



press release

Bologna, 29 August 2008

HERA S.p.A.: Board of Directors approves the First Half 2008 results

Significant increases in all indicators compared to the same period of the previous year

Revenues at Euro 1,752.4 million (+30.3%)

EBITDA at Euro 257.6 million (+22.2%)

EBIT at Euro 142.7 million (+25.4%)

Net Profit at Euro 49.6 million (+12.7%)

Today in Bologna, the Board of Directors of the Hera Group met and unanimously approved the consolidated financial results as at 30 June 2008, drawn up based on IAS standards.

The results show positive growth in all business segments and also benefit from increased levels of efficiency, a significant development of markets and two extraordinary operations, effective from 1 January 2008: the incorporation of SAT Sassuolo, a multiservice company operating in the sectors of gas distribution, water distribution and waste management services, and the extension of the scope of the Group with the creation of Marche Multiservizi, of which Hera holds 41.9%, and which is the leading utility company in that region.

Group revenues in the first half of 2008 grew by +30.3%, from Euro 1,752.4 million to Euro 1,344.9 million in the first half of 2007, despite a weather trend with continuing above-average winter temperatures compared to the historic values.

Specifically, it is noted that this significant increase, amounting to Euro 407.5 million, should be viewed in relation to the over 60% increase in revenues in the Electricity Area, and the 25% increase in the Gas Area. It was also influenced by the development of market activities and the trend in oil prices.

EBITDA increased by 22.2%, from Euro 257.6 million in the first half of 2007 to Euro 210.7 million. This result, which shows a sharp growth on the same period of the previous year, benefit from the contribution of all business, efficiency gains, from the contribution of the new plant capacity and from M&A activities.

EBIT rose from Euro 113.8 million to Euro 142.7 million, a percentage increase of 25.4% compared to the same period of 2007.

Net Profit increased by 12.7%, reaching Euro 49.6 million from Euro 44 million in the first half of 2007.



Group **Capital employed** increased in the first 6 months of the year, from Euro 2,962.6 million to Euro 3,029.1 million, mainly regarding the integration of SAT of Sassuolo and the investments for development of infrastructures, effected throughout the area.

Group **Investments** made during the first six months of 2008 amount to Euro 185 million, mainly in the Waste Management Area for interventions on waste-to-energy plants and in the Integrated Water Cycle Area for extending networks and plants. In addition, Euro 3.1 million in financial equity investments was made, to be analysed mainly in relation to the increased investment in Galsi (10.4%).

The NFP remained substantially stable, amounting to Euro 1,479.7 million compared to Euro 1,424.1 million as at 31 December 2007: the slight growth is linked to the increase in turnover and the significant investment plan realised.

Financial charges and taxes include the extraordinary effects of the tax moratorium, for a total of Euro 11.2 million.

As regards the breakdown of the Group EBITDA, the weight of the Gas Area increased by over 4 percentage points compared to the same period of last year, contributing 26.9%, and benefiting from more normal weather conditions compared to 2007 and development of market activities. The Waste Management Area continues to have the greatest weight on the EBITDA, contributing 33.1%. The Integrated Water Cycle Area contributed 23.9%, the Electricity Area contributed 9.3% and the Other Activities Area contributed 6.7%.

In the Energy Segment, for the Gas Area 1,478.2 million cubic metres of gas was sold in the first six months of 2008 compared to 1,249.3 million cubic metres in 2007, an increase of 18.3%, while volumes distributed increased to 1,360.7 million cubic metres from 1,118.1 of the previous year, an increase of 21.7%. These positive results should be viewed in light of the above-mentioned weather trend as well as the contribution deriving from SAT Sassuolo, which only affected the distribution volumes, and from Marche Multiservizi, in addition to the procurement and trading activities.

The Electricity Area continues to grow, both in terms of turnover and profitability, primarily as a result of the competitive commercial offers proposed to customers and the strengthening of trading activities, which more than offset the tariff reduction enforced by the Italian Authority for Electricity and Gas (AEEG) on distribution activities. It is worth mentioning that the commercial generation capacity was significantly expanded following the coming on stream of the Teverola and Sparanise power plants during 2007. Within the end of the year, the cogeneration plant in Imola (Bologna) will also come on stream.

As at 30 June 2008, over 2.4 TW/h of electricity was invoiced, compared to 2 TW/h in the previous year. This result should be viewed in relation to the increased volumes sold to business customers as a result of the commercial policy. As of today, the Group has over 280,000 supply points.

