

First nine months results

14 September

First 9 months results keep on growing fast through all levers

First 9 months performance confirms expectations on year end results

> **First 9 months results highlight a +36% Ebitda growth**, confirming contribution from usual growth drivers:

> **+22% relates to contributions of merged activities** such as Meta, Enel Network acquired in Modena province and Geat Distribuzione Gas (“Change in Perimeter”)

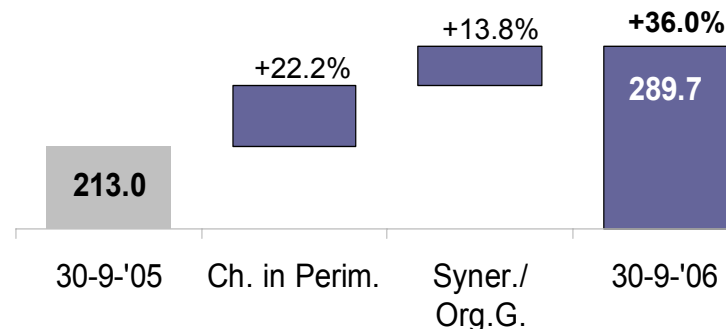
> **+14% relates to internal growth** (efficiency gains, tariff increase in WW)

Change in perimeter

MI €	Accounting starting from	Stake	Yearly Ebitda
Meta	1-Jan.-'06	100%	65
Geat Gas	1-July-'06	100%	1.6
Enel	1-July-'06	100%	12
Total			79

Ebitda Growth Driver

MI €



First 9 month results continue to show double digit growth

Revenues **+30.4%**

- > Meta merger underpins +21% of the growth
- > +9% relates to Oil prices, “WW” tariff increase and expansion in waste business

Ebitda **+36.0%**

- > 47.4 MI € contribution relates to M&As (Meta, Enel and Geat)
- > Ebitda margin increase by 80 basis points despite increase in energy prices and its lower volumes of sales

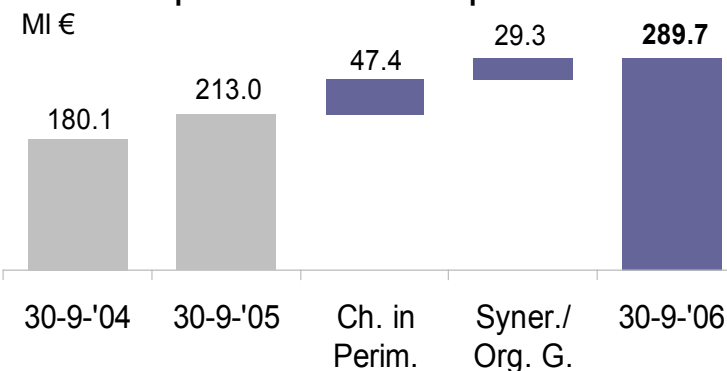
Ebit **+26.4%**

- > Considerable Ebit growth despite significant development capex sustained

Synergies and Organic Growth continue to underpin double-digit growth and margin enhancement by 80 basis points

(MI €)	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	1,257.0	100%	1,639.3	100%	+30.4%
Operating cost	(948.4)	(75.4%)	(1,248.8)	(76.2%)	+31.7%
Personnel cost	(172.5)	(13.7%)	(208.6)	(12.7%)	+20.9%
Capitalisation	76.9	6.1%	107.8	6.6%	+40.2%
Ebitda	213.0	16.9%	289.7	17.7%	+36.0%
Ebit	123.5	9.8%	156.1	9.5%	+26.4%
Pre tax profit	90.9	7.2%	118.0	7.2%	+29.8%

3Y Group Ebitda build up



Net Financial Debts reflects significant Capex & Investm.

Capex & Investments

- > 2006 capex plan is on track
- > More than 70% of waste capex (50 m€) refers to new WTE plants
- > Development capex plan in water business benefit from regulated remuneration.
- > Investments relate mainly to the merged Enel Network and Geat Distribuzione Gas.

