

Hera Business Plan 2009 - 2013
Bologna, 15th September 2009

Speakers:

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

Good afternoon, this is the Chorus Call operator; we would like to welcome you to Hera 2009-2013 business plan presentation. All participants' lines have been muted. After the presentation there will be a Q&A session. To be assisted by an operator during the conference call, please press star followed by the number 10. Now I would like to turn the conference call over to Tommaso Tommasi di Vignano, Chairman of Hera. Please sir.

Tommaso Tommasi di Vignano, Chairman

Thank you, good afternoon everybody and welcome. We are here to present our new business plan, after having shown our first slide that shows the beauty of the fields of sunflowers surrounding our plant in Imola. And we hope that this really brings luck to the new business plan.

The two new features of the plan, I would like to draw your attention to, are first of all the fact that the business plan now is longer, spanning to 2013. The second new feature is the fact that we are presenting our business areas in a new way, taking into due consideration some of the organisational measures that have been adopted over the years, with a refocusing of our group's activities on three areas.

Firstly, we are very committed and very focused on developing energy upstream activities in order to significantly support the sale and downstream activities of this business segment.

Secondly, we have a strong focus on exploiting the potential represented by Herambiente, a newly established company, which avails itself of the massive capex which we devoted to this business segment in the previous years in order to become one of the major players in this business segment, so as to fully leverage our outstanding asset base.

Thirdly, we want to strengthen our presence in regulated activities, managing in a very advanced and sophisticated way our networks, i.e. district heating and water networks.

So, these are the three major areas that will be covered by the different sections of the presentation that will be held by myself and Stefano Venier.

The plan that we are here to disclose to you shows improved cash flow at the group level, the goal being that of maintaining a balanced financial position that has been traditionally one of our major reference points when steering our strategy. And at the same time we expect financial returns as well as profits to grow.

In my last part of the presentation I will highlight also the options of external growth, something which we are going to focus on, and incidentally let me stress right away that the business plan does not factor in the impact of any M&A deal that has not been executed fully.

So these are the major guidelines for the new plan spanning – again I want to stress it – 2009-2013.

Let's start with the first slide. Our reference point is EBITDA which is meant to go up from 528 million, which was posted in 2008, to 720 which we expect to have in 2013. It is approximately a 200 million euro growth, quite a robust growth and this number really leads me to stress the fact that we have to take into consideration the distinctive features of the first half of the plan and then we also have to shed due light on some regulatory aspects and we should also shed equal light on consumption patterns shown by our customers. When making our assumptions and forecasts we had to give due consideration to the fact that Bologna WTE will loose the CIP6 regime in 2012.

And last, but not least, we are waiting for the calling of tenders for gas distribution as well as waste collection and the rules governing these tenders still have to be fully disclosed and analysed.

As I mentioned earlier, our new business plan envisages an improvement of the return on our capital employed with an improvement which is meant to stay steadily year after year reaching double digit numbers. And then we will see quite a robust EBITDA growth and during the presentation we will tell you which are the main growth drivers underlying this growth.

You can see that approximately 60 million is the contribution of new plants – 60 million is the contribution of synergies and the same amount is expected to come from organic growth or increased sales. So these are the three major growth drivers or growth areas and these are the areas we will be leveraging on.

In addition to this, there is no change in our consolidation scope, and as I said, any M&A, or M&A-related changes in consolidation scope, is something which would be an add-on.

Let's talk about the new plants. New plants included in the plan really discount facts that were forecast for 2009. I'm talking about the fact that Modena WTE and Imola's plants went on stream, something which we had forecast but it is not just that, we are talking about the Rimini WTE which is being rebuilt, the installation of unit two at Modena's plant that will flank the existing unit, the Tamarete plant in the Abruzzo region. Works are currently underway and at the end of next year the plants should be up and running.

Last but not least, two initiatives in the renewables sector: one is well known to you, it is a JV in the biomass sector and then we have other plans and projects again in the renewables sector and these initiatives will spread over the business plan. Synergy-wise, our strategy will go on with further fine-tuning of our organisation – and I will elaborate on this later on – and quite a significant contribution is represented by containment of labour cost in a very sustained way and in addition to this we will have additional efficiency gains coming from process innovation products implemented within the group.

To this we should also add the envisaged and achievable reduction of the cost per contract thanks to the implementation of our IT platform. We expect this cost to go down 10% during the plan. Organic growth is also driven by increased tariffs in the water and waste sectors according to the rules that have been set forth in the agreement which we have renewed. But most importantly that is also based on significant growth in the number of our customers as well as on the entering in services or set of operations of the new plants.

The combination of synergy, extraction and organic growth will give us a total of 110 million euro within the plan, at an annual average which is equal to the contribution which we saw coming from these two growth drivers in the previous six years.

