GRUPPO HERA

press release

Bologna, 24 March 2011

Board of Directors approves results as at 31 December 2010

Strong growth in financial and economic results; biggest “organic” growth in EBITDA in Hera’s history. Dividends up by 12.5%

Revenues: Euro 3,668.6 million
EBITDA: Euro 607.3 million (+7.1%)
EBIT: Euro 315.4 million (+8.3%)
Net profit: Euro 117.2 million (+65.0%)
Proposed dividend: 9 cents per share (+12.5%)

The Board of Directors of the Hera Group, chaired by Tomaso Tommasi di Vignano, today unanimously approved the 2010 Consolidated Financial Statements, together with the corresponding Sustainability Report, as is now the usual practice.

The 2010 Annual Report was made available to the Board of Statutory Auditors and the Independent Auditing Firm. The 2010 Annual Report will be published, together with the reports of the Board of Statutory Auditors and the Independent Auditing Firm, in accordance with the terms prescribed by law. The Income Statement and the Balance Sheet of the Hera Group Consolidated Financial Statements as at 31 December 2010 are attached.

Despite the slow economic recovery, the Financial Statements reveal one of the biggest improvements in results since the Hera Group was founded in 2002, thanks to the progress achieved in all areas of activity, and the energy sector in particular.

Revenues

Revenues fell to Euro 3,668.6 million, mainly due to the decline in trading activity. The increase in sales volumes and customer base in all the Group's main activities offset the fall in energy commodity prices.

Consolidated EBITDA

The consolidated Group EBITDA rose to Euro 607.3 million at the end of 2010, an increase of 7.1% compared with the Euro 567.3 million recorded in 2009. Considering that the 2009 EBITDA benefited from a non-recurring contribution of Euro 16 million (due to the acquisition of gas and district-heating networks), this solid result represents the strongest organic growth ever achieved by Hera, equal to 10.2%.
All areas of activity made a positive contribution to EBITDA growth. The biggest percentage increase came from the energy area, where flexible gas- and electricity-supply strategies enabled the Group to take advantage of the market situation in terms of both supply and commercial development.

Waste Management Area
The Waste Management Area confirmed its position as the biggest contributor to Group EBITDA (32.1%). EBITDA totalled Euro 195.1 million at the end of the year, up by 4.2% compared with the Euro 187.3 million recorded in 2009. The EBITDA and margin growth appears even stronger when taking into account the reduction in revenues from the sale of energy generated by waste-disposal plants, volumes of which increased to 530 GWh/year (compared with 490 GWh/year in 2009).
The results were boosted by a rise in the volumes of waste disposed of, which increased to 5.7 million tonnes from 5.1 million tonnes in 2009. The trend in flows of waste disposal and recovery shows an increase in waste-to-energy production thanks to the completion of all planned plants, as well as plants related to the recovery of wet and dry fractions. 2010 also saw the launch of the thermoelectric biomass plant that the Group operates via a joint venture with an important industrial partner in the agro-food industry.
The Hera Group is therefore confirming its position as the leading integrated operator in the sector on a national level. This position is also bolstered by the excellent results achieved in separated waste collection which place the Group among the leading players in Italy, with a percentage of 47.8%, up from 44.8% in 2009.

Gas Area
The importance of the Gas Area is growing in comparison with the previous financial year, contributing 31.9% to the Group EBITDA and closing the financial year at Euro 193.9 million (+11.2% compared with the Euro 174.4 million recorded in 2009). This growth was attributable to the gradual entry into force of the gas distribution tariff system, an increase in volumes exchanged in trading activities, boosted by consumption levels affected by the colder winter, and the flexible supply terms put in place with suppliers. The results were also bolstered by the positive contribution made by district heating after the 80 MW cogeneration plant in Imola (BO) became fully operational.

Electricity Area
The Electricity Area, which accounted for 9.8% of Group EBITDA, enjoyed considerable growth. Sales volumes increased by 9.9% thanks to the success of the area's commercial activity, with sales reaching 7.7 TWh. The result was boosted by an increase of around 50,000 in the customer base, a year-on-year rise of 14.1%.
EBITDA totalled Euro 59.8 million, an increase of 12.8% compared with the Euro 53 million recorded in 2009. Of this figure, Euro 32.4 million resulted from market activities, which benefited from the prudent policy implemented in recent years that enabled the Group to effectively tackle the overcapacity resulting from the drop in energy demand caused by the crisis.

Water Cycle Area
The Water Cycle Area, which contributed 23% to the Group margin, showed an 8% increase in EBITDA, which rose from Euro 131.4 million in 2009 to Euro 142 million in 2010. The area

continued to invest heavily in the region, particularly in the redevelopment of sewer systems. Overall, the Integrated Water Service represented 27% of total Group investments.

EBIT and pre-tax profit

EBIT increased by 8.3%, to Euro 315.4 million, after deducting increased provisions and depreciation relating to new investments totalling Euro 16 million.
Pre-tax profit amounted to Euro 205.6 million, after deducting financial charges, which fell compared to 2009, affected by Euro 12.2 million charges related to the tax moratorium.
Consolidated net profit after deducting minority interests totalled Euro 117.2 million, up 65% compared with the Euro 71.1 million recorded in 2009. The comparison with the figure for the previous year benefits from lower taxes due to the exemption of goodwill resulting from extraordinary transactions carried out in 2009 in relation to the acquisition of gas networks. Moreover, this result does not include the capital gain of around Euro 50 million on the sale of a 25% stake in Herambiente to financial partner Eiser, which strengthened shareholders' equity.

