Hera S.P.A.
Report of the Board of Statutory Auditors

Dear Shareholders,

The financial statements and the related Directors' Report which were made available to us, have been drawn up in compliance with the IAS/IFRS following the enactment of Regulation (EC) no. 1606/2002.

The following data relates to the financial year ended on 31 December 2006 (in Euro thousand):

BALANCE SHEET
Non-current assets

Tangible fixed assets	2,120,445
Intangible fixed assets	231,248
Goodwill and consolidation difference	398,927
Investments and securities	123,543
Financial assets	19,474
Deferred tax assets	47,778
Financial instruments – derivatives	7,877
TOTAL NON-CURRENT ASSETS	**2,949,292**
Current assets	
Inventories	44,590
Trade receivables	1,000,322
Contract work in progress	23,593
Financial assets	17,462
Financial instruments – derivatives	4,587
Other current assets	107,051
Cash and cash equivalents	213,629
TOTAL CURRENT ASSETS	**1,411,234**
TOTAL ASSETS	**4.360.526**

Liabilities

Group net equity	1,476,135
Minority interests	40,208
TOTAL NET EQUITY	**1,516,343**
Loans due after more than one year	937,243
Employee leaving indemnities	113,050
Provisions for risks and charges	152,551
Deferred tax liabilities	134,624
Payables for finance leases	31,004
Financial instruments	7,838
TOTAL NON-CURRENT LIABILITIES	**1,376,310**

Banks and other borrowings	443,846
Payables for finance leases	9,485
Trade payables	746,482
Income taxes payable	86,362
Other current liabilities	174,831
Financial instruments	6,867
TOTAL CURRENT LIABILITIES	**1,467,873**
Total liabilities	**2,844,183**
TOTAL NET EQUITY AND LIABILITIES	**4,360,526**

INCOME STATEMENT	
Revenues	2,311,450
Changes in inventories of finished products and work-in-progress	2,699
Other operating income	50,295
Raw materials and consumables	(1,146,683)
Costs for services	(642,544)
Personnel costs	(296,598)
Amortization, depreciation and allocations	(195,358)
Other operating costs	(46,457)
Capitalised costs	(194,516)
EBIT	**231,320**
Value reversal of tangible fixed assets	
Share of profit/(loss) of associated companies	4,313
Financial income	43,858
Financial charges	(100,244)
Profit before tax	**179,247**
Tax charge for the year	(79,009)
Net profit for the year	**100,238**

In the Directors' Report to the consolidated financial statements and the related Notes, the Board of Directors has illustrated the group's consolidated performance and the highlights of global profitability.

As part of our duties we can state the following:

- the consolidated financial statements of the Hera group include the financial statements of the Parent Company Hera S.p.A. and those of its subsidiaries at 31 December 2006. Control exists when the parent company has the ability to direct the financial and operating policies of an enterprise with a view to gaining economic benefits from its activities.

- Subsidiaries that are not material and those where severe long-term restrictions sustantially hinder the exercise of the rights of the parent company, as well as interests in subsidiaries that are held exclusively with a view to subsequent resale.

- Investments in associated companies that are not significant are valued at equity. Companies that are dormant, in liquidation or which are not material are stated at cost.

- Investments held exclusively with a view to subsequent resale are excluded from consolidation and are valued at fair value. These investments are classified under specific asset captions.

- No investments are included in the consolidation using the proportional method of consolidation.

- the consolidated balance sheet and income statement have been prepared using the accounting records of the companies included in the scope of consolidation after having been properly reclassified and adjusted (on the basis of ad hoc instructions issued by the Parent company) to bring them in line with the Hera group's accounting standards and criteria. As regards associated companies, adjustments to net equity values were taken into account to bring net equity in line with IAS/IFRS.

- In preparing the consolidated balance sheet and income statement, assets and liabilities as well as revenues and costs of companies included in the scope of consolidation are included on a line-by-line basis. Conversely, receivables and payables, income and charges, gains and losses deriving from intragroup companies are eliminated. Also the book value of investments is set off against the corresponding shares of the investees' net equity.

- the difference between the book value of investments and the corresponding share of net equity that is included in the consolidation is recognised as an adjustment to consolidated net equity. In the case of acquisitions, the aforesaid difference is allocated to assets and liabilities; any remainder, if negative, is booked in a consolidation reserve, i.e. if it refers to forecasted unfavourable economic results, under "consolidation provision for future risks and charges"; if positive is included under an asset item called "consolidation difference". The amount of capital and reserves of subsidiaries belonging to minority shareholders is included in a net equity caption called "Minority interests"; the minority interests' share of the consolidated result is stated under "Minority interests' profit/(loss) for the year".

- The valuation of balance sheet items was carried out on the basis of the prudence, accruals and going concern concepts. Transactions are recorded in accordance with the substance over form principle.

- All information contained in the Consolidated Financial Statements and associated documentation relates to the 2006 calendar year.

- A regards the valuation criteria, they comply with the provisions of the Italian Civil Code and are, nevertheless, fully illustrated in the Notes to the financial statements.

- The Consolidated Financial Statements also highlight the amount of any guarantees, commitments and risks.

- The Consolidated Financial Statements report a profit of € 100,238 thousand and net equity of € 1,516,343 thousand.

No departures from the valuation criteria prescribed by legal regulations governing financial statements and consolidated accounts have been made in the current financial year and previous ones.

In our opinion these financial statements show a true and fair view of the financial position of the Group and the result for the year ended on 31 December 2006, in accordance with the regulations governing the preparation of consolidated accounts.

Bologna, 10 April 2007

Antonio Venturini
Fernando Lolli
Sergio Santi