

**First nine months 2009 results**  
**Bologna, 12<sup>th</sup> November 2009**

*Speakers:*

- Tomaso Tommasi di Vignano, Chairman
- Stefano Venier, General Manager
- Jens Klint Hansen, Investor Relations Manager

Good afternoon, this is the Chorus Call operator. Welcome to the presentation of 3Q2009 results for the Hera Group. I'd like to remind you that all listeners are in listening-only mode. After the initial presentation you will have an opportunity to ask questions. In order to be assisted by an operator during the conference call press star followed by zero. I would like to hand you over now to Mr. Tommaso Tommasi di Vignano, Hera Chairman. Please sir.

**Tomaso Tommasi di Vignano, Chairman**

Good afternoon, we are here to illustrate the results for the first nine months of the year in our Group. I'm joined here, as usual, by Stefano Venier and Jens Hansen who has also come down with a bad flu and so we hope we won't get the flu too.

The first nine months in our opinion have been quite favourable, and we are pleased with what we have achieved in this difficult year.

EBITDA grew satisfactorily, 40 million more than the previous year, in the first nine months of this year, that is to say up 11.3% which means EBITDA at 390 million. This is the result of a series of events which I will first of all summarize and then Stefano will shed more light on each and every one of them when addressing individual businesses.

Individual businesses provided positive contributions to our overall results ranging between a similar result to last year or in certain areas improving over the previous year. In particular we obtained good results in our regulated activities and in this area, gas was indeed, because of all the series of other events, gas again was the business where results were best and waste too, which raised some concerns early in the year because of general market trends, is overall at the same level of 2008 and we believe this to be already a good result.

The possibility of improving in a more difficult area, in particular in industrial or special waste is due to the favourable contribution provided by a new plant that came into operation and also, over the past few months, there have been signs of a trend variation in terms of treated amounts and in particular when it comes to special waste.

In the last quarter that we are considering we have implemented several reorganisation initiatives, important ones. I'd like to remind you of the fact that Herambiente started operating on July 1<sup>st</sup> and I would also like to remind you of the potential coming from what we have decided and we are currently implementing in the corporate structure of individual companies being put together and also the addition of other gas networks to our initial base.

The period and our accounts were also marked by two opposite and non-recurring events. The first, as you will be aware of, is the additional surprise coming from the issue of State aid. The first nine months of the year are negatively affected for a total of 28.3 million euro of

which 15.7 concerning tax recovery and 12.6 is interest due. These results evidently include the first part, that have already being accounted for in the first half-year period, therefore the additional effect in the third quarter was of 23.5 million.

The second peculiarity of this period was that upon termination of lease agreements underlying our relationship with shareholders who decided to sell their gas and district heating networks to our Group – a decision to this effect was taken in our recent AGM – so the termination of the relevant lease agreements already produced a favourable one-off effect to the tune of 14.6 million euro. To that we should also add a part related to savings in terms of leases which are no longer being paid and again this adds up to the 18 million annual benefits deriving from this.

These are the elements significantly contributing both in structural terms and more specific terms again affecting our results.

Coming now more specifically to our figures, I believe I should draw your attention to ongoing growth in revenues, +19.9%, which is in line with developments in previous quarters and this is mainly due to the energy business, in terms both of sales and trading, and also to the gas business.

Concerning our EBITDA growth – we have already referred to elements affecting it in this quarter – the fact should be mentioned that of this 40 million growth, 25 is organic growth and 15 comes from the effect of the termination of lease agreements for the gas networks which are about to be acquired effective from December 1<sup>st</sup>.

As for D&A and provisions, the 26 million accounted for in our statements are broken down as follows: provisions include 5.7 million euro, because of a write-off in particular and relevant provisions, and for the remaining 21 million there are two elements to be mentioned: 13.5 D&A related to the fact that our major plants have now entered the depreciation stage – the ones that came into operations recently – and another part related to the consolidation of our telecommunication companies accounting for 7.3 million.

