Contribution of Agea

Ebitda 2003-E2007



Increase vs Ipo Plan



* Excluding District Heating

Key Strenghts

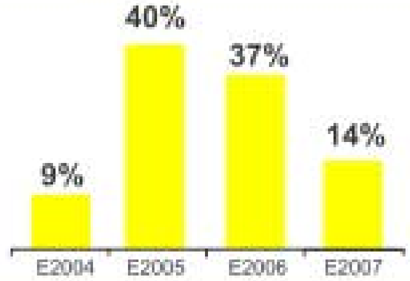
- Significant potential for dual fuel contracting, given strong position in gas
- Electricity consumption in Territory is 12 Twh and 20 Twh in surrounding areas
- Progressive availability of efficient own capacity

Strategy

- Exploit market potential of dual fuel leveraging upon costumer base (40% of 2007 volume sold to business gas customer base)
- Actively develop a balanced portfolio of generation initiatives
- Leverage upon partner expertise in generation/trading
- Maintain strong position in renewables
- Gas and electricity convergent perspective in trading

Targets

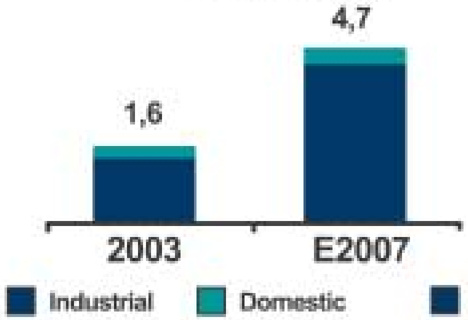
Electricity	2003	%	E2007	%	Cagr.%
Sales(Mln €)	127	100.0%	460	100.0%	37.9%
Ebitda(Mln €)	8	6.5%	38	8.3%	46.8%



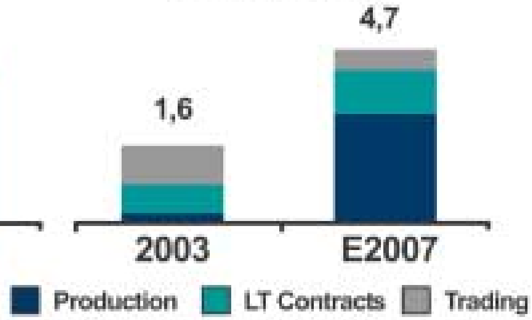
Investment '04-'07: 225 Mln€

Volume

Volume Sold



Portfolio mix (TWh)

