

## **Press Release**

Bologna 13/09/2004

### **HERA: positive performance in the first half-year 2004 discussed by the BoD today at Bologna**

#### **The BoD approves the new Industrial Plan 2005-2007.**

Group Value of Production at Euro 755.9 million (+14.6%), Ebitda at Euro 134.4 million (+10.1%), Ebit at Euro 69.4 million (+19.4%) and pre-tax profit of Euro 55.9 million (+23.4%).

These are, in summary, the most significant results in the first half of 2004 of the Hera Group compared to the same period in 2003.

The value of production increased from Euro 659.6 million in the first half of 2003 to Euro 755.9 million, recording an increase of 14.6%, thanks to the increase in revenues in all the business areas.

The Group consolidated Ebitda increased by +10.1%, from Euro 122.1 million in the first half of 2003 to Euro 134.4 million, the increase achieved with the contribution of all of the business areas (Energy, Integrated Water Cycle, Waste Management and Other Services). The increase was obtained principally from an increase in customers and increasing optimisation of internal synergies within the group.

The Ebit increased by 19.4% compared to the same period in the previous year, from Euro 58.1 million in 2003 to Euro 69.4 million in 2004. Also the percentage margin increased significantly from 8.8% in 2003 to 9.2% in the current year.

Also noteworthy is the decrease in the net financial position by Euro 40.5 million from Euro 444.3 million to Euro 403.8 million.

This result was obtained prevalently through the implementation, at a Group level, of uniform policies in the management of working capital.

The Ebitda contribution by business sector was: Energy 46.2%, Integrated Water Cycle 24% and Waste Management 24.3%.

In particular, in the energy sector there was a significant increase in revenues in the electricity area, increasing from Euro 56.6 million to Euro 103.5 million especially due to the liberalisation of the energy market.

In the integrated water cycle sector sales increased by 7.3%, to Euro 126.5 million, due in particular to greater volume of sales, while the waste management sector increased by 18%, to Euro 155.7 million.

There was an important increase in the Ebitda in the Waste Management sector that, in the first half of 2004, reached Euro 32.7 million, an increase of 31.9% compared to the same period in the previous year, with a percentage value of 21%.

The Board of Directors also approved the 2005-2007 industrial and strategic plan.

In particular the plan confirms the strong wish to continue the development path that has characterised the past two years, through the strengthening of the core businesses, in particular energy and waste management, and to continue the optimisation process of the efficiencies in the production areas, with more exacting objectives, in the prospect of sustainable development in the region.

The development of the Group will be achieved through increasing commercial penetration in the energy and special waste businesses liberalised, greater development in the integration of plant (generation and waste disposal) and regional consolidation. Hera has the objective of doubling by 2007 electricity sales, at over 4.5 TWh, while the gas objectives are to achieve a stable level above 2 billion mc, consolidating its position within Italy behind Eni and Enel.

In the special waste sector the Group counts on strengthening its market and plant leadership position.

Confirmation of the commitment of the plant development plan, that will see the start-up of 5 new waste-to-energy units, for a total of 460,000 tonnes of waste and 54 MW of capacity installed, in order to ensure within 2007 a substantial cancellation of the waste in landfill sites.

In relation to conventional generation the Group plans to add its own portfolio of production capacity equal to 430 MW, with plant under management and participations in new initiatives, arriving at a substantial coverage of its sales requirements.

In the water sector, however, the important structural and operational rationalisation actions will continue. The investments, of over Euro 150 million, will favour a further reduction of the losses, that are already at the level of the best European countries, and the level of the service.

Important development was also identified in the district heating sector, where investments are planned of approximately Euro 50 million in different towns within the region, that will result in an increase in the thermal energy produced of over 50% within year 2007.

Considering the results achieved in the rationalisation of costs, confirming the validity of the model and the choices made on the creation of Hera, the new industrial plan is approximately 40% over the objectives originally announced in the IPO and fixes as Euro 48 million the new objective for the period 2005-2007.

This objective, that will involve all of the different businesses of the Group and that will also see the contribution of Agea Ferrara, will be achieved through rationalisation of costs and management of the core operating processes.

The achievement of the industrial plan, compared to the current consolidation area integrated with the effects of the merger of Agea Ferrara into Hera at the end of 2004, will permit the confirmation of growth rates recorded in the past 24 months, improving significantly the profitability objectives set during the IPO: the new 2007 Ebitda target is estimated in 450 mln €. Further more the new plan include significant investments and capex for the period 2005-2007 of approximately Euro 700 million; these will be sustained through self financing and

finally, confirm the policy of strong orientation to remunerating the shareholders, guaranteeing an 85% pay-out of the net profits.

### Reclassified Profit and Loss Accounts

<i>(millions of Euro)</i>	<b>30-Jun-03</b>	<b>%</b>	<b>30-Jun-04</b>	<b>%</b>	<b>Ch.%</b>
Revenues	623.0	94.5%	691.3	91.5%	11.0%
Other income	9.7	1.5%	10.5	1.4%	8.2%
<b>Revenues from third parties</b>	<b>632.7</b>	<b>96%</b>	<b>701.8</b>	<b>93%</b>	<b>10.9%</b>
Internal constr. and work in course	26.9	4.1%	54.1	7.2%	101.1%
<b>Value of production</b>	<b>659.6</b>	<b>100.0%</b>	<b>755.9</b>	<b>100%</b>	<b>14.6%</b>
Operating costs	(440.6)	(66.8%)	(521.3)	(69.0%)	18.3%
Personnel costs	(96.9)	(14.7%)	(100.2)	(13.3%)	3.4%
<b>Gross operating margin</b>	<b>122.1</b>	<b>18.5%</b>	<b>134.4</b>	<b>17.8%</b>	<b>10.1%</b>
Amortisation, depreciation & provisions	(64.0)	(9.7%)	(65.0)	(8.6%)	1.6%
<b>Operating profit</b>	<b>58.1</b>	<b>8.8%</b>	<b>69.4</b>	<b>9.2%</b>	<b>19.4%</b>
Financial items	(9.6)	(1.5%)	(11.1)	(1.5%)	15.6%
Extraordinary income (expense)	(3.2)	(0.5%)	(2.4)	(0.3%)	(25.0%)
<b>Net profit before taxes</b>	<b>45.3</b>	<b>6.9%</b>	<b>55.9</b>	<b>7.4%</b>	<b>23.4%</b>
<b>Profit pertaining to the Hera group</b>	<b>43.2</b>	<b>6.5%</b>	<b>52.9</b>	<b>7.0%</b>	<b>22.5%</b>

### Reclassified Balance sheet

<i>millions of Euro</i>	<b>31-Dec-03</b>	<b>%</b>	<b>30-Jun-04</b>	<b>%</b>
Fixed assets	1427.0	106.6%	1472.0	112.4%
Working capital	89.2	6.7%	28.8	2.2%
(Provisions)	(177.4)	-13.3%	(191.2)	-14.6%
<b>Net capital employed</b>	<b>1,338.8</b>	<b>100.00%</b> <sup>■</sup>	<b>1,309.6</b>	<b>100.00%</b>
Shareholders equity	894.5	66.8%	905.8	69.2%
Net financial position	444.3	33.2%	403.8	30.8%
<b>Net capital employed</b>	<b>1,338.8</b> <sup>■</sup>	<b>100.00%</b>	<b>1,309.6</b>	<b>100.00%</b>

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