In terms of financial charges, well, 7 of this come from the Moratoria fiscale effect, the one-off tax recovery from Italian State aid. The second element of the Moratoria fiscale has to be found in the tax rate item that goes up to 46.3% vis-à-vis 41.7% last year because of the fact that elements related to Moratoria fiscale are no longer deductible.

Net profit. Well, a couple of things are worth mentioning here. With the Moratoria fiscale we are down to 42 million vis-à-vis 46.2 last year but, without the Moratoria effect our result would be up to 65 vis-à-vis 52.9 last year. So the real growth of the Group would have been of +19% yoy. Quite remarkable, I would say under this scope too.

Let me now guide you to the following page, page number 3, concerning growth drivers. There is nothing particularly new: the fact should be mentioned that in the area of organic growth, synergies and organic growth account for 13.8 million EBITDA level whereas the additional contribution from the new plants was 10.9 million.

A similar remark should be made in terms of the time distribution which bears further witness to the fact that our businesses have held up well. By that I mean that in the first quarter, that because of the seasonal nature of our activity is a heavy one, so to speak, just like the last one of the year, we have 12.4 million euro in terms of EBITDA growth and the same was obtained also in the two lighter, so to speak, quarters, Q2 and Q3. Again this concerning organic growth.

With this I would like to hand the conference over to Stefano for him to address individual business results.

### **Stefano Venier, General Manager**

Thank you. Good afternoon to you all. As usual, I would like to start with the waste business which once again has been providing the largest contribution to the overall result, over 30% of the total.

As the chairman said, this quarter was closed with some comforting signs. I'd like to emphasize special waste volumes which vis-à-vis the same period last year are down by 8.5%, about 1.3 million tons. And this is not a marked improvement, but at least an improvement vis-à-vis what we have seen in the early months of this year.

Again, the greatest contribution came from new plants which became fully operational in Cesena [...] and started at the end of the quarter for Modena and the production of electricity went up 29%, 313 GW/h. The result was also substantially driven by an improvement of tariffs in the regulated market. As you will be aware of, thanks to the planned increase of the range between 2.5 and 3%, this contributed almost 7 to 8 million to this result.

Again another element showing a change in the trend seen in the previous quarters is that it is in line with the same quarter last year. In terms of plants there is something new apart from the incinerators or WTE plants which we keep mentioning: we also started operations for another plant, the bio waste-to-energy plant. As I've had the opportunity to mention in other occasions, this is based on innovative dry-fermentation technologies. This is located in Cesena, it was opened and dedicated in late October and it started operating a few months earlier. So it will start working at capacity early next year, again we'll already see some positive effects at the end of this year.

Following page, the water business. Here too, some signs of recovery are being seen. As you will remember when illustrating our 1H year results we had shown that volumes had been down by over 1% overall. This is now down to less than one percent and again the last quarter was actually very much in line with the same quarter last year. The overall results improved by about 2 million euro, slightly less than 2 million euro, and the greatest contribution obviously came from tariff increases agreed with local authorities which accounted for about five percent vis-à-vis last year. So, an important contribution which not simply offsets the fall in volumes but also the evident increase in costs that you have in this

business. The fact should be mentioned that also in terms of new connections September provided favourable indications versus the early months of this year.

Coming now to the gas business on page 6. Several remarks should be made in this connection. I'd like to start with the business drivers.

Well, first of all, on the one hand we have a fall in distributed volumes by about 2.2% which is actually the result of an economic impact on the one hand and weather conditions which at least until the end of September were more favourable compared with last year. The fact should also be mentioned that October – to come to more recent times – confirmed an improvement in weather conditions with an increase in distributed volumes of about 20 million cubic metres vis-à-vis the same period last year.

Volumes sold had a different type of development. Actually major contribution to this growth which seems to be unaffected by market conditions but it is affected by trading activities [...].

