

1Q 2006 results



relazione trimestrale
gennaio - marzo



Strategic achievements of 2006

1Q performance: 2006 goals are now more visible.

- > **Fulfilling activities to extract synergies from Meta.** Currently focussing on:
 - > transferring best practice in all businesses
 - > extending water business in 6 further municipalities and optimising water procurement sources
 - > integrating the waste plants in the Group framework.
- > **Progressing on expanding strategic territorial coverage.** Geat preliminary acquisition agreement was signed to further strengthen Gas business in Riccione area.
- > **Strengthening of electricity distribution activities** through a preliminary agreement on Enel Network acquisition in Modena Province.
- > **Increased financial flexibility:** 500 ml€ Bond was issued successfully extending overall debt duration at attractive interest rates

100% merger of GEAT GAS

MI €	2003
Turnover	13.2
EBITDA	1.6
Clients (000)	20.5
Volumes	41.0

100% acquisition of ENEL network (Modena Province)

MI €	2004
Turnover	51
EBITDA	13
Clients (000)	80
Volumes (GWh)	650

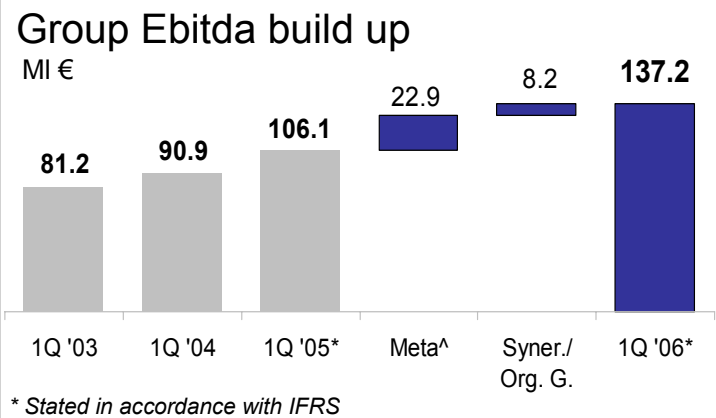
[^] Meta figures relates to 1Q2005 restated in accordance to IFRS

1Q2006 results continue to show strong 2-digit growth

Revenues	+39%
<ul style="list-style-type: none"> > Meta merger underpins 60% of 1Q growth > Energy prices affect revenues > Contribution from “WW” tariff increase and volume expansion in waste business 	
Ebitda	+29%
<ul style="list-style-type: none"> > Meta contributed by 23 MI € to the growth > Personnel costs reduce incidence on sales 	
Ebit	+21%
<ul style="list-style-type: none"> > Considerable Ebit growth despite considerable development capex plan 	

Synergies, Organic Growth and Sector Consolidation drivers continue to underpin double-digit growth

MI €	1Q '05*	%	1Q '06*	%	Inc. %
Revenues	533.2	100%	741.8	100%	+39%
Operating cost	(386.2)	(72%)	(568.6)	(77%)	+47%
Personnel cost	(58.9)	(11%)	(71.4)	(10%)	+21%
Capitalisation	18.1	3%	35.4	5%	+96%
Ebitda	106.1	20%	137.2	18%	+29%
Am.& Dep.	(27.3)	(5%)	(41.7)	(5%)	+53%
Ebit	78.8	15%	95.5	13%	+21%
Fin. Inc./exp.	(11.1)	(2%)	(12.9)	(2%)	+10%
Pre tax profit	67.7	13%	82.6	11%	+22%



[^] Meta figures relates to 1Q2005 restated in accordance to IFRS

Better Net Financial Debts despite increased Capex

Capex

- > The significant 2006 capex plan is on track
- > 1Q capex pursued the development of operating assets mainly related to “WW” businesses (pipelines and WTE plants)
- > Development capex plan in water business benefit from regulated remuneration (7%).
- > Investments relate to prepayments on Enel Network acquisition

Net Financial Debt

- > NPF improved in 1Q by 40 MI €
- > D/E ratio decreased by 400 bps
- > In February a 500 MI€ Euro bond issued at a fixed rate of 47 bps + mid swap rate.
- > Significant increase of debt duration
- > Double rating A+ (S&P's) and A1 (Moody's) underpinned by reassuring NFD

