

# First Quarter 2004 Results



- **Group 1Q Results**
- **Breakdown by Business**
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# Group 1Q Results

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**Group 1Q Results**



## Turnover: +9.8%

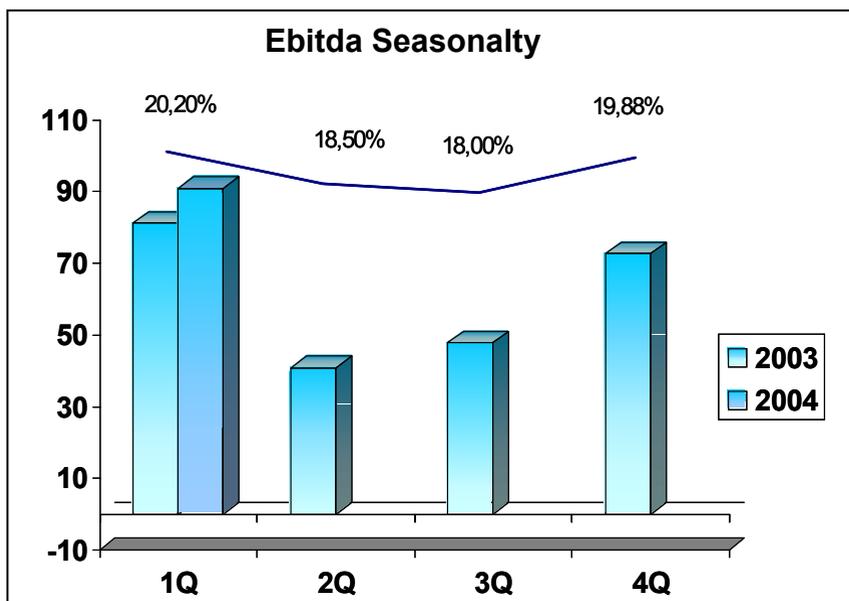
- Success Dual Fuel policy, Normal climate conditions, Organic Growth (Tariffs and customers)

## EBITDA: +11.9%

- Increased EBITDA margin (+40 bp)
  - higher weight of electricity costs
  - reduction of incidence in personnel cost

## EBIT: +15,5%

- Increased EBIT margin (+70 bp)



Ebitda margins are calculated on sales and do not include Agea nor FEA

	2003	%	1Q'03*	%	1Q'04	%	Incr.
Sales	1.221.5	91.8%	385.2	96.0%	412.3	93.6%	7.0%
Other Revenues	19.5	1.5%	9.1	2.3%	8.0	1.8%	(12.1%)
Capitalisation of costs	90.3	6.7%	6.8	1.7%	20.1	4.6%	(195.6%)
<b>Turnover</b>	<b>1.331.3</b>	<b>100.0%</b>	<b>401.1</b>	<b>100.0%</b>	<b>440.4</b>	<b>100.0%</b>	<b>9.8%</b>
Other operating cost	(896.4)	(67.3%)	(270.0)	(67.3%)	(299.7)	(68.1%)	11.0%
Personnel costs	(192.4)	(14.5%)	(49.9)	(12.4%)	(49.9)	(11.3%)	0.0%
<b>EBITDA</b>	<b>242.5</b>	<b>18.2%</b>	<b>81.2</b>	<b>20.2%</b>	<b>90.9</b>	<b>20.6%</b>	<b>11.9%</b>
Amm. & Depr., provis.	(129.7)	(9.7%)	(29.3)	(7.3%)	(30.9)	(7.0%)	5.5%
<b>EBIT</b>	<b>112.8</b>	<b>8.5%</b>	<b>51.9</b>	<b>12.9%</b>	<b>60.0</b>	<b>13.6%</b>	<b>15.5%</b>
Interest inc./ (Exp.)	(21.2)	(1.6%)	(2.9)	(0.7%)	(4.5)	(1.0%)	54.7%
Extraordinary inc./ (Exp.)	(3.0)	(0.2%)	(0.3)	(0.1%)	(1.7)	(0,4%)	-
<b>Pre-tax Profit</b>	<b>88.6</b>	<b>6.7%</b>	<b>48.7</b>	<b>12.1%</b>	<b>53.7</b>	<b>12.2%</b>	<b>10.4%</b>