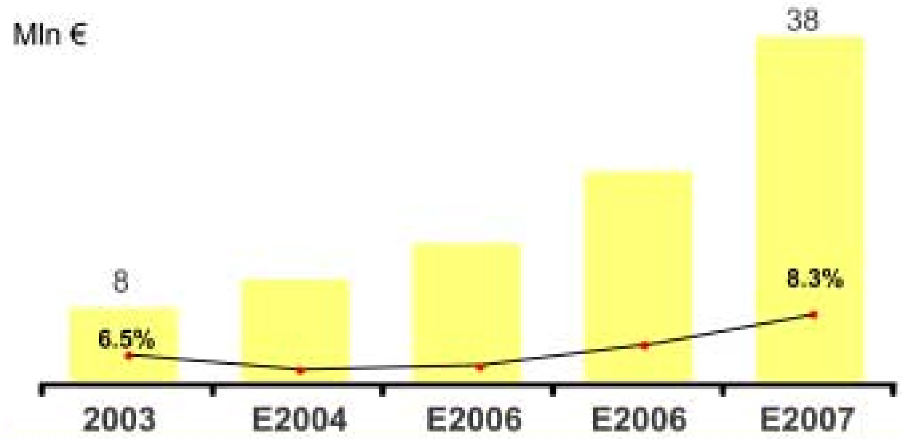


Main Growth Drivers

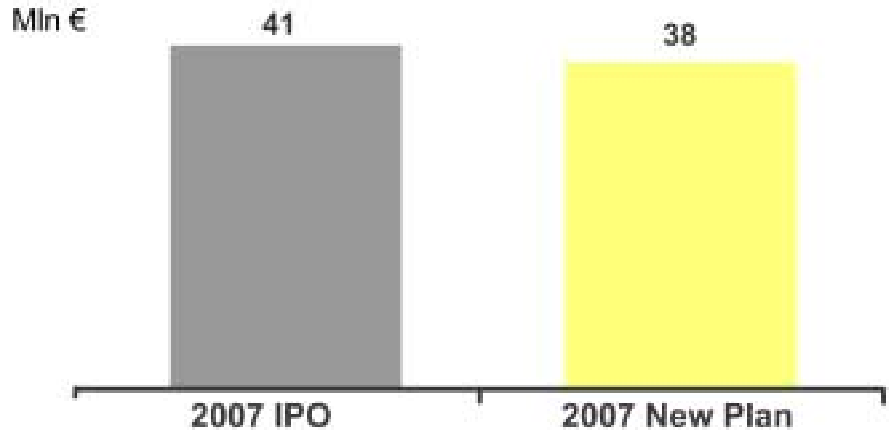
- **Ebitda increase** **+30 mln€**
- Plants 23 Mln €
- Organic Growth (volume sold) 7 Mln €

- **E2007 Ebitda vs. Ipo Plan**
  - Plant delay and more conservative hypothesis on electricity margins

Ebitda 2003-E2007



New plan vs Ipo Plan



New Plants included in the expansion plan

CCGT	Installed capacity(MW)	Elect. Prod. (TWh)	Share property	Full Operations
Rimini	230	1,2	100%	2008
Imola	80	0,6	100%	2007
Sparanise	140/800	0,9	15%	2008
TOTAL	**450**	**2,7**	**-**	**-**

Current portfolio

CCGT	Installed capacity(MW)	Elect. Prod. (TWh)	Share property	Full Operations
Tirreno Power	~ 180	1,1	5,5%	Full operation 1Q 2005
Atel (LT contract)	~ 160	1,0	-	Full operation during 2004
Other Own Plants	30/35	0,1	100%	In operation
TOTAL	**~ 340**	**2,3**		

Key Strenghts

- Top 4 in District Heating (partial heating generation by geothermical sources)
- Co-leader in Public Lighting
- Some local services to Municipalities (i.e. funerary services)

Strategy

- Focus on development of core businesses (District Heating and Public Lighting) operating with specific business unit:

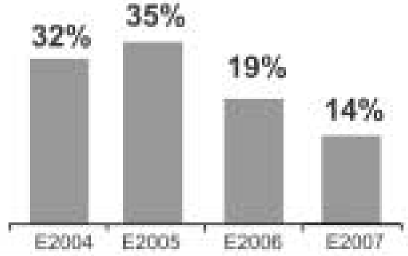
  District Heating:
  - + 100% Thermal energy generation by 2007
  - 50 Mln € investment plan
  - 4 Municipals area served (Including FE)

  Public Lighting:
  - + 50% light towers by 2007
  - 6 Mln € investment plan on lamps renewal with energy saving units

- Focus on profitability of Municipal Services

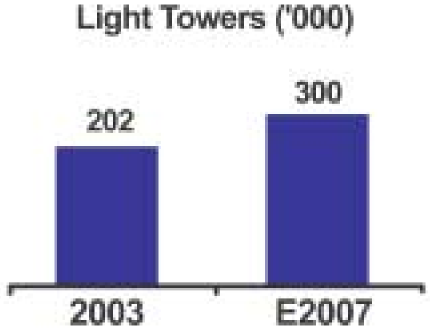
Targets

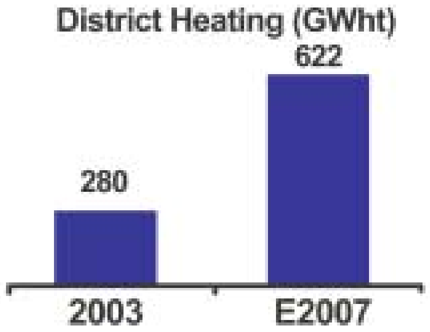
Other Business	2003	%	E2007	%	Cagr.%
Sales(Mln€)	84	100.0%	131	100.0%	11.6%
Ebitda(Mln€)	6	7.1%	29	22.5%	48.8%



