



## Third Quarter Results **2007**

## Year-to-date achievements in line with expectations



In Q3 Hera continued extracting **synergies**, focusing mainly on improving efficiency of operations in all core businesses.

**Organic Growth** performed positively, driven by **tariff increases** mainly in Water, Urban Waste and Gas distribution businesses. **Electricity market expansion** through cross-selling activities yielded good results.

These internal and external growth drivers allowed to overcome the negative effects of the **mild winter** and the reduction in Gas sale prices due to AEEG Resolution 134 suffered in H1.

*The full merger of SAT* (a multi-utility in the province of Modena) was approved by the Extraordinary Shareholders' Meeting on 16 October.

The significant **capex plan** executed focused on new plants. The Ferrara WTE plant entered into operations beginning this month and the Forlì WTE plant will start year end.

**Operating activities** in progress enhance the “visibility” of several future planned developments.



## A Q3 return to “double digit” growth rates

### Revenues +21.3%

Successful cross-selling through “dual fuel” offer (+90 m€) and the further growth recorded in “WW” businesses\* underpin the growth.

### Ebitda +3.3%

Synergies, profitable Organic Growth and M&A activities (consolidation of Aspes) offset the effects of the mild winter recorded in H1. Q3 Ebitda came back to to “double digit” growth rates.

### Ebit (1.3%)

Affected by D&A related to the Aspes merger and the significant capex plan.

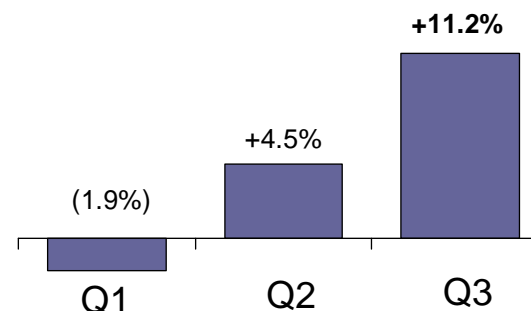
### Pre-tax Profit (16.5%)

Q3 growth improved results offsetting higher financial charges.

#### Group Results as at 30/09/2007

| M €                   | 30/9/06        | %             | 30/9/07        | %             | Inc. %         |
|-----------------------|----------------|---------------|----------------|---------------|----------------|
| <b>Revenues</b>       | <b>1,639.3</b> | <b>100.0%</b> | <b>1,987.8</b> | <b>100.0%</b> | <b>+21.3%</b>  |
| operat. costs         | (1,248.8)      | (76.2%)       | (1,620.1)      | (81.5%)       | +29.7%         |
| personnel             | (208.6)        | (12.7%)       | (222.8)        | (11.2%)       | +6.8%          |
| capitaliz.            | 107.8          | 6.6%          | 154.3          | 7.8%          | +43.2%         |
| <b>Ebitda</b>         | <b>289.7</b>   | <b>17.7%</b>  | <b>299.2</b>   | <b>15.1%</b>  | <b>+3.3%</b>   |
| D&A                   | (133.6)        | (8.1%)        | (145.0)        | (7.3%)        | +8.5%          |
| <b>Ebit</b>           | <b>156.1</b>   | <b>9.5%</b>   | <b>154.1</b>   | <b>7.8%</b>   | <b>(1.3%)</b>  |
| Financials            | (38.1)         | (2.3%)        | (55.7)         | (2.8%)        | +46.3%         |
| <b>Pre tax Profit</b> | <b>118.0</b>   | <b>7.2%</b>   | <b>98.5</b>    | <b>5.0%</b>   | <b>(16.5%)</b> |

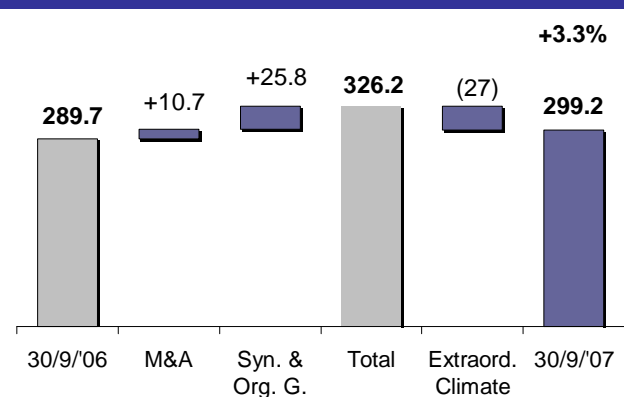
#### 2007 Ebitda Growth rates by quarters