District heating volumes too grew and this in particular was driven by the further development of, not simply the network connected to the Imola combined heat and power plant but also the Ferrara and Modena plants. This area improved considerably from 79.5 million euro to up to 115.6 million euro EBITDA. This was the result of a rationalisation in the gas assets, which was mentioned in previous occasions that accounted for about 18 million, partly non-recurring, slightly less than 15, and partly is recurrent – i.e. the lower leases that we are going to pay. Another 9 million was the effect of the new tariff system which, as we stated in other occasions, saw a shift in the thermal year compared with last year; last year the thermal year was indeed at the end of September whereas the end of September this year marked the third of four quarters and also, but to a much lower extent, this is due to the effect of the new regulation on volume changes which we accounted for here.

The consequence of a greater volume of activity in the gas business, the particular conditions of the Italian market vis-à-vis the European spot market allowed us to considerably improve our trading and commercial activities for over 7 million euro, half of which roughly is due to market activities and the remaining part is due to trading activities. Again this is compared with the same in September last year. So much for the gas business.

Coming now to the electricity business, our results show a fall of about 2 million euro. This is mostly accounted for by distribution activities – about 1 million euro coming from lower distributed volumes and a lower number of connections and the remaining part is due to the contribution coming from generation and sales activities. In this case, however, this is not so much related to the actual effect but a fair value change which, as you will imagine, was quite different at the end of September compared with the turmoil, the difficult period of last year. Anyway this is a very minor effect and results actually are slightly positive. This is of course due to an increase in volumes sold. As you will see we confirm 40% growth despite the fact that we had a 5% reduction on average in our geographical area and for industrial activities this ranges from 7 to 9%.

Other businesses or other services are up by about 5 million. This is mostly due to public lighting and to our activities in telecommunications. This can be broken down equally between the two activities, but, there is nothing special to me to mention if not for the fact that results have been positive and in line with our forecasts.

On page 9 you will find elements which are more closely related to financial areas or to our investments, or capex. In the first 9-month period, capex went down by about 12 million euro versus last year. As you will see almost all areas with the exception of gas, for a reason which I'm about to explain, marked a fall, and it is important for me to mention the fall in the water business: as we had been saying for a long time, this is an area where we expect to head towards a gradual reduction of our capex. As I said the [...] growth is in the gas business and this is fully due to charges related to the acquisition of further transport capacity on the TAG pipeline which we started before the start of the new thermal year.

When it comes to our financial position, there is an increase of about 100 million. This is similar to last year. As for our debt structure 200 million is accounted for by our short term debt (and about 1.7 billion is long term debt) and this is also due to the bond, the 150 million euro bond we issued last year.

Coming now more in detail to the drivers in our financial debt change vis-à-vis last June you see that for 47 million this is due to a less favourable excise duty position and about 40 million is due to operating cash flow which evidently also reflects the Moratoria fiscale one-off tax recovery from Italian State aid effect. Going again back to debt, the news today is that the Board of Directors approved a new issuance to the tune of five hundred million euro with the objective of further lengthening the life of our debt which is now of around 6 years. As I said this bond will be of 500 million with a duration ranging between 7 and 12 years. This is something that we consider doing before the end of November with the objective of further strengthening the financial structure of our Group, giving the Group the resources it needs to offset short term uses with long term fund availability.

Market conditions are rather favourable today and this is one of the reasons why we've decided to complete the issuance in this period, despite the fact that it was not absolutely necessary and urgent for us to do so now. With this I would like to hand you over to our Chairman.

### **Tomaso Tommasi di Vignano, Chairman**

Very well, let's try to draw a few conclusions. In absolute terms, considering our absolute figures net of the moratoria, gross growth is at the level of a normal year, in fact of a good year, and you are all aware of the fact that this was not a good year in general terms. Secondly our model held up well and the same goes for individual businesses. These are the summary remarks I feel I can make on these figures. We had an EGM, an extraordinary general meeting and these period projects had been illustrated to the market previously, but I

would like to remind you what was decided there: there was a right issue reserved to the three public shareholders that were affected. We managed to buy a good number of Km of gas network, thus covering 85% of the network in our geographical area; we've also managed to obtain approval and we were particularly pleased by this, approval by all public shareholders for the project aimed at removing the company status from local operating companies.

This could hurt sensitivities but in fact it was seen as a favourable development, almost an expected one, because the reason why they had been established as companies, when Hera was established, well the reason was that of handling the transition and the bringing into line of individual situations.