Investment '04-'07: 104 Mln€

Highlights

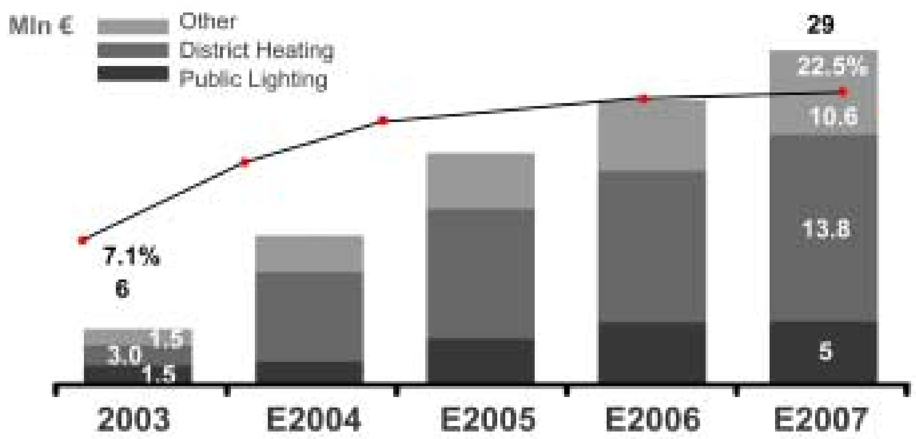




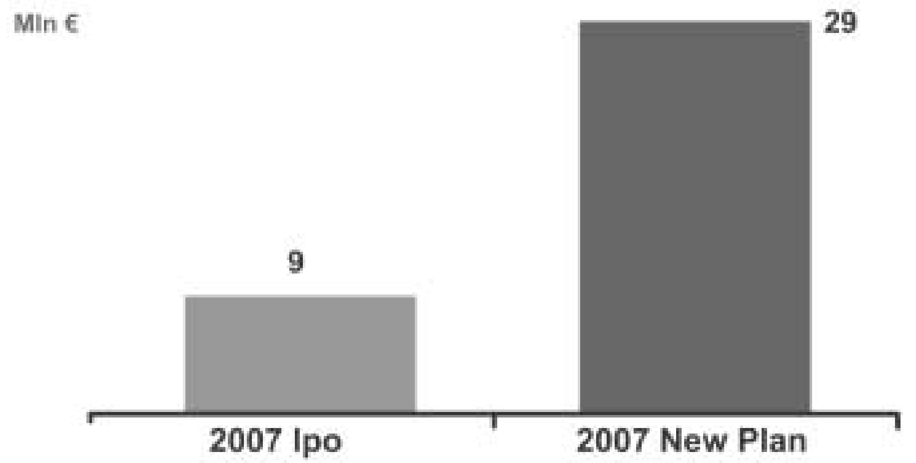
Main Growth Drivers

- **Ebitda increase of +23 mln€** (of which 4 due to Agea):
  - **District Heating: +11 mln€**
    - Volume increase estimated by 20% / year
    - Ebitda margin increase to 28%
  - **Public Lighting: +4 mln€**
    - Optimization of commercial activities (sales growth by +8% cagr)
    - Investment allows to increase energy and operational efficiency
  - **Other business: +9 mln€**
    - Enhanced profitability on Municipal Services (Ebitda margin move up to 20%)
- **E2007 Ebitda vs. Ipo Plan**
  - Higher development of Other Business portfolio trough:
    - focalisation on District Heating and Public Lighiting
    - rationalisation of other business

Ebitda 2003-E2007



Increase vs Ipo Plan



- Business Plan strategic perspective is fully consistent with last two years and focus:

• Top line growth	"Extend and strengthen core business"
• Profitability increase	"Exploit synergies on operating model"
• Sustainable development	"Purse business development with social responsibility"
• Business portfolio strengthening	"Exploit value opportunities in complementary business"

- **450 Mln € Ebitda target for 2007 (+19% vs IPO) achieved through balanced contribution from cost reduction, organic growth and new plants**
- **16% ROI target thanks to efficient capital allocation and upstream developments**
- **D/E = 0,5: sound financial position allows further M&A to support profitable growth and business consolidation**
- **Outstanding dividend policy with confirmed 85% pay out**

Be the Multiutility leader by performance

Hera Group New Business Plan

End