



Press Release

Bologna, 14 November 2006

HERA S.p.A.: Board approves first nine month 2006 performance

Constant growth confirmed in all business sectors, thanks to synergies and territorial expansion

Sales at Euro 1,607.1 million (+30.3%)
EBITDA at Euro 289.7 million (+36.1%)
EBIT at Euro 156.1 million (+ 26.4%)
Pre-tax profit at Euro 118 million (+29.8%)

The Board of Directors of the Hera Group has unanimously approved the consolidated economic results of the first nine months of the year drawn up pursuant to IAS standards. The results confirm the Group's constant growth, thanks also to the synergies achieved and to integration of the multi-utility company of Modena – accomplished at the end of 2005 and fully integrated in 2006 – as well as to the territorial expansion that has included the purchase of the Enel network in 18 municipalities of the Province of Modena, the incorporation of Geat Distribuzione Gas of Riccione and the increase in the stake held in Aspes Pesaro.

Group Sales as at 30 September 2006 have risen from the Euro 1,233.6 million recorded in the same period of 2005 to Euro 1,607.1 million. Over two thirds of the 30.3% growth has been achieved through consolidation of the Modena activities, while the remaining portion is chiefly attributable to the greater capacity of commercial penetration, especially in respect of business customers, and to the market increase in the costs of energy commodities.

EBITDA has risen by Euro 76.8 million, of which Euro 45.1 million derive from the integration of Modena, posting a growth of 36.1%, and rising in the nine months from the Euro 213 million recorded in 2005 to Euro 289.7 million. Ebitda Growth has occurred in all business areas and has had a greater percentage incidence on revenues compared to the same period of last year, rising from the 17.3% of 2005 to the 18% of 2006, highlighting the Group's capacity to recover efficiency.

EBIT has risen by 26.4% compared to the same period of 2005, rising from Euro 123.5 million to the Euro 156.1 million of 2006, showing growth which has been partially mitigated by the increase recorded in the amortisation/depreciation items further to the substantial investment plan implemented in 2005-2006.

The pre-tax profit records a 29.8% increase, rising from the Euro 90.9 million of the third quarter 2005 to the Euro 118.0 million of 2006.

The NFD (Net Financial Debts) as at 30 September 2006 is equal to Euro 1,143.9 million, compared to the Euro 974 million recorded as at 31 December 2005. This increase is affected by the substantial capex plan implemented by the Group of about Euro 208.1 million together with the financial investments of about Euro 128.5 5 million (which include the acquisition for Euro 107.5 million of the electricity distribution network in Modena province from Enel).



A breakdown of EBITDA shows that the Waste Management Division has accounted for 36.8%, the Energy Division for 30.8%, the Water Services Division for 24.7% and Other Activities for 6%.

The Group has achieved the most significant increase in the Waste Management Division, where EBITDA for the first nine months of 2006 is equal to Euro 106.6 million, up by almost 36% (20% compared to proforma 2005 figures adjusted to include Meta 2005 results). The division's Ebitda margin has risen from 25.5% to 27.5%, thanks to the waste-to-energy plants which has been working at full capacity and to the increased electricity prices they benefit (CIP 6).

In the energy sector (which includes gas and electricity sales and distribution activities) the Group has achieved EBITDA of Euro 89.3 million in the third quarter 2006, up by approximately Euro 28.3 million (Euro 4.3 Million compared to proforma 2005 figures adjusted to include Meta 2005 results), despite the less favourable climate conditions and to the considerable increase in the costs of energy commodities.

In the integrated water cycle, the Group distributed almost 177 million cubic metres of water, achieving in the first nine months EBITDA of Euro 76.5 million, up by 24% (9.5% compared to proforma 2005 figures adjusted to include Meta 2005 results). The rise in tariffs established by the local authorities for the 2005-2007 three-year period has also contributed to the increase.

In the Other Activities sector, which includes District Heating and Public Lighting, the Group has achieved EBITDA of approximately Euro 17.8 million, up by 47% (25.8% compared to proforma 2005 figures adjusted to include Meta 2005 results).

"In the first nine months of 2006 – commented the Chairman Tomaso Tommasi di Vignano – the results achieved show a particularly positive trend, confirming the Group's constant growth. In addition to the synergies arising from integration with the Modena activities, the Group has also benefited from cooperative interaction arising from acquisition of the electricity network in 18 municipalities of the Province of Modena, the effects of which will be even more apparent over the coming months."

"The growth in all the business sectors – continued the Managing Director Maurizio Chiarini – has been achieved by implementing moderate tariff increases agreed with the local authorities, thus confirming a corporate model that is capable of being competitive while maintaining strong territorial roots, which is also expressed in the dialogue with the majority public shareholders."

The consolidated third quarter report of the Hera Group as at 30 June 2005 has been drawn up in compliance with the IAS standards as provided for listed companies by Article 81 bis of Issuers' Regulation no. 11971/1999, amended by CONSOB resolution no. 14990 of 14 April 2005. Accordingly the figures are consistent with international accounting standard no. 34 concerning interim financial reporting. The Hera Group has adopted the international accounting standards (IAS/IFRS) as from the half year report 2005.