Before getting deeper into detail about what we expect to have on a yearly basis, I would like to spend a couple of words on our performance in 2009. I do not want however to waste any time getting through the mid-year results.

Now let me just say that, despite the fact that the performance was contained as a consequence of the adverse economic conditions, nonetheless showed quite a good performance with revenue growth at a very high rate thanks to initiatives undertaken in

trading. At the same time we didn't simply see an increase in revenues but also 15.5% profit growth. I think that these numbers allow us to face the second half of the current year with a very positive approach.

The idea is that of bringing to an end a difficult year such as 2009 yet posting good results in line with what we find in the first half of 2009. In the second half of 2009, we have forecast a series of events which we will be reviewing during the presentation.

The first of such events will take place in the area of M&As. As you know, we have finalized the closing of the acquisition of 25% of AIMAG – we will further elaborate on this giving you the technical details of such a deal. This is the last significantly sized multi-utility which is located and operating in our region. And I think that this will represent a major step forward as well as an additional display of our commitment in this area.

The AGM is expected to take place on October 21st and while awaiting this to take place, we will be taking action in three major areas.

First of all, we will be rationalising our energy efforts, in particular gas assets. Hera will acquire the gas networks owned by three of our municipal shareholders. In particular in the case of Imola we will also acquire the district heating network that will require capital increase – which we will elaborate on later in the presentation.

We will also put forward for approval before our AGM the plan of changing our bylaws, in particular the proposal is that of changing the 2% cap of voting rights bringing it to a new level which is intended by us, i.e. 5%.

And there is a third area, a third event, we have been working on and that's the review of our organisational structure. I will give you more details about this later in the presentation, and once again this is a set of action which is envisaged to be implemented in the second half of 2009.

Now, quite rapidly, let me add few more details about these three major events or action areas.

Let's start with the rationalisation of our gas networks. As you will probably remember, we had quite a multi-situation within our relevant geographical market. Bologna and Modena provinces had already contributed their networks when Hera was originally set up but Ferrara, Ravenna and Imola, instead, had retained ownership of these assets. The relevant

municipalities have expressed their willingness to contribute them, therefore an 82 million share equivalent capital increase that would allow us to get a position to better manage our assets also with a view of what will happen as soon as tenders or the retendering process for existing concessions will be launched.

We therefore have assets covering 85% of our relevant geographic market. The number which I have mentioned is 145 million euro and that's a number which is fully in line with the RAB of networks in these three provinces. What will be the economic impact, the economic effect? The deal will have retroactive effect starting from January 1st, 2009 and we will have major savings of lease costs with a value which was comprised between 7 million and 10 million euro over the old business plan lifetime. We will then release provisions as a consequence of the end of the lease contract and that will translate in capital gain which will therefore make this transaction EPS neutral in 2009.

So, this is the first action area. Then we have a second action area that is more organisational in nature. That marks the end of the reorganizational process that saw Hera committed right since conception.

Right from the beginning we had a myriad of stakes in small or tiny companies and that was the legacy of our shareholders and we did a massive clean up and therefore rationalisation as a process will go on. But we will take a more delicate move, that is to say we will transform the provincial local operating companies and that will give us a leaner, a more tightly organised group, a better balance between decentralised and centralised activities as well as the streamlining of a whole series of intercompany accounting activities that generated wasteful duplications.

In doing so we will also embrace the model adopted by other multi-utilities, i.e. we will take out all commercial activities from the old local operating companies contributing them to our centralised self company. So, this company so far supervised sales activities to corporate clients whilst in the future that will cover all types of customers for the whole group.

All this should be up and running at year-end 2009 and therefore we will no longer have duplication or duplicate board meetings and the purely admin cost savings will be comprised between 3 million for 2009 and the average 8 million which we have envisaged for the next years.

A few words about the acquisition of AIMAG. I have told you how big is the stake for which we have presented a bid, the price, or the minimum bidding price, is 30 million euro as asked by the selling municipalities. We are in the process of finalising our bid and we legitimately think that the whole thing should be finalised in one week or so. Post acquisition: we will be the largest shareholder of AIMAG, a company which has an estimated 31 million euro EBITDA estimated at year-end 2009 and a total debt of 41 million.

And customer-wise, we are talking about the customer base which is a hundred thousands strong.

Now after having probably spent too much time on these issues, let me address now the real presentation of the plan. We are now on slide 6; please also remember that a handout has been sent to you. It includes information that will facilitate the comparison with our past records of previous years.

The three major or main areas of the new business plan are the response to still unsolved situations in Italy in the waste segment, but also the response to emergent business opportunities that are arising in the waste business segment.

