

press release

Bologna, 27 March 2007

HERA: The Board of directors approves the results as at 31 December 2007, characterised by a growing performance for the fifth consecutive year.

Revenues at Euro 2,863.3 million (+ 23.9%)

EBITDA at Euro 453.4 million (+6.3 %)

Net Profit at Euro 109.9 million (+9.6)

Dividend of 8 Eurocents

Today, the Board of Directors of Hera Group, chaired by Mr Tomaso Tommasi di Vignano, unanimously approved the Consolidated Financial Statements for the financial year 2007. The statements are characterised by positive results, mainly based on organic growth and, for the fifth consecutive year, all improved compared with the previous financial year.

Revenues are up by 23.9%, totalling Euro 2,863.3 million in 2007, against Euro 2,311.5 million in 2006. This increase was achieved thanks to the contribution of all business sectors and, primarily, thanks to the increase in revenues from the Electricity Area, which off-set the results of the gas and District Heating segments, penalised, in the first part of the financial year, by an exceptionally mild climate.

The Group's consolidated **Gross Operating Margin** increased by 6.3%, up to Euro 453.4 million at the end of 2007, from Euro 426.7 million of 2006. This result however, mainly connected to the organic growth, is to be considered as particularly positive since it was achieved notwithstanding the aforementioned climate trend during the first half of the year and confirms, for the 5th year in a row, the positive growing trend of the Group. The Waste Management segment once again provided the major contribution to the results of the Group (35.3%), closing the financial year with an EBITDA of Euro 156.3 million (+ 4%) and an EBITDA margin slightly up compared to the previous financial year.

Compared with the previous financial year, the Water Cycle Segment also increased (26.1%), both in terms of volumes and efficiency, and registered increased revenues linked to the tariff scheme approved by Ato, following the significant investments realised. The financial year closes with an EBITDA of Euro 118.5 million (+10%).

As regards the Gas segment, a significant recovery was registered during the last quarter of the year, partly offsetting the negative impact registered in the first half of 2007, leading to an EBITDA as at the end of the financial year equal to Euro 104.7 million.

In 2007, the Electricity Segment registered a significant increase in sales, equal to 154%, and closes the financial year with an EBITDA of Euro 42.7 million, up by 69% against the previous results. In fact, this business area more than quadrupled its EBITDA in the last five year period, thanks to the completion of the electricity generation plants of Sparanise and



Teverola (in the Campania region) and to the achieved expansion of the distribution business.

Year 2007 closes with a **Net Profit** of Euro 109.9 million, up by 9.6 percentage points against the previous year.

Operating investments made during 2007 are in line with the Industrial Plan, being equal to Euro 464 million, broken down as follows: Euro 131.4 million in the Water Cycle segment, Euro 166.2 million in the Waste Management segment, Euro 31.7 million in the gas segment and Euro 49.2 million in the Electricity segment, Euro 35 million in Other businesses and other Capex related to the Holding Company.

The net financial position of the Group totalled Euro 1,424.1 million, against Euro 1,173.3 million registered in 2006, following the cash flow generated by operations, the significant investments realised in 2007 and the distribution of a dividend for over Euro 81 million. The increased indebtedness has not affected the financial strength of the Group, reflected in the ratings assigned to Hera by Standard & Poor's (A with stable outlook), and by Moody's (A1 with stable outlook).

The Board of Directors shall submit to the approval of the Ordinary Shareholders' Meeting a distribution to the shareholders of **a dividend of 8 Eurocents, in line with the 2006 dividend**. Ex dividend date will be 2 June 2008, with the relevant payment starting as from 5 June 2008.

Finally, the Shareholders' Meeting shall be called to approve the renewal for further 18 months of the authorisation for the **purchase of treasury shares for a countervalue of up to Euro 60 million**.

