



Press release

Bologna, 27 March 2006

HERA: The Board of Directors approves results at December 31st, 2005, that also include Meta Modena's contribution. Numbers feature significant improvement with EBITDA up by 32% (10% net Meta Modena's contribution) and profit shows growth of 26%, with a proposed dividend of € 0.07 (+16.7%).

Hera S.p.A's Board of Directors, chaired by Tomaso Tommasi di Vignano, met today and unanimously approved Hera S.p.A's 2005 draft financial statements, the Hera Group's consolidated financial statements prepared in accordance with the new IAS accounting principles and examined the Group's consolidated results that include Meta's entire 2005 contribution.

The Board deemed it opportune, in fact, to present pro-forma financial statements so that the market could have a more precise picture of the entire Group's results following integration of Meta.

As shown in the pro forma results, the Hera Group closed 2005 with net sales of €2,100.5 million (mn), an increase of 41%, EBITDA that rose 32%, increasing from €292.5 to €386.4 mn, EBIT grew by 22 %, rising from €177.3 to €215.7 mn and Net Profit jumped 26%, reaching €108.8 mn vs. €86.5 in the previous year before minority interests.

Meta's contributed €65.3 mn to EBITDA and €21 mn to Net Income.

These are extremely positive results, particularly in light of the fact that the Company absorbed extraordinary operations related to the integration of Agea Ferrara, the start-up of the Meta of Modena deal and the realization of a new integrated invoicing system.

Investments grew by 47% (by 22% net Meta) for a total of €331 mn. Following investments made and the Public Tender Offer on Meta S.p.A., that resulted in the purchase of 20% of Meta's share capital and an investment of €97.3 mn, net debt rose from €571 to €974 mn.

The proposed dividend equals €0.07 per share, up 16.7% vs. the 2004 dividend.

2005 represented another important part of Hera's growth path that allowed the company to further strengthen its position in the Italian multi-utility sector. The completion of the Meta Modena integration project was accompanied by a series of smaller acquisitions in the gas business, strengthening in the Environment business, full capacity at the Bologna WTE plant and the Ecological Center in Ravenna, and commercial consolidation in the energy business. The company's continued maintenance of a balanced portfolio, along with the

progressive strengthening of plants and upstream ensure that development will continue in the coming years as outlined in the Industrial Plan.

The 2005 Consolidated Pro-forma Financial Statements, including Meta's contribution, show **pro-forma net sales**, up by 40.7% at €2,100.5 mn in 2005, vs. €1,492.6 in 2004.

The increase in net sales can be attributed for almost 61% to the integration of Modena and, for the reminder, above all to the increase in prices/volumes of energy commodities.

In terms of rates, in addition to the programmed increases in the Water and Environment businesses, there were also expected rate reductions in the Gas Distribution business and, to a lesser degree, in Electric Energy Distribution.

Costs for services increased by 19%, rising from €416.9 to €496.2 mn and this change is due entirely to the integration of Meta SpA, while the increase in **Other operating expenses**, that rose from €92.2 to €124.4 mn (+35.0%), is attributable, in equal shares, to the integration of Modena and the additional costs tied to agreements stipulated with Environmental Agencies, in particular related to the Integrated Water business.

Personnel costs rose from €215.9 to €270.1 mn in 2005 (+25.1%) with an incidence on net sales that improved by 1.6 bps, dropping from 14.5% in 2004 to 12.9% in 2005. The increase, in absolute terms, should be compared to the change in the consolidation and Meta's contribution of approximately 80%.

The Group's consolidated **EBITDA** at the end of 2005 increased by 32.1% increasing from €292.5 to €386.4 mn. Net Meta integration the increase in EBITDA would be 10%.

This result is primarily attributable to the positive performance of the Environment (52.3%) and Integrated Water (23.2%) businesses. The growth in the Gas business margins contributed to a lesser degree, in light of a less profitable sector and, above all, gas distribution rate cuts and increased competition.

Thanks to this performance, the Environment business has become the division with the largest weight in terms of overall margins with a contribution of 33.8%.

The electric energy business grew significantly thanks, above all, to the integration of Meta Modena that resulted in a total of approximately 180,000 clients. Another push in this area will take place when the acquisition of the Enel network in the province of Modena is completed. This will allow the Group to exceed 250,000 clients. The preliminary purchase contract was signed last 13 March 2006.

2005 closed with an **operating profit** of €215.7 mn, an increase of 21.7% vs. the previous year, that is reflected in a **net profit** of €108.8 mn, before minority interests (equal to €101.4 mn net the latter).

2005 **operating capital expenditures**, equal to €331.3 mn vs. €225.4 mn in the previous year and are attributable, in addition to €54.4 mn for Modena, to investments in the

Environment and Integrated water business for more than 50%. Investments were made in the strengthening of the plant facilities (kick-off of the works to enhance WTE plants in Modena and Ferrara) and complying with the agreements signed with Environmental Agencies related to the Integrated water cycle.

In reference to the Group's stand alone balance sheet, approved by the Board of Directors and prepared in accordance with IAS accounting principles and that do not include the Meta Group's results in the profit and loss account, of note are net sales of €1,730.7 mn, EBITDA equal to €321 mn and Net profit of €87.7 mn, before minority interests.

The Board of Directors will propose that the Ordinary and Extraordinary Shareholders' Meeting approve distribution to shareholders of a dividend equal to €0.07, and increase of 16.7% vs. the 2004 dividend.

Tomaso Tommasi di Vignano, Chairman of the Hera Group, commented "Hera's significant growth has made it possible to be ahead of the Plan, defined during the Group's construction phase. These results are even more significant in light of the fact that the Company absorbed the effects related to integration of Ferrara and Modena which confirms the solidity of the Group's financial and organisational structure, as well as the Group's successful dynamics. The results in the first part of 2006 confirm this growth trend."

"Once again in 2005 – continued Maurizio Chiarini, CEO of the Hera Group – it's important to underline how the Group's growth and market competitiveness continue. For us it is of fundamental importance that the balance between the business growth and the quality of service continues, as part of a sustainable growth that translates into the conditions for value creation in the medium term."

The Hera Group's 2005 financial statements have been prepared in compliance with IAS, as required for listed companies by article 81-bis of the Issuers' Regulations 11971/1999, as amended in Consob resolution 14990 of 14 April 2005. The figures therefore comply with IAS 34 on interim financial reporting. The Hera Group is adopting international accounting and financial reporting standards (IAS/IFRS) starting from its half-year results for 2005.

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	<i>Note</i>	<i>Dec. 31, 2005</i> € /000	<i>Dec. 31, 2004</i> € /000 (Adjusted)
Income statement			
Net sales	4	1.730.723	1.492.572
Change in inventories of finished products and products in work in progress		2.465	9.187
Other operating revenues	5	34.771	27.106
Consumption of raw materials and consumable materials (net of the change of the inventories of raw materials and stocks)	6	-809.571	-622.006
Service costs	7	-440.135	-416.930
Personnel costs	8	-227.639	-215.863
Depreciation, amortisation and provisions		-142.652	-115.256
Other operating expenses	9	-108.038	-92.152
Capitalised costs	9 bis	138.463	110.599
Operating results		178.387	177.257
Adjustments to technical fixed assets	10	15.518	
Quota of profits/(losses) of associated companies	11	-444	-3.029
Financial income	12	34.359	6.071
Financial charges	12	-74.102	-32.755
Pre-tax result		153.718	147.544
Income taxes	13	-66.055	-61.083
Discontinued activities			
Profit from discontinued activities			
Net profit/(loss) for the period		87.663	86.461

Attributable:

To the shareholders of the Parent Company

80.346

80.994

To the minority shareholders

7.316

5.467

	<i>Note</i>	<i>Dec. 31, 2005</i> € /000	<i>Dec. 31, 2004</i> € /000 (Adjusted)
ASSETS			
Non current assets			
Tangible fixed assets	14	1.914.946	1.298.867
Intangible fixed assets	15	212.847	210.947
Goodwill and consolidation differences	16	273.432	151.610
Equity instruments and securities	17	91.831	78.385
Financial assets	18	54.441	18.903
Deferred tax assets	19	41.474	35.079
Financial instruments - derivatives	20	3.413	0
Other non current assets	21	33.799	43.804
		2.626.183	1.837.595
Current assets			
Inventories	22	35.751	41.513
Trade receivables	23	895.657	597.452
Contract work in progress	24	20.688	14.671
Financial assets	25	13.918	36.827
Other current assets	26	145.527	44.922
Cash and cash equivalents	27	189.107	172.372
		1.300.648	907.757
Assets classified as available for sale			
TOTAL ASSETS		3.926.831	2.745.352

Note

Dec. 31, 2005
€ /000

Dec. 31, 2004
€ /000

(Adjusted)

SHAREHOLDERS' EQUITY AND LIABILITIES

Share capital and reserves

	28		
Share capital		1.016.752	839.903
Reserves		360.020	114.988
Reserve for derivative instruments valued at fair value		-4.185	0
Retained earnings/(Accumulated losses)		0	0
Net profit/(loss) for the period		80.346	80.994
Group shareholders' equity		1.452.933	1.035.885

Minority interest share		30.603	28.346
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Total shareholders' equity

1.483.536	1.064.231
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Non-current liabilities

Loans - payable beyond one year	29	534.518	489.063
Employee leaving indemnity and other benefits	30	100.902	82.634
Provisions for risk and charges	31	119.923	79.206
Deferred tax liabilities	32	94.614	53.036
Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo	33	39.859	28.668
Financial instruments - derivatives	20	19.225	
Other non-current liabilities	34	105.344	91.135
		1.014.385	823.742

Current liabilities

Banks and financing - payable within one year	29	645.628	271.832
Lease finance payables - payable within one year	33	9.784	62
Trade payables	35	670.051	432.923
Taxes payable	36	32.545	86.670
Other current liabilities	37	70.902	65.892
Financial instruments - derivatives		0	0
		1.428.910	857.379

Liabilities directly associated with assets classified as available for sale

Total liabilities

2.443.295	1.681.121
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TOTAL SHAREHOLDERS' EQUITY & LIABILITIES

3.926.831	2.745.352
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HERA Group - Consolidated Financial Statement pro-forma as at Dec. 31, 2005
Balance sheet

	Notes	Dec. 31, 2005 € /000	Dec. 31, 2004 € /000 (Adjusted)
Tangible fixed assets	14	1.914.946	1.298.867
Intangible fixed assets	15	212.847	210.947
Goodwill and consolidation differences	16	280.127	151.610
Equity instruments and securities	17	91.831	78.385
Financial assets	18	66.478	18.903
Deferred tax assets	19	27.480	35.079
Financial instruments - derivatives	20	3.413	0
Other non current assets	21	35.756	43.804
		2.632.878	1.837.595
Current assets			
Inventaries	22	35.751	41.513
Trade receivables	23	895.657	597.452
Contract work in progress	24	20.688	14.671
Financial assets	25	16.039	36.827
Other current assets	26	143.406	44.922
Cash and cash equivalents	27	189.107	172.372
		1.300.648	907.757
Assets classified as available for sale			
TOTAL ASSETS		3.933.526	2.745.352
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves	28		
Share capital		1.016.752	839.903
Reserves		345.663	114.988
Reserve for derivative instruments valued at fair value		-4.185	0
Retained earnings/(Accumulated losses)		0	0
Net profit/(loss) for the period		101.398	80.994
Group shareholders' equity		1.459.628	1.035.885
Minority interest share		30.603	28.346
Total shareholders' equity		1.490.231	1.064.231
Non-current liabilities			
Loans - payable beyond one year	29	534.518	489.063
Employee leaving indemnity and other benefits	30	100.902	82.634
Provisions for risk and charges	31	119.923	79.206
Deferred tax liabilities	32	94.614	53.036
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Financial instruments - derivatives	20	19.225	
Other non-current liabilities	34	105.344	91.135
		1.014.385	823.742
Current liabilities			
Banks and financing - payable within one year	29	645.628	271.832
Lease finance payables - payable within one year	33	9.784	62
Trade payables	35	670.051	432.923
Taxes payable	36	32.545	86.670
Other current liabilities	37	70.902	65.892
Financial instruments - derivatives		0	0
		1.428.910	857.379
Liabilities directly associated with assets classified as available for sale			
Total liabilities		2.443.295	1.681.121
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		3.933.526	2.745.352

HERA Group - Consolidated Financial Statement pro-forma as at Dec. 31, 2005
Income Statement

	<i>Note</i>	<i>Dec. 31, 2005</i> <i>€ /000</i>	<i>Dec. 31, 2004</i> <i>€ /000</i> <i>(Adjusted)</i>
Income statement			
Net sales	4	2.100.508	1.492.572
Change in inventories of finished products and products in work in progress		2.190	9.187
Other operating revenues	5	44.908	27.106
Consumption of raw materials and consumable materials (net of the change of the inventories of raw materials and stocks)	6	-1.014.815	-622.006
Service costs	7	-496.192	-416.930
Personnel costs	8	-270.066	-215.863
Depreciation, amortisation and provisions		-170.674	-115.256
Other operating expenses	9	-124.430	-92.152
Capitalised costs	9,1	144.279	110.599
Operating profit		215.708	177.257
Adjustments to technical fixed assets	10	15.518	0
Quota of profits/(losses) of associated companies	11	-620	-3.029
Financial income	12	35.025	6.071
Financial charges	12	-76.351	-32.755
Pre-tax result		189.280	147.544
Income taxes	13	-80.524	-61.083
Discontinued activities			
Profit from discontinued activities			
Net profit/(loss) for the period		108.756	86.461
Attributable:			
To the shareholders of the Parent Company		101.398	80.994
To the minority shareholders		7.358	5.467
EBITDA		386.382	292.513