3Q 2003 Results

November, 2003

Index

Overview

Results as at 30 September 2003

- Good 3Q performance higher than expected and confirms the positive trend of 1H 2003
- All results on track to exceed year end expectations also regarding the:
  - Cost cutting strategy
  - dual Fuel policy
  - favourable market and seasonality factors
  - sector consolidation strategies
- Low seasonality in Group results thanks to high activity of Water and Waste business which compensate low 3Q activity of energy businesses

Third Q 2003 confirm possibilities to outperform expectations

Results as at 30 September 2003

The 3Q results of the Group point out a relevant growth, especially in profitability, and confirm the positive 1H2003 results

	30/09/2002*	%	30/09/2003	%	Var %
Revenues	857,7	100,0%	925,2	100,0%	+7,9%
EBITDA	124,9	14,6%	169,9	18,4%	+36,0%
EBIT	46,3	5,4%	72,4	7,8%	+56,4%
Pre Tax	45,1	5,3%	59,1	6,4%	+31,0%

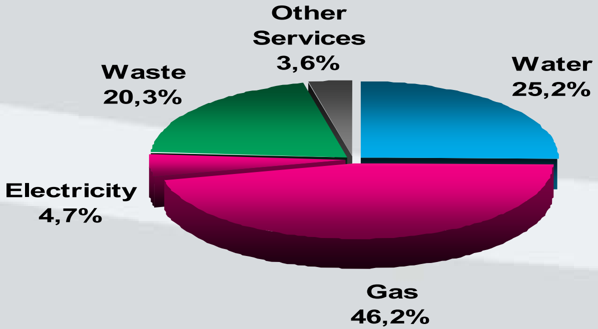
*consolidated proforma

	3Q2002*	%	3Q2003	%	Var %
Revenues	262,2	100,0%	233,6	100,0%	-10,9%
EBITDA	37,2	14,2%	47,8	20,0%	+28,5%
EBIT	12,8	4,9%	14,3	6,1%	+11,7%
Pre Tax	10,4	3,9%	13,8	5,9%	+32,7%

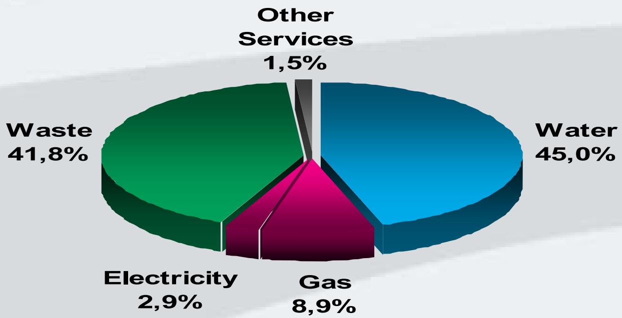
*consolidated proforma

Results as at 30 September 2003
Business breakdown

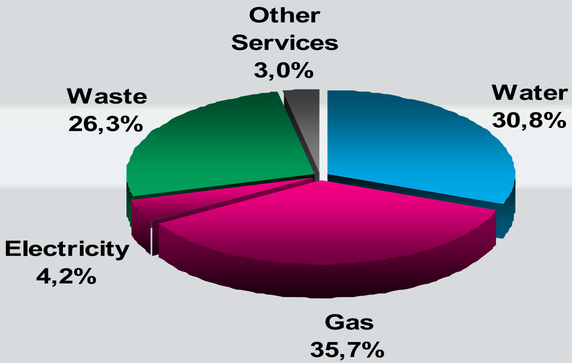
Ebitda 1H2003 - 122,1 mln €



Ebitda 3Q 2003 - 47,8 mln €



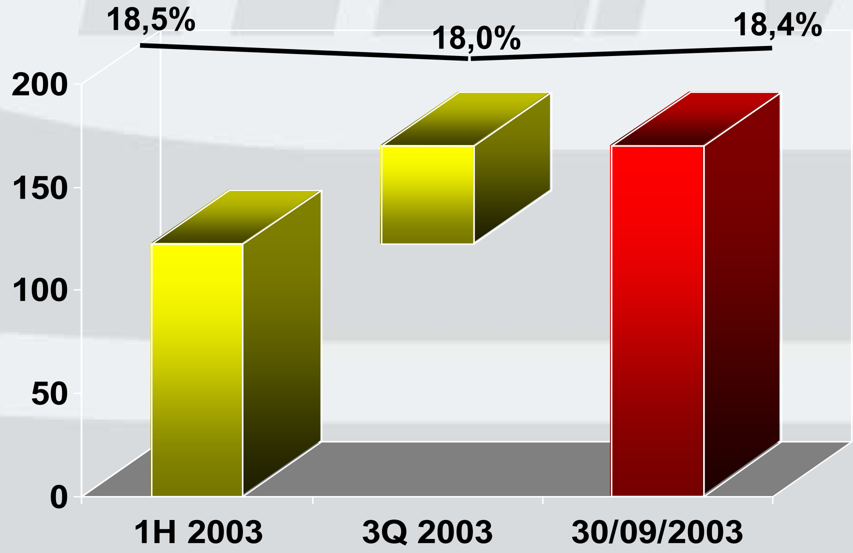
Ebitda as at 30/09/2003 – 169,9 mln €



The Ebitda growth has been achieved mainly thanks to the Waste and Water businesses

Results as at 30 September 2003
Income Statement

The diversified business portfolio permits to mitigate effects on Group Ebitda Margins