As for the energy sector, we can really aim at very bold targets such as the one which we are going to disclose but actually we can aim at these targets and goals because the deregulation process really allows us to act as a new customer segment and this is an opportunity which we do not want to miss.

The third action area is represented by the network management sector and we have a new event which is the separation of distribution and sale.

Now let's start from the waste industry. Waste has been up 7% on a yearly basis ever since Hera has started to operate in this sector – I am talking about special waste. Well, this is not a number which we can expect as CAGR for the forthcoming years. We should not downplay or neglect problems in this area. So we have decided to be conservative and we have set an expected 4.8% CAGR during the business plan. This is another reason to tell you that we expect to grow not only outside our relevant geographical market but we expect to grow also to fill the gaps existing in various segments of the waste pipeline.

The new projects in the waste industry include also project in the bio-digester we plan to use pre-existing plants. By that I mean that there are stakes in plants which we have acquired and

which we have not been fully using. I am specifically referring to a project that should give us additional green certificates with additional capacity in the region of 22 MW and it is a project for biogas and it is a project in biomass.

All this is added to the 3 WTEs. Two were already planned, the third one is basically the revamping of an old line existing at Modena and in addition to this we will have other development projects for landfills.

Let's now move to the energy sector. I will not walk you through the difficulties related to price trends over the course of 2009. What I want to do now is to stress that the good notes of the first half of 2009 were quite reassuring and have been quite a prompt for us to set bolder goals for this sector during the plan. We expect to go from 300 to 500 thousand customers as far as electricity sales is concerned and here we should go up from 5 TW to 9 TW which is the target envisaged at the end of the plan.

As for gas, here too we expect to recoup approximately 100 thousand gas clients to add to the existing 1 million or so which we currently have, and when it comes to capacity, in electricity generation, we expect to go up to 950 MW.

As for gas imports, in addition to what we are currently importing, we can add some additional 0.6 bcm compared to 2008. These numbers give you an idea and a feel of the order of magnitude of our effort base and of our endeavours.

We have decided to be conservative remaining in line with our prudential nature and strategy, but so far we have succeeded to grow our activities in the upstream business, street electricity or gas upstream business.

Last but not least, a few words about networks. The next years are probably going to be easier years from the tariff scheme standpoint but the future will require us to certainly improve our cash flow in the regulated part of the network business. Please bear in mind that a lot of capex was already rolled out in the previous years.

What should be the distinctive feature of the next years in these areas is additional efficiency gains which I have already outlined but at the same time we should also aim at improving the quality of our network, therefore fully exploiting our capex, with the full start of operations of our monitoring and overseeing centres and also thanks to the deployment of a system of electronic meter readings.

Now I would like to hand the call over to Stefano Venier. He will walk us through the different building blocks of our business plan.

Stefano Venier, General Manager

Thank you Mr. Tommasi, good afternoon everybody.

Now, let's see which are the major differences compared to the past. Well, if we look at 2008 results we see that 528 million euro, 250 of that, so approximately 47%, is attributable to the regulated network, 186 is the waste business; please bear in mind that that is also inclusive of a fractional regulated activity which is represented by waste collection. And then we have 89 million euro that are accounted for by energy, i.e. gas & electricity sales starting from upstream to downstream. We expect a growth, as indicated by our chairman, and the 192 million EBITDA will be broken down as follows: 88 million will come from the waste industry, approximately 50% of that will be contributed by new plants.

So, in addition to the already mentioned WTEs we will also have the contribution of new projects in bioenergy. We mentioned that already in the past but now we have structured it in a more clearly defined project and then we will also have contribution coming from the regulated part of the waste business. All this will offset the expiry of WTE plant / CIP6 expiry equal to 18.5 million.

As for energy, we will see a contribution of 30 million, compared to what they contributed in 2008, thanks to the start of operations of some new assets and also 30% of that will be contributed by sales.

As for networks, instead, major contributions will come from tariffs and that is particularly true in the area of water networks and the other major growth driver will be cost containment through more efficient management of networks.

The split between regulated and deregulated businesses will remain in the region of a 50-50 split which we saw in the past as well.

Having said this, I would like to give you just a rapid overview of the different businesses giving you some additional information that have been translated in charts and numbers.

Let's start with waste. Waste is built on the set-up of Herambiente and the collection and street cleaning activities.

On page 8 you can see the expected growth. We have an 88 million euro growth; 19 million is tariff-driven as well as efficiency gain-driven in waste collection. The remaining instead is contributed by disposal and bioenergy sectors. Here too the key elements once again are represented by a series of investments which we have executed.

Let's talk about volumes. As we said, the underlying assumptions for the new plan is an overall 4% CAGR in this sector; a big chunk of that comes from special waste but almost an equivalent part comes from the so-called own production, because the bigger sorted collection, the greater the contribution and volumes of own production. Selected waste collections will grow within our sector.