Having achieved this we can head for further efficiency improvements and we start with all these organisational and structural activities i.e. we have additional room for manoeuvre when it comes to efficiency improvement and we want to work on this in the next few months. We did so already with the waste business, with the Herambiente deal, and we are now doing this with the local operating company rationalisation.

Again this will also affect our intention to further cleaning our corporate tree. As you will have seen, we went down from 100 stakes which we inherited down to 45 now, with a major effort at consolidation which has been made. And then of course, this is the reason why good results were obtained in terms of synergies.

Plants. We haven't addressed the plant issue in detail today. The only thing we have to say is that construction of all major plants has been completed. Rimini is proceeding in construction and again after the revamping it should restart in 2010. Stefano told you that when it comes to plants too there are different size levels in particular for the waste business. As per our strategy, we keep completing new projects such as the interesting one we recalled before, as a first step in our bio mass, bio gas project.

Looking forward we haven't really been inactive in this quarter because actually our pipeline without being sensational, keeps producing new projects that actually do go through. By that I mean that yesterday, as you will have seen, we signed an AIMAG acquisition for 25% of that and we paid the relevant amount. So we are in the board now, so for all intents and purposes we are present in that company now.

Again looking forward, and recalling the three strategic pillars of our plan, that of focusing on the multi-utilities (AIMAG), focusing on the energy business and here I'd like to mention a tender which we are bidding for: it will be difficult because it is full of bidders. That concerns the possibility of acquiring customers of the Gorizia multi-utility. This has just started. After presenting a bid we have been admitted to the tender and we'll try to do something to that effect because it is actually advisable for us to [...] a sort of try our hands at tenders because other tenders are coming.

This is a tender concerning 57 thousand customers in the gas business and over 22 thousand in the electricity business.

Third pillar of our strategy is waste. Actually there is another one on sales and commercial activities, i.e. today our board approved a deal concerning the Marche region, the retail Marche business. Today we have two separate elements coming from the fact that we first acquired Pesaro and then we consolidated the Urbino company.

Concerning the commercial part, starting from January 1<sup>st</sup> we will have a single player for the entire area, for a total of 83 thousand customers, the second largest commercial player in that region. We consider this to be an important platform for further expansion in next few years in an adjacent region, the region of Marche.

Back to the waste business, the third pillar of our development strategy, there's a couple of things to say. Well first, after being short listed, together with another player based on our bid presented over the past few months, we are pending an invitation by the Municipality of Florence to present the final bidden project for the WTE plant to be built in Florence and we should be told something by the end of the year, actually before then.

Again one last remark on the waste business. We are also fully committed or heavily committed to a project which we had already mentioned, aimed at identifying a possible partner for a stake in Herambiente, a financial partner for that.

Several significant players have signalled their interest and we believe we can complete this deal which we believe to be important for the further development of this business.

As you have seen, overall good results. On the one hand we invested in constantly reviewing the efficiency of our Group and then our projects aimed at growing our company both in the waste business and in the commercial business which are our two main growth lines, because, as you will know, we do not intend, for other businesses such as the water business, to be present outside of our geographical area.

This is the picture which keeps changing to our own satisfaction and I hope that the annus horribilis can be completed as well as this quarter. Having said so, should you have any questions this is the time to pose them.

### **Chorus Call operator**

This is the Chorus Call operator. We'll now open the Q&A session. If you wish to pose a question, press star followed by one on your touch-tone phone. Should you change your mind, to leave the queue, press star followed by two. To pose a question press star followed by one now.

The first question comes from the Italian conference call, from the line of Stefano Gamberini from Equita SIM, please sir.

### **Stefano Gamberini, analyst**

Good afternoon, I have a couple of questions.

First, on debt. In July it had gone down to 1.6 billion whereas at the end of the third quarter is 1.9 billion. Could you help us better understand what happened in this 3-month period considering that the last month is a month where usually debt worsens because of tax outlays. So what is your debt target for the end of this year?