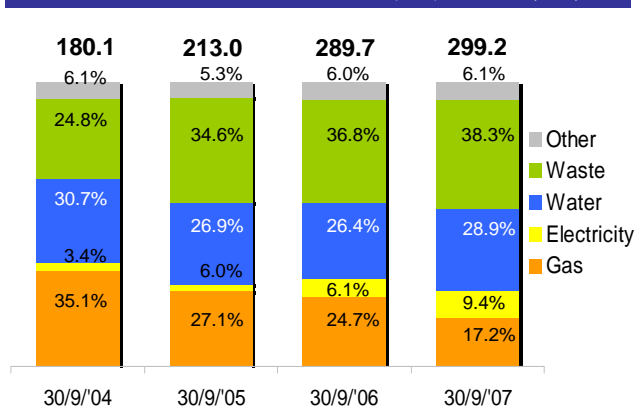
\* “WW” refers to Water and Waste businesses

## Growth from all businesses but Gas

Ebitda drivers as at 30/9/'07 (m€)



Ebitda Breakdown 30/9/'07 (m€)



### Internal Growth

Synergies and Organic Growth increased their contribution by 10.7 m€ in Q3\*.

### M&A

Relates to Aspes Multiservizi, accounted for starting from 31 December 2006.

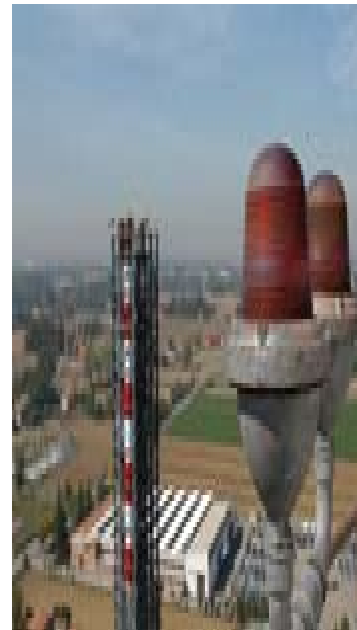
### Business Mix

Ebitda breakdown by business reflects the lower contribution from Gas.

“WW” and Electricity businesses grew, thus compensating Gas’ weak performance.

The 2007-2008 winter season begun recording “normal” temperatures in line with expectations.

*\*Includes the contribution of about 6 m€ of the Electricity grid in the province of Modena consolidated starting from 1 July 2006.*

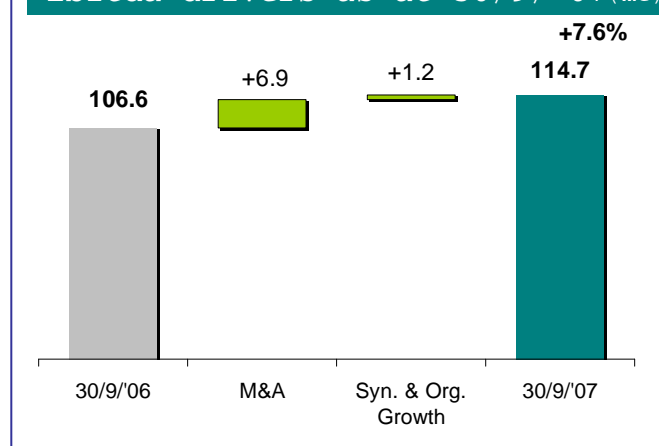


# Waste Management: Hera's leading business

P&L as at 30/9/'07

| M €             | 30/9/06      | %             | 30/9/07      | %             | Inc. %       |
|-----------------|--------------|---------------|--------------|---------------|--------------|
| <b>Revenues</b> | <b>387.7</b> | <b>100.0%</b> | <b>411.7</b> | <b>100.0%</b> | <b>+6.2%</b> |
| operat. cost    | (195.3)      | (50.4%)       | (210.7)      | (51.2%)       | +7.9%        |
| personnel       | (89.1)       | (23.0%)       | (96.6)       | (23.5%)       | +8.4%        |
| capitaliz.      | 3.3          | 0.9%          | 10.4         | 2.5%          | +214.6%      |
| <b>Ebitda</b>   | <b>106.6</b> | <b>27.5%</b>  | <b>114.7</b> | <b>27.9%</b>  | <b>+7.6%</b> |

Ebitda drivers as at 30/9/'07 (m€)



## Revenues

**+6.2%**

Revenues developed mainly due to price and tariff increases offsetting a slight decrease in volumes (mainly related to liquid special waste, with low value added contribution).

