press release

Bologna, 12 September 2007

HERA S.p.A.: BoD approves results for First Half 2007 and Industrial Plan 2007-2010

Multi-business structure and new initiatives compensate for the effects of the extraordinarily mild winter season

Revenues at Euro 1,345 million (+14%)
EBITDA at Euro 210.7 million (+0.4%)
EBIT at Euro 113.8 million (-6.9%)
Net Profit at Euro 44 million (-26%)

Today, the Board of Directors of the Hera Group unanimously approved the consolidated financial results for the first half of the year, drawn up based on IAS standards. The results demonstrate significant growth in the Electricity and Waste management sectors, capable of compensating for the reduction in the gas and district heating sectors, due to extraordinarily mild weather, which also continued during the 1st half of 2007.

Revenues of the Group grew by + 14%, from Euro 1,179 million in the first half of 2006 to Euro 1,345 million, despite the considerable reduction in volumes of gas distributed, as a result of the increase in revenues in all the other Business Areas.
Specifically, the contribution of the Energy Business Area, which increased by approximately Euro 217.6 million, derives from the consolidation of the companies within the Aspes Group, which contributed approximately Euro 30 million.

EBITDA increased by 0.4%, from Euro 209.9 million to Euro 210.7 million. This result is particularly satisfying, considering the reduction in Gas consumption and District Heating due to the mild weather conditions which resulted in a decreased of approximately Euro 27 million in EBITDA, as well as the fact that the application of Resolution 134 of the Authority for Electrical Energy and Gas (AEEG) had a significant effect on the sales revenues for residential customers.

EBIT decreased from Euro 122.2 million in 2006 to Euro 113 million, dropping by 6.9%, affected by the increased amortisation and depreciation related to the significant investments realised and M&A.

Net Profit decreased by 26%, from Euro 59.4 million in the first half of 2006 to Euro 44 million, following financial charges for Euro 36.2 million (plus Euro 13.3 million) and a tax burden of approximately Euro 33.6 million.

Group capital employed in the first six months of the year amounted to Euro 2,800.7 million.
Total investments made in the first half of 2007 amounted to Euro 184.9 million, compared to Euro 131.9 million in the same period of the previous year. Investments were focused on the

development of production capacity in all business sectors, and specifically in Waste Management in order to continue the realisation of waste-to-energy plants, and in the Integrated Water Cycle.

The NFP stood at Euro 1,324 million, compared to Euro 1,173 million in December 2006, at the same levels of the first three months of 2007. This result was achieved due to the cash flow generated in the last quarter, which limited the effects of the significant investment plan and the payment of dividends for more than Euro 81 million.

As regards the breakdown of the Group EBITDA, the weight of the Integrated Water Cycle, Waste Management, and Energy business areas increased, while the percentage weight of the Gas area decreased. Specifically, Waste Management accounted for 36.6%, the Integrated Water Cycle for 25.1%, Gas for 22.5%, Energy for 8.7% and Other Activities for 7.1%.

In the Energy Segment, Gas Business Area, 1.2 billion cubic metres of gas were sold, compared to 1.45 billion in the previous year. The significant fall in sales was caused by the previously mentioned mild winter season; in the Electrical Energy Business Area, over 2 Tw/h of electricity were sold, compared to 1.4 Tw/h in the previous year. This result was boosted by the acquisition of the former Enel power grid in the Modena area and by higher sales to business customers resulting from the commercial policy.

In the Integrated Water Cycle, the Group sold 120 million cubic metres of water, while the Waste Management Division disposed of over 2.2 million tonnes of waste.

As regards Other Activities, which mainly include District Heating and Public Lighting, organic growth compensated for the negative impact of the weather, achieving an EBITDA in line with the same period of the previous year.

The Board of Directors also approved the Industrial Plan for 2007-2010, which confirms the excellent growth prospects already envisaged in the previous Industrial Plan. Turnover is expected to reach Euro 3 billion in 2010 and EBITDA Euro 670 million, a considerable increase of approximately 57% on the result of Euro 427 million recorded in 2006.

The Company plans to achieve these significant results solely through plant and business development projects which commenced some time ago, and the continuation of measures to improve efficiency that are already ongoing, and has not included the contribution that could result from the further geographical expansion of the business, with the exception of the imminent integration of Sat, which operates in the Modena area, into the Group, operational as of next January.

In the next three years, significant investments in plants in the waste management and energy divisions will be completed, enabling the company to reposition itself further upstream and enhancing the competitiveness of its products.

