



## **Press Release**

Bologna, 13 September 2006

**HERA S.p.A.: results for the first half of 2006 and '2006-2009 Industrial Plan' approved by the Board of Directors**

**Results exceeded expectations and performance was good across all business segments, also thanks to the exploitation of synergies and the contribution provided by the various territorial integration processes.**

**Revenues up to 1,179 million euro (+33.7%),  
EBITDA up to 209.9 million euro (+35.5%)  
EBIT up to 122.2 million euro (+ 28.5%)  
Net profit up to 59.4 million euro (+26.7%).**

Today the Board of Directors of the Hera Group unanimously approved the consolidated results for the first half of the year, prepared in accordance with IAS. The results highlight considerable growth which is partly attributable to the synergies achieved and the integration of the Modena-based multi-utility, which took place at the end of 2005.

Group sales rose to 1,179 million euro from 881.7 million euro of the first half of 2005; part of the 33,7% growth was achieved by developing the principal business areas and the remainder is attributable to the consolidation of the Modena's activities which increased Hera's turnover by approximately 185.5 million euro.

EBITDA went up by 55.1 million euro (35.5% increase) rising from 154.9 million euro in the first half of 2005 to 209.9 million euro in the first half of 2006, of which 33.2 million euro can be attributed to the Modena integration.

EBIT went up by 27.1 million euro, compared to the first half of 2005, rising from 95 million euro in 2005 to 122.2 million euro (+28.5%).

Net profit went up by 26.7% million euro rising to 59.4 million euro, from 46.9 million euro in the first half of 2005, after financial costs of 24 million euro and a tax charge of approximately 39.9 million euro.

Group capital expenditure in the first six months of the year was equal to 2,434.3 million euro.

Total investments made in the first half of 2006 amounted to 145 million euro and were targeted to the development of all business segments, in particular, approximately 43 million euro were invested in the Water cycle business (an increase compared to the corresponding period last year) to upgrade both the networks and the plants following the agreements signed with the relevant ATOs.

In the Environment business, investments amounted to 35.5 million euro and were mostly concentrated on the Modena and Canal Bianco (Fe) plants which are currently in an advanced stage of execution.

Despite the considerable investments made, the Net Financial Position has remained largely unchanged, falling from 974 to 972.6 million euro, thanks to the positive cash flows generated by the economic activity and by the reduction in net working capital (from 320 to 111 million euro), mainly achieved through the implementation of a new invoicing system. Moreover, thanks to an effective overhaul of the financial structure, despite higher indebtedness (up to 972.6 million euro compared to 746.8 million euro at 30 June 2005) interest payable remained unchanged compared to last year.

Group gearing, i.e. total debt/total equity, stands at 0.65, and is one of the most conservative of the industry sector.

In 2006 the rating agency Standard & Poor's confirmed its "A+ long term" rating and, for the first time, Moody's assigned the Group an A1 rating.

Contribution to the Group Ebitda came from the Energy business (which includes sale and distribution of gas and electricity) for 37.5%, from the Water business for 22.6%, from the Waste Management business for 32.8% and from Other business activities for 7.1%.

In the Energy business the group sold 1.5 bn cm of gas and more than 1.4 Tw/h of electricity; in the first half of 2006 the Group achieved an EBITDA of 78.7 million euro which increased compared to the same period last year by 22.7 million euro. This result is due to the network growth in the Gas business as well as to the increased volumes and shift towards higher-margin customers in the Electricity business.

In the Integrated Water cycle, the Group invoiced over 308 m cm of water achieving an EBITDA of 47.4 million euro in the first half of 2006, up by 29.2%. The higher EBITDA is also due to the planned increase in the tariffs agreed with the local authorities for the 2005-2007 three-year period, the growth of the distribution network and, to a greater extent, to the integration of the Modena area.

The best results achieved by the Group were in the Environment business; treated volumes went up to almost 1.75 million tonnes and the EBITDA of the first half of 2006 rose to 68.8 million euro, up by 32.6% compared to the results of the same period last year. The remarkable growth was positively affected by the fact that some of the plants worked at full capacity and treated volumes increased. All of these factors improved the overall EBITDA of the business area which went up from 26.0% to 32.8%.

In the 'Other' business activities, including mainly District heating and Public lighting, the Group achieved an EBITDA of approximately 15.0 million euro, up by 45.6% compared to the same figures last year; the growth is attributable to a number of rationalisation activities, the divestment of non-core areas and lastly the increase in revenues in District heating and Public lighting.



The Board of Directors also approved the 2006-2009 Industrial Plan which envisages the achievement of a turnover of 2.9 billion euro and further growth of the EBITDA of up to 650 million euro in 2009 (on average + 14% p.a.).

In terms of expected results, the forecasts of the previous plan are confirmed through 2008 and a further increase is expected in 2009 with sustained growth rates, in line with the last three years.

With regard to the strategic lines, the new Plan aims at expanding the capacity of the Group's plants and its procurement ability in the Energy and Environment core business areas, as well as at consolidating the commercial coverage of the customer base, supported by the optimization of its operating structure.

The strategic lines, but also the actions and the main objectives will be presented during the road show which is due to start tomorrow in Milan, with a presentation scheduled for 11:00 a.m. at the premises of the Italian Stock Exchange, which then will visit Paris, London and the United States.

"In the first half of 2006 - Chairman Mr. Tomaso Tommasi di Vignano said - the Group achieved results which exceeded expectations and this proves the good level of efficiency achieved. In addition, the Group was able to meet its forecasts, which already took into account the major effects arising from the integration of Meta Modena, additional expansion operations carried out in connection with Sat of Sassuolo, Geat of Riccione and Aspes of Pesaro, confirming its position as an operator that is highly committed to carrying out a territorial consolidation process."

"We are satisfied - CEO Mr. Maurizio Chiarini continued - also because the results presented today confirm that the enterprise model oriented towards the fulfilment of the principles of Social Responsibility and the quest for a sustainable balance between the interests of the various stakeholders is a winning one for improving competition in the long run. This is the reason why, in the six months under review, the Group mission was redefined, in line with those principles."

*The half-year consolidated report of the Hera Group at 30 June 2005 was prepared in accordance with the IAS, as provided for all quoted companies by Article no. 81 bis of the Issuers' Regulation no. 11971/1999, as amended by Consob resolution no. 14990 of 14 April 2005. As a result, the data comply with IAS 34 'Interim Financial Reporting'. The Hera Group has adopted IAS/IFRS starting from the 2005 half-year reports.*

**Investor Relations Hera S.p.A.**

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# Consolidated Income Statement as at 30 June 2006

	30 June 2006 € /000	30-Jun-2005 € /000
Revenues	1,178,959	881,704
Change in inventories of finished products and work in progress	3,894	-181
Other operating income	15,100	14,870
Use of raw materials and consumables (net of changes in inventories of raw materials and stock)	-616,636	-417,272
Service costs	-240,676	-201,567
Personnel costs	-142,176	-117,373
Amortisation, depreciation, and provisions	-87,765	-59,844
Other operating costs	-58,390	-53,638
Capitalised costs	69,861	48,341
<b>EBIT</b>	<b>122,171</b>	<b>95,040</b>
Portion of profit (loss) pertaining to associated companies	1,148	-314
Financial income	17,290	3,222
Financial charges	-41,275	-26,072
<b>Pre-tax profit</b>	<b>99,334</b>	<b>71,876</b>
Taxes for the period	-39,889	-24,986
<b>Profit from sold assets for the year</b>		
<b>Net profit for the year</b>	<b>59,445</b>	<b>46,890</b>
Attributable to:		
Shareholders of the parent company	55,218	40,617
Minority shareholders	4,227	6,273
<b>Profit per share</b>		
<b>base</b>	0.054	0.048
<b>diluted</b>	0.054	0.048

## ASSETS

### Non-current assets

Tangible fixed assets	1,967,884	1,914,946
Intangible assets	215,834	212,847
Goodwill and consolidation difference	291,535	273,432
Equity investments and securities	203,381	91,831
Financial assets	65,296	54,441
Deferred tax assets	38,079	41,474
Financial instruments - derivatives	4,882	3,413
Other non-current assets	25,850	33,799
	<b>2,812,741</b>	<b>2,626,183</b>

### Current assets

Inventories	35,205	35,751
Trade receivables	854,287	895,657
Contract work in progress	24,614	20,688
Financial assets	14,579	13,918
Other current assets	75,219	145,527
Cash and cash equivalents	307,553	189,107
	<b>1,311,457</b>	<b>1,300,648</b>

<b>TOTAL ASSETS</b>	<b>4,124,198</b>	<b>3,926,831</b>
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