## M&A

Aspes contributed approx. 18m€ (105k tonnes of waste) to revenues.

## Ebitda

**+7.6%**

Growth improved the margin (+40 bp in Ebitda margin) recovering effects of Cip6 contracts expiry in Q1 (-5 m€).

## New WTE plants

The Ferrara WTE entered into operations (start of November 2007) and the Forlì WTE plant expected to be on stream at year end.

Construction of other new WTE plants continued in line with schedule.



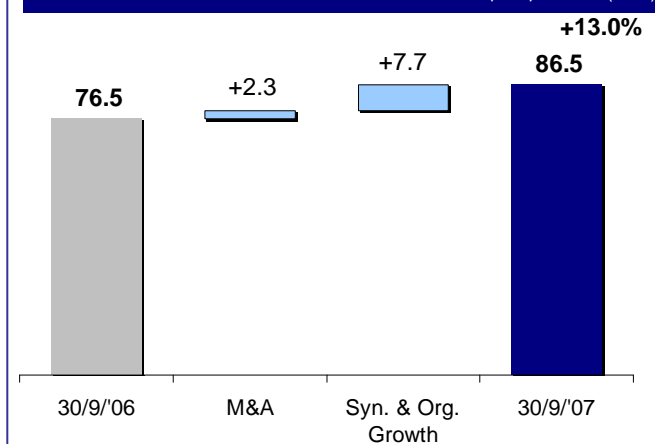


## Water improved margins

P&L as at 30/9/'07

| M €             | 30/9/06      | %       | 30/9/07      | %       | Inc. %        |
|-----------------|--------------|---------|--------------|---------|---------------|
| <b>Revenues</b> | <b>292.0</b> | 100.0%  | <b>309.7</b> | 100.0%  | <b>+6.1%</b>  |
| operat. cost    | (225.1)      | (77.1%) | (252.5)      | (81.5%) | +12.2%        |
| personnel       | (59.3)       | (20.3%) | (68.4)       | (22.1%) | +15.4%        |
| capitaliz.      | 68.9         | 23.6%   | 97.7         | 31.6%   | +41.9%        |
| <b>Ebitda</b>   | <b>76.5</b>  | 26.2%   | <b>86.5</b>  | 27.9%   | <b>+13.0%</b> |

Ebitda drivers as at 30/9/'07 (m€)



### Revenues

+6.1%

Revenues growth on a “stand alone basis” was sustained by tariff increases and by a slight rise in volumes.

### M&A

Aspes contributed 14 m€ to revenues (12.5 mm<sup>3</sup> of fresh water sold).

### EBITDA

+13.0%

Efficiency gains and top line growth improved margins (+170 bp in Ebitda margin).

### Synergies & Organic Growth

Cost cutting and tariff increases were in line with expectations, with balanced contribution.

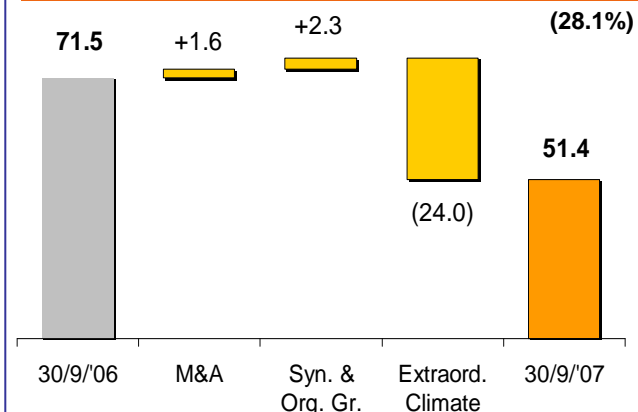


## 2007-2008 winter season started with “normalised” temperatures

P&L as at 30/9/'07

| M €             | 30/9/'06     | %             | 30/9/'07     | %             | Inc. %         |
|-----------------|--------------|---------------|--------------|---------------|----------------|
| <b>Revenues</b> | <b>649.6</b> | <b>100.0%</b> | <b>571.3</b> | <b>100.0%</b> | <b>(12.1%)</b> |
| operat. cost    | (562.3)      | (86.6%)       | (512.7)      | (89.7%)       | (8.8%)         |
| personnel       | (31.6)       | (4.9%)        | (26.3)       | (4.6%)        | (16.9%)        |
| capitaliz.      | 15.8         | 2.4%          | 19.1         | 3.4%          | +21.1%         |
| <b>Ebitda</b>   | <b>71.5</b>  | <b>11.0%</b>  | <b>51.4</b>  | <b>9.0%</b>   | <b>(28.1%)</b> |