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Consolidated Income Statement

P&L (ml/€)	30-Sept-05	Inc%	30-Sept-06	Inc%	Change	Change %
Revenues	1.233,6		1.607,1		+373,5	+30,3%
Change in stock	1,5	0,1%	4,2	0,3%	+2,7	+183,2%
Other revenues	21,9	1,8%	28,0	1,7%	+6,2	+28,1%
Raw materials	(560,2)	-45,4%	(795,2)	-49,5%	-235,0	+42,0%
Service costs	(310,4)	-25,2%	(367,9)	-22,9%	-57,5	+18,5%
Other operating costs	(77,8)	-6,3%	(85,7)	-5,3%	-7,9	+10,1%
Personnel costs	(172,5)	-14,0%	(208,6)	-13,0%	-36,1	+20,9%
Capitalised costs	76,9	6,2%	107,8	6,7%	+30,9	+40,2%
EBITDA	213,0	17,3%	289,7	18,0%	+76,8	+36,1%
Depreciation & Provisions	(89,4)	-7,3%	(133,6)	-8,3%	-44,2	+49,4%
EBIT	123,5	10,0%	156,1	9,7%	+32,6	+26,4%
Other financial income/(charges)	(0,2)	0,0%	2,1	0,1%	+2,2	-1410,7%
Interest income/(charges)	(32,4)	-2,6%	(40,2)	-2,5%	-7,8	+23,9%
Pre-tax profit	90,9	7,4%	118,0	7,3%	+27,1	+29,8%

Consolidated Income Statement (pro-forma)

P&L (ml/€)	30-Sept-05 pro-forma	Inc%	30-Sept-06	Inc%	Change	Change %
Revenues	1.490,5		1.607,1		+116,6	+7,8%
Change in stock	1,3	0,1%	4,2	0,3%	+2,8	+214,4%
Other revenues	30,3	2,0%	28,0	1,7%	-2,3	-7,4%
Raw materials	(696,5)	-46,7%	(795,2)	-49,5%	-98,7	+14,2%
Service costs	(350,3)	-23,5%	(367,9)	-22,9%	-17,6	+5,0%
Other operating costs	(90,5)	-6,1%	(85,7)	-5,3%	+4,8	-5,3%
Personnel cots	(203,6)	-13,7%	(208,6)	-13,0%	-4,9	+2,4%
Capitalised costs	76,9	5,2%	107,8	6,7%	+30,9	+40,2%
EBITDA	258,0	17,3%	289,7	18,0%	+31,7	+12,3%
Depreciation & Provisions	(112,3)	-7,5%	(133,6)	-8,3%	-21,3	+19,0%
EBIT	145,7	9,8%	156,1	9,7%	+10,4	+7,2%
Other financial income/(charges)	(0,2)	0,0%	2,1	0,1%	+2,3	-979,3%
Interest income/(charges)	(33,1)	-2,2%	(40,2)	-2,5%	-7,1	+21,5%
Pre-tax profit	112,4	7,5%	118,0	7,3%	+5,6	+5,0%

Net financial debts

Net financial debts (ml/€)	30-Sept-05	Inc%	30-Sept-06	Inc%	Change	Change %
medium/long term	(604,1)	77,6%	(1.000,8)	87,5%	(396,7)	65,7%
short term	(174,3)	22,4%	(143,1)	12,5%	31,2	-17,9%
Total NFD	(778,4)	100,0%	(1.143,9)	100,0%	(365,4)	46,9%

Reclassified Consolidated Income Statement

	30 Sept 2006 € /000	30 Sept 2005 € /000	3° Quart. 06 € /000	3° Quart. 05 € /000	31 Dec. 2005 € /000
Revenues	1.607.092	1.233.629	428.133	351.925	1.730.723
Change in inventories of finished products and work in progress	4.155	1.467	261	1.648	2.465
Other operating income	28.028	21.876	12.928	7.006	34.771
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	-795.206	-560.176	-178.570	-142.904	-809.571
Service costs	-367.857	-310.352	-127.181	-108.785	-440.135
Personnel costs	-208.555	-172.494	-66.379	-55.121	-227.639
Amortisation, depreciation and provisions	-133.638	-89.444	-45.873	-29.600	-142.652
Other operating costs	-85.699	-77.841	-27.309	-24.203	-108.038
Capitalised costs	107.783	76.853	37.922	28.512	138.463
EBIT	156.103	123.518	33.932	28.478	178.387
Adjustments to technical fixed assets					15.518
Portion of profit (loss) pertaining to associated companies	2.084	-159	935	155	-444
Financial income	24.384	5.707	7.094	2.485	34.359
Financial charge	-64.579	-38.137	-23.304	-12.065	-74.102
Pre-tax profit	117.992	90.929	18.657	19.053	153.718