The latter is fundamental to the planned doubling of electricity sales, the consolidation of the gas customer portfolio up to around 1 million and to achieving the target of 4.4 million tonnes of waste treated.
Investments also include the development of the Galsi project (Italy-Algeria gas pipeline) which will guarantee the supply of 1 billion cubic metres of gas from 2011.
With a share of approximately 40% of global sales, the Waste Management Division will be the largest contributor, benefiting from the activation of four new waste-to-energy plants already under construction, while the Energy segment will contribute almost 30% due to the continued adoption of the current commercial policy and to the higher availability of energy boosted by its own power generation capacity.
The high level of investment will be fully self-financed over the period, through increased cash generation, enabling the company to reach 2010 with a sound Balance Sheet and excellent industrial positioning.

"We are pleased," commented Managing Director Maurizio Chiarini "to have been able to confirm the Ebitda achieved last year in a difficult year such as this, which has seen hard times due to exceptional circumstances, such as the 2006-2007 winter season. Once again, in this six month period, geographical expansion has confirmed Hera's role as one of the most dynamic operators in the sector and has rewarded its ability to conduct sector consolidation, which have always been one of the Group's key factors for success."

"The approved Industrial Plan," continued Chairman Tomaso Tommasi di Vignano, "confirms the good potential of our Group, which, based on a balanced multi-business portfolio, will pursue significant growth rates even in the next three years, continuing to adopt the strategy set right from its establishment and finalising the numerous plant development projects that were commenced some time ago."

The consolidated six month report of the Hera Group as at 30 June 2007 has been prepared in accordance with IAS criteria as envisaged for listed companies by article 81 bis of Issuers Regulations no. 11971/1999, amended by Consob resolution no. 14990 of 14 April 2005. Figures therefore comply with international accounting standard no. 34 regarding interim financial reporting. The Hera Group has adopted international accounting standards (IAS/IFRS) as of the 2005 interim report.

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Profit and Loss (m€)	1H 2006	Inc.%	1H 2007	Inc.%	Ch. (m€)	Ch.%
Sales	1.179,0	100,0%	1.344,9	100,0%	165,9	14,1%
Change in Stock	3,9	0,3%	(0,1)	(0,0%)	(4,0)	(101,9%)
Other operating revenues	15,1	1,3%	20,0	1,5%	4,9	32,6%
Raw material	(616,6)	(52,3%)	(740,0)	(55,0%)	(123,4)	20,0%
Services costs	(282,9)	(24,0%)	(338,4)	(25,2%)	(55,5)	19,6%
Other operating expenses	(16,1)	(1,4%)	(27,1)	(2,0%)	(11,0)	68,1%
Personnel costs	(142,2)	(12,1%)	(150,6)	(11,2%)	(8,4)	5,9%
Capitalisations	69,9	5,9%	102,0	7,6%	32,1	46,0%
EBITDA	**209,9**	**17,8%**	**210,7**	**15,7%**	**0,6**	**0,4%**
Depreciation and provisions	(87,8)	(7,4%)	(96,9)	(7,2%)	(9,2)	10,5%
EBIT	**122,3**	**10,4%**	**113,8**	**8,5%**	**(8,4)**	**(6,9%)**
Financial inc./(exp.)	(22,8)	(1,9%)	(36,2)	(2,7%)	(13,3)	58,3%
Pre tax Profit	**99,3**	**8,4%**	**77,6**	**5,8%**	**(21,7)**	**(21,9%)**
Tax	(39,9)	(3,4%)	(33,6)	(2,5%)	6,3	(15,8%)
Net Profit	**59,4**	**5,0%**	**44,0**	**3,3%**	**(15,4)**	**(26,0%)**

Balance Sheet (m€)	31/12/2006	Inc.%	1H 2007	Inc.%	Ch. (m€)	Ch.%
Net fixed assets	2.921,9	108,6%	3.027,7	108,1%	105,7	3,6%
Working capital	167,9	6,2%	186,5	6,7%	18,7	11,1%
Gross invested capital	3.089,8	114,9%	3.214,2	114,8%	124,4	4,0%
(Provisions)	(400,2)	(14,9%)	(413,5)	(14,8%)	(13,3)	3,3%
Net invested capital	**2.689,6**	**100,0%**	**2.800,7**	**100,0%**	**111,1**	**4,1%**
Net Equity	1.516,3	56,4%	1.477,4	52,8%	(38,9)	(2,6%)
Long term net financial debts	948,8	35,3%	1.144,4	40,9%	195,6	20,6%
Short term net financial debts	224,5	8,3%	178,9	6,4%	(45,6)	(20,3%)
Net Financial Debts	1.173,3	43,6%	1.323,3	47,2%	150,0	12,8%
Net invested capital	**2.689,6**	**100,0%**	**2.800,7**	**100,0%**	**111,1**	**4,1%**