press release

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HERA S.p.A.: Board of Directors examines the first-half report for 2005.

Continued growth for the Group thanks to strategies for expansion and creation of new synergies.

Consolidated value of production: €944.7 million (+24.8%)
EBITDA: €154.9 million (+16.5%)
EBIT: €95.1 million (+14.3%)
Net profit: €46.9 million (+5.1%).

The Hera Group's Board of Directors has examined today the consolidated first-half results prepared under international accounting and financial reporting standards (IAS/IFRS). The results report a significant improvement, reflecting the synergies achieved and the merger of Ferrara's multi-utility company at the end of 2004.

Consolidated value of production has grown from €757.1 million in the first half of 2004 (1H 2004) to €944.7 million this year; 60% of this 24.8% increase has been achieved by developing the core sectors of business, while the remainder is explained by the consolidation of the Ferrara operations, which has added around €75.9 million to turnover.

EBITDA has improved by €22 million, going from €132.9 million in 1H 2004 to €154.9 million this year, of which €13.4 million from the Ferrara operations.

The improvement has almost entirely made up for the negative impact of cuts in distribution rates in the energy sector, estimated at around €8.5 million.

EBIT is 14.3% higher than in 1H 2004, up from €83.2 million to €95.1 million this year.

Net profit has increased by 5.1% from €44.6 million in 1H 2004 to €46.9 million in 2005. This result is stated after booking €23.2 million in financial charges and around €25 million in tax.

Net capital employed of €1,789.3 million has increased by around €163.5 million in the first six months of the year. Investments made in the first half of 2005 (1H 2005) amount to €115.1 million and have focused on developing all sectors of the business; of this total around €30 million has been invested in waste disposal facilities in Bologna and Ravenna and in enlarging the incinerator in Ferrara.
The net financial position at period end stands at €746.8 million, reflecting a temporary increase in net working capital, which is expected to return to a more normal level by year end once the new billing systems are fully up and running.

The Group's financial solidity is reflected in a debt-equity ratio of 0.78, which is one of the most conservative in the sector and has helped the Group to obtain an A+ rating from Standard & Poors for its long-term debt.

The Energy business accounts for 36.2% of consolidated EBITDA, the Water business for 23.7%, the Environment business for 33.5% and other activities for 6.6%.

The Group's Energy business (which includes the activities of selling and distributing gas and electricity) sold around 1.3 billion cubic metres of gas and over 1.1 Tw/h of electricity; the business has generated €56 million in EBITDA in 1H 2005, representing a decrease of around €4.8 million on the same period last year after having absorbed the major impact produced by the distribution rate cuts.
The impact of these cuts on growth has been kept to a minimum thanks to the absorption of the Ferrara operations, which has boosted the sector's results by around €5.4 million.

The Group's Integrated Water business billed almost 100 million cubic metres of water, earning EBITDA of €36.7 million in 1H 2005, an improvement of 14.3%. This increase is attributable partly to normal rate rises agreed with the local authorities for the three-year period 2005-2007 and partly to the absorption of the Ferrara operations, which has contributed around €2.5 million to this margin.

The Group has reported its largest increase in the Environment business; disposal volumes have climbed by almost 1.4 million tonnes, while EBITDA has soared 58.4% on 1H 2004 to €51.9 million.
This considerable growth is mostly thanks to the new incinerators (in Bologna and belonging to Ecologia Ambiente) and the absorption of the Ferrara operations, which has contributed around €3.6 million to this result. The combination of these factors has raised the business's overall margin from 20.9% to 26.0%.

The Group's Other activities, which mostly refer to district heating and public lighting, have posted around €10.3 million in EBITDA, an increase of 39.9% on 1H 2004; this improvement is the result of rationalising non-core activities, the absorption of the Ferrara operations which has strengthened the Group's district heating activities by bringing one of the largest geoheating plants in Europe into the Group and, lastly, the quest for greater efficiency; the combination of these strategies has helped raise this sector's margin from 11.0% to 14.4%.

"The Group has been able to maintain a positive trend in all its financial indicators in the first half of 2005 - declared the Chairman Tomaso Tommasi di Vignano – This reflects continued improvement in efficiency combined with externally-led growth, and shows it to be one of the sector's most dynamic players. The year-end results will also benefit from the merger with Modena's Meta, approved on 23 September 2005".

"We are pleased – continued the CEO Maurizio Chiarini – because these positive results have been achieved despite the impact of steep rate cuts in the energy sectors, demonstrating the validity of the Group's model and benefits of making its structure more efficient."

The Hera Group's half-year consolidated report at 30 June 2005 has been prepared in compliance with IAS, as required for listed companies by article 82 of the Issuers' Regulations 11971/1999, as amended in Consob resolution 14990 of 14 April 2005. The figures therefore comply with IAS 34 on interim financial reporting. The Hera Group is adopting international accounting and financial reporting standards (IAS/IFRS) starting from its half-year results for 2005.