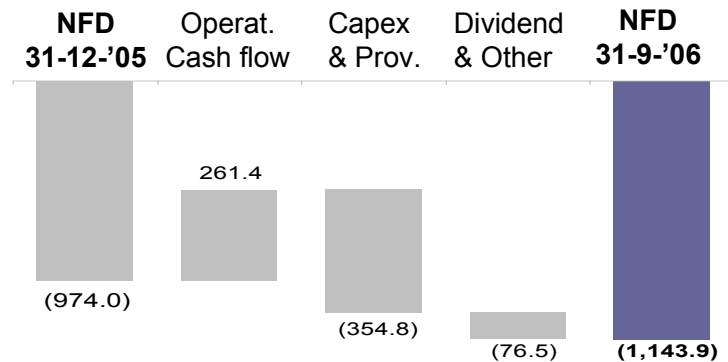
Net Financial Debt

- > NFD reflects a significant capex which were funded for about 3/4 by cash generation
- > 88% of NFD is long term
- > In February a 500 MI€ Euro bond issued at a fixed rate of 4.125%.

Capex & Investments (MI €)

	30 Sept. 2005*	30 Sept. 2006
Waste	64.3	50.0
Water	47.8	64.6
Gas	33.8	30.6
Electricity	5.5	7.6
Other	14.6	20.4
Holding	46.3	34.9
Capex	212.3	208.1
Investments	10.0	128.4
Total	222.3	336.5

Net Financial Debt (MI €)



*Proforma with 2005 Meta capex

All businesses highlight persistent double-digit growth

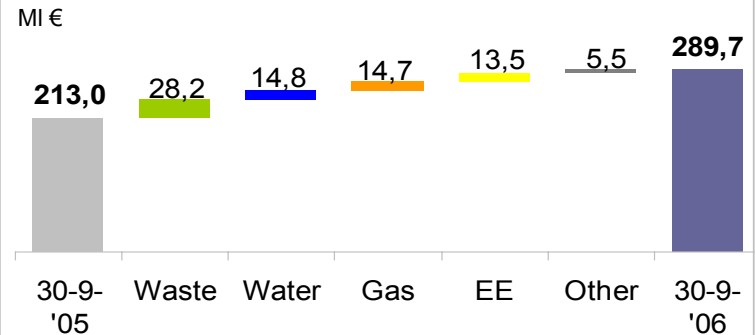
First 9 months Ebitda at a glance

- > All businesses record a double-digit Ebitda increase.
- > Growth benefits from M&A activities 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

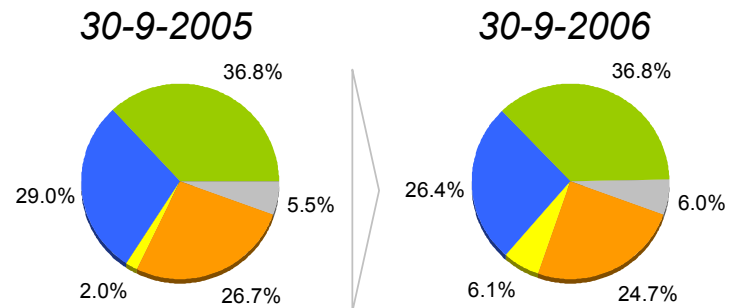
EBITDA Growth Drivers

MI €	30 Sept. 2005	Ch. in Perim.	Internal Growth	30 Sept. 2006	Inc.%
Waste	78.4	10.9	17.3	106.6	+36%
Water	61.7	8.2	6.6	76.5	+24%
Gas	56.8	13.2	1.5	71.5	+26%
Electric.	4.3	13.1	0.4	17.8	+4.1x
Other	11.8	2.0	3.5	17.3	+47%
Total	213.0	47.4	29.3	289.7	+36%

EBITDA Growth Breakdown



EBITDA Breakdown by Business



Closing Remarks

- > **First 9 months growing results** are in line with budget and comfort on year end targets
- > Hera **2006-2009 Business plan** sets references for 2007 budget which will be approved by December.
- > **New Plants:** Within next 6 months the following new plants will come on stream:
 - > **Teverola** (CCGT 400 MW - already started testing on full operation capacity last week)
 - > **Sparanise** (CCGT 800 MW - had a positive test of one gas turbine last week)
 - > **WTE Ferrara** (13 MW – scheduled production test with mid 2007)
- > **Gas Upstream:** On 15th November the formal signature of Galsi gas supply agreement, whilst screening on LNG opportunity is progressing
- > **M&A:** First meetings ongoing with Eni and SAT