The Integrated Water Cycle showed an increase in turnover, mainly linked to the extension of the scope of the Group in the Sassuolo and Urbino areas, and the tariff adjustment defined for 2008, which more than offset the decrease recorded in consumption.

In the Waste Management Area, the Hera Group continued its role as the leading integrated company in the sector, and as at 30 June 2008, over 2.4 million tonnes of waste were



disposed. The commitment in managing the business led also to a 43% increase in the recycling of municipal waste (from 36% in the corresponding period of 2007). During the half year, two new waste-to-energy plants (Ferrara and Forlì) were completed and brought on stream, and two new units (Modena and Rimini) are currently under construction.

In Other Activities, which mainly include district heating and public lighting, heat management and microgeneration, results increased compared to the first half of 2007.

“The results achieved in these first six months,” commented the Managing Director Maurizio Chiarini, “demonstrate a further, significant improvement achieved in all businesses; these results confirm the strength of Hera, which is amongst the most dynamic players in the sector”.

“The excellent performance in this first half of 2008,” continued the Chairman Tomaso Tommasi di Vignano, “will provide an increased boost for the challenges we will face in the next few months, also regarding the future potential external growth opportunities”.

The consolidated half year report of the Hera Group as at 30 June 2008 was drawn up in compliance with the IAS standards, as established for listed companies by Article 81 bis of Issuer Regulations no. 11971/1999 and as amended by Consob Resolution no. 14990 of 14 April 2005. Figures are therefore compliant with the international accounting standard 34 regarding infra-annual reporting. The Hera Group adopted the international accounting standards (IAS/IFRS) starting from the 2005 half year results.

Investor Relations Hera S.p.A.

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Profit and Loss (m€)	1H 2007	Inc.%	1H 2008	Inc.%	Ch. (m€)	Ch.%
Sales	1.344,9	100,0%	1.752,4	100,0%	407,5	30,3%
Change in Stock	(0,1)	(0,0%)	2,2	0,1%	2,3	(3.128,8%)
Other operating revenues	20,0	1,5%	29,6	1,7%	9,6	47,7%
Raw material	(740,0)	(55,0%)	(1.096,4)	(62,6%)	356,5	48,2%
Services costs	(338,4)	(25,2%)	(355,8)	(20,3%)	17,4	5,1%
Other operating expenses	(27,1)	(2,0%)	(19,5)	(1,1%)	(7,6)	(28,1%)
Personnel costs	(150,6)	(11,2%)	(172,9)	(9,9%)	22,3	14,8%
Capitalisations	102,0	7,6%	118,0	6,7%	16,0	15,7%
EBITDA	210,7	15,7%	257,6	14,7%	46,9	22,2%
Depreciation and provisions	(96,9)	(7,2%)	(114,9)	(6,6%)	18,0	18,5%
EBIT	113,8	8,5%	142,7	8,1%	28,9	25,4%
Financial inc./(exp.)	(36,2)	(2,7%)	(51,6)	(2,9%)	15,4	42,6%
Other non operating costs	-	0,0%	(5,6)	(0,3%)	5,6	0,0%
Pre tax Profit	77,6	5,8%	85,5	4,9%	7,9	10,2%
Tax	(33,6)	(2,5%)	(35,9)	(2,0%)	2,3	6,9%
Net Profit	44,0	3,3%	49,6	2,8%	5,6	12,7%

Balance Sheet (m€)	31/12/2007	Inc.%	1H 2008	Inc.%	Ch. (m€)	Ch.%
Net fixed assets	3.248,8	109,7%	3.453,7	114,0%	205,0	6,3%
Working capital	119,8	4,0%	6,0	0,2%	(113,8)	(95,0%)
Gross invested capital	3.368,6	113,7%	3.459,7	114,2%	91,1	2,7%
(Provisions)	(406,0)	(13,7%)	(430,6)	(14,2%)	(24,7)	6,1%
Net invested capital	2.962,6	100,0%	3.029,1	100,0%	66,5	2,2%
Net Equity	1.538,6	51,9%	1.549,4	51,2%	10,8	0,7%
Long term net financial debts	1.395,9	47,1%	1.384,0	45,7%	(11,9)	(0,9%)
Short term net financial debts	28,1	0,9%	95,7	3,2%	67,6	240,7%
Net Financial Debts	1.424,1	48,1%	1.479,7	48,8%	55,7	3,9%
Net invested capital	2.962,6	100,0%	3.029,1	100,0%	66,5	2,2%