	1H2003	%	3Q2003	%	30/09/2003	%
Revenues	659,6	100,0%	265,6	100,0%	925,2	100,0%
EBITDA	122,1	18,5%	47,8	18,0%	169,9	18,4%
EBIT	58,1	8,8%	14,3	5,4%	72,4	7,8%
Pre Tax	45,3	6,9%	13,8	5,2%	59,1	6,4%

Business breakdown

Business Breakdown
Waste: Marginality increase

HERA
Holding Energia Risorse Ambiente

Main drivers

- **Turnover**
  - **High volumes treated from other Italian regions**
  - **Benefits from tourism on the Adriatic coast**
- **Ebitda**
  - **Turnover increase permitted an higher contribution to the fixed costs**
  - **Personnel costs increased caused by the consolidation of Geat (180 employees)**
  - **Ebitda margins increased by 3% thanks to a lower incidence of the low value added activities of the waste process**

Financial Highlights

	1H2003	%	30/09/2003	%	3° Q
Turnover*	**131,9**	**100,0%**	**204,9**	**100,0%**	**73,0**
Operating cost	(71,9)	(54,5%)	(103,6)	(50,6%)	(31,7)
Personnel	(35,3)	(26,7%)	(56,6)	(27,6%)	(21,3)
EBITDA	**24,8**	**18,8%**	**44,7**	**21,8%**	**20,0**

**includes internal consumption and is net of capitalised cost*

- **Marginality growth thanks to higher volumes treated**
- **The new WTE plant in Bologna is in line with the time table**

Business Breakdown
Water: Summer high potential confirmed

Main drivers

- **Turnover**
  - **A particularly hot climate permitted a revenues growth higher than expectations**
  - **Increase in mc of water sold thanks to the tourism on the Adriatic Coast**
- **Ebitda**
  - **The high revenues permitted an increase in operational efficiency and further more in marginality**

Financial Highlights

	1H2003	%	30/09/2003	%	3° Q
Turnover*	**117,9**	**100,0%**	**188,8**	**100,0%**	**70,9**
Operating cost	(61,2)	(51,9%)	(99,7)	(52,8%)	(38,5)
Personnel	(25,9)	(22,0%)	(36,8)	(19,5%)	(10,9)
EBITDA	**30,8**	**26,1%**	**52,3**	**27,7%**	**21,5**

**includes internal consumption and is net of capitalised cost*

- **3Q confirm high seasonality of water results**
- **Thanks to the high efficiency and capacity of water plants interruption has been avoid**
- **ATO are in progress to complete the new tariff scheme**

Business Breakdown
Electricity: High growth potential

Main drivers

- **Turnover**
  - **Success of Dual fuel strategy**
  - **3Q Volume sold are already higher than those of Y2002 (1.171 Gw/h sold against 948 of 2002);**
- **Ebitda**
  - **A slight increase of Ebitda despite of higher increase in volumes as a consequence of higher portion of sales to eligible clients with lower commercial margins.**

Financial Highlights

	1H2003	%	30/09/2003	%	3° Q
Turnover*	**56,6**	**100,0%**	**93,0**	**100,0%**	**36,4**
Operating cost	(48,9)	(86,4%)	(82,5)	(88,7%)	(33,6)
Personnel	(2,0)	(3,5%)	(3,4)	(3,7%)	(1,4)
EBITDA	**5,7**	**10,1%**	**7,1**	**7,6%**	**1,4**

**includes internal consumption and is net of capitalised cost*

- **Benefits in procurement cost expected, thanks to the new contract with Atel (concluded on October 20, 2003)**

Business Breakdown
Gas Low activity in the third quarter

Main drivers

- **Turnover**
  - **3Q Sales increased slightly (117 mln mc) as summer is typically a period of low activity**
- **Ebitda**
  - **Ebitda Margin as at 30 September 2003 is slightly lower than 1H 2003 but higher than expectations.**

Financial Highlights

	1H2003	%	30/09/2003	%	3° Q
Gas, LPG	291,5	97,4%	335,5	97,4%	44
Other revenues	7,9	2,6%	-	-	(7,9)
Turnover*	**299,4**	**100,0%**	**335,5**	**100,0%**	**36,1**
Operating cost	(228,9)	(76,5%)	(255,4)	(76,1%)	(26,5)
Personnel	(14,1)	(4,7%)	(19,4)	(5,8%)	(5,3)
EBITDA	**56,4**	**18,8%**	**60,7**	**18,1%**	**4,3**

**includes internal consumption and is net of capitalised cost*

The positive initial trend registered in the 4thQ permits to foresee year end results higher than what expected

Business Breakdown
Other business: Ongoing restructuring process

Main drivers

- **Turnover**
  - Heat management, Public Lighting and District Heating has almost the same seasonality in results of the Gas business; therefore the 3Q 2003 results are not significant
- **Ebitda**
  - Despite of the not favorable climate conditions, Ebitda margin confirm its positive trend
  - Group rationalization mainly through divestments of approx. 20 non strategic companies.

