



press release

Bologna, 14 May 2007

HERA S.p.A.: BoD approves the results for the first three months of 2007

Constant growth in all business sectors confirmed, made exception for Gas business which suffered for the mild winter.

Revenues at Euro 746.7 million (+2%)

EBITDA at Euro 134.5 million (-1.9%)

EBIT at Euro 87.1 million (-8.9%)

Pre-tax profit at Euro 70 million (-15.3%)

Today, the Board of Directors of the Hera Group unanimously approved the consolidated financial results for the first three months of the year, drawn up based on IAS standards.

Revenues of the Group as at 31 March 2007 increased by 2% to Euro 746.7 million, mainly as a result of the development of the electricity market and the contributions of the consolidated companies, which enabled the company to offset the significant reduction in gas volumes sold and distributed of about 200 million m³ recorded starting from the end of 2006, due to the mild winter.

EBITDA stood at Euro 134.5 million, substantially in line with the Euro 137.2 million of the first quarter 2006. The combined effect of external growth (Euro 6.6 million in EBITDA, equal to +5%) and internal growth (cost synergies and increased revenues, with a total effect of Euro 9.7 million in EBITDA, equal to +7.1%) compensated for the reduction of gas sales.

At like-for-like weather conditions, the company's overall performance maintained the growth trend of the last few years (reaching +12% of EBITDA) and **almost completely offset the negative effect, of one of the warmest winters of the century** (which had a -14% weight on the EBITDA).

EBIT amounted to Euro 87.1 million (compared to Euro 95.5 million in the first quarter 2006) and is affected by increased amortisation and depreciation, which reflect the significant **investments realised for the purpose of developing all business segments** (Euro 74.7 million), in line with the Business Plan.

Pre-tax profit fell to Euro 70 million (compared to Euro 82.6 million in the first quarter 2006) discounting financial charges of Euro 17.1 million; this figure is in line with the net financial position, which rose to Euro 1,322.4 million (from 1,173.4 million in financial year 2006) to fund the capital expenditures and a temporarily Working Capital increase related to the deployment of SAP billing system in one of the Group Local Operating Company (Hera Modena).

As regards the **business segments**, Waste contributed to the composition of the EBITDA for 31.1%, Energy (gas and Electricity) for 39.8%, Water for 20.0%, and Other Activities for 8.7%, clearly showing a portfolio makeup which has gained greater balance, and reflecting a sharp growth in all businesses, with the exception of Gas as mentioned.



In the **Waste business**, Group Revenues increased by 11.9%, and EBITDA increased by 7.4%, amounting to Euro 41.8 million. This increase was sustained by both internal growth drivers (synergies and increase in revenues) and external growth (consolidation of Aspes).

In the **Water business**, the company recorded revenues of about Euro 94.7 million and EBITDA of Euro 27.4 million, significantly improving profitability of the business. These results were mainly achieved thanks to internal growth.

In the **Electricity business**, the Group successfully moved forward with its strategy for expanding markets, as demonstrated by Revenues which increased by 62.5% to Euro 152.9 million. This result was also achieved through the consolidation of the former-Enel electricity grid in the province of Modena. EBITDA stood at Euro 8.6 million, an increase of 16.6%.

The **Gas business**, in line with the last quarter of 2006, was affected by the exceptionally mild winter, which led to a significant reduction in revenues, falling from Euro 425.6 to Euro 365.5 million (-14.1%). Thus, the Hera Group, the third largest national operator in this sector, achieved an EBITDA equal to Euro 44.9 million (-24% compared to the Euro 59.1 million in the first quarter of 2006), which was also affected by the reduction in profits deriving from AEEG Resolution no. 134.

Other Activities, which mainly include District Heating and Public Lighting, the company achieved an EBITDA of approximately Euro 11.7 million, in line with the results of the same period of the previous year.

"In the first few months of 2007," **Chairman Tomaso Tommasi di Vignano** commented, "the positive development of businesses in this quarter is in line with expectations, and allowed us to effectively counteract the effects of unexpectedly mild weather. This growth will be further strengthened by the start up of 3 plants: two in the Waste business (WTE) and one for electricity generation (CCGT), which will be inaugurated in the next six months."

CEO Maurizio Chiarini commented, "The results achieved during this quarter, which was particularly difficult for sector operators, confirm the effectiveness of Hera's multiutility model in reaching positive economic results together with an improving quality of services delivered to customers and enhance Hera competitiveness at national level."

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Consolidated Profit and Loss accounts as at March 31st 2007

<i>(Million Euro)</i>	31/03/2007	%	31/03/2007	%	Incr. %
Sales	746,7	98,3%	731,9	98,7%	2,0%
Change in inventories	3,4	0,4%	1,3	0,2%	157,6%
Other operating income	9,3	1,2%	8,5	1,1%	9,4%
Revenues	759,4	100,0%	741,7	100,0%	2,4%
Raw materials	(420,4)	(55,4%)	(419,0)	(56,5%)	0,3%
Services	(159,1)	(21,0%)	(141,9)	(19,1%)	12,1%
Other operating costs	(15,9)	(2,1%)	(7,7)	(1,0%)	108,3%
Personnel costs.	(76,6)	(10,1%)	(71,4)	(9,6%)	7,2%
Capitalised cost	47,1	6,2%	35,4	4,8%	32,8%
Ebitda	134,5	17,7%	137,2	18,5%	-1,9%
Depreciation & Amort.	(47,5)	(6,3%)	(41,7)	(5,6%)	13,9%
EBIT	87	11,5%	95,5	12,9%	-8,9%
Net Financial Charges	(17,1)	(2,2%)	(13,0)	(1,7%)	32,2%
Pre Tax Profit	70,0	9,2%	82,6	11,1%	-15,3%