# Press release

Bologna, March 26th 2007

## HERA Board of Directors approved 2006 draft financial statements highlighting growing results for the 4th year in a row.

| | |
|---|---|
| Sales: | 2,311.5 million Euro (+ 10%) |
| Ebitda: | 426.7 million Euro (+10,4 %) |
| Ebit: | 231.3 million Euro (+7,2%) |
| Dividend: | 8 Euro cents per share (+14,3%) |

All main financial figure increased despite the effect of extraordinary warm winter that has affected negatively gas sales.

For the fourth year in a row, Hera Group has record a double digit Ebitda growth rate, which equals 22.3% cagr over the 4 year period.

Today, Bord of Directors has unanimously approved 2006 draft financial report.

The report highlights positive results and growth rates compared to 2005; results were achieved also thanks to the completion of last year integration of Meta, to the acquisition of electricity distribution network in Modena province from Enel and to the increased investment in Aspes.

Sales increased by 10% reaching 2,311.5 million Euro compared to 2,100.5 million Euro of 2005.

Ebitda increased by 10.4% reaching 426.7 million Euro compared to 386.4 million Euro of 2005. This results was particularly positive considering that gas sales were significantly affected by the warm winter recorded in 2006 last quarter. Group Ebitda benefit from both internal and external growth. Infact, Group Expansion continued in 2006 through the acquisition of stakes in 2 multi-utility companies operating in areas contiguous to Hera reference territory: 22% stake (reaching 49.7% stake) of Aspes which operates in the northern part of Marche region and 46.5% of SAT operating in Modena province. These acquisitions allowed to further strengthen Hera market positioning in all core businesses.

Waste business confirmed to be the best contributor to 2006 Group Ebitda (about 35.3% of consolidated Ebitda), thanks to the full use of plants capacity particularly of WTE plants in Bologna and of Centro Ecologico of Ravenna.

Water business (about 25.2% of 2006 Group Ebitda) also highlights good results compared to those of 2005 thanks to the increase in volume sold and to higher tariffs which have increased as a consequence of the significant capital expenditure of last 2 years (about 176 million Euro) agreed with the local Authorities (ATOs).

Electricity and Other businesses incidence on 2006 Group Ebitda (5.9% and 6.4% respectively) maintained substantially same levels of 2005 where as Gas business (27.2% on 2006 Group Ebitda) reduced its contribution to Group results due to the sales reduction related on one hand to the warm winter mentioned above and, on the other, to the reduction of sales prices applied to house hold related to D. 134/06 of AEEG Authority (negative effects of these factors on gas sales was about -13.5%).

Electricity business highlights a positive Ebitda growth thanks to the integration of the electricity network in Modena province and to the effective “dual fuel” commercial proposal.

2006 Ebit was of about 231.3 million Euro, up by 7.2% compared to 2005; Net Profit equals 100.2 million Euro.

2006 Capital expenditure amount to 321.1 millin Euro in line with Group business plan 2006-2009: 100 million relates to water business, 88 to waste business, 18 to district heating and 15 to Electricity business.

2006 financial investments, realised in order to strengthen core businesses in surrounding geographical areas, amount to 183.7 million Euro of which 106.6 million relates to the acquisition of the electricity network in Modena province, 34,5 million relates to the acquisition of SAT shares, and 16,6 millioni to the acquisition of Aspes shares.

These considerable capital expenditure and financial investments affected net financial debts which reached about 1,173 million Euro in 2006. Group 2006 financial leverage has not been significantly affected the Group financial soundness as confirmed by the ratings of Standard & Poor's (A; stable outlook) and Moddy's (A1; stable outlook). Board of Directors will propose to shareholders' meeting a dividend of 8 Euro cents per share 14.3% higher compared to the one of last year. Coupon detachment will incur on June 4th and dividend pay out will start from June 7th 2007.

Further more, sharehoders' is called to approve a buy back plan of shares for a maximum amount of 60 million Euro (later buy plan was of 45 million Euro) with 18 month validity in order to increase value creation to shareholders and to use the shares to serve possible future merger that might involved share-swaps.