On page 9 you will see the breakdown and more details about Herambiente giving more information about our plans as well as about the new projects. This is one of the major reasons why we have established Herambiente, i.e. the reorganisation of our plants and the exploitation of new initiatives.

I would like to spend a couple of words about bio waste-to-energy plants.

Well, on the one hand, we had technology and assets which we already had and on the other, we assessed the new opportunities that might arise from a different use of part of the organic fractions of waste, which we collected – mainly urban waste but also some of the special waste which we collect. Now, we have used this to seal part of the spare capacity existing here at our WTE plants and as a consequence of this we should have approximately 30 MW as total available capacity generating over 220 GW of incentivated energy.

As for initiatives outside our relevant geographical market, the bids for WTE plant tender in Tuscany is something which is quite recent and we are really approaching the awarding of the tender.

Let's now move on to the next slide, which is the energy sector, which, I would like to stress, comprises both electricity and gas and also just a small part of public lighting which is, in part, regulated business and, in part, energy industry-linked.

We expect approximately 30 million euro EBITDA growth: 4 million will be contributed by gas, and part of that will come from electricity. The expected contribution from electricity is going to be bigger also because in these areas we have some initiatives such as Tamarete which was already mentioned by Mr. Tommasi.

The other important aspect which I would like to stress is the set of new goals, which as we said are very bold, yet quite achievable, in our opinion, and that is basically a set of goals to grow our customer base.

In a nutshell, we expect to grow electricity customers from 330 to approximately 500 thousands and gas customers from slightly over 1 million customers to 1.1 million customers, thanks to a set of actions or measures that have been recently adopted by the regulator in the area of residential customers.

These goals will also be achieved thanks to the new market conditions that have set on quite recently and that will give some additional opportunities to players such as Hera.

On page 11 you can see a recap of our forecast in the electricity pipeline.

Now the main elements here are: firstly, growth of electricity sales. As I said, we expect 9 TWh in 2013, but in 2009 we expect to reach total sales between 6.5 and 6.6 TWh, which really means achieving the original goals which we have set one year ahead of schedule.

Then there is another important element which will help us achieve these goals and that element is trading in this area. I think that the contribution coming from trading and procurement is important not simply because we are playing an increasingly important role on the retail market but also because of existing current market conditions and also thanks to the diversified portfolio which we have.

If we look at our plant or asset portfolio you will see, as shown on the right-end side of slide 11 that the assets which we have put together have quite diversified profiles so we go from peak plants to entirely base-load plants such as Tirreno power plant or the virtual power plant we jointly own with Atel. There is a certain mistake which I would like to single out which is 176. 276 is the Sparanise and Teverola capacity.

On page 12 you can see our gas position. There is a difference compared to the previous plan. Whilst in the past we envisaged a strong containment, a stabilization of sales volumes, current market conditions together with some initiatives which we have staged on the trading side, have let us to set 3TWh sales, of which 1.1 is linked to wholesale and large customers and the remainder is coming from SMEs and includes also residential customers.

As you can see, the structure of our sales portfolio will not dramatically change. It follows instead developments which we expect to achieve within the group.

An important contribution will come from optimisation activities in trading, logistics and balancing, more specifically, and they will become more important because we will be in a position to operate not just on the Italian market but we will also benefit from a fraction of the Baumgarten and Swiss hubs.

Let's now move on to page 13 and let's have a look at the developments and consolidations of our regulated businesses which comprise district heating and gas distribution electricity. We expect a growth of 64 million euro which is split as you can see on page 13.

The most relevant aspects are the contribution coming from water tariffs, whilst major contributions in the other business areas will come from the optimisation of our operations.

We have quite a different picture in district heating. Here, as a consequence of the additional assets which we can avail ourselves of, we expect the consolidation and the extension of our presence in some cities such as Ferrara, Bologna, Imola and to a certain extent Forlì as well.

Let's now move on to page 14. Here we have a summary of the key elements of our activities in gas and water distribution.

In gas, we are waiting for the final definition of the new gas distribution tariffs. This slide gives you a conservative picture and a conservative valuation which is very very close to the prudential numbers and view which we have shared with the authority.

As for water, instead, you can see what we expect will come from our extension and the related investments – 280 million will be invested.

On page 15, you can see a breakdown of the evolution of district heating and electricity portfolios, with a major contribution coming from our CCGT plant. We are talking about Imola co-generation plant and the Ferrara and Forlì plants as well.

We already mentioned the electronic metering system; that is a project which will be fully executed so that we will end up investing approximately 25 million euro including what we invested in 2008 and what we plan to invest in the next two years. This will be also flanked by programs or schemes to replace old-fashioned meters. All this is summarised in the slide that you can see on page 16 – that is another slide on capex. We expect to have 350 million euro yearly capex throughout the business plan. As you can see, that shows quite a decrease compared to 458 that was the yearly average that we found on the past few years, 400 that should be the number stripped of any financial transaction.