Tomaso Tommasi di Vignano, Chairman of Hera Group, commented "The growth strategy pursued by Hera in 2007 as well as during the last five years from the date of the listing, confirmed the ability to achieve the targets disclosed to the financial community and to the shareholders, also in an increasingly competitive market.

During these last five years – Mr Tommasi continues – we nearly tripled the turnover and more than doubled the EBITDA with an average annual growth rate of about 19%; currently we are committed to the achievement of the growth set by the industrial plan and, in compliance with the resolutions approved by our shareholders, to starting meetings with some of the companies in this industry, in order to define an industrial consolidation project".

Maurizio Chiarini, Managing Director of Hera Group stated "Despite the mild winter affecting Gas business in 2006/2007 (-30 ml€), all the other core businesses (Waste Management, Water and Electricity) record positive results in 2007. Further more, in 2007 Hera had significant Capex (Euro 464 million) and completed 4 new plants – 2 CCGT power generation plants in Campania region and 2 WTE on our reference territory – and we are currently committed to complete the building of 2 other WTE and 1 cogeneration power plant in our reference territory".

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Profit and Loss (m€)	31/12/2006	Inc.%	31/12/2007	Inc.%	Ch. (m€)	Ch.%
Sales	2.311,5	100,0%	2.863,3	100,0%	551,8	23,9%
Change in Stock	2,7	0,1%	(4,2)	(0,1%)	(6,9)	(257,5%)
Other operating revenues	50,3	2,2%	46,0	1,6%	(4,3)	(8,5%)
Raw material	(1.146,7)	(49,6%)	(1613,9)	(56,4%)	467,2	40,7%
Services costs	(642,5)	(27,8%)	(724,7)	(25,3%)	82,2	12,8%
Other operating expenses	(46,5)	(2,0%)	(50,4)	(1,8%)	3,9	8,5%
Personnel costs	(296,6)	(12,8%)	(300,9)	(10,5%)	4,3	1,5%
Capitalisations	194,5	8,4%	238,2	8,3%	43,7	22,5%
EBITDA	426,7	18,5%	453,4	15,8%	26,7	6,3%
Depreciation and provisions	(195,4)	(8,5%)	(232,8)	(8,1%)	37,4	19,2%
EBIT	231,3	10,0%	220,6	7,7%	(10,7)	(4,6%)
Financial inc./(exp.)	(52,1)	(2,3%)	(78,0)	(2,7%)	25,9	49,7%
Pre tax Profit	179,2	7,8%	142,5	5,0%	(36,7)	(20,5%)
Tax	(79,0)	(3,4%)	(32,6)	(1,1%)	(46,4)	(58,7%)
Net Profit	100,2	4,3%	109,9	3,8%	9,7	9,6%

Balance Sheet (m€)	31/12/2006	Inc.%	31/12/2007	Inc.%	Ch. (m€)	Ch.%
Net fixed assets	2.921,9	108,6%	3.248,8	109,7%	326,9	11,2%
Working capital	167,9	6,2%	119,8	4,0%	(48,1)	(28,6%)
Gross invested capital	3.089,8	114,9%	3.368,6	113,7%	278,8	9,0%
(Provisions)	(400,2)	(14,9%)	(406,0)	(13,7%)	(5,8)	1,4%
Net invested capital	2.689,6	100,0%	2.962,6	100,0%	273,0	10,2%
Net Equity	1.516,3	56,4%	1.538,6	51,9%	22,3	1,5%
Long term net financial debts	948,8	35,3%	1.396,0	47,1%	447,2	47,1%
Short term net financial debts	224,5	8,3%	28,1	0,9%	(196,4)	(87,5%)
Net Financial Debts	1.173,3	43,6%	1.424,1	48,1%	250,8	21,4%
Net invested capital	2.689,6	100,0%	2.962,7	100,0%	273,1	10,2%

A draft of the 2007 financial statement, approved today by the Board of Directors, is already available on the website www.gruppohera.it in a "surfable" format (HTML with documents downloadable in excel and pdf format).