Financial Highlights

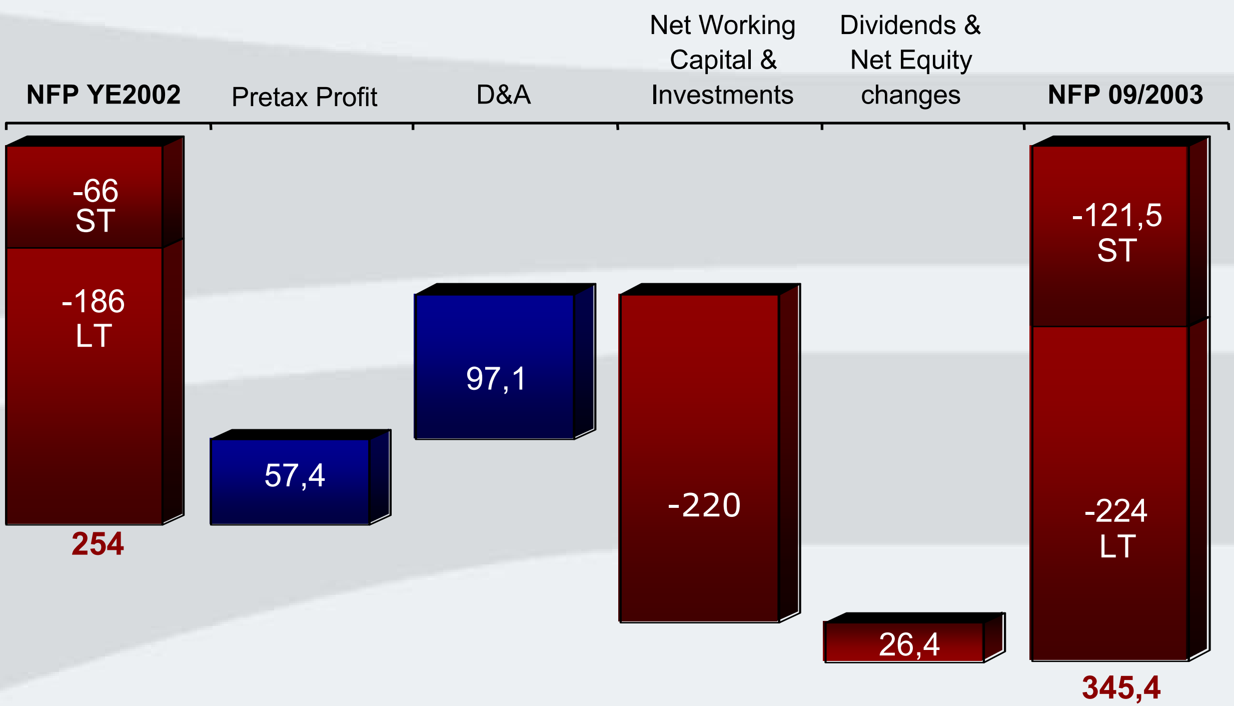
	1H2003	%	30/09/2003	%	3° Q
Turnover*	**42,5**	**100,0%**	**57,4**	**100,0%**	**14,9**
Operating cost	(28,9)	(68,0%)	(38,3)	(66,7%)	(9,4)
Personnel	(9,2)	(21,6%)	(14,0)	(24,4%)	(4,8)
EBITDA	**4,4**	**10,4%**	**5,1**	**8,9%**	**0,7**

*includes internal consumption and is net of capitalised cost

Low value added business will continue to be progressively outsourced

Achievements of Group Targets
Cash Flows

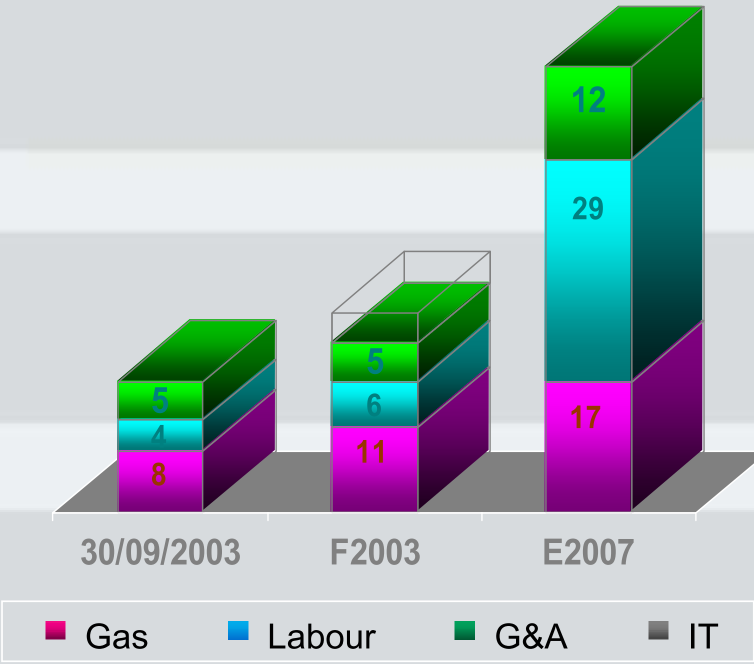
- The strong Cash flows finance over 70% of the significant investments and dividends paid out
- The financial debts are well balanced between long and short term
- Net invested Capital amounts to 1.241,1 mln euro as at 30 Sept. 2003



Achievements of Group Targets

Achievements of Group Targets IPO plans

- **3Q2003 results are in line with the main efficiency targets:**
  - Efficiency improvement:
    - Savings in Procurement and other operating costs
    - Re-organisation of human resources
  - Implementing the investment plan ('03/'07)
    - Significant investments in CCGT and WTE plants
    - Maintenance capex amounts to approx. 90-100 mln €