And then I have a question on capex at year-end. I noticed that they are in line with last year so what capex can we expect for the full year?

Then I have another question on dividend. You said that this, after all, has been a normal year, if we consider the 20 million euro you are about to pay for, I mean, one-off related to the moratoria fiscale, this is quite a small amount and perhaps also offset by other one-off effects. So based on this, can we assume dividends to be more than 8 cents last year or not?

And one last question concerning your gas business. Can you give us the EBITDA related to district heating in the first nine months of 2009? And also help us understanding whether on gas you can provide some guidance on the RAB level, so whether this is not yet available. Thank you.

### **Tomaso Tommasi di Vignano, Chairman**

Concerning your question on dividends, I do understand your great ability to put things but I do not think that the way you put things is exactly the right way.

I referred to this year as being a normal year with reference to a 40 million growth in our EBITDA i.e. the full effect of what you have referred as being a minor thing, which is not really minor, because if you calculate or consider the effect of the 28 million moratoria, not 23 because we also had one for the first half year period and we also calculate the effect on tax. Well, I cannot consider that to be a small thing.

I do not want to be controversial here, but I mean, we have to be objective here. We have indeed good results in terms of our operations, so I can confirm that. But then, after the moratoria effect, this is evidently not a normal year not only because of the crisis but also related to an event, which without passing any judgements, of course, is something that puzzles us also for its size. On this score therefore decisions on dividends haven't been taken.

Actually you ask specifically not whether a dividend will be paid or not as others have done, but whether we will have a higher level of dividends. Well, as I said in previous occasions, if I may, I would like to say that in my opinion we will pay out a dividend but then of course the board will want to see what the last quarter looks like but then, if you refer to dividends possibly increasing, I believe that in a year such as this a cautious approach is more than warranted vis-à-vis decisions that will be taken next spring.

### **Stefano Venier, General Manager**

Going backwards to your questions, so the value of district heating in the first nine months of the year. Well, that accounts for about 12 million of the 115.6 million.



Our capex then. As we said, it is our objective to reach the year-end with a slightly lower capex vis-à-vis last year but this of course does not include the outlay for AIMAG and again we expect to be at around 360 million.

Concerning your last question, debt, well, let me point out the following: when we actually illustrated the first half year results in late August, we said that debt was at 1.788 roughly and that at the end of July we had seen an improvement by several hundred millions, so 1.7, not 1.6 as you mentioned.

What contributed to us reaching almost 1.9 at the end of September? Well, the facts that I referred to before i.e. the less positive excise duties position, cash flows which we have in the third quarter, which is the least favourable in terms of income generation; consider also, when assessing the change, that the position on working capital is neutral with the exception of excise duties. Trade receivables were 1,100 billion at the end of June and 1,80 at the end of September with trade payables of 920 and 910. So the balance of our trade payables and receivables is basically unchanged, I give a take of about 10 million, which leads us to say that in current terms, this item is under control.

And then, of course, there are other items in working capital, consider inventories, consider the fact that at the end of September we actually finished stocking our gas so our inventory position changed by about 10 million euro vis-à-vis the end of June. So these are the most important elements.

Our end-of-year view. Well, it is our objective to work in order to keep the same level as the end of September considering that in the last quarter we will record the [...] we actually already did so, so the financial charges and the financial outlays related to the moratoria and our payment for the AIMAG stake. Thank you.

### **Chorus Call operator**

I would like to remind you that if you wish to pose a question, you can press star followed by one on your phone. Next question comes from the Italian conference call, from the line of Fabio Picardi, Banca IMI. Please sir.

### **Fabio Picardi, analyst**

Good afternoon. I have three questions.

First, could you help us shedding more light on net profit on page 2? I believe it is adjusted for positive non-recurring items – that's my feeling however – but could you please confirm that?

Second, concerning the Chairman's last year remarks, in particular on the waste-to-energy plant in Florence and the partnership deal in Herambiente, could you give us more details on the Florence aspect, project (what type of tender it is) and concerning the Herambiente project, please could you shed more light or give a further level of details on this? And the rationale of this. The Chairman had indeed said something already on this. Thank you.