\*Proforma data

**Results in line with year end goals**

**Group 1Q Results:**  
**First signs of 2004 planned annual growth**



▪ **Net Short t. Debts: -140.2 mln**

- First results of working capital management
- Standard collection and payment period for all Group companies
- Lower investment in 1Q

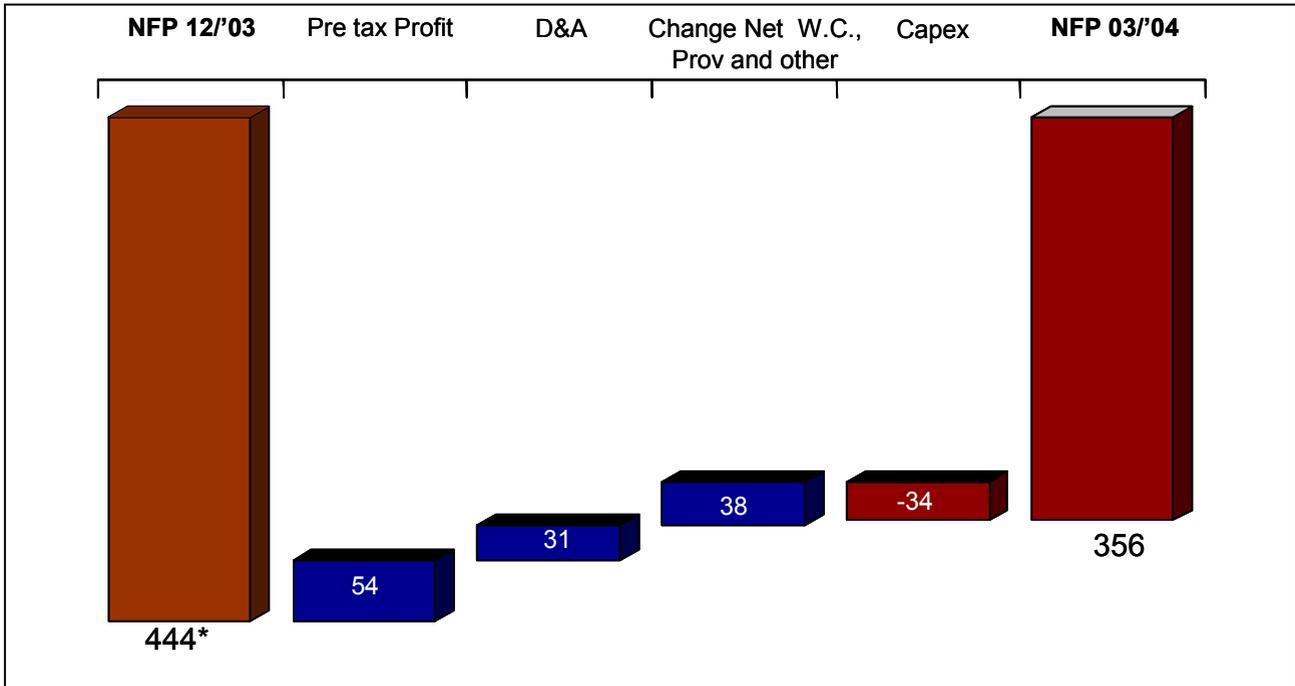
▪ **Net Long t. Debts: +51.4 mln**

- Increase in long term has brought to a better “timing” of debts

▪ **Net financial position: -88.8 mln**

- The decrease reached thanks to:
  - stable improvement of working capital management
  - Seasonality factors