Tomaso Tommasi di Vignano , Group Chairman, said" The organic growth achieved by Hera, taking into account the more and more competitive environment and the events and conditions that affected negatively 2006 results, confirms once again the Group capability to maintain the commitments taken with shareholders.
We are currently progressing in completing the new plants included in our business plan and in pursuing the Group upstream integration in order to guarantee a better competitiveness in the energy sector."

"2006 positive results– said Maurizio Chiarini, Hera C.E.O.– have been reached thanks a relevant work performed in all business areas to further improve efficiency and to further expand the Group through M&A activities. 2006 results are considered particularly positive considering the extraordinary warm winter that has negatively affected results of all sector player. Further more, these results confirms that the organisational model of Hera, based on a balanced multi-business portfolio, is successfull and represent a point of reference in the Italian multi-utility industry."

2006 Draft Financial Statement, approved today by Bord of Directors, will be available already today on the Group website www.gruppohera.it in HTML format.

| Consolidated Profit & Loss (mln/€) | 31/12/2005 pro-forma | Inc% | ?31/12/2006 | Inc% | Var. Ass. | Var. % |
|---|---|---|---|---|---|---|
| Sales | 2.100,5 | | 2.311,5 | | +210,9 | +10,0% |
| Change in inventories and work in p. | 2,2 | 0,1% | 2,7 | 0,1% | +0,5 | +23,2% |
| Other operating revenues | 44,9 | 2,1% | 50,3 | 2,2% | +5,4 | +12,0% |
| Raw material cost | (1.014,8) | -48,3% | (1.146,7) | -49,6% | -131,9 | +13,0% |
| Service costs | (571,5) | -27,2% | (642,5) | -27,8% | -71,1 | +12,4% |
| Other operating costs | (49,1) | -2,3% | (46,5) | -2,0% | +2,7 | -5,5% |
| Personnel costs | (270,1) | -12,9% | (296,6) | -12,8% | -26,5 | +9,8% |
| Capitalisations | 144,3 | 6,9% | 194,5 | 8,4% | +50,2 | +34,8% |
| EBITDA | 386,4 | 18,4% | 426,7 | 18,5% | +40,3 | +10,4% |
| Depre. & provisions | (170,7) | -8,1% | (195,4) | -8,5% | -24,7 | +14,5% |
| EBIT | 215,7 | 10,3% | 231,3 | 10,0% | +15,6 | +7,2% |
| Adj. on asset values | 15,5 | 0,7% | - | 0,0% | -15,5 | -100,0% |
| Financial inc./(exp.) | (41,9) | -2,0% | (52,1) | -2,3% | -10,1 | +24,1% |
| Pre tax Profit | 189,3 | 9,0% | 179,2 | 7,8% | -10,0 | -5,3% |
| Tax | (80,5) | -3,8% | (79,0) | -3,4% | +1,5 | -1,9% |
| Net Profit | 108,8 | 5,2% | 100,2 | 4,3% | -8,5 | -7,8% |

| Invested Capital (mln/€) | 31/12/2005 | % | 31/12/2006 | % | Ch. | Var. % |
|---|---|---|---|---|---|---|
| Fixed Assets | 2.534,5 | 103,1% | 2.921,9 | 108,6% | 387,4 | 15,3% |
| Net working capital | 238,4 | 9,7% | 167,9 | 6,2% | (70,5) | -29,6% |
| Gross invested capital | 2.772,9 | 112,8% | 3.089,8 | 114,9% | 316,9 | 11,4% |
| (Provisions) | (315,4) | -12,8% | (400,2) | -14,9% | (84,8) | 26,9% |
| Net invested capital | 2.457,5 | 100,0% | 2.689,6 | 100,0% | 232,1 | 9,4% |
| Net Equity | 1.483,5 | 60,4% | 1.516,3 | 56,4% | 32,8 | 2,2% |
| Long term financial liabilities | 523,7 | 21,3% | 948,7 | 35,3% | 425,0 | 81,2% |
| Net short term financial liabilities | 450,3 | 18,3% | 224,5 | 8,3% | (225,7) | -50,1% |
| Total financial liabilities | 974,0 | 39,6% | 1.173,3 | 43,6% | 199,3 | 20,5% |
| Total fund to net invested capital | 2.457,5 | 100,0% | 2.689,6 | 100,0% | 232,1 | 9,4% |

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