Ebitda drivers as at 30/9/'07 (m€)



### Revenues (12.1%)

Sales and distribution revenues affected by mild climate (-250 and -269 mm<sup>3</sup> respectively on a “stand alone basis”) and by AEEG Resolution 134. These effects were slightly offset by an increase in sales to business clients “outside the traditional geographical market” (~+20 mm<sup>3</sup>).

### M&A

Aspes contributed 45.9 m€ to revenues (45.1 mm<sup>3</sup> gas sold and distributed).

### EBITDA (28.1%)

Extraordinary decrease in volumes (due to the last year’s mild winter) and AEEG Resolution 134 still affecting results.

### Synergies & Organic Growth

Improved mainly due to lower overhead cost allocation and due to an enhanced price cap on distribution tariffs.

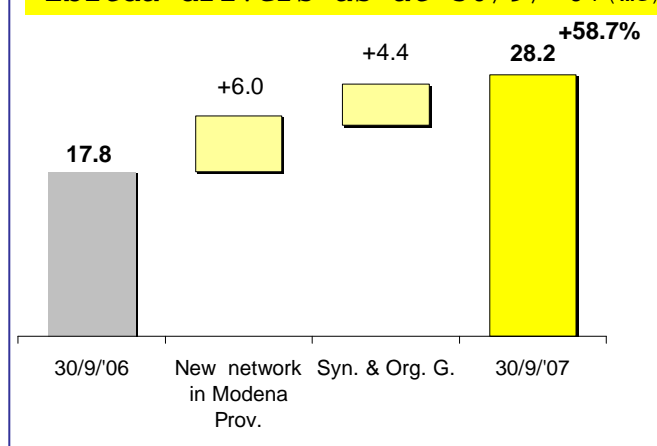
The 2007-2008 winter season has begun recording “normal” temperatures.

## Successful cross-selling on Gas business clients

P&L as at 30/9/'07

| M €             | 30/9/06      | %             | 30/9/07      | %             | Inc. %         |
|-----------------|--------------|---------------|--------------|---------------|----------------|
| <b>Revenues</b> | <b>289.7</b> | <b>100.0%</b> | <b>678.5</b> | <b>100.0%</b> | <b>+134.2%</b> |
| operat. cost    | (268.0)      | (92.5%)       | (647.6)      | (95.5%)       | +141.6%        |
| personnel       | (10.3)       | (3.6%)        | (14.8)       | (2.2%)        | +43.1%         |
| capitaliz.      | 6.4          | 2.2%          | 12.1         | 1.8%          | +89.5%         |
| <b>Ebitda</b>   | <b>17.8</b>  | <b>6.1%</b>   | <b>28.2</b>  | <b>4.2%</b>   | <b>+58.7%</b>  |

Ebitda drivers as at 30/9/'07 (m€)



### Revenues

+134.2%

Successful cross-selling through “dual fuel offering” to business clients improved (+0.9 Twh implying +90 m€ in revenues), underpinning the growth together with the contribution of the Modena province Electricity grid (acquired 1 July 2006).

Development of trading (from 24 m€ to 276 m€) contributed to top line growth.

### Synergies & Organic Growth

Net effects of about +4.4 m€ includes, results from increased sales, enhanced margins and the benefits from new power generation plants entered into operations.

### New Plants

The Teverola and the Sparanise plants entered into full operations and the construction of the Imola cogen. plant is on schedule (turbines will be delivered in January 2008).