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Reclassified consolidated profit and loss account

(million of euro)	1 half 2004	Inc. %	1 half 2005	Inc. %	Change %
Sales	696,2	91,9%	881,5	93,3%	26,6%
Other revenues	11,0	1,4%	14,9	1,6%	35,6%
Increase in capitalised assets	50,0	6,6%	48,3	5,1%	-3,4%
Value of Production	**757,1**	**100,0%**	**944,7**	**100,0%**	**24,8%**
Operating costs	(526,5)	-69,5%	(672,5)	-71,2%	27,7%
Personnel costs	(97,7)	-12,9%	(117,3)	-12,4%	20,1%
Ebitda	**132,9**	**17,6%**	**154,9**	**16,4%**	**16,5%**
Amm. & Depr.	(49,7)	-6,6%	(59,8)	-6,3%	20,3%
Ebit	**83,2**	**11,0%**	**95,1**	**10,1%**	**14,3%**
Interests & Adjustment to financial assets	(14,1)	-1,9%	(23,2)	-2,5%	64,7%
Pre-tax Profit	*69,1*	*9,1%*	*71,9*	*7,6%*	*4,0%*
Tax	(24,5)	-3,2%	(25,0)	-2,6%	2,0%
Net Profit	**44,6**	**5,9%**	**46,9**	**5,0%**	**5,1%**

Reclassified consolidated balance sheet

(million of euro)	Dec. 31, 2004	Inc. %	1 half 2005	Inc. %	Change %
Fixed assets	1.723,9	106,0%	1.719,8	96,1%	-0,2%
Net Working Capital	63,7	3,9%	252,3	14,1%	296,1%
(Provisions)	(161,8)	-10,0%	(182,8)	-10,2%	13,0%
Net Invested Capital	**1.625,8**	**100%**	**1.789,3**	**100%**	**10,1%**
Net Equity	1.064,2	65,5%	1.042,5	58,3%	-2,0%
Long term financial debt	498,9	30,7%	567,0	31,7%	13,7%
Short term financial debt	62,7	3,9%	179,8	10,0%	186,8%
Net Financial Position	561,6	34,5%	746,8	41,7%	33,0%
Net Invested Capital	**1.625,8**	**100,0%**	**1.789,3**	**100,0%**	**10,1%**

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IAS reconciliation

MAIN IAS IMPACT VS ITALIAN STANDARD ON FINANCIAL STATEMENTS (ML€)			
Finalncial statement figures	**Adjustments**	**1 half 2004**	**Year 2004**
Material consumptions	Adjustment on landfills post-mortem provisions	-	-2
Sevices	Capitalized costs adjustment booked in intangible assets	-1	-6
Personnel	Pension provisions decrease (included further financial figurative interests)	2	4
= EBITDA		1	-4
Goodwill ammortization	Adjustment (goodwill amortization not considered)	5	10
Intangible assets amortization	Adjustement	2	9
Tangible assets depreciation	Increase mainly due to revaluation	-1	-1
Landfills provision	Reduction due to recomputation (included further financial figurative interests)	3	7
Third parties assets provision	Reduction due to recomputation (included further financial figurative interests)	6	15
= EBIT		16	36
Financial interests exp.	Discounted Employee leaving indemnity, post-mortem provision and provision on third parties assets	-3	-6
= PRE TAX PROFIT		13	30
Tax	Fiscal effects of IAS adjustements	-3	-6
= NET PROFIT		10	24

MAIN IAS IMPACTS VS ITALIAN STANDARDS ON BALANCE SHEET (ML€)				
Balance sheet figure	**Adjustments**	**Jan 1, 2004**	**Jun 30, 2004**	**Dec 31, 2004**
ASSETS				
Tangible assets	Net impact on fair value	41	39	40
Intangible assets	Adjustments on research, development costs	-17	-16	-20
Goodwill	Adjustment on goodwill ammortization	-	5	10
Goodwill	Valuation of Agea goodwill on the basis of the related Hera shares issue	-	-	19
Deferred tax assets	Fiscal impact of IAS adjustment on Equity	15	14	15
=TOTAL ADJUSTMENT		39	42	64
LIABILITIES				
Employee leaving indemnity	Adjustment due to discount method application	-5	-7	-8
Provisions for contingencies and charge	Adjustment due to discount method application	-42	-49	-61
Deferred tax assets	Fiscal impact of IAS adjustment on Equity	41	44	48
=TOTAL ADJUSTMENT		-6	-12	-21
NET EQUITY ADJUSTMENT		**45**	**54**	**85**

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