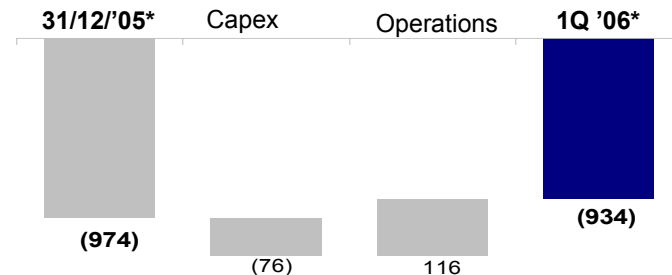
Capex & Investments

MI €

	1Q '06*
Waste	16.8
Water	20.1
Gas	5.4
Electricity	1.8
Other	4.5
Holding	9.9
Capex	58.5
Investments	17.5
Total	76.0

Net Financial Debt

MI €



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All businesses highlight persistent double-digit growth

1Q 2006 Ebitda at a glance

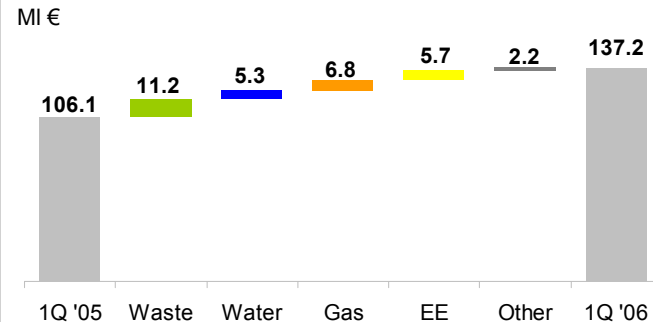
- > All businesses record a double-digit Ebitda increase.
- > Growth benefits from Meta merger and internal growth
- > Internal growth was mainly achieved through “WW” tariff increase, volume expansion and synergy exploitation.
- > Ebitda Business breakdown highlights seasonality of the energy business

1Q2006 EBITDA Growth Drivers

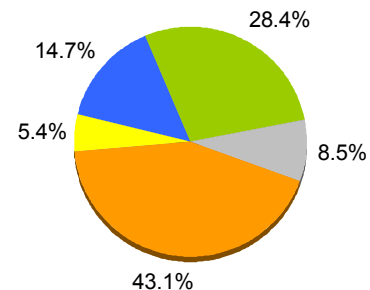
MI €	1Q '05	Meta [^]	Internal Growth	1Q '06	Inc. %
Waste	27.7	3.4	7.7	38.9	+40%
Water	14.8	2.3	3.0	20.1	+36%
Gas	52.3	11.4	(4.6)	59.1	+13%
Electricity	1.7	4.6	1.1	7.4	+3.3x
Other	9.5	1.2	1.0	11.7	+23%
Total	106.1	22.9	8.2	137.2	+29%

* Stated in accordance with IFRS

EBITDA Growth Breakdown



EBITDA Breakdown by Business



[^] Meta figures relates to 1Q2005 restated in accordance to IFRS

Waste: still Hera portfolio best performer

Profit and Loss

MI€	1Q '05*	%	1Q '06*	%	Inc. %
Sales	91.0	100%	122.4	100%	+35%
Operating c.	(40.2)	(44%)	(55.3)	(45%)	+38%
Personnel c.	(23.8)	(26%)	(29.8)	(24%)	+25%
Capitalisation	0.7	1%	1.6	1%	1.3x
Ebitda	27.7	30%	38.9	32%	+40%