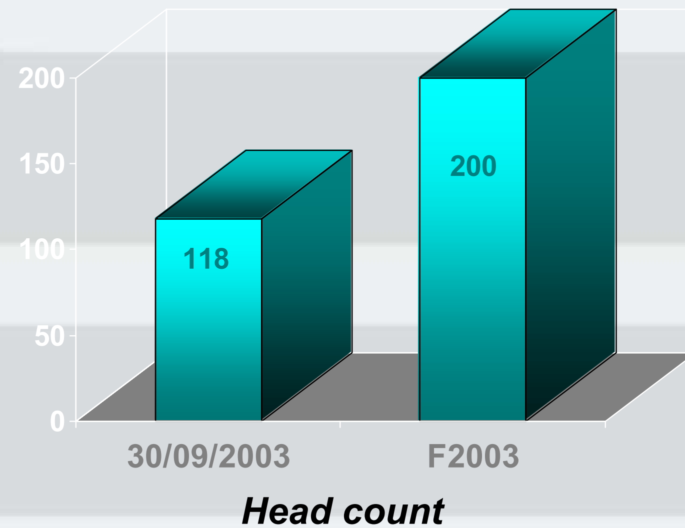


Achievements of Group Targets
Efficiency Improvements

- **Human Resources:**
  - Personnel net outflow in line with expectations

Human resources	
As at 31/12/2003	4.538
Exit	(159)
Entries	41
Flows	118
Change in Group Perimeter	72
As at 3Q 2003	4.492

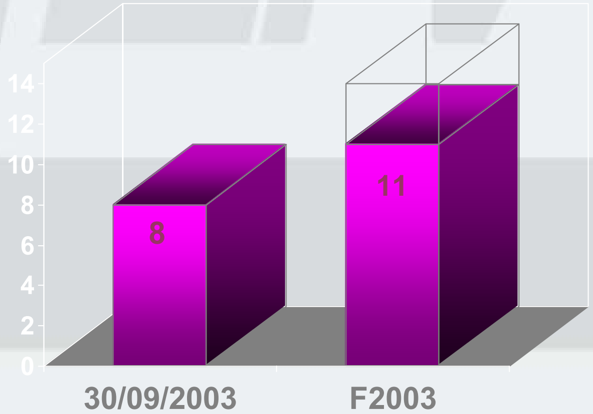
  - Change in the perimeter incurred relates mainly to the merger of Geat (+183 people) and the demerger of Genista (-113 people)



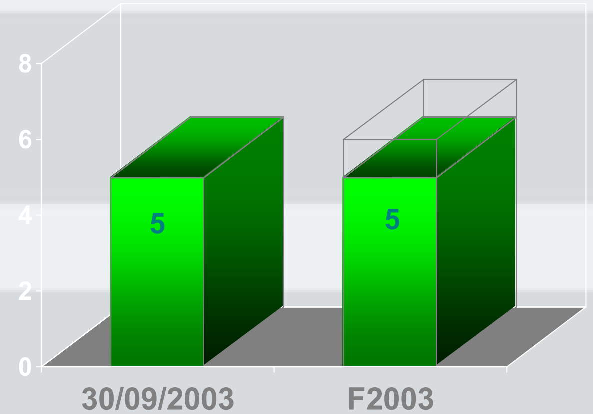
- **Personnel cost incidence on turnover: 15,8%**
- Headcount reduction is in line with expectations

Achievements of Group Targets Efficiency Improvements (2)

- **Gas procurement cost savings:**
  - The renewal of contracts continue to guarantee slightly more competitive procurement cost (- 2%)
  - Tariff are currently permitting margins higher than expected
  - Further diversification of Gas and electricity procurement suppliers were reached with VNG and Atel contracts (175 mln mc and up to 2 TW per year)



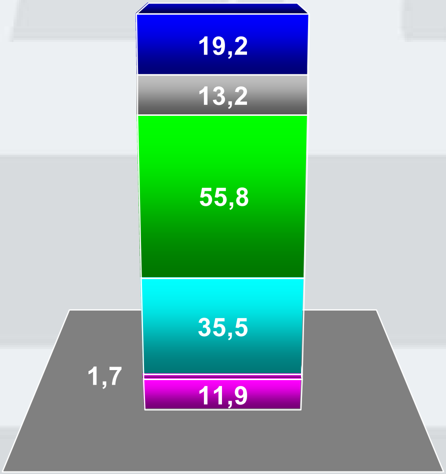
- **G&A Savings:**
  - Cost reduction and other synergies amount to 5 mln* €

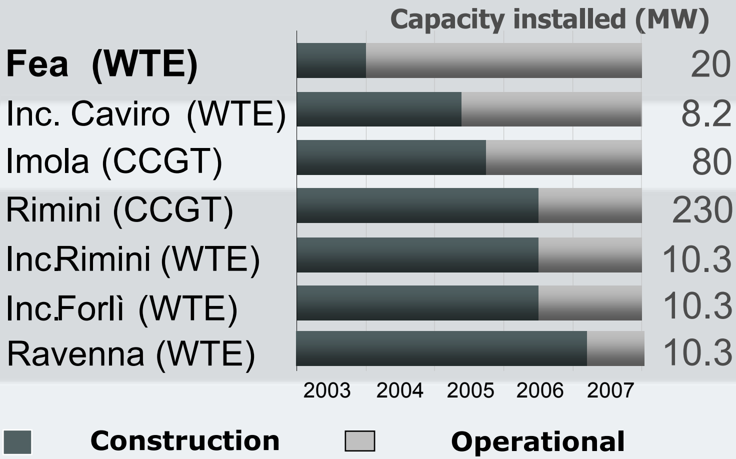


- **Gain of 100 basis point on Value added 3Q against 1H 2003**
- **Well on track to outperform expectations**