Investments and net financial position

The net investments made in 2010 to maintain and develop the plants coincided with the strategy set out in the business plan and totalled Euro 341.9 million, due to the completion of the development plan for the large plants.
The Group's Net Financial Position improved, closing at Euro 1,860.2 million, against Euro 1,891.8 million in 2009, thanks to the positive cash flow generated from operations (Euro 28.6 million) net of investments.
The Group's financial strength improved as a result, with debt fully covered by equity and with a debt-to-EBITDA ratio of 3.

Proposed dividend

In light of the results achieved, the Board of Directors decided to propose to the Shareholders' Meeting a dividend per share of 9 cents, an increase of 12.5% compared with the 2009 dividend. The ex-dividend date will be June 6, with payment taking place as of June 9.

Statement from Group executive Chairman Mr. Tommasi

"The organic growth in results in all areas of activity, in spite of the ongoing weakness of the economy, shows that our strategy is the right one", said Tomaso Tommasi di Vignano, Hera Group President. "This also confirms the solid foundation on which the Group built its development strategy, the objectives of which are once again reinforced, by the results of the past year, in terms of both profitability and financial performance".

Statement from Group CEO Chiarini

"2010 was an important year in terms of the results achieved by the Group", said Maurizio Chiarini, Hera Group CEO. All business areas contributed equally to the growth in EBITDA. Operating efficiency is an objective Hera has worked towards since its creation and on which it continues to focus with the same determination; an improvement in operations goes hand in hand with an improvement in financial results. In fact, the net-debt-to-EBITDA ratio has been reduced from 3.3 to around 3, partially thanks to the positive trend in operating cash flows. Hera is now confirming its position as a consolidated company that is capable of operating effectively in the region to serve its customers".

Pursuant to article 154-bis, section 2, of the Consolidated Finance Act, the manager responsible for drafting the corporate documents, Luca Moroni, declares that the information contained in this press release corresponds to the documentary results, books and accounting entries.

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Profit & Loss *(m€)*	**2009**	*Inc.%*	**2010**	*Inc.%*	***Ch.***	***Ch.%***
Sales	**4,204.2**	***100.0%***	**3,668.6**	***100.0%***	***(535.6)***	***(12.7%)***
Change in Stock	(2.9)	*(0.1%)*	(1.7)	*0.0%*	*(1.2)*	*(41.8%)*
Other operating revenues	234.7	*5.6%*	210.4	*5.7%*	*(24.3)*	*(10.4%)*
Raw material	(2,777.6)	*(66.1%)*	(2,140.5)	*(58.3%)*	*(637.1)*	*(22.9%)*
Services costs	(765.3)	*(18.2%)*	(810.7)	*(22.1%)*	*+45.4*	*+5.9%*
Other operating expenses	(37.7)	*(0.9%)*	(38.8)	*(1.1%)*	*+1.1*	*+2.9%*
Personnel costs	(352.0)	*(8.4%)*	(361.9)	*(9.9%)*	*+9.9*	*+2.8%*
Capitalisations	63.9	*1.5%*	81.9	*2.2%*	*+18.0*	*+28.2%*
EBITDA	**567.3**	***13.5%***	**607.3**	***16.6%***	***+40.0***	***+7.1%***
Depreciation and provisions	(276.0)	*(6.6%)*	(291.9)	*(8.0%)*	*+15.9*	*+5.8%*
EBIT	**291.3**	***6.9%***	**315.4**	***8.6%***	***+24.1***	***+8.3%***
Financial inc./(exp.)	(113.4)	*(2.7%)*	(109.8)	*(3.0%)*	*(3.6)*	*(3.2%)*
Other non operating costs	(15.3)	*(0.4%)*	0.0	*0.0%*	*(15.3)*	*(99.9%)*
Pre tax Profit	**162.6**	***3.9%***	**205.6**	***5.6%***	***+43.0***	***+26.4%***
Tax	(77.6)	*(1.8%)*	(63.6)	*(1.7%)*	*(14.0)*	*(18.0%)*
Net Profit	**85.0**	***2.0%***	**142.1**	***3.9%***	***+57.1***	***+67.2%***
Attributable to:						
Shareholders of parent company	71.1	*1.7%*	117.2	*3.2%*	*+46.2*	*+65.0%*
Minority shareholders	13.9	*0.3%*	24.8	*0.7%*	*+10.9*	*+78.5%*

Data have been reclassified in accordance with IFRIC 12 principle

Balance sheet *(m€)*	**31/12/2009**	*Inc.%*	**31/12/2010**	*Inc.%*	***Ch.***	***Ch.%***
Net fixed assets	3,986.8	*111.0%*	4,142.3	*111.0%*	*+155.5*	*+3.9%*
Working capital	25.8	*0.7%*	(29.1)	*(0.8%)*	*(54.9)*	*(213.1%)*
(Provisions)	(420.0)	*(11.7%)*	(382.8)	*(10.3%)*	*+37.2*	*(8.9%)*
Net invested capital	**3,592.5**	***100.0%***	**3,730.4**	***100.0%***	***+137.9***	***+3.8%***
Net equity	1,700.7	*47.3%*	1,870.2	*50.1%*	*+169.5*	*+10.0%*
Long term net financial debts	*2,143.7*	*59.7%*	*2,292.1*	*61.4%*	*+148.4*	*+6.9%*
Short term net financial debts	*(251.9)*	*(7.0%)*	*(431.9)*	*(11.6%)*	*(180.0)*	*+71.4%*
Net financial debts	1,891.8	*52.7%*	1,860.2	*49.9%*	*(31.6)*	*(1.7%)*
Net invested capital	**3,592.5**	***100.0%***	**3,730.4**	***100.0%***	***+137.9***	***+3.8%***