On page 16 once again you will find a summary of what we plan to do. The most relevant part of our capex is devoted to networks, approximately 1 billion euro and 550 are devoted to water, whilst the remainder is almost equally split between waste, electricity and gas.

As for waste, a big portion of the 550 million euro is devoted to the development of the asset base and the maintenance of Herambiente's asset portfolio.

Now I would like to hand the conference call over to our Chairman for the closing remarks.

As I mentioned at the beginning of the presentation, we will also keep a focus on M&A.

On page 17, you can see what we plan to do. There is no breaking news, so to speak. M&A as a growth area has to be managed in a very careful way. You will never find yourself in a position that we have made or embarked upon an M&A without adopting well established, well tested criteria.

As we mentioned on prior occasions, we planned to do the following: in waste and in the energy upstream business segments we will increasingly look outside our relevant market. There have been some initiatives such as the tender in Florence and these are all activities which we will carefully look at and which represent one of the main reasons why Herambiente has been set-up as a new entity.

We have executed some deals outside our relevant geographic market, not simply because there were good conditions there but also because there were not such good conditions to execute M&A deals within our relevant markets.

We have growing electricity need and requirements. Maybe in order to meet these new requirements we will embark upon M&As.

As for gas, it is a different story, for sure, here we will have to manage as best as we can the opportunity represented by tenders, therefore, translating opportunities of tenders in adjacent regions as a stepping stone to establish a presence in those regions. So, these are the three major sectors where we want to embark upon the initiatives which we have outlined.

There is a last growth area, where we have a time-honoured tradition for successful acquisitions. I have mentioned the AIMAG deal, it is a deal which will be closing in the next few weeks. And this sort of deal is something which we still want to pursue, given the fact that there are no other multi-utilities left for acquisition within the boundaries of our regions and our provinces. We have already started to act in this sense with some deals, we already have

good presence in the market region, we have started to do something in Tuscany or in the southern part of Lombardy. Though, through these actions the geographic horizon of our presence is expanding, but once again let me stress that we will act in a very cautious and organised way.

Now, in a nutshell, let's summarise the plan. This plan is not meant to be a big surprise for investors, which incidentally will start seeing during our forthcoming road show. In the past three years we have restated our multi business nature and inclination, something which we want to restate going forward. So, we do not want to change this growth criterion, which is linked to continuously growing customer base. So, we will stay a multi-business company because we do not want to jeopardise the balanced position which we have reached. We want to target a total of 1.9 million customers with an average of 2.5 services per customer at the end of the plan, at the end of 2013.

We then have a third point, this is the point which we have restated and that is the goal of strengthening our leadership in waste management through new initiatives. Those of you who have followed and monitored the massive investment which we made in the previous years, will probably be pleased with the return which we expect to get from capex devoted to this area. We expect increased cash flow and it is a positive feature which we expect to translate in an improved return to shareholders.

Now having said this, I do not know whether you like this plan or not, I hope that you have appreciated it not simply because is a fully transparent plan. I hope that you like it because it is an achievable plan, considering the times we are going through and considering the current economic conditions.

If we had not reached such a sound structure in the past few years, we would have not been in a position to withstand the adverse economic conditions, the expected expiry of CIP6.

So the bottom line is that, despite all things, we still succeed to be in the black and to be a profitable company. So, I think that this is something which should convince you of the beauty and goodness of our plan, again we are now glad to take any questions you might have about this plan which we have presented to you.

Q&A session

This is the Chorus Call operator. We will now have the Q&A session. To ask a question, press star followed by the number one on your telephone keypad. To exit the question queue please press star followed by two. Again, to ask a question, press star followed by one.

The first question comes from Francesca Pezzoli, with Chevreux. Please Madame.

Francesca Pezzoli, analyst

Good afternoon everybody. I have a series of questions. The first question is about your debt. I think that at the end of your business plan you expect increased debt compared to where it stands now. Why is it so? And what are the assumptions you have made in terms of dividend policy? And could you give us any guidance about that?

Secondly, could you give us an idea of the impact of the capital increase intended for the acquisition of a network currently owned by the municipalities? And could you quantify the expected cost savings coming from reduced lease costs?

Stefano Venier speaking.

Well, capital increase will equal 82 million shares, cost savings will equal 7 million already in 2009, and that will be reflected in EBITDA, because, as we said, we will not pay leases, existing lease contracts effective from January 1st, 2009. So, that is the order of magnitude of direct cost savings.

