



**press release**

Bologna 11/05/2005

**HERA: positive performance of the first quarter 2005 reviewed by the BoD**

Value of production at Euro 551.2 million (+25.2%)

Ebitda of Euro 105.1 million (+15.7%)

Ebit of Euro 67.7 million (+12.9%)

Pre-tax profit of Euro 59.5 million (+10.7%)

The Board of Directors of the Hera Group reviewed the consolidated results for the first three months of 2005 that report an increase compared to the same period in the previous year.

The value of production increased from Euro 440.4 million in the first quarter of 2004 to Euro 551.2 million, an increase equal to 25.2%.

The Group consolidated Ebitda increased by +15.7% from Euro 90.9 million in the first quarter of 2004 to Euro 105.1 million, in particular due to contributions of the Waste Management and Other Services.

The Ebit increased by 12.9% compared to the same period in the previous year from Euro 60 million in 2004 to Euro 67.7 million in 2005, a percentage margin of 12.3%.

The first quarter of 2005 ended with a pre-tax profit of Euro 59.5 million, an increase of +10.7% compared to the first quarter of 2004.

It should be recalled that at the end of 2004 the incorporation took place of the companies of Ferrara, Agea S.p.A. and Acosea S.p.A., that changed the Group perimeter. The comparison of the first quarter of 2005 with the "pro-forma" first quarter of 2004 (including the results of the companies of Ferrara) highlights an Ebitda increase of 6.0% from Euro 99.2 million to Euro 105.1 million.

In relation to the Group Net Financial Position, at March 31, 2005 compared to December 31, 2004, the absolute value increased by Euro 128.1 million due to seasonal factors and to the passage of the subsidiary Hera Comm from the quarterly VAT liquidation to a monthly basis (Finance Act 2005).

Particularly important was the increase in the net working capital due to the commencement of the new "*integrate client management IT system*" in the Bologna and Ravenna regions that although planned, necessitated the suspension of the invoicing in order to activate the *data recovery* between the systems. This peak level will be progressively recovered on the full functioning of this system in the various regions already in the second quarter.



In the energy sector, the gas business recorded an increase in sales from Euro 250.6 million to Euro 294.7 million, an increase of 17.6%. This increase contributed to compensate the decrease in the margin in this sector due principally to the decrease of the distribution tariffs imposed by the Authority.

It should be noted that the unitary sales margin in the electricity business remained unaltered despite a reduction of prices in absolute value terms of 4.6%.

In the integrated water cycle sector sales increased by 10.7%, to Euro 69.4 million and the margin increased by 8.4%.

In the waste management sector the sales increased by 12.4% to Euro 92.5 million. The increase in the sales is principally due to the revenues in the subsidiary Ecologia Ambiente (approximately Euro 6.2 million), that operates the plant acquired at Ravenna, and to the higher electricity sales of the new waste-to-energy plant at Bologna (approximately Euro 2.6 million).

Finally, an important increase was recorded in the other services, both in terms of sales, +15.9%, amounting to Euro 35.8 million and especially in the margin that amounted to Euro 6.1 million, an increase of 52.5%.

The capital expenditures in the first three months, amounting to Euro 29.5 million, include the completion of the accessory work of the waste-to-energy plant at Bologna, the new waste-to-energy lines at Canal Bianco (Ferrara) and the important investments made on the purification plant and improvement to the distribution networks. Important investments were also made in relation to the implementation of the new *"integrated client management IT system"*.

"The results of the first quarter – declared the Chairman Tomaso Tommasi di Vignano – confirm the good performance of the company compared to the objectives for the year and are a good start for the commencement of the second phase in the life of Hera which began with the Shareholders' Meeting of April 28."

"The performance in the first quarter of 2005 – declared the CEO Maurizio Chiarini – confirms the benefits from the integration process and highlights important growth potential from cross-selling, the obtaining of new concessions and from further aggregations".