	31-12-'03	Change	31-3-'04
(Cash & Equivalent)	(92.7)	(31.9)	(124.6)
Financial Debts	184.9	(108.3)	76.6
<b>Net short term financial debts</b>	<b>92.2</b>	<b>(140.2)</b>	<b>(48.0)</b>
Net long term financial debts	352.2	51.4	403.6
<b>Net Financial Position</b>	<b>444.4</b>	<b>(88.8)</b>	<b>355.6</b>



**Group 1Q Results:  
Improved Working Capital Management**



# Breakdown by Business

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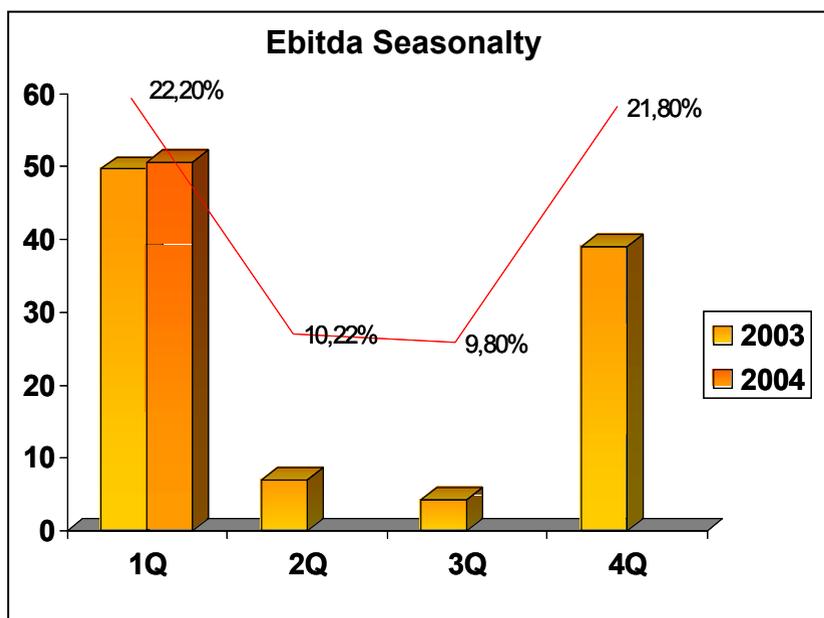
Breakdown by Business



- Sales: +0.5%
  - Increased volumes sold and customer base (physiological) more than offset the tariff decrease (AEEG)
- Ebitda: +2,4%
  - Lower operating costs (lower procurement and further cut cutting)

	2003	%	1Q'03*	%	1Q'04	%	Incr.
Sales	514.1	97.1%	222.8	100.0%	224.0	100.0%	0.5%
Capitalisation of cost	15.5	2.9%	0.0	0.0%	0.0	0.0%	0.0%
<b>Turnover</b>	<b>529.6</b>	<b>100.0%</b>	<b>222.8</b>	<b>100.0%</b>	<b>224.0</b>	<b>100.0%</b>	<b>0.5%</b>
Other operating cost	(400.0)	(75.5%)	(166.1)	(74.6%)	(165.8)	(74.0%)	(0.2%)
Personnel costs	(29.9)	(5.6%)	(7.3)	(3.3%)	(7.6)	(3.4%)	4.1%
<b>EBITDA</b>	<b>99.7</b>	<b>19.4%</b>	<b>49.4</b>	<b>22.2%</b>	<b>50.6</b>	<b>22.6%</b>	<b>2.4%</b>

\*Proforma data



Ebitda margins are calculated on sales

	2003	1Q'03	1Q'04	Incr.%
<b>Clients</b>	<b>699.885</b>	<b>678.976*</b>	<b>701.686</b>	<b>3.3%</b>
<b>Volumes (mln mc)</b>	<b>1.634.0</b>	<b>764.6*</b>	<b>781.2</b>	<b>2.2%</b>