Achievements of Group Targets
Top Line Growth: Investment plan

- **<u>Investments (as at 30/9/2003)</u>:**
  - Over 137 mln € operative investments up to date
  - Further 25 mln € financial investments (mainly related to 5,5% Tirreno Power)
  - WTE plant of Bologna (Fea) is on track to enter into operation before 1H 2004
  - Authorisation procedures of the other plants are well on track on schedule

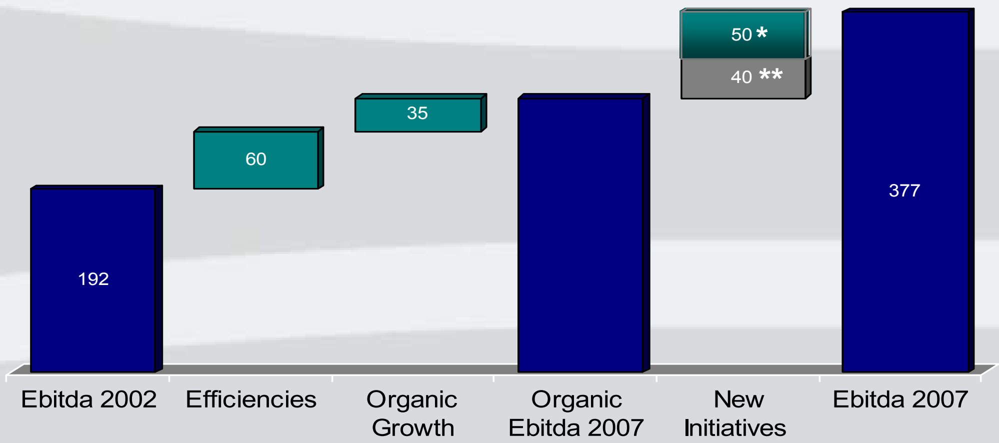




Achievements of Group Targets
5-year Planned profitability improvements

- Efficiencies on existing business based on conservative rationalization assumptions
- New initiatives, of which:
  - A significant part (Frullo) already locked-in
  - Other initiatives for which projects and authorizations are well under way

Ebitda Build-up



Over 47% of the 5-years-plan on organic growth is expected to be achieved already in 2003

Achievements of Group Targets
Unique and on going Sector Consolidation

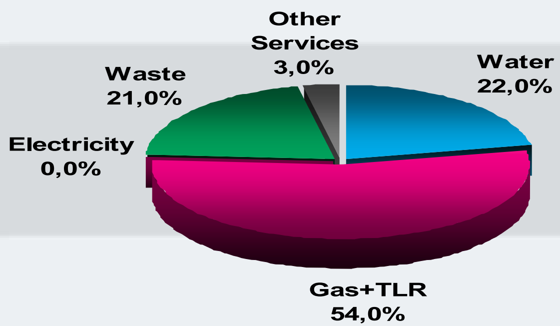
- After the merger with Geat, **AGEA bid** the was won on 16 Oct.

AGEA	BDG2003
Turnover	132,2
Ebitda	19,7
EBIT	9,3

- Business: All Hera Business
- Operations: Ferrara area
- Employees: 601
- **Not Included in IPO Plan**

AGEA	2002
Volume of Gas sold (mln mc)	191
Volume TLR (Gwht)	111
Volume Water (mln mc)	19
Volume Diff. Waste (Tonn/000)	22
Volume undiff. Waste (Tonn/000)	69
Clients Gas	80.500
Inhabitants served Water	250.000
Light Points	19.500
TLR Buldings	352

Ebitda break down



HUGE SYNERGY POTENTIA

Achievements of Group Targets
Unique and on going Sector Consolidation

- **AGEA** will be merged before 2004 year end. The consideration agreed:
  - First 49%
  - Further 51%

First 49%	
Cost of first 42%	47,3
Cost of further 7% (put option)	7,9
Increase of capital (unwritten for 49% by Hera)	9,8
Consideration of the first 49%	65,0

Further 51%	
Ebitda 2003 multiple of Hera	x5,7
Ebitda E2003 Agea	19,7
EV Agea estimated	112,3
PFN Agea (post capital increase)	(37,0)
Equity value of 51%	38,4

100% Agea acquisition	
Consideration of 49% (cash)	65,0
Consideration of 51% (shares)	38,4
Consideration of Agea	103,4

- **Implicit Multiple EV/EBITDA of 100% acquistion of Agea:**

x7,2

Conclusions

- Good first 9 month performance, higher than expected
- All results on track to exceed year end expectations thanks to:
  - Cost cutting
  - dual Fuel policy
  - favourable mark and seasonality factors
  - sector consolidation strategies
- Low seasonality in Group results thanks to high activity of Water and Waste business which compensate low 3Q activity of energy businesses

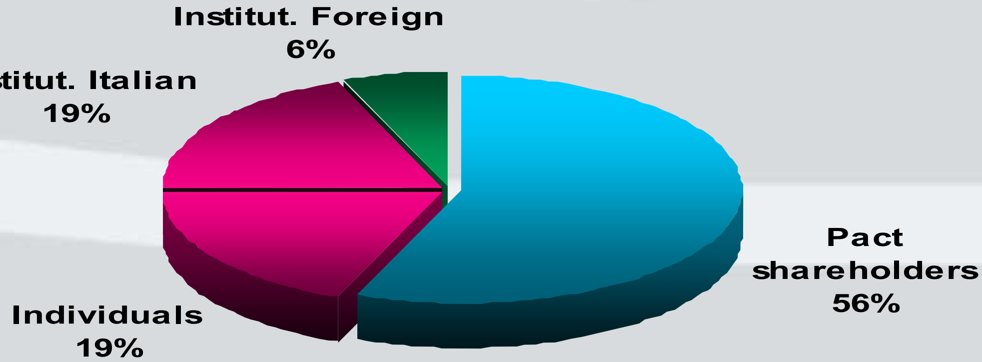
Third Q 2003 confirm possibilities to outperform expectations