### **Stefano Venier, General Manager**

Concerning the breakdown of the adjusted net profit, let me do this in a step-wise fashion: 91.8 is the pre-tax profit, then you go to 28.3 charges related to the Moratoria, we have a pre-tax adjusted of 120 applying a rate of about 40% – a tax rate of about 40% – you go to a net profit of about 72.7 million which after minorities goes down to 65.4 that is reported here.

As for the Florence WTE tender, well, it is a tender aimed at finding a partner for the local player, the name of which is Quadrifoglio, working in the Florence area for the construction and management of a WTE plant with a capacity of about 140 thousand tons. So, very much in line with what we did in several provinces of our geographical area or rather in Ferrara, Forlì and Rimini because the Bologna and Modena ones are significantly larger.

It all started a couple of months ago: we've been shortlisted in competition with Veolia-Cnim, our potential partner. The next few step after the letter of invitation we expect to arrive towards the end of this month [...] we will have to prepare the financial plan and the technology project based on which the public authority, or the awarding authority will decide who is going to be awarded the contract or who is going to be the company accompanying them and acquiring a stake in this vehicle that will be in charge with building and then managing the waste treatment activities.

### **Tomaso Tommasi di Vignano, Chairman**

Concerning Herambiente, we are still at an initial stage of development. We had announced our intention to consider this possibility because we believe that the prospects for further development of this business deserved the presence of a warranty, the presence of a partner able to share our activity.

The size is of about 25% of the capital which we put up for sale for a financial partner. This is the information we can disclose now. We've already been contacted by several players. We are working on them to see whether these players meet the profile and the rationale of the deal that we intend to pursue. Thank you.

### **Chorus Call operator**

Next question comes from the Italian conference call, from the line of Edoardo Montalbano, from Centrobanca.

### **Edoardo Montalbano, analyst**

Good afternoon, I have two questions. One, could you tell me something about special waste developments in the fourth quarter, i.e. to say, by the year-end, what volume decline do you expect to record, and also could you give me some guidance on EBITDA by year-end for the Hera Group?

### **Stefano Venier, General Manager**

In the light of what we said on special waste, we believe that we can be at –8 roughly versus last year. As for the overall result for the waste business, it is our objective to try and remain, as we did today, with a level in line with last year. Concerning our EBITDA forecasts, so I'm afraid of having to tell you that our disclosure policy includes everything but providing specific guidance on this item and in a year such as this it would be even more complicated to provide reliable forecasts. Indeed the foundation we start from after the first nine months is comfortable.

**Edoardo Montalbano, analyst**

Thank you.

**Chorus Call operator**

I would like to remind you that if you wish to pose a question, you may press star followed by one on your phone. Next question from the Italian conference call, from the line of Fabio Picardi of Banca IMI.

**Fabio Picardi, analyst**

I'd like to ask another question. Going back to your end of year EBITDA forecasts, I'm not asking for an estimate actually or for forecasts. However, you improved your EBITDA by 40 million in nine months. If you consider last year's EBITDA at 530, I believe that at least 565-570 is something that you can indeed achieve by year-end. And that implies an EBITDA in the fourth quarter which is in line with last year. Of course, this is something I have been considering. May I ask you something? You will remember that last year's EBITDA included a one-off element in the fourth quarter, 178-177, and this year we would have an additional contribution from several plants and a negative contribution possibly coming from the decline in special waste volumes as indicated before. So am I correct in my line of reasoning?

**Stefano Venier, General Manager**

Indeed, in the last quarter of the year, there have been some items accounting for a few million euro in the water business. This is something I can remember right now. In terms of consolidation area there shouldn't be any major changes this year. We too in our forecast, or in our target, have considered aiming to maintain the same levels of performance of last year, apart from the effects from the crisis that might come up.

**Fabio Picardi, analyst**

Let me add something. There will be a favourable contribution from several plants. We will have the favourable contribution of a few more plants compared with last year.

**Stefano Venier, General Manager**

Yes, but last year the crisis had not hit the industry so much.