\* Estimated proforma data

***The Gas business 1Q results are in line with expectations***

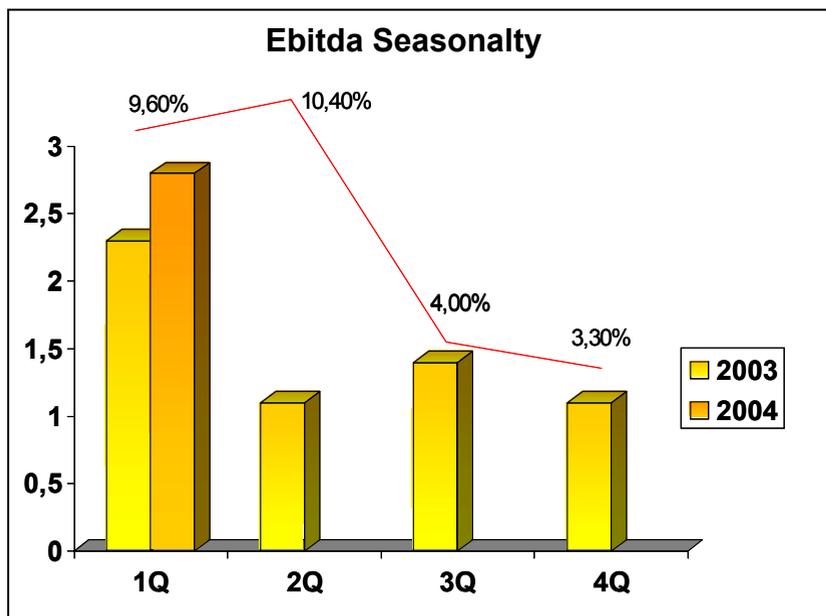
**Break Down by Business:  
GAS**



- Sales: +115,1%
  - Dual Fuel policy success (+146% of volumes sold)
- Ebitda: +21,7%
  - Light cost structure permit positive results even with low and decreasing margins of sales activity
  - Different customer mix

	2003	%	1Q'03*	%	1Q'04	%	Incr.
Sales	126.6	98.1%	23.8	100.0%	51.2	100.0%	115.1%
Capitalisation of costs	2.4	1.9%	0.0	0.0%	0.0	0.0%	(0.0%)
<b>Turnover</b>	<b>129.0</b>	<b>100.0%</b>	<b>23.8</b>	<b>100.0%</b>	<b>51.2</b>	<b>100.0%</b>	<b>115.1%</b>
Other operating cost	(116.2)	(90.1%)	(20.4)	(85.7%)	(47.3)	(92.4%)	131.9%
Personnel costs	(4.6)	(3.6%)	(1.1)	(4.6%)	(1.1)	(2.1%)	0.0%
<b>EBITDA</b>	<b>8.2</b>	<b>6.5%</b>	<b>2.3</b>	<b>9.7%</b>	<b>2.8</b>	<b>5.5%</b>	<b>21.7%</b>

*\*Proforma data*



*Ebitda margins are calculated on sales*

	2003	1Q'03	1Q'04	Incr.%
<b>Volumes (GW/h)</b>	<b>1.628.0</b>	<b>211.0*</b>	<b>519.2</b>	<b>146.1%</b>
Domestic	228.0	62.0*	51.7	(16.6%)
Industrial and medium sized c.	1.018.0	149.0*	467.5	213.8%
Trader	383.0	-	-	