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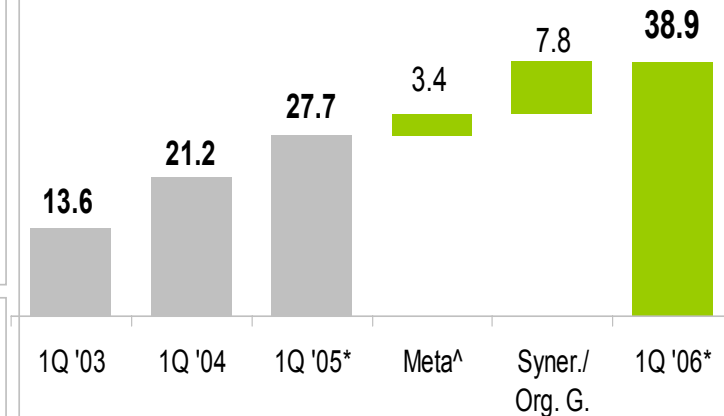
Ebitda growth related to:

- > Increased performance WTE plants
- > Higher electricity price/tariffs
- > Urban waste tariff increase
- > Volume expansion (+15% to ~900K ton)

Improved margins

1Q EBITDA of last 4 years

MI €



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Water business is performing well

Profit and Loss

MI€	1Q '05*	%	1Q '06*	%	Inc. %
Sales	69.4	100%	82.6	100%	+19%
Operating c.	(48.7)	(70%)	(63.5)	(77%)	+31%
Personnel c.	(16.4)	(24%)	(19.1)	(23%)	+17%
Capitalisation	10.6	15%	20.1	24%	+90%
Ebitda	14.8	21%	20.1	24%	+36%

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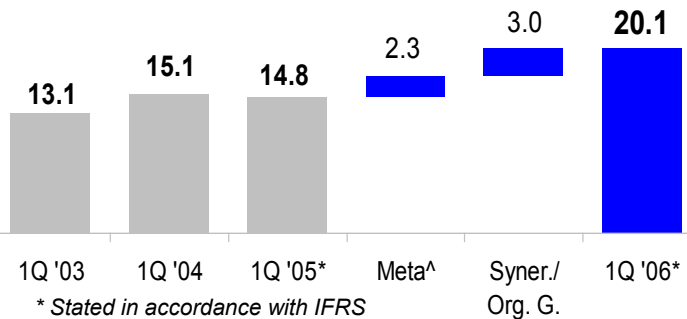
Ebitda growth related to:

- > Meta contribution
- > tariff increase
- > Synergy exploitation despite higher electricity costs

Improved margins

1Q EBITDA of last 4 years

MI €



1Q Technical Data

MI mc

Volume sold	1Q '05	1Q '06	Inc. %
Aqueduct	46	53	+15%
Depuration	40	46	+15%
Sewerage	41	47	+14%

^ Meta figures relates to 1Q2005 restated in accordance to IFRS

Gas business benefit from expansion in Modena province

Profit and Loss

MI€	1Q '05*	%	1Q '06*	%	Inc. %
Sales	294.7	100%	425.6	100%	+44%
Operating c.	(233.8)	(79%)	(357.9)	(84%)	+53%
Personnel c.	(11.5)	(4%)	(13.6)	(3%)	+18%
Capitalisation	2.9	1%	5.0	1%	+71%
Ebitda	52.3	18%	59.1	14%	+13%

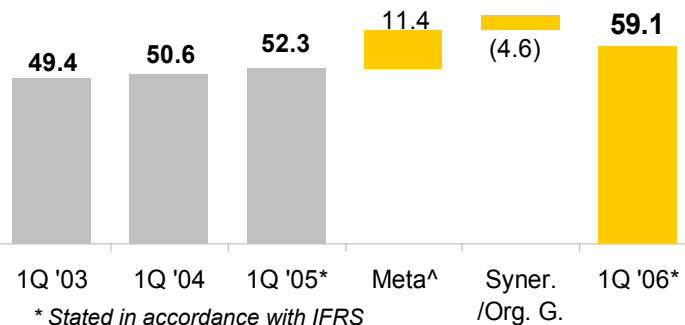
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Ebitda growth related to:

- > Benefit from expansion in Modena area
- > Competition pressure effects on margins (about -2.5 MI €) were in line with expectations (further -2 MI € effect relates to 2005 extraordinary margins on procurement activities).

