



Press release

Bologna 11/11/2004

HERA: positive performance in the third quarter of 2004 reviewed by the BoD at Bologna

Group value of production at Euro 1,065.7 million (+15.2%), Ebitda at Euro 182.3 million (+7.3%), Ebit at Euro 82.9 million (+14.5%) and pre-tax profit of Euro 65 million (+10%).

These are, in summary, the most significant results at September 30, 2004 of the Hera Group compared to the same period in 2003.

The value of production increased from Euro 925.2 million in the third quarter of 2003 to Euro 1,065.7 million, an increase equal to 15.2%.

The Group consolidated Ebitda increased by +7.3%, from Euro 169.9 million at the third quarter of 2003 to Euro 182.3 million, with growth achieved principally in the waste management sector and other services.

The Ebit increased by 14.5% compared to the same period in the previous year, from Euro 72.4 million in 2003 to Euro 82.9 million in 2004. This result was made possible thanks to the actions directed at the constant activity of rationalisation and improvement in efficiencies.

The third quarter of 2004 ended with a pre-tax profit of Euro 65 million, an increase of +10% compared to the first nine months of 2003.

The Group investments remained substantially in line with those in the third quarter of 2003, amounting to Euro 136 million, principally in the water and waste management sectors.

The net financial position, compared to December 31, 2003, increased by Euro 10.8 million, from Euro 444.3 million to Euro 455.1 million thanks to the generation of cash that permitted the financing of the above-mentioned investments of Euro 136.0 million, in addition to dividends of Euro 42 million (equal to 85% of payout ratio).

In the third quarter of 2004, the Hera Group achieved positive results in all of the business areas confirming the creation of economic and financial synergies.

The composition of the overall Ebitda was energy 38.5% (35.1 gas and 3.4 electricity), waste management 24.8%, water 30.7% and other services 6.0%.

The sales of gas increased by 3.5% to Euro 347.3 million.

Electricity recorded sales of Euro 155 million, an increase of 66.7% compared to 30/09/2003.

The remarkable increase in sales and relative cost of raw materials and transport were the determining factor in the change in the overall margin.

In the integrated water cycle sector sales increased by 6%, to Euro 200.1 million, due to the expansion of services in new municipalities.

In the waste management sector sales increased by 15.3% to Euro 236.3 million. This increase was principally due to the greater amount of waste treated. In relation to this it is recalled that the Group's treatment capacity has increased further with the acquisition of the Ecologic Centre at Ravenna.

At the end of the quarter the new waste-to-energy plant at Frullo entered into production which consists of the most important plant investment announced in the industrial plant. The plant has a waste treatment capacity of 180,000 tonnes/year and a production capacity of 150 million Kwh/year of electricity under Cip 6.

The quarter was also characterised by an intense activity of rationalisation and activities concerning corporate investments, whose effects will positively impact the results at the end of the year, as is the case of the important enlargement of the consolidation area with the integration of Agea and the acquisition of the Ecologic Centre at Ravenna. Other development operations concluded, such as the participation in the plant at Sparanise, will produce their effects in the course of the industrial plan 2005/2007.

Hera Group Profit and Loss Accounts

<i>(Euro millions)</i>	Sept 30 03	Sept 30 04	var. %	3 Q 2003	3 Q 2004	var. %
Revenues	856,6	966,5	12,8%	233,6	276,0	18,2%
Other income	16,3	22,6	38,7%	(0,2)	7,2	-
Internal constructions	52,3	76,6	46,5%	32,3	26,6	(17,6%)
Value of production	925,2	1.065,7	15,2%	265,7	309,8	16,6%
Operating costs	(609,1)	(737,0)	21,0%	(168,5)	(215,7)	28,0%
<i>in %</i>	<i>(65,8%)</i>	<i>(69,2%)</i>		<i>(63,4%)</i>	<i>(69,6%)</i>	
Personnel costs	(146,2)	(146,4)	0,1%	(49,3)	(46,2)	(6,3%)
<i>in %</i>	<i>(15,8%)</i>	<i>(13,7%)</i>		<i>(18,6%)</i>	<i>(14,9%)</i>	
Ebitda	169,9	182,3	7,3%	47,9	47,9	0,0%
<i>margin %</i>	<i>18%</i>	<i>17%</i>		<i>18%</i>	<i>15%</i>	
Amort., depreciation & provisions	(97,5)	(99,4)	1,9%	(33,5)	(34,4)	2,7%
<i>in %</i>	<i>(10,5%)</i>	<i>(9,3%)</i>		<i>(12,6%)</i>	<i>(11,1%)</i>	
Ebit	72,4	82,9	14,5%	14,4	13,5	(6,2%)
Financial interest & adjust. to financial assets	(13,7)	(15,0)	9,5%	(4,1)	(3,9)	(4,9%)
Extraordinary income (charges)	0,4	(2,9)	-	3,7	(0,5)	-
Pre-tax result	59,1	65,0	10,0%	14,0	9,1	(35,0%)

Hera Group Net Financial Position

	Sept 30, 03	Dec 31, 03	Sept 30, 04	Var. with	31-12-03
Net financial position short-term	(121,5)	(91,9)	(45,4)		46,5
Net financial position medium/long-term	(223,9)	(352,4)	(409,7)		(57,3)
Net financial position	(345,4)	(444,3)	(455,1)		(10,8)