*\* Estimated proforma data*

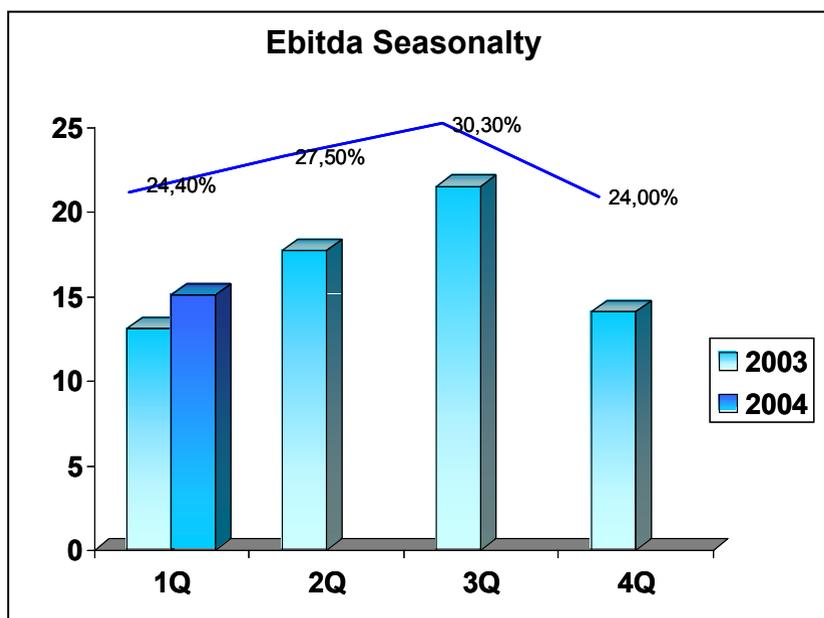
***Sale activity with positive but decreasing margins is able to defend margins on Gas business***

## Break Down by Business: ELECTRICITY

- Sales: +3,2%
  - Tariff increase by 2.8% (based on CIPE *normal* indications)
- Ebitda: +15,3%
  - Higher contribution to fixed costs
  - Personnel reduction of 2003

	2003	%	1Q'03*	%	1Q'04	%	Incr.
Sales	248.0	82.2%	53.6	100.0%	55.3	100.0%	3.2%
Capitalisation of costs	53.8	6.7%	0.0	0.0%	0.0	0.0%	(0.0%)
<b>Turnover</b>	<b>301.8</b>	<b>100.0%</b>	<b>53.6</b>	<b>100.0%</b>	<b>55.3</b>	<b>100.0%</b>	<b>3.2%</b>
Other operating cost	(175.7)	(58.2%)	(27.1)	(50.6%)	(28.1)	(50.8%)	3.7%
Personnel costs	(59.7)	(19.8%)	(13.4)	(25.0%)	(12.1)	(21.9%)	(9.7%)
<b>EBITDA</b>	<b>66.4</b>	<b>26.8%</b>	<b>13.1</b>	<b>24.4%</b>	<b>15.1</b>	<b>27.3%</b>	<b>15.3%</b>

*\*Proforma data*



*Ebitda margins are calculated on sales*

	2003	1Q'03	1Q'04	Incr.%
<b>Clients</b>	<b>639.563</b>	<b>622.356*</b>	<b>645.239*</b>	<b>3.7%</b>
<b>Volumes (mln c/mt)</b>	<b>180.2</b>	<b>44.0*</b>	<b>44.0*</b>	<b>0.0%</b>