## Positive results despite the 2006-2007 mild winter season

P&L as at 30/9/'07

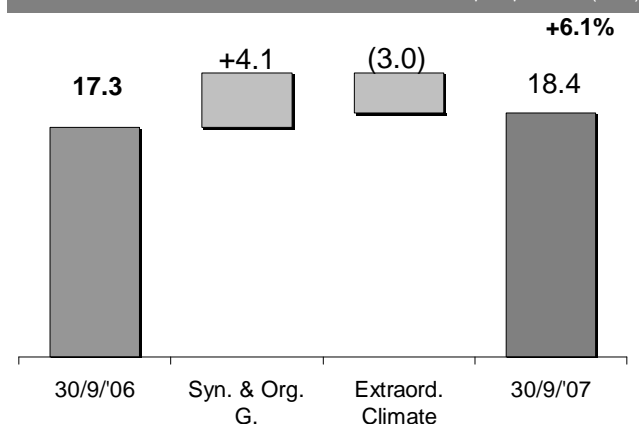
| M €             | 30/9/'06     | %             | 30/9/'07     | %             | Inc. %        |
|-----------------|--------------|---------------|--------------|---------------|---------------|
| <b>Revenues</b> | <b>116.6</b> | <b>100.0%</b> | <b>112.6</b> | <b>100.0%</b> | <b>(3.5%)</b> |
| operat. cost    | (94.5)       | (81.0%)       | (92.5)       | (82.2%)       | (2.2%)        |
| personnel       | (18.3)       | (15.7%)       | (16.6)       | (14.7%)       | (9.3%)        |
| capitaliz.      | 13.4         | 11.5%         | 14.9         | 13.3%         | +11.4%        |
| <b>Ebitda</b>   | <b>17.3</b>  | <b>14.8%</b>  | <b>18.4</b>  | <b>16.3%</b>  | <b>+6.1%</b>  |

### Revenues

(3.5%)

Revenues still suffered from effects of the mild winter on the District Heating business (volumes of 235.4 Gwth vs 297.5 Gwth) partially offset by an increase in the Public Lighting business (311.4k vs 298.5k lighting towers managed).

Ebitda drivers as at 30/9/'07 (m€)



### Synergies & Organic Growth

Efficiency gains particularly achieved in Public Lighting and through business rationalisation continued to yield positive results, offsetting extraordinary effects of the mild winter in H1.



## Nine month capex mainly regards plant and network development

### Operating capex as at 30/9/'07

| M €          | 30/9/'06     | 30/9/'07     |
|--------------|--------------|--------------|
| Waste        | 50.0         | 103.4        |
| Water        | 64.6         | 94.6         |
| Gas          | 17.5*        | 18.0         |
| Electricity  | 7.6          | 27.7         |
| Other        | 20.4         | 19.5         |
| Holding      | 34.9         | 28.8         |
| <b>Capex</b> | <b>195.0</b> | <b>292.1</b> |
| Investments  | 141.5        | 6.6          |
| <b>Total</b> | <b>336.5</b> | <b>298.7</b> |

\* Not including Investment of 13.1m€ regarding Geat acquisition (booked in "Investments")

### NFD as at 30/9/'07

| M €                        | 30/6/'07       | 30/9/'07       |
|----------------------------|----------------|----------------|
| Short Term Debts           | 178.9          | 37.5           |
| Long Term Debts            | 1,144.4        | 1,402.0        |
| <b>Net Financial Debts</b> | <b>1,323.3</b> | <b>1,439.5</b> |

### Operating Capex

**Waste** mainly regarded new WTE plants (72 m€).

**Water** mainly focused on pipeline extensions and extraordinary maintenance.

**Electricity** capex increase mainly related to new Imola cogeneration power plant.

### Net Financial Debts

The recovery of H1 delays in invoicing due to the implementation of the new SAP billing system were offset by the +21% increase in sales thus affecting Net Financial debts in Q3.

In Q3 additional initiatives were performed to bring long term portion of debts slightly above 95%.

## Closing Remarks

**Q3 Results grew in line with budgets.**

**Development capex plan** is progressing: the new Ferrara WTE plant entered into operations this month and the Forlì WTE plant is expected to start up year end. The construction of other new WTE plants and the Imola CCGT 80 MW cogen. plant are on track with schedule.

### **Recent news flow:**

- > **SAT merger:** approved on 16<sup>th</sup> October by the Extraordinary Shareholders' Meeting (consolidation starting from 1<sup>st</sup> January 2008);
- > **Galsi project:** agreement with Snam Rete Gas regarding the construction of the pipelines on Italian territory;
- > **Unique Gas and Water network control centre:** roll out by year end;
- > **New “WW” Tariffs:** Meetings with **ATOs** started targeting new agreements by year end.

**Operations progress in line with strategic framework and targets.**