In Q3, new plants actually offset more or less the decline in special waste volumes, in the waste business.

Yes, this is evident.

**Fabio Picardi, analyst**

Thank you.

For further questions, press star followed by one on your phone. If you wish to pose a question, press star followed by one on your phone. Next question comes from the Italian conference call. It's a further question from Edoardo Montalbano of Centrobanca.

**Edoardo Montalbano, analyst**

I have another question, concerning water concessions, water permits. If I'm not mistaken, you said that when tenders were opened up you had no intention to bid in areas other than your geographical area. Should competitors bid for tenders in your geographical areas, what would your reaction be? Do you only intend to adopt a defensive type of strategy or are you considering with your shareholders of adopting another type of strategy? So what is your intention on this score?

**Stefano Venier, General Manager**

As in our business plan, I'd like to draw a distinction between industrial choices and issues related to the reform in the public services sector. As for the industrial part, our position in the water business, based on the features of this specific business, is that of not considering our taking part or our bidding in tenders outside our geographical areas. This is written explicitly and clearly in our business plan and I have no reasons now to question this choice.

Concerning tenders in our geographical areas, of course we'll bid for them, the first is not that far, because in 2011, the Rimini concession will expire, and we will start from that.

Concerning then the fact of our shareholders considering whether, provided there are no changes at the end of parliamentary scrutiny so, accepting, I mean, opting for either reducing the presence of public entities in the capital structure or, actually giving up in terms of the residual part of our concession, this is something we haven't yet discussed with our shareholders, given the fact that first of all this will concern some distant future, at least three years from now and at any rate, I would rule out the possibility of saying anything on the implementation of a bill which hasn't been yet adopted as law.

Again a very clear answer on industrial strategy. Evidently our position and our way of handling tenders would not be the same in other businesses as is the case in the gas distribution business. Of course we are interested in tenders in our own area but we will also be present in a few adjoining areas, concerning concessions in areas which are not handled by us now. But this again has been already highlighted in our business plan.

Next question from the Italian conference call, from the line of Dario Michi, from Banca Akros.

**Dario Michi, analyst**

Good afternoon. Congratulations on your results which exceeded a consensus expectation. What could the implication be of this regulatory revolution in terms of M&A activities? I.e. if there are companies which run the risk of losing concessions or are disadvantaged vis-à-vis larger players, perhaps it would be better for them to be accompanied by a larger player or being acquired by this larger player, so as to face these tenders. One last thing. It is never very nice to talk about competitors but delays in the Iride merger, could they actually somehow lead to Hera a sort of warming up again to this possibility?

**Tomaso Tommasi di Vignano, Chairman**

Well, on the first of your remarks. Not having being among the authors or the supporters of this bill I'd like to draw your attention to when in past months and years I said that there was still a lot of room for consolidation in the industry with particular reference to the very many small-to-medium sized players which even irrespective of the new provision would not be able to take part in tenders alone. This is something that appears to underlie this bill but is also reflected in the attitude of small gas players, be they public or private, because the more you act towards a catchment area type of approach, the more you will see large players being favoured in the awarding of such tender. So my reply is yes, and it confirms a trend that we had expected. And evidently this concerns particularly those players who will have to look for a partner or even think of actually find some more permanent form of aggregation.

Coming to your second line of reasoning, I'm afraid I do not know what it is happening at that negotiating table. It is too difficult for me to make forecasts which would not be nice either. We haven't had any further contact apart from what we have, I mean on an operational level, maybe business opportunities for which we may get in touch. For example we are now working with a specific contract for the Parma incinerator on behalf of Enia, so we are in touch with them on this score, whereas, I wouldn't be able to say anything about their decisions when it comes to M&As but I believe that our policy is proving to be sound enough for us to wait and see what developments are going to be like.

**Chorus Call operator**

Mr. Tommasi di Vignano, there are no further questions.

**Tomaso Tommasi di Vignano, Chairman**

I'd like to thank you all again, I believe we'll have an opportunity to meet somewhere before Christmas, anyway I would also like to extend to you my end-of-year greetings. Good bye.