*\* Estimated proforma data*

***... waiting for the tariff increase thanks to the application of Galli Law Tariff scheme in all ATO served***

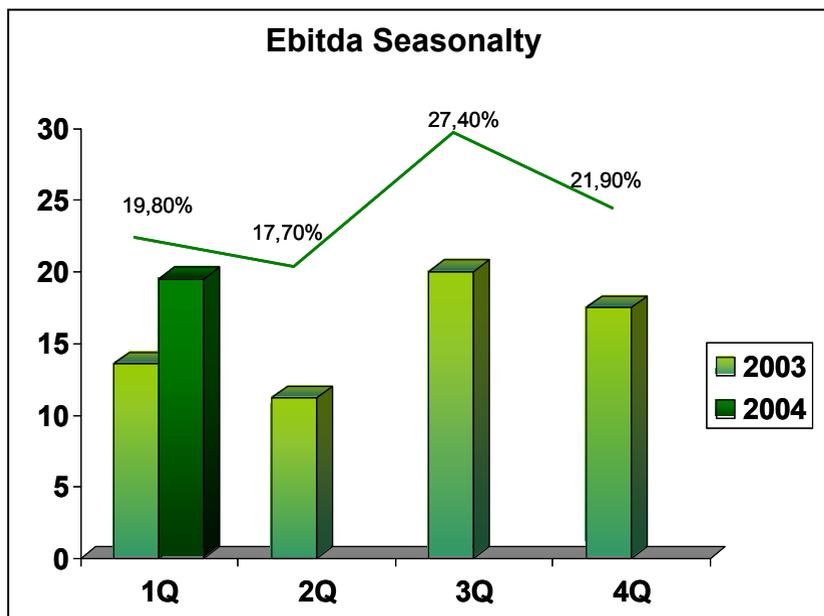
**Break Down by Business:  
WATER**



- Sales: +8,9%
  - Increased sales thanks to the switch from tax to tariff of further Municipalities served
  - Further expansion of services
- Ebitda: +43,4%
  - Ebitda margin growth (+630 bp) is related to tariff increase which has no impact on costs

	2003	%	1Q'03*	%	1Q'04	%	Incr.
Sales	284.6	99.6%	68.6	100.0%	74.7	100.0%	8.9%
Capitalisation of costs	1.2	0.4%	0.0	0.0%	0.0	0.0%	0.0%
<b>Turnover</b>	<b>285.8</b>	<b>100.0%</b>	<b>68.6</b>	<b>100.0%</b>	<b>74.7</b>	<b>100.0%</b>	<b>8.9%</b>
Other operating cost	(148.4)	(51.9%)	(36.5)	(53.2%)	(36.3)	(48.6%)	(0.5%)
Personnel costs	(75.1)	(26.3%)	(18.5)	(27.0%)	(18.9)	(25.3%)	2.2%
<b>EBITDA</b>	<b>62.3</b>	<b>21.9%</b>	<b>13.6</b>	<b>19.8%</b>	<b>19.5</b>	<b>26.1%</b>	<b>43.4%</b>

\*Proforma data



Ebitda margins are calculated on sales

	2003	1Q'03	1Q'04	Incr.%
<b>Volume treated</b>	<b>2.393</b>	<b>599*</b>	<b>591</b>	(1.2%)
Urban Waste	919	281*	285	1,2%
Special Waste	362	318*	307	(3.4%)

\* Estimated proforma data

**... waiting for the new WTE plant in Bologna and the complete switch from tax to tariff**

**Break Down by Business:  
WASTE**

## ■ Sales

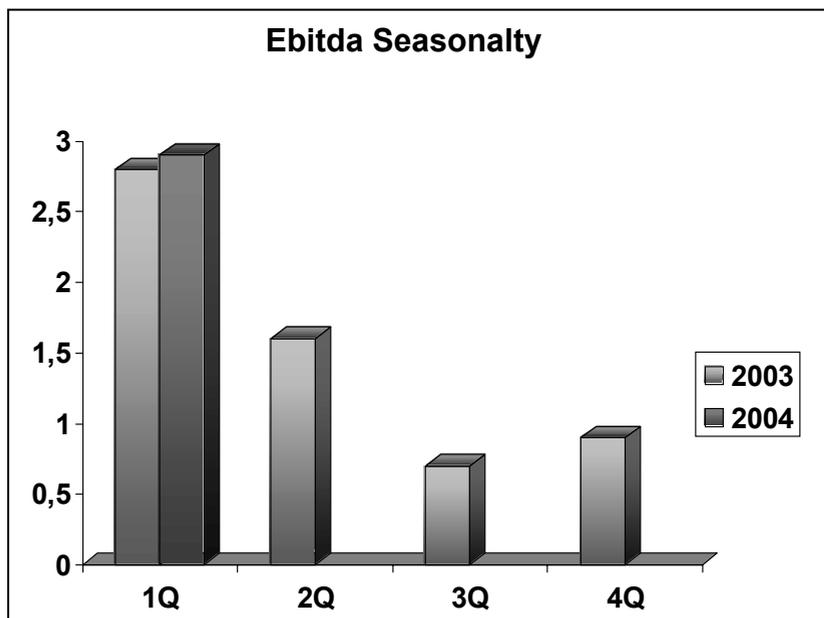
- Almost stable and in line with 1Q 2003

## ■ Ebitda: +3,6%

- The synergy reached more than compensate the slight reduction in sales

	2003	%	1Q'03	%	1Q'04	%	Incr.
Sales	83.7	82.5%	24.9	100.0%	24.1	100.0%	(3.2%)
Capitalisation of costs	17.7	17.5%	0.0	0.0%	0.0	0.0%	0.0%
<b>Turnover</b>	<b>101.4</b>	<b>100.0%</b>	<b>24.9</b>	<b>100.0%</b>	<b>24.1</b>	<b>100.0%</b>	<b>(3.2%)</b>
Other operating cost	(72.2)	(71.2%)	(17.8)	(71.5%)	(16.6)	(68.9%)	(6.7%)
Personnel costs	(23.2)	(22.9%)	(4.3)	(17.3%)	(4.6)	(19.1%)	7.0%
<b>EBITDA</b>	<b>6.0</b>	<b>7.2%</b>	<b>2.8</b>	<b>11.2%</b>	<b>2.9</b>	<b>12.0%</b>	<b>3.6%</b>

*\*Proforma data*



*Ebitda margins are calculated on sales*

***Huge synergies potentials might erase from Public Lighting and District Heating business***

***District Heating affects the seasonality of Ebitda***

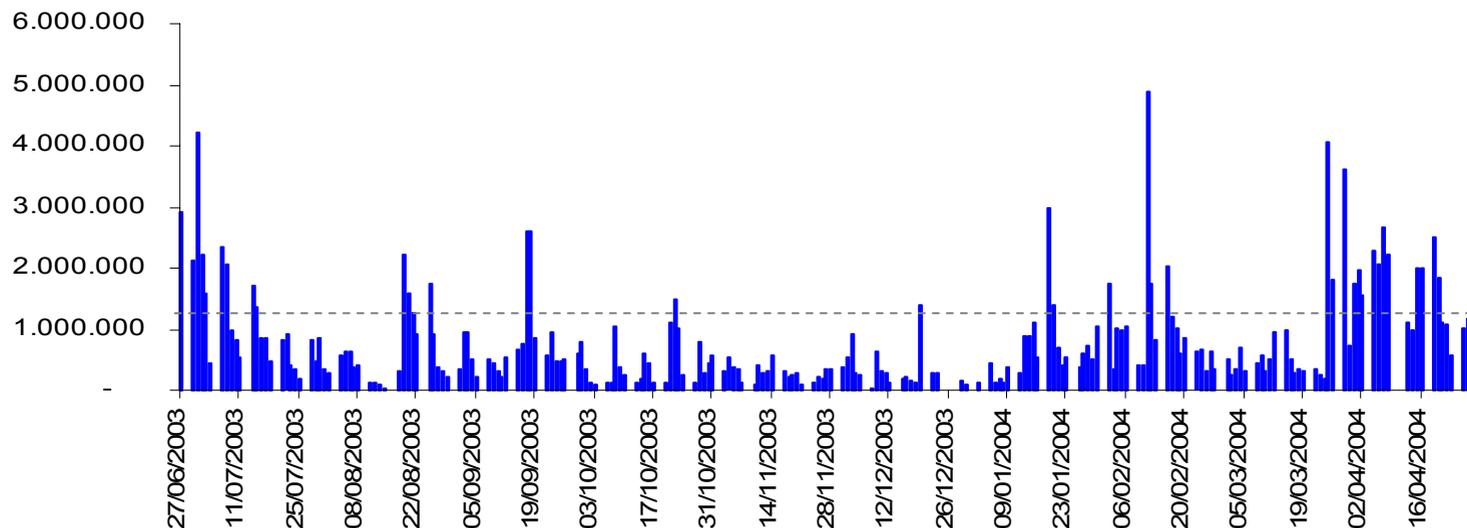
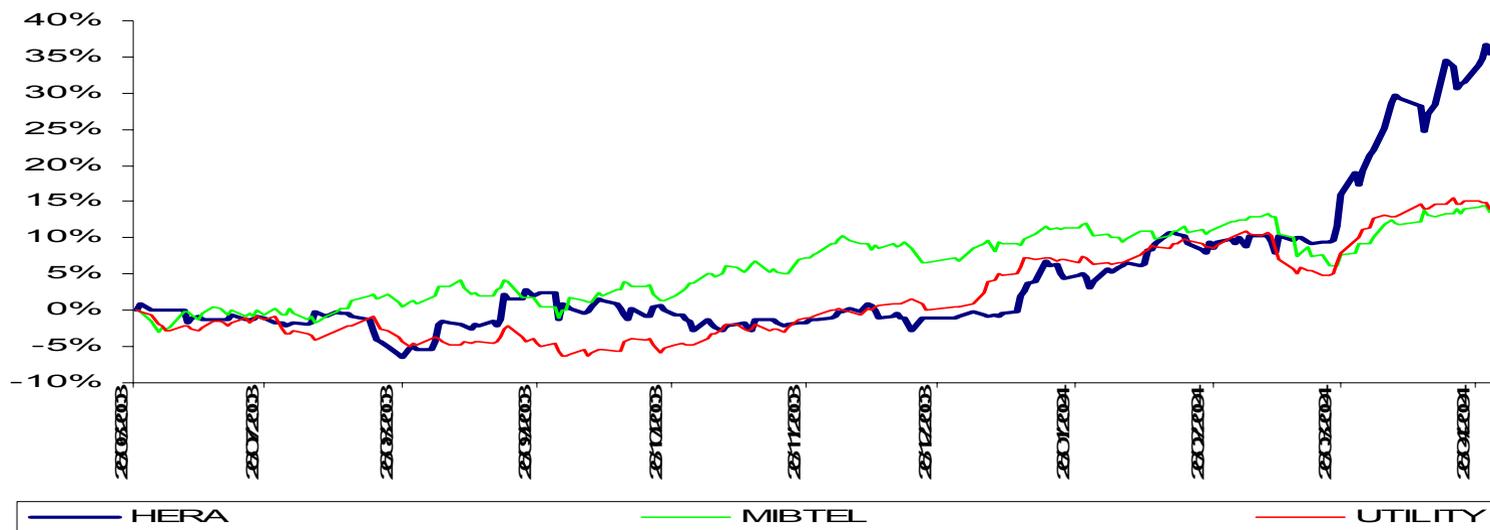
**Break Down by Business:  
OTHER**

# Stock Performance

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Stock Performance





***Hera is still traded at discount compared on peers EV/EBITDA***

***Significant liquidity increase (over 1 mln traded shares per day)***

## Stock Performance



- First quarter results show the expected growth also in the margins in all business area
- Stable improvement on Working Capital management
- The tariff schemes review in Water and Waste business are finally close to be applied (Galli law and Ronchi Decree). Those imply expected benefit on profitability margins
- The WTE of Bologna is underway to be finalised
- On 17th May, Hera will send its binding offer for the acquisition of ENI Ambiente
- Final authorisation of new plant construction attended within summer
- The New Business plan 2004-2007 is currently in progress

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## Conclusions



# Appendix

- The financial figures related to 1Q2003 are built on a Proforma basis
- The business area results are not including the capitalised cost nor the intercompany transaction (which are based on market prices)
- The data contained in the graphic related to the stock prices and volumes traded are based on public available data
- The Ebitda Margins, set out in graphics are calculated on sales