As for D&A, well, we will own assets, that's a fact, but the value of assets, approximately 145 million euro, I think he said, is neutral because we had already provisioned against that. So as a consequence, this is D&A neutral. Ok, these are direct cost savings. In addition to this we believe that the fact of having direct control over these assets will give us concrete benefits going forward too.

And last but not least, considering the existing contracts, we should have had the obligation of restoring the original value of underlying assets. In this case this is no longer needed.

As for your question about debt, basically at the end of the plan, we do not expect the debt to change very much compared to what we saw at the end of June 2009. So, basically we are in line with that number. And that is the consequence of fully self-funded capex plan which,

thanks to dividends, becomes fully positive and then I think that Mr. Tommasi should take your question about the dividend policy.

Tomaso Tommasi di Vignano, Chairman

Well, I have been given the floor but I do not know whether I really like to take this opportunity to be too explicit about our dividend policy.

It is not our tradition to give you any guidance, so ahead of time, but we have told you about our bottom line. We expected to grow, and as a consequence of this, we are really committed to remunerate our shareholders accordingly – which means that – since we have traditionally been committed to quite a robust pay-out policy even at that time, when the bottom line was not so much in line with it – what I can say is that over the next 5 years, the adjustments of the dividend that was paid last year will be multiple, there will be multiple adjustments.

The next question comes from the line of Stefano Gamberini with Equita. Please sir.

Stefano Gamberini, analyst

Good afternoon everybody. Could you clarify this acquisition, the 145 million euro contribution gives us 7 million euro contribution. These are the numbers. Is that a correct number? 7 which is meant to go up to 10.

Then, when you say it is EPS neutral, you are basically talking about a capital gain, so my question is: how will this work exactly? What will be exactly the impact on the net profit? Now, is the EBITDA number which you are given for year-end 2009 inclusive of this 10 million euro?

And as for your dividend policy, have I got it right that there is not any official dividend policy?

Simply speaking, will you decide over time when dividend is to be increased or not?

At least, this is what I have understood. The previous business plan set a 670 million euro EBITDA target in 2011 with 2.5x EBITDA. That was the guidance.

My concern about the new plan: is that in line with these goals or are some assumptions different to the extent that these numbers are no longer valuable? Well, I think he said 77 million euro contribution of plants growth drivers. Well, I think that it seems quite close to the

numbers of the previous plan. Well, I think that there is quite a series of additional capex in the biogas business.

So, here is my question: could you give us a feel for what sort of contribution you expect from these plants and when do you expect this contribution? Thank you again and sorry for asking so many questions.

Stefano Venier speaking.

Now, network management. As you know, we have historically managed the network owned by our shareholders by paying a concession fee which was below the remuneration of RAB. So 145 million, at 7.5%, gives you approximately a fee of 10 million. On these 10 million we paid, let's say 7, it is 6.8-6.9. Why is it so? Because we remunerated this RAB at a lower rate, therefore retaining and keeping the remaining part.

Now that was the case for the first few years, but that would have gradually disappeared over the next few years, all the more so in the event of tender called for the assignment of new services, that is why we said that concession fees should have gone up rapidly from 7 to 10. Well, the benefit comes from reducing these fees to 7 million and safeguarding the remaining 3 million vis-à-vis the 7.5% remuneration rate.

Now, why is it EPS neutral? Well, compared to the increase, I have 7 million less in leases, so 7x4 gives us 4 point something million and the delta really comes from the one-off impact generated by the fact that the value at which we acquire these assets is in line with the RAB and the provision which we made over time until 2009 was above what we would have had to pay at the end of the lease contract, because we provisioned cautiously.

Now, we have not discounted that in the 1H09 numbers. When we released those numbers, we had not received the go ahead or the authorisation of the shareholders that are contributing these networks.

So the benefit really comes from the economic impact and from the fact that we managed to retain a benefit which we would have lost otherwise, yet, bringing the return in line with the regulated return.

I take your third question and then I will get back to the second one: how will the new initiatives be developed in bio-waste.

Well, some of the initiatives which we have mentioned had already been staged or planned. They were not so clear to all of you because they were initiatives for just a few MW. So, we do not have initiatives for large plants with the exception of one. So, these are not big plants that will help our pipelines to become effective only in 2013. We are talking about using some spare capacity.

In the past we repeatedly said that we had built plants that were sized according to the maximum capacity allowed by the regulator so to have some redundant capacity in case of some planned stoppages of plants.

However, let me say that the performance of the Ferrara and Forlì plants are quite satisfactory. The yields which we have been seeing are really higher than the conservative levels that we had set as forecast.

As a consequence of this, we have increased volumes available. So, we can use this spare capacity not simply by feeding the plants with waste but by using bio-mass, and in so doing, we can fully exploit this small spare capacity.

