



press release

Bologna, 26 August 2010

HERA S.p.A.: Board of Directors approves First Half 2010 results

Rise in all earnings indicators compared to same period last year

Revenues of Euro 1,805 million (-15.9%)
EBITDA of Euro 313.5 million (+15.6%)
EBIT of Euro 174.8 million (+21.6%)
Hera Net Profit of Euro 62.6 million (+33.8%)

The Board of Directors of the Hera Group met in Bologna today and unanimously approved the Half Year Report as at 30 June 2010.

The significant growth of results was driven by performance across the entire business. Cost cutting, a rise in operating volumes and sales performance reflect the strategic decisions taken in recent years.

Group Revenues for the first half of 2010 totalled Euro 1,805.5 million, compared with Euro 2,146 million in the same period in 2009. This reflects the reduction in trading volumes and in energy commodity prices, partly offset by strong commercial activity delivering an increase in customers and sales volumes.

EBITDA rose from Euro 271.3 million in the first six months of last year to Euro 313.5 million in the first half of 2010, an increase of 15.6% (Euro 42.2 million) with an improvement in Ebitda perc. margin of around 500 basis points, also due to the decline in trading activity related to the change in market conditions. This result, linked in part to the recovery in demand for services in the Waste Management Area and to changes in local tariffs to cover additional service provision, was also due to solid Energy Area performance and to overall cost control.

EBIT rose from Euro 143.7 to Euro 174.8 million during the first half, an increase of 21.6% (Euro 31.1 million), due to the improvement in EBITDA and higher Depreciations, Amortisations and Provisions than in the previous year (Euro 11 million).

Net Profit jumped 33.8% to Euro 62.6 million, compared with Euro 46.8 million in the first half of 2009, when the Group incurred a Euro 4.8 million charge as a result of the tax moratorium.

Benefiting from the imminent completion of the large plant development plan, the Group's **capital expenditure** in the first six months of 2010 totalled Euro 159.6 million, compared with Euro 192 million in the same period of 2009, in line with the Business Plan and operating requirements.



Positive cash flow from operations during the period fully funded capital expenditure, whilst **Net Financial Position** reached Euro 1,970.6 million compared with Euro 1,891.8 million at 31 December 2009.

In terms of the individual business areas, highlights include the solid performance of the **Waste Management Area**, contributing 31% to overall profit margin. The segment reported significant growth compared with the first half of 2009, due both to the WTE plant in Modena, which came on-stream during the period, and the increase in volumes of urban and industrial waste processed (+8% in total). This delivered a 15.2% rise in EBITDA, up from Euro 84.3 million to Euro 97.1 million. In addition, separate waste collection grew from 45% to 47%, further improving the environmental benefits of the business.

In the **Gas Area**, which saw its contribution to gross operating profit grow to 35%, EBITDA was up 20.2% from Euro 90.9 million to Euro 109.3 million. This result was boosted by the growth in volumes sold and trading activity, in addition to the commissioning of the Imola co-generation plant, which has lowered heat generation costs. The performance of the distribution business also contributed to growth, profiting from the new tariff system and network acquisition at the end of 2009, which more than offset the fall in new customers caused by the stagnation of the housing market.

In the **Electricity Area**, which contributed around 10% to EBITDA as a result of market expansion, EBITDA rose from Euro 26 million in first half 2009 to Euro 31.8 million. The increase in volumes sold and new customers acquired (30,000 new contracts) and the improvement in margin more than compensated for the contraction in electricity trading and the reduced profitability of electricity generation.

In the **Integrated Water Management Area**, which represents 21.5% of the Group's EBITDA, growth was higher than in the same period of the previous year. EBITDA rose from Euro 59.5 million to Euro 67.5 million, an increase of 13.5%, largely due to the new tariffs approved by local authorities in relation to the investments made.

"We are satisfied with the results", said **Group Chairman Tomaso Tommasi di Vignano**, "which indicate growth and cash generation in line with business plan forecasts, underlining our competitive strength across all business segments and the validity of the upstream policy in each energy sector. Furthermore, these results have also yielded tangible benefits for our customers, who have seen a reduction in our energy tariffs following the fall in the cost of raw materials".