1Q EBITDA of last 4 years

MI €



1Q Technical Data

MI mc

	1Q '05	1Q '06	Inc. %
Volume distrib.	898	1,059	+18%
Volume sold	977	1,151	+18%

^ Meta figures relates to 1Q2005 restated in accordance to IFRS

Electricity business triple-digit growth underpinned by Meta

Profit and Loss

MI€	1Q '05*	%	1Q '06*	%	Inc. %
Sales	61.9	100%	94.1	100%	+52%
Operating c.	(60.4)	(98%)	(86.2)	(92%)	+43%
Personnel c.	(0.5)	(1%)	(2.1)	(2%)	+3x
Capitalisation	0.8	1%	1.7	2%	+1.1x
Ebitda	1.7	3%	7.4	8%	+3.3x

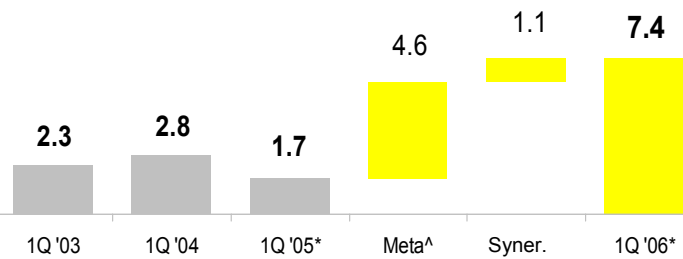
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Ebitda growth related to:

- > Volume more than doubled thanks Meta
- > Procurement cost savings
- > Higher contribution from distribution activities (regulated under long term concessions).
- > Enel network in Modena province is under way

1Q EBITDA of last 4 years

MI €



* Stated in accordance with IFRS

1Q Technical Data

MI mc

Sales	1Q '05	1Q '06	Inc. %
Residential c.	49	182	+2.7x
Business c.	496	534	+8%

^ Meta figures relates to 1Q2005 restated in accordance to IFRS

Other business improve results despite 2005 dismissions

Profit and Loss

MI€	1Q '05*	%	1Q '06*	%	Inc. %
Sales	37.3	100%	44.0	100%	+18%
Operating c.	(24.2)	(65%)	(28.8)	(65%)	+19%
Personnel c.	(6.6)	(18%)	(6.8)	(15%)	+3%
Capitalisation	3.1	8%	3.2	7%	+6%
Ebitda	9.5	26%	11.7	27%	+23%

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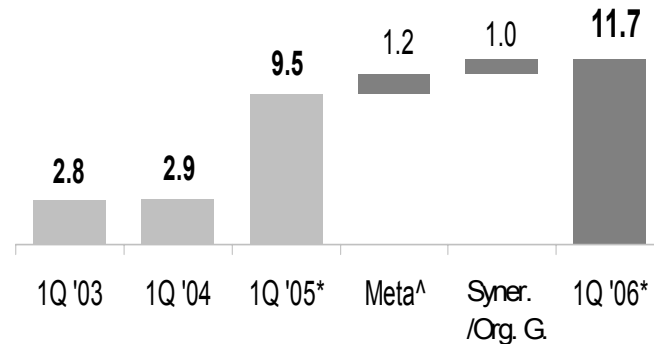
Ebitda growth related to:

- > Cost cutting and efficiency gains more than off sets 2005 portfolio rationalisation
- > Volume increase driven by Meta merger in Pub. Light. and District Heating

Improved margins

1Q EBITDA of last 4 years

MI €



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Closing Remarks

- > 1Q2006 results are in line with our expectations in term of growth in all main businesses and give better visibility and comfort on 2006 targets.
- > Meta integration activities ahead of schedule are giving visibility to 20 MI € of synergies expected in 2006-2008 period.
- > Organisational processes are under management in order to integrate scheduled acquisitions (Geat and Enel Network)
- > Implementation of integrated IT-systems is progressing and gives assurance on better working capital management (expected reduction of working capital by 100 MI € in 1H2006)
- > Strategic focus is on the upstream integration in energy activities in order to strengthen gas procurement (TAG, Galsi) and electricity generation (watching different opportunities) aiming to add about 400 MW installed capacity

Premises in place to sustain further growth

Q&A Session

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