In addition to this we also have some spare capacity which comes from old plants. Many of these plants have not been completely disposed of, some units or lines are used as back up lines and there we have some spare capacity which we can use. Then we have some biodigestion lines or units, part of them linked to the waste segment and part to the water business segment.

And in bio-gas we have additional initiatives, I am talking about units and incidentally let me digress that it probably takes longer to supply the plants rather than to really bringing up to regime.

We have entered a JV on a 50-50 basis for a 13MW plant. Well, this is a plant whose construction started in June. It started between June and July this year, and this will take 24 months before being up and running and therefore we expect it to give contribution in mid 2011. And this is a plant which is included in the business plan and it is probably the only major new plant; all the others are basically contributions coming from the exploitation or the usage of existing spare capacity.

Let me get back to your third question. I do not know whether I have understood what you have asked. So, what you say is: compared to the old plan ending 2011 the debt/EBITDA

ratio was approximately 2.5-2.6 whilst at the end of 2013 we have 2.7. Is that correct Stefano?

Stefano Gamberini, analyst

Well, my question was broader, because the EBITDA target was 670 with a pre-set dividend policy, so are these metrics still in place as the mid-point of the new business plan?

Stefano Venier speaking.

Well, compared to the numbers that you have mentioned, we had a series of events. Some of them were positive, for instance let's have a look at what happened in the gas and electricity sales sector, others were more negative events.

It is undeniable that having readjusted the start point – I am talking about volumes and numbers as a consequence of the economic crisis. Well, as a consequence of that, we see the postponement of our targets by one year – one year and a half. And this obviously has an impact not only on special waste but also on gas and electricity. And we also saw quite an impact of the economic crisis in the water business.

Secondly, we have been slightly more conservative when it comes to green certificates. And compared to the 670 in 2011 we have fixed a number which is slightly, not significantly but slightly, below that number at the end of 2013.

Mr. Tommasi speaking.

As for dividends, I have already replied before, the reply which has been given is really in line with what you said. The message is that we had the conditions to foresee repeated or multiple adjustments to the dividend paid in 2009 over the years of the next business plan and therefore the adjustment will be made on the basis of the numbers at the end of each year. I said repeated and multiple adjustments, but at the end of the business plan, we expect to have a number in line with the number you have mentioned in your questions. Thank you.

The next question comes from the line of Fabio Picardi with Banca Imi. Please sir.

Fabio Picardi, analyst

Good afternoon everybody. I, too, would like to get back to the comparison between old and new targets.

So first of all, let's start with your capex plan. I think that compared to the old capex target, there are 600-700 million more. Now let's assume that approximately 200 million are to be considered as ordinary capex. Is it fair to assume that we will have a 300-350 million more in capex to increase EBITDA?

And still on the theme of EBITDA, is it correct to say, although that's an oversimplification, I would like to understand what is the main difference between the new and old EBITDA target. Is that attributable to the gas and heat generation businesses? Because I think that these are the two business areas that contributed to the growth of your EBITDA from the target contained in your old business plan (672), to the new target (720).

Stefano Venier speaking.

I will take your first question which is rather simple. Now the difference that you see there is due to the fact that the old numbers time span of 3 years (2009-2011).

Here we are talking about 2009-2013. It is approximately 350 million euro worth in capex per year so it is approximately a difference of 700. So it is fully comparable and in line with the latest numbers or guidance which we gave you.

As for the contribution coming from the different business areas, well, the old 3-year business plan envisaged 77 million euro in waste; today we have 10 million more but please let's not forget that in 2013 we will absorb or offset the negative impact of the expiry of the CIP6 contracts in the region of 18 million euro.

Then we have a growth of 64 million euro and I think that this number is really fully in line with what we included in our plan. The old plan covered three years in this regulated business while the new business plan covers five years.

In 2012-2013 we will see a sort of stabilisation of water and waste tariffs because in 2011-2012 we will reach full remuneration.

So, whilst in the past the recovery and the tariff increase was in the range of 4.5% and more yearly, in 2012-2013, tariff increase will reflect partly our capex and inflation, so that will be in the region of 2.5% and the same is applicable to the waste industry.

Then you said quite correctly that in the energy industry we will get better contribution compared to what we saw in the old business plan and that is due to the fact that new opportunities have arisen in this industry.

We have set therefore new targets and therefore you see different contributions in this area. We are not just assuming increased sales but as we saw already when we released our mid-year results, when it comes to asset management and trading, we have improved our performance, we are better today than we were in the past. And this is quite a reassurance and something which has prompted us to set better and bolder targets.

The evolution that we saw in gas and in electricity in operators that are short as we are, well, that is something which is positive not just for 2009 but also for at least 2 more years.