3Q 2003 Results

November, 2003

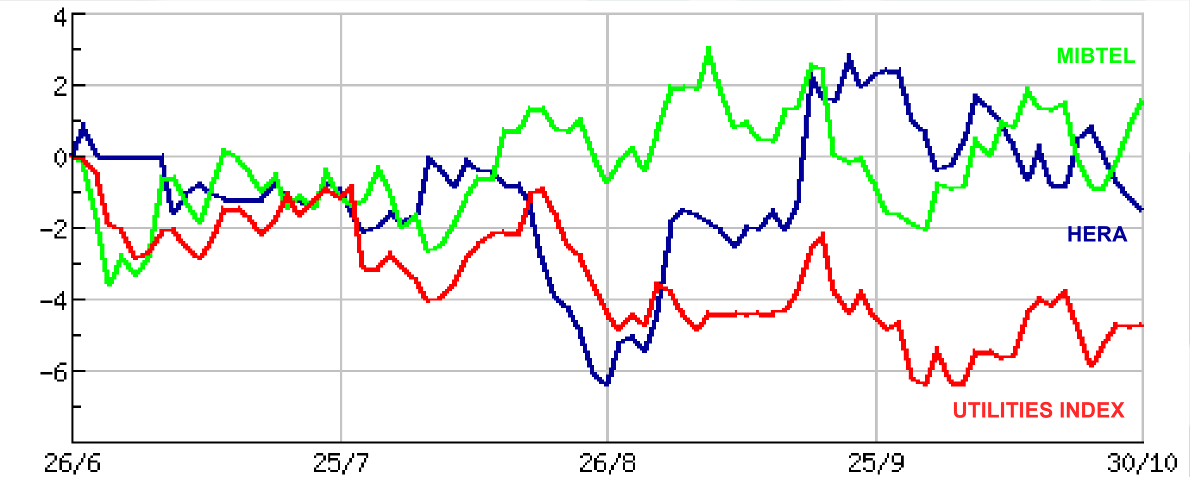
Appendix
Shareholdings

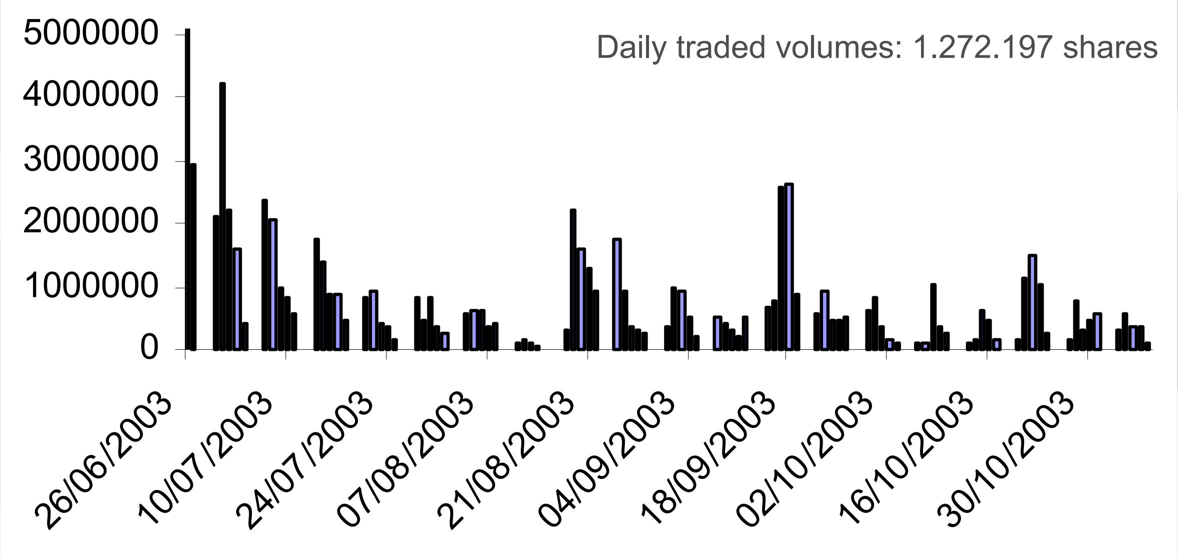
- **Post IPO Shareholdings**



- 44,5% free float post IPO
- On the 16th of October the shareholder meeting widened from 10 to 13 the members of the BoD; 3 new directors have been elected by non-pact shareholders
- Municipalities are locked up for 18 mesi