### Group Profit & Loss Accounts:

(Euro millions)	Dec 31, '04	Inc. %	1Q 2004	Inc. %	1Q 2005	Inc. %	Change %
Sales	1.491,4	91,0%	412,3	93,6%	523,7	95,0%	27,0%
Other revenues	27,8	1,7%	8,0	1,8%	5,1	0,9%	-36,7%
Incr.costr.& work in progress	119,8	7,3%	20,1	4,6%	22,4	4,1%	11,6%
<b>Value of Production</b>	<b>1.639,0</b>	<b>100,0%</b>	<b>440,4</b>	<b>100,0%</b>	<b>551,2</b>	<b>100,0%</b>	<b>25,2%</b>
Operating costs	(1118,3)	-68,2%	(299,7)	-68,0%	(386,2)	-70,1%	28,9%
Personnel costs	(220,6)	-13,5%	(49,9)	-11,3%	(59,9)	-10,9%	20,1%
<b>Ebitda</b>	<b>300,2</b>	<b>18,3%</b>	<b>90,9</b>	<b>20,6%</b>	<b>105,1</b>	<b>19,1%</b>	<b>15,7%</b>
Amort., depr. & prov.	(155,8)	-9,5%	(30,9)	-7,0%	(37,5)	-6,8%	21,2%
<b>Ebit</b>	<b>144,3</b>	<b>8,8%</b>	<b>60,0</b>	<b>13,6%</b>	<b>67,6</b>	<b>12,3%</b>	<b>12,8%</b>
Financial income & charges adj. to value of financial asset:	(23,4)	-1,4%	(4,5)	-1,0%	(8,9)	-1,6%	97,8%
Extr. income & charges	(3,8)	-0,2%	(1,7)	-0,4%	0,7	0,1%	-140,2%
<b>Pre tax Profit</b>	<b>117,1</b>	<b>7,1%</b>	<b>53,7</b>	<b>12,2%</b>	<b>59,4</b>	<b>10,8%</b>	<b>10,6%</b>

### Group Pro-forma Profit & Loss Accounts (including Ferrara contribution):

(Euro millions)	Dec 31, '04	Inc. %	1Q 2004 pro-forma	Inc. %	1Q 2005	Inc. %	Change %
Sales	1.491,4	91,0%	460,3	93,8%	523,7	95,0%	13,8%
Other revenues	27,8	1,7%	8,5	1,7%	5,1	0,9%	-40,4%
Internal const. & work in progress	119,8	7,3%	21,9	4,5%	22,4	4,1%	2,5%
<b>Value of Production</b>	<b>1.639,0</b>	<b>100,0%</b>	<b>490,7</b>	<b>100,0%</b>	<b>551,2</b>	<b>100,0%</b>	<b>12,3%</b>
Operating costs	(1118,3)	-68,2%	(335,2)	-68,3%	(386,2)	-70,1%	15,2%
Personnel costs	(220,6)	-13,5%	(56,4)	-11,5%	(59,9)	-10,9%	6,3%
<b>Ebitda</b>	<b>300,2</b>	<b>18,3%</b>	<b>99,2</b>	<b>20,2%</b>	<b>105,1</b>	<b>19,1%</b>	<b>6,0%</b>
Amort, depr. & prov.	(155,8)	-9,5%	(34,0)	-6,9%	(37,5)	-6,8%	10,2%
<b>Ebit</b>	<b>144,3</b>	<b>8,8%</b>	<b>65,2</b>	<b>13,3%</b>	<b>67,7</b>	<b>12,3%</b>	<b>3,9%</b>
Financial income & charges adj. to value of financial assets	(23,4)	-1,4%	(5,1)	-1,0%	(8,9)	-1,6%	74,5%
Extr. income and charges	(3,8)	-0,2%	(1,7)	-0,4%	0,7	0,1%	-140,2%
<b>Pre tax Profit</b>	<b>117,1</b>	<b>7,1%</b>	<b>58,3</b>	<b>11,9%</b>	<b>59,5</b>	<b>10,8%</b>	<b>2,0%</b>



**Group Net Financial Position:**

(Euro millions)	<b>Dec 31, '04</b>	<b>Inc. %</b>	<b>1Q 2005</b>	<b>Inc. %</b>	<b>Change %</b>
<b>Net financial position</b>					
Short term debt	62,5	11,1%	193,8	28,1%	210,1%
Medium/Long term debt	498,8	88,9%	495,6	71,9%	-0,6%
<b>Total Net Financial Position</b>	<b>561,3</b>	<b>100,0%</b>	<b>689,4</b>	<b>100,0%</b>	<b>22,8%</b>