3rd quarter results confirm budget and year end targets

Appendix

Appendix: Results as at 30-9-'06 breakdown by business

Waste: still Hera portfolio best performer

Profit and Loss

MI €	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	302.2	100%	387.7	100%	+28%
Operating c.	(153.3)	(51%)	(195.3)	(50%)	+27%
Personnel c.	(73.6)	(24%)	(89.1)	(23%)	+21%
Capitalisation	3.1	1%	3.3	1%	+6%
Ebitda	78.4	26%	106.6	28%	+36%

Ebitda growth:

> Improved Ebitda mainly relates to:

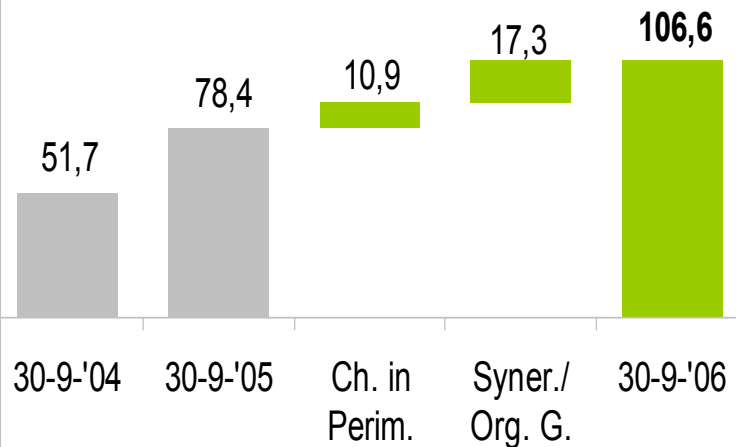
>**Change in Perimeter** (mainly Meta)

>**Volume** expansion (+2% on a like for like basis)

>+6.1% WTE treatments increase
(on a like for like basis)

EBITDA growth in the last 3 years

MI €



Water business is bettering margins

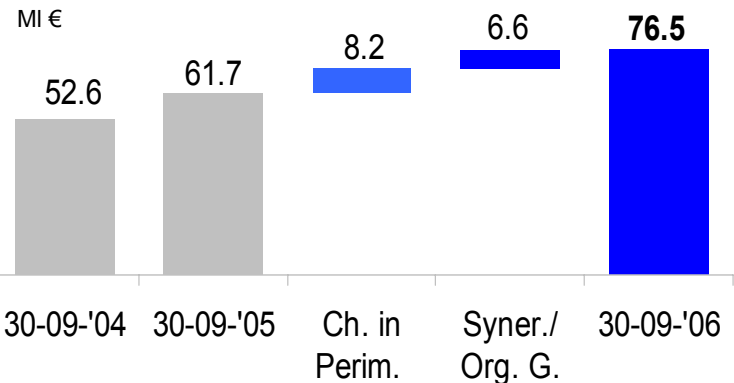
Profit and Loss

MI €	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	250.0	100%	292.0	100%	+17%
Operating c.	(182.1)	(73%)	(225.1)	(77%)	+24%
Personnel c.	(52.0)	(21%)	(59.3)	(20%)	+14%
Capitalisation	45.8	18%	68.9	24%	+50%
Ebitda	61.7	25%	76.5	26%	+24%

Ebitda growth:

- > **Change in perimeter** mainly relates to Meta merger
- > **Agreed tariff increase, synergies and volume expansion** (+9.5% total growth rate on a like for like basis) underpin higher Ebitda margins by 100 basis points

EBITDA growth in the last 3 years



Technical Data

MI mc

Volume sold	30 Sept. 2005	30 Sept. 2006	Inc. %
Aqueduct	154.9	176.5	+14%
Depuration	134.8	153.6	+14%
Sewerage	139.6	158.7	+14%