In addition, the greater liquidity and the greater degree and scope of operations which we can have on energy pools and Baumgarten Waldbach, TTF and other markets, well these represent additional opportunities not just for trading but also to optimize our balancing activities. For instance, on certain days or in certain weeks, it was probably more cost-effective to buy gas on the spot market and pay the charges or fees. Now, obviously, this is not something which you can expect to find everyday but in certain business segments you can do quite interesting things. I think I have replied to your question.

Fabio Picardi, analyst

Yes, you did. If I may ask additional questions and maybe this is also a clarification of my concern or, what I was driving at. Well, I expected a slow down in capex between 2012 and 2013 against a more stable EBITDA. Instead if I got it right, capex will go on. And then there will be an additional development of your EBITDA which I will have to review on the basis of what you have included in your slides and then I will decide whether I can share your view or not.

Stefano Venier speaking.

Well, let me add a couple of things. Well, today we see that we will have 720 million euro 2013 EBITDA, let's say the 670 that was originally set for 2011. Well 720, plus 18.5 or 20, just to round it off, coming from Bologna WTE. Well the combination of this really leads me to say that EBITDA growth will be from 670 to 740, it's 35 yearly, so that is for sure not the trend nor the evolution that can be combined with a capex plan which is restricted to maintenance capex only.

Let me also add something that might facilitate your valuations when you look at our capex in 2012 and 2013. Well, we should not forget that those capex do not generate any profit in those years and that capex includes also investments on a third line at Bologna WTE where we have investments in 2012 and 2013 and the first contribution will become visible in mid-2014.

So clearly, the capex that you see in 2012-2013 reflects the decision to go on growing and developing our base in the next few years, otherwise I will probably say that our EBITDA will be stuck at 720 if not declining in, let's say, 2014 or 2015.

The next question comes from the line of Stefano Gamberini with Equita. Please sir.

Stefano Gamberini, analyst

A very quick follow-up question.

Collection goes up to 35 million euro, I think he said, the line is really very very bad and if I got it right, RAB was very low in this business. Could you please clarify this? And then, there is a decree on local public services whereby tenders for all businesses will be called in 2012 unless municipality ownership goes down below 30%. What is your view on this? What will be the opportunities linked to or arising from this decree?

Stefano Venier speaking.

Well, I will take your question. Well, clearly, there are two components when assessing the return from waste collection and street cleaning. Well, like for water, we have not fully covered costs yet. So tariff increase that I can see in the overall tariffs really goes to the benefit of street cleaning and waste collection, then as you know because of some national legislation

and incidentally we have deliberately decided to do so because we have always been in the avant-garde in this sector.

So we have deliberately decided to push separate collection above 50%. In some cases we are already around 60 and 70% that call for some capex. There are some 50 million euro in planned capex linked to the need of getting adequately equipped for waste separate collection. We have to equip the collection points that are necessary for instance for oversize or bulky waste and we also have to invest on the fleet because, obviously the collection model must be adjusted to the evolution of percentage or split between separate collection and unselected collection.

So, the improvement that you see there, 90 million euro, that in five years translates in a yearly average of 3 to 4 million is clearly determined by these two variables, which I hinted at earlier in the presentation.

And last but not least, because I do not want to get too much into technicalities, let's not forget that that number includes the waste collection but also a whole series of other services which we are requested to provide to municipalities or to certain customers and which have a remuneration system which is not directly linked to the typical tariff regime of urban waste collection.

Mr. Tommasi speaking.

Well, the decree you are talking about, well in our opinion, it is really too early to give a view on this.

First of all because we do not know what will happen to it, how it will be implemented, how it will be amended. And we have seen so many things in the area of legislation so that we hardly think that it will be implemented right away.

Secondly, we are cautious because we want to see whether the interpretations that were given or the assumptions that were expressed in the past few days will become true. If that is the case, this decree should not include gas and waste tenders because they will be called in 2012; then electricity concession will be excluded as well because we are not talking about local but rather national concessions, therefore they should be excluded as well.

And as a consequence, should things be as they have been promised to be, there should be probably an extension or a renewal of the water concessions.

Now, clearly, the fact that there might be different consequences also has an impact on the decisions of our shareholders because this is a topical initiative that really involves them quite massively. And whether the market will be open to the measures that will be approved and reviewed during the next AGM, well, this combined with other factors leads me to say that our shareholders will have to decide whether they want to take actions according to the proposed time schedule or should the amendment of water concessions be disruptive. Now, within our shareholding structure I do not see any shareholder who is really very concerned. This is a brand new fact. There were different proposed bills presented before the Italian Parliament in the past 24 months or so. So I would say that we cannot have or express a clear of official stance from the part of our shareholders, because we do not know what the final outcome will be. What I can tell you is that we feel quite conformable.

Thank you very much again and we will then start with our meeting. Thank you.