



First half 2011 Results

Bologna, 25th August 2011

Speakers:

- ***Tomaso Tommasi di Vignano, Chairman***
- ***Stefano Venier, General manager Markets & Development***
- ***Luca Moroni, Administration, Finance And Control***
- ***Jens Klint Hansen, Investor Relations Manager***

Chorus Call operator

Good evening, this is the Chorus Call operator. Welcome to the H1 results for the Hera Group for 2011. All participants are in a 'listen only' mode. After the initial presentation, we will have the possibility of having a Q&A session. To receive assistance from the operator during the conference call, please press star followed by 0. And now I'd like to give the floor to Mr. Tomaso Tommasi di Vignano, chairman of the Hera Group. Mr. Tommasi, you have the floor.

Mr. Tommasi di Vignano

Good evening. There is the usual team here, with Mr. Moroni, Mr. Venier and Mr. Hansen. We interrupted our vacations to present our first half-year results, which are very satisfactory, despite the complicated era we are living in. Overall, the first half-year of 2011 indeed confirmed our ability to continue growing in all of our sectors and our growth is also underpinned by our results on all levels of our financials. The situation is very much in line with, if not above, the growth forecasts we had in our 2010-2014 business plan and it is a confirmation of the fact that our EBITDA continues to grow regardless of the fact that we are going through a very turbulