

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 \notin 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 startup 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 \in 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 \in 97.3 mn, net debt rose from \in 571 to \in 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 \in 416.9 to \in 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 \in 92.2 to \in 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 \in 215.9 to \in 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 \in 215.7 mn, an increase of 21.7% vs. the previous year, that is reflected in a **net profit** of \in 108.8 mn, before minority interests (equal to \in 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 Directros 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 $\in 0.07$, 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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	Note	Dec. 31, 2005 € /000	Dec. 31, 2004 € /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 Consumption of raw materials and consumable materials (net of the change of the inventories of raw materials and	5	34.771	27.106
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 To the minority shareholders		80.346 7.316	80.994 5.467
	Note	Dec. 31, 2005 € /000	Dec. 31, 2004 € /000 (Adjusted)
ASSETS			
Non current assets			
Tangible fixed assets	14	1.914.946	1.298.86
Intangible fixed assets	15	212.847	210.94
Goodwill and consolidation differences	16	273.432	151.61
Equity instruments and securities	17	91.831	78.38
Financial assets	18	54.441	18.90
Deferred tax assets	19	41.474	35.07
Financial instruments - derivatives	20	3.413	
Other non current assets	21	33.799	43.80
		2.626.183	1.837.59
Current assets			
Inventaries	22	35.751	41.51
Trade receivables	23	895.657	597.45
Contract work in progress	24	20.688	14.67
Financial assets	25	13.918	36.82
Other current assets	26	145.527	44.92
Cash and cash equivalents	27	189.107	172.37
		1.300.648	907.75
Assets classifed as available for sale			
TOTAL ASSETS		3.926.831	2.745.35
	Note	Dec. 31, 2005	Dec. 31, 2004

€/000

€ /000



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
Total shareholders' equity	_	1.483.536	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
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

(Adjusted)

Total liabilities	2.443.295	1.681.121
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	3.926.831	2.745.352



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

Interaction for factor and search and searc		Notes	Dec. 31, 2005 € /000	Dec. 31, 2004 € /000 (Adjusted)
Interaigible field essets 15 212.847 200 Coordwill and consolitation differences 17 91.831 78.1 Equity instruments and securities 17 91.831 78.1 Defered tax assets 19 27.480 35.5 Termanal instruments adversatives 20 3.47.3 48.1 Defered tax assets 19 27.480 35.76 43.1 Current assets 21 35.76 43.1 78.5 Current assets 23 35.751 41.1 77.6 43.9 Inventaries 23 36.567 597.7 597.7 597.7 Corract work in progress 24 20.88 14.1 71.09.840 997.2 Assets classified as evaluable for sale 27 10.9.640 997.2 44.1 Carrent assets 29 10.9.640 997.2 44.2 44.2 Carrent assets classified as evaluable for sale 27 10.9.640 997.2 44.2 Total Assecapial 10.16.752 839.3	Tangible fixed assets	14	1.914.946	1.298.867
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Reserve for derivative instruments valued at fair value 4.185 Retained earnings(/Accumulated losses) 0 Net profit/(loss) for the period 101.398 80.0 Group shareholders' equity 1.459.628 1.035.1 Minority interest share 30.603 28.3 Total shareholders' equity 1.490.231 1.064.3 Non-current liabilities 30 100.902 82.4 Loans - payable beyond one year 29 534.518 489.4 Employee leaving indemnity and other benefits 30 100.902 82.4 Provisions for risk and charges 31 119.923 79.3 Deferred tax liabilities 32 94.614 53.0 Financial instruments - derivatives 20 19.225 60 Other non-current liabilities 32 9.645.628 271.3 Easts and financing - payable within one year 29 645.628 271.3 Lease finance payable 36 32.545 86.6 Other current liabilities 37 70.902 66.3 Trade payable 36 32.545 86.6 Other curr				839.903
Retained earnings/(Accumulated losses) 0 Net profit/(loss) for the period 101.393 80.9 Group shareholders' equity 1.459.628 1.035.1 Minority interest share 30.603 28.3 Total shareholders' equity 1.490.231 1.064.3 Non-current liabilities 1 1.064.3 Loans - payable beyond one year 29 534.518 489.0 Employee leaving indemnity and other benefits 30 100.902 82.0 Provisions for risk and charges 31 119.923 79.2 Defitir periodizion finanziarie – scadenti other l'esercizio successivo 33 39.859 28.0 Debiti per locazion finanziarie – scadenti other l'esercizio successivo 33 39.859 28.0 Other non-current liabilities 20 19.225 100.14.385 823.1 Current liabilities 35 670.051 432.3 Taxes payable 36 32.545 86.6 Other current liabilities 37 70.902 65.1 Financial instruments - derivatives 0 0 1.428.910 857.3 Liabilities directly assoc				114.988
Net profit/(loss) for the period 101.398 80.3 Group shareholders' equity 1.459.628 1.035.1 Minority interest share 30.603 28.3 Total shareholders' equity 1.490.231 1.064.3 Non-current liabilities 101.398 80.3 Loans - payable beyond one year 29 534.518 489.0 Employee leaving indemnity and other benefits 30 100.902 82.0 Provisions for risk and charges 31 119.923 79.2 Deferred tax liabilities 32 94.614 53.3 Debili per locazioni finanziarie - scadenti oltre l'esercizio successivo 33 39.859 28.4 Other non-current liabilities 20 122.5 71.4 Other non-current liabilities 34 105.344 91. Lease finance payables 35 670.051 432.2 Trade payables 36 32.545 86.6 Other current liabilities 37 70.902 65.1 Trade payables 36 32.545 86.6				0
Group shareholders' equity 1.459.628 1.035.1 Minority interest share 30.603 28. Total shareholders' equity 1.490.231 1.064.3 Non-current liabilities 30 100.902 82. Laars - payable beyond one year 29 534.518 489.0 Employee leaving indemnity and other benefits 30 100.902 82.4 Provisions for risk and charges 31 119.923 79.3 Deferred tax liabilities 32 94.614 53.3 Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo 33 39.859 28.6 Financial instruments - derivatives 20 19.225 71.4 Other non-current liabilities 34 105.344 91.1 Lease finance payables - payable within one year 29 645.628 271.4 Trade payables 35 670.051 432.3 Taxes payable 36 32.545 86.6 Other current liabilities 37 70.902 65.4 Financial instruments - derivatives 0 1.428.910 857.3 Liabilities directly assoc			•	80.994
Total shareholders' equity1.490.2311.064.3Non-current liabilities29534.518489.0Loans - payable beyond one year29534.518489.0Employee leaving indemnity and other benefits30100.90282.0Provisions for risk and charges31119.92379.5Defirred tax liabilities3294.61453.0Debiti per locazioni finanziarie - scadenti oltre l'esercizio successivo3393.85928.0Other non-current liabilities2019.22591.0Other non-current liabilities34105.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year35670.051432.3Trade payables35670.051432.3Taxes payable3632.545866.0Other current liabilities3777.9.00265.1Financial instruments - derivatives01.428.910857.3Liabilities directly associated with assets classified as available for sale01.428.910857.3				1.035.885
Non-current liabilitiesLoans - payable beyond one year29534.518489.0Employee leaving indemnity and other benefits30100.90282.0Provisions for risk and charges31119.92379.9Deferred tax liabilities3294.61453.0Debiti per locazioni finanziarie - scadenti oltre l'esercizio successivo3339.85928.6Financial instruments - derivatives2019.2250Other non-current liabilities3410.5.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year35670.051432.9Trade payables35670.051432.9Itaxes payable3632.54586.0Other current liabilities3770.90265.1Financial instruments - derivatives01.428.910857.3	Minority interest share		30.603	28.346
Loans - payable beyond one year29534.518489.0Employee leaving indemnity and other benefits30100.90282.0Provisions for risk and charges31119.92379.2Deferred tax liabilities3294.61453.0Debiti per locazioni finanziarie - scadenti oltre l'esercizio successivo3339.85928.0Financial instruments - derivatives2019.2250Other non-current liabilities34105.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.7849.784Trade payables35670.051432.2Taxes payable3632.54586.0Other current liabilities3770.90265.3Einancial instruments - derivatives01.428.910857.2Liabilities directly associated with assets classified as available for sale00	Total shareholders' equity		1.490.231	1.064.231
Loans - payable beyond one year29534.518489.0Employee leaving indemnity and other benefits30100.90282.0Provisions for risk and charges31119.92379.2Deferred tax liabilities3294.61453.0Debiti per locazioni finanziarie - scadenti oltre l'esercizio successivo3339.85928.0Financial instruments - derivatives2019.2250Other non-current liabilities34105.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.7849.784Trade payables35670.051432.2Taxes payable3632.54586.0Other current liabilities3770.90265.3Einancial instruments - derivatives01.428.910857.2Liabilities directly associated with assets classified as available for sale00	Non-current liabilities			
Employee leaving indemnity and other benefits30100.90282.0Provisions for risk and charges31119.92379.3Deferred tax liabilities3294.61453.1Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo3339.85928.0Financial instruments - derivatives2019.2250Other non-current liabilities34105.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.78435Trade payables35670.051432.9Other current liabilities3770.90265.1Taxes payable3632.54586.0Other current liabilities3770.90265.1Liabilities directly associated with assets classified as available for sale01.428.910		29	534.518	489.063
Provisions for risk and charges31119.92379.2Deferred tax liabilities3294.61453.3Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo3339.85928.0Financial instruments - derivatives2019.22520Other non-current liabilities34105.34491.1Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.78433Trade payables35670.051432.9Other current liabilities3770.90265.1Instruments - derivatives01.428.910857.3Liabilities directly associated with assets classified as available for sale				82.634
Debiti per locazioni finanziarie – scadenti oltre l'esercizio successivo3339.85928.0Financial instruments - derivatives2019.22519.225Other non-current liabilities34105.34491.1Current liabilitiesBanks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.7849.784Trade payables35670.051432.3Taxes payable3632.54586.6Other current liabilities3770.90265.8Financial instruments - derivatives01.428.910857.3Liabilities directly associated with assets classified as available for sale4.428.910857.3	Provisions for risk and charges	31	119.923	79.206
Financial instruments - derivatives2019.225Other non-current liabilities34105.34491.Current liabilities341014.385823.Banks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.7849.784Trade payables35670.051432.5Taxes payable3632.54586.0Other current liabilities37770.90265.5Financial instruments - derivatives01.428.910857.5Liabilities directly associated with assets classified as available for sale00	Deferred tax liabilities		94.614	53.036
Other non-current liabilities34105.34491.Current liabilitiesBanks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.7841Trade payables35670.051432.9Taxes payable3632.54586.0Other current liabilities3770.90265.3Financial instruments - derivatives01.428.910857.4Liabilities directly associated with assets classified as available for sale444				28.668
1.014.385823.Current liabilitiesBanks and financing - payable within one year29645.628271.4Lease finance payables - payable within one year339.784784Trade payables35670.051432.9Taxes payable3632.54586.0Other current liabilities3770.90265.3Financial instruments - derivatives01.428.910857.4Liabilities directly associated with assets classified as available for sale44				04.405
Current liabilitiesBanks and financing - payable within one year29645.628271.3Lease finance payables - payable within one year339.784Trade payables35670.051432.3Taxes payable3632.54586.0Other current liabilities3770.90265.3Financial instruments - derivatives01.428.910857.3Liabilities directly associated with assets classified as available for sale44	Other non-current liabilities	34		91.135 823.742
Banks and financing - payable within one year 29 645.628 271.4 Lease finance payables - payable within one year 33 9.784 Trade payables 35 670.051 432.9 Taxes payable 36 32.545 86.0 Other current liabilities 37 70.902 65.0 Financial instruments - derivatives 0 1.428.910 857.3				020.172
Lease finance payables - payable within one year 33 9.784 Trade payables 35 670.051 432.3 Taxes payable 36 32.545 86.6 Other current liabilities 37 70.902 65.8 Financial instruments - derivatives 0 1.428.910 857.3		20	C/E 600	074 000
Trade payables 35 670.051 432.9 Taxes payable 36 32.545 86.0 Other current liabilities 37 70.902 65.8 Financial instruments - derivatives 0 1.428.910 857.9				271.832 62
Taxes payable 36 32.545 86.0 Other current liabilities 37 70.902 65.0 Financial instruments - derivatives 0 1.428.910 857.0 Liabilities directly associated with assets classified as available for sale 0 0				432.923
Other current liabilities 37 70.902 65.4 Financial instruments - derivatives 0 Liabilities directly associated with assets classified as available for sale	1 5			432.923
Financial instruments - derivatives 0 Liabilities directly associated with assets classified as available for sale 1.428.910 857.5				65.892
Liabilities directly associated with assets classified as available for sale			0	0
,			1.428.910	857.379
Total liabilities 2.443.295 1.681.				
	Total liabilities		2.443.295	1.681.121
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES3.933.5262.745.3	TOTAL SHAREHOLDERS' EQUITY & LIABILITIES		3.933.526	2.745.352



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

	Note	Dec. 31, 2005 € /000	Dec. 31, 2004 € /000 (Adjusted)
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