Appendix
Hera stock performance





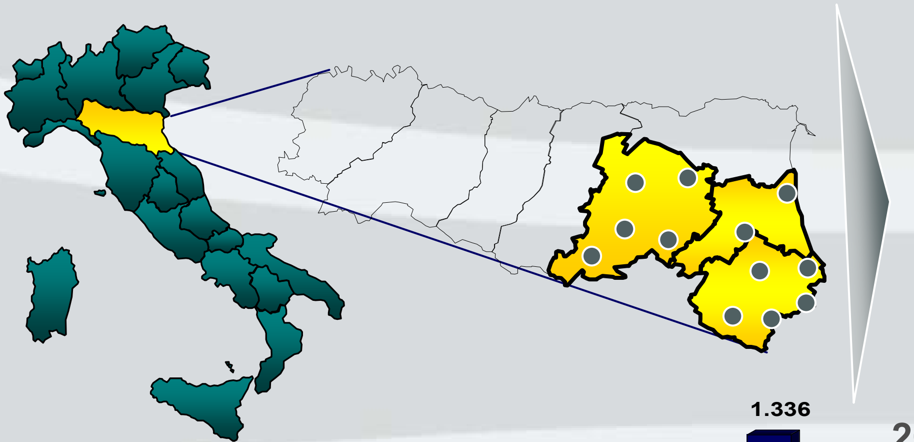
Appendix
Public Available Info on Hera

- Consensus
  - Positive consensus expressed by analysts: Target Price=1,46€ (+0,5%)

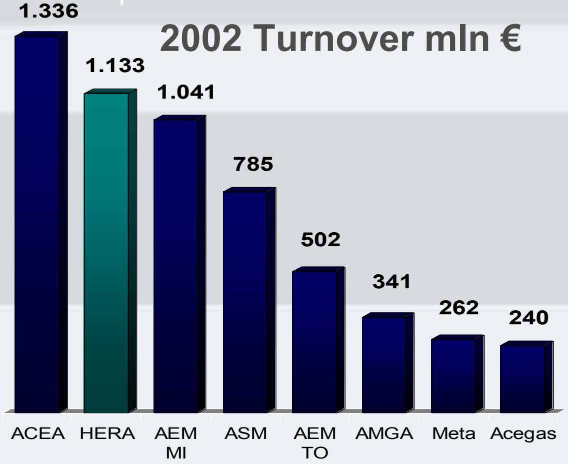
- Coverage:
    - UBM
    - IMI
    - Euromobiliare
    - Rasbank
    - Intermonte
    - Actinvest
    - Mediobanca
    - Credit Agricole Indosuez

Appendix
Unique Merger to Create a Strong Player

- Hera is the result of the merger of 12 multi-utility companies
- The Hera Merger is the first Italian significant consolidation process