Gas business benefit from M&A

Profit and Loss

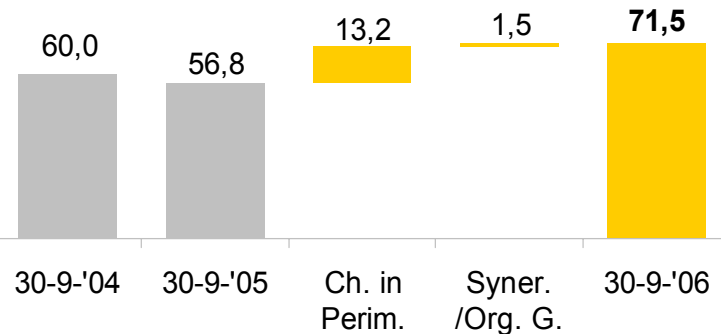
MI €	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	472.0	100%	649.6	100%	+38%
Operating c.	(400.9)	(85%)	(562.3)	(87%)	+40%
Personnel c.	(27.3)	(6%)	(31.6)	(5%)	+16%
Capitalisation	13.0	3%	15.8	2%	+22%
Ebitda	56.8	12%	71.5	11%	+26%

Ebitda growth:

- > Volume growth relates to Change in Perimeter (mainly Meta/Geat mergers)
- > Climate conditions negatively affected volumes (on a like for like basis)
- > Trading activities and Ebitda margin affected by higher oil prices

EBITDA growth in the last 3 years

MI €



Technical Data

MI mc

	30 Sept. 2005	30 Sept. 2006	Inc. %
Volume distrib.	1,315.9	1,540.8	+17%
Volume sold	1,565.2	1,660.5	+6%
of which trading	266.2	157.9	(41%)

Electricity business triple-digit growth underpinned by M&A

Profit and Loss

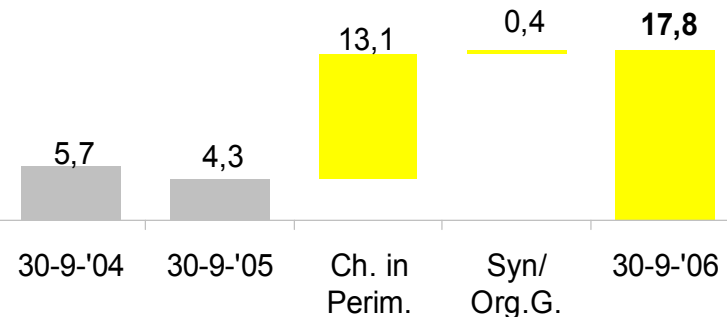
MI €	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	208.7	100%	289.7	100%	+39%
Operating c.	(204.2)	(98%)	(268.0)	(93%)	+31%
Personnel c.	(2.3)	(1%)	(10.3)	(4%)	+4.6x
Capitalisation	2.0	1%	6.4	2%	+3.2x
Ebitda	4.3	2%	17.8	6%	+4.1x

Ebitda growth:

- > **Improved Ebitda underpinned by Meta merger** and Enel network acquisition in Modena Province
- > Enhanced Ebitda margins pursued on **high profitable customers more than off set** increase in commodity cost **and sales reduction** (on a like for like basis about -19%)

EBITDA growth in the last 3 years

MI €



Technical Data

GW/h

Volume sold	30 Sept. 2005	30 Sept. 2006	Inc. %
Residential clients.	139.4	586.3	+4.2x
Business clients	1,581.8	1,679.3	+6%
Total	1,721.2	2,265.5	+32%

Other Activities: Results from further rationalisation

Profit and Loss

MI€	30 Sept. 2005	%	30 Sept. 2006	%	Inc. %
Revenues	80.7	100%	116.6	100%	+45%
Operating c.	(64.5)	(80%)	(94.5)	(81%)	+47%
Personnel c.	(17.3)	(21%)	(18.3)	(16%)	+6%
Capitalisation	12.9	16%	13.4	12%	+4%
Ebitda	11.8	15%	17.3	15%	+47%

Ebitda growth:

- > Ebitda benefit from current levels of energy prices (mainly in District Heating activities)
- > Further rationalization of non core activities provided tangible efficiency gains

EBITDA growth in the last 3 years

MI €