"This growth", confirmed Hera CEO Maurizio Chiarini, "is supported by a balanced contribution of regulated and liberalised businesses. The performance is underpinned by the outstanding solid asset base, resulting from the completion of a significant part of capital expenditure program, which will allow an efficient development guaranteeing high service quality, better environmental performances and to continue focusing on sustainable growth and customer care".

The Hera Group Consolidated Half Year Report as at 30 June 2010 was prepared in accordance with IAS, as required for listed companies by Article 81 bis of Issuer Regulation No. 11971/1999, amended by Consob



Resolution No. 14990 of 14 April 2005. The information is therefore compliant with IAS 34 on Interim Financial Reporting. The Hera Group first adopted IAS/IFRS for its 2005 half year results.

Pursuant to Article 154-bis, section 2 of the Italian Consolidated Law on Finance, the Financial Reporting Officer, Luca Moroni, declares that the information contained in this press release corresponds to the entries made in accounting documents, ledgers and records.

Profit and Loss (m€)	30-Jun-09	<i>Inc.%</i>	30-Jun-10	<i>Inc.%</i>	Ch. (m€)	Ch.%
Sales	2,146.0	100.0%	1,805.5	100.0%	(340.5)	(15.9%)
Change in Stock	0.8	0.0%	12.0	0.7%	+11.2	+1407.6%
Other operating revenues	106.2	4.9%	101.8	5.6%	(4.4)	(4.1%)
Raw materials	(1,449.3)	(67.5%)	(1,036.4)	(57.4%)	(412.9)	(28.5%)
Services costs	(423.1)	(19.7%)	(387.9)	(21.5%)	(35.2)	(8.3%)
Other operating expenses	(16.0)	(0.7%)	(18.8)	(1.0%)	+2.8	+17.5%
Personnel costs	(178.4)	(8.3%)	(184.6)	(10.2%)	+6.2	+3.5%
Capitalisations	85.1	4.0%	22.0	1.2%	(63.1)	(74.1%)
EBITDA	271.3	12.6%	313.5	17.4%	+42.2	+15.6%
Depreciation and provisions	(127.7)	(5.9%)	(138.7)	(7.7%)	+11.0	+8.6%
EBIT	143.7	6.7%	174.8	9.7%	+31.1	+21.6%
Financial inc./(exp.)	(51.8)	(2.4%)	(54.8)	(3.0%)	+3.0	+5.8%
Other non operating costs	(2.7)	(0.1%)	0.0	0.0%	(2.7)	(98.9%)
Pre tax Profit	89.1	4.2%	120.1	6.7%	+31.0	+34.8%
Tax	(37.3)	(1.7%)	(50.9)	(2.8%)	+13.6	+36.5%
Group Net Profit	51.8	2.4%	69.2	3.8%	+17.4	+33.6%
Minorities	5.1	0.2%	6.6	0.4%	+1.5	+30.4%
Net Profit	46.8	2.2%	62.6	3.5%	+15.8	+33.8%

Balance Sheet (m€)	31-Dec-09	<i>Inc.%</i>	30-Jun-10	<i>Inc.%</i>	Ch. (m€)	Ch.%
Net fixed assets	3,985.8	110.9%	4,051.5	111.2%	+65.7	+1.6%
Working capital	26.8	0.7%	20.0	0.5%	(6.8)	(25.4%)
Gross invested capital	4,012.5	111.7%	4,071.5	111.7%	+59.0	+1.5%
(Provisions)	(420.0)	(11.7%)	(427.2)	(11.7%)	(7.2)	+1.7%
Net invested capital	3,592.5	100.0%	3,644.3	100.0%	+51.8	+1.4%
Net Equity	1,700.7	47.3%	1,673.7	45.9%	(27.0)	(1.6%)
Long term net financial debts	2,143.7	59.7%	2,124.2	58.3%	(19.5)	(0.9%)
Short term net financial debts	(251.9)	(7.0%)	(153.6)	(4.2%)	+98.3	(39.0%)
Net Financial Debts	1,891.8	52.7%	1,970.6	54.1%	+78.8	+4.2%
Net invested capital	3,592.5	100.0%	3,644.3	100.0%	+51.8	+1.4%

Investor Relations Hera S.p.A.

Jens K. Hansen

tel. +39 051 28 77 37

e.mail: jens.hansen@gruppohera.it

website: www.gruppohera.it