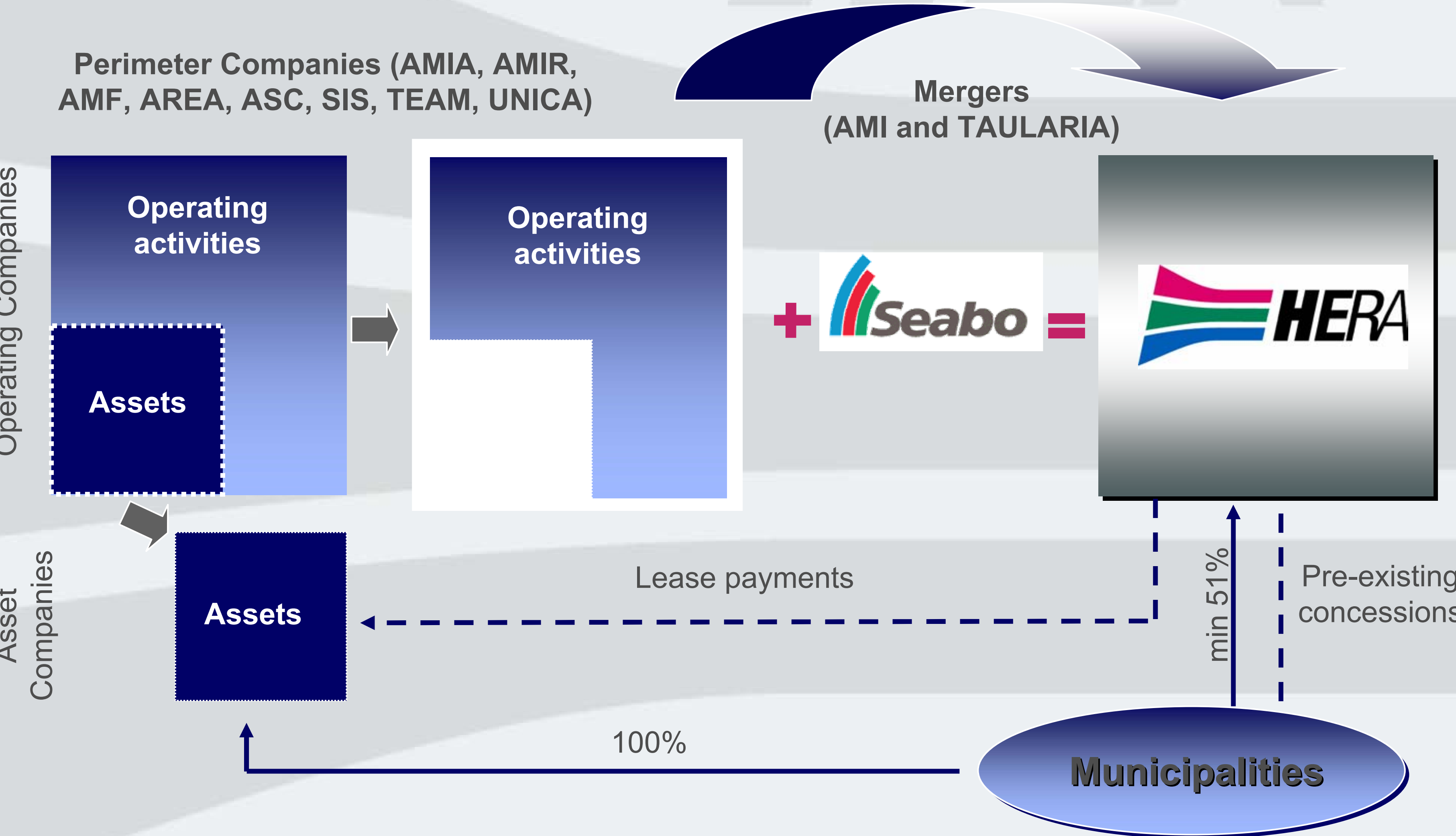


- Hera is the second largest Italian multi-utility player since beginning

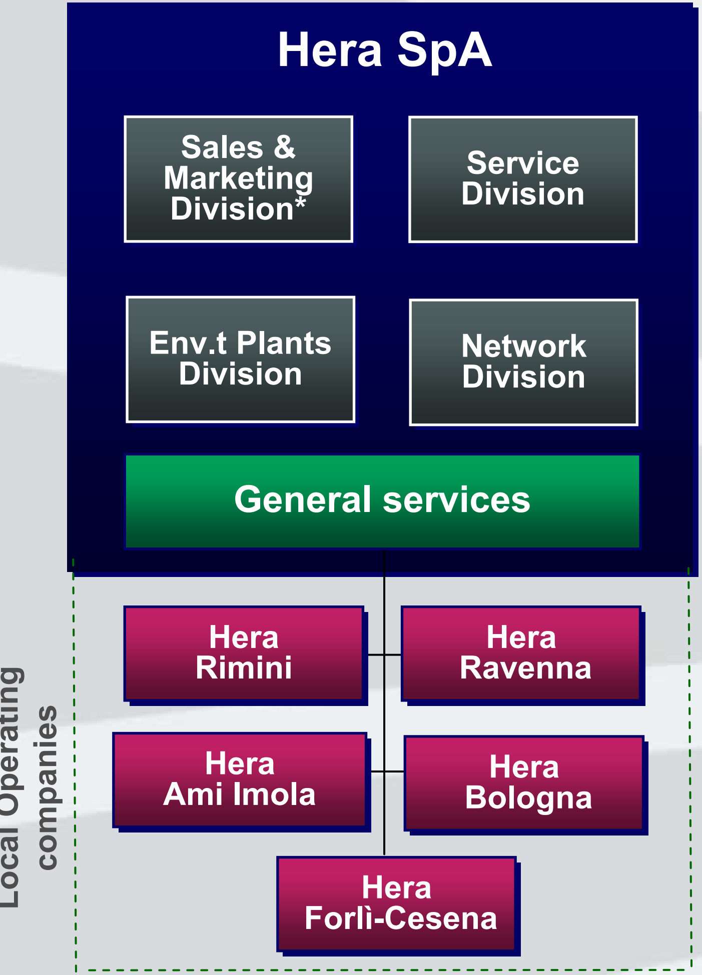


Appendix
Integration process: Key elements

Integration allows compliance with Art. 35 (L. Finanziaria 2002)



Appendix
Integration process: Group structure



* *supervises Hera Comm*

- Define and execute strategy
- Manage activities of business units
- Centralise marketing and sales, procurement and finance functions
- Centralise general services (administration, IT, legal, HR)
- Develop new initiatives and select investment opportunities

- Cultivate local franchise
- Manage non-scale sensitive operational activities
- Develop efficient customer service and implement quality improvement programmes
- Network maintenance

Open-ended organisational model built to facilitate further integrations

Appendix
Financial notes

- Data based on consolidated accounts of 1H and 3Q 2003 of the Group
- Integration of Geat has legal effects from 1 July 2003, accounting and fiscal effects from 1 January 2003
- Pro forma 3Q2002 consolidated accounts aimed at:
  - giving consistency of historical data
  - reflecting spin-off of distribution network and plants, lease payments in favour of asset companies, provisions for the assets leased to HERA
  - reflecting the integration of 11 businesses and applying the same accounting principles for over 30 consolidated companies
- Accounting principles used for 3Q and 1H 2003 consolidated HERA Group accounts adopted in the pro-forma 3Q2002 accounts
- In 3Q2002 a minor difference in the consolidated area has occurred

Appendix
Concessions

GAS

Minimum concession period for distribution: 5 years, starting 1 January 2001, extended:

- **+1 year:** when, following mergers among different companies, the number of customers (served by the biggest company participating in the merger) doubles
- **+2 years:** for companies serving a population of over 100,000 or selling more than 100 mln m^3
- **+2 years:** for companies with a 40% stake or higher held by private investors Minimum concession period for distribution: 5 years, starting 1 January 2001, extended:

31/12/2009

WATER

Minimum Safeguard period:

3 years, extended:

- **6 years:** if a merger between entities within the safeguarded ATO has occurred and that the merged entities are at least 50% larger than the largest individual business participating in the merger
- **10 years:** if the company covers at least 75% of the population living in the ATO
- **15 years:** if the company covers 100% of the population living in the ATO

31/12/2012

WASTE

Minimum Safeguard period:

3 years, extended:

- **5 years:** if a merger between entities within the safeguarded ATO has occurred and that the merged entities are at least 50% larger than the largest individual business participating in the merger
- **10 years:** if the company covers at least 75% of the population living in the ATO

31/12/2012

Geat

- **M&A:**
  - **Geat** was Merged on 1 July

GEAT	E2003
Turnover	10,0
Ebitda	2,0
EBIT	0,7

  - Consideration: 3x Ebitda03/EV (payment in shares)
  - Business: Waste and Public lighting
  - Operations: Riccione area
  - Employees: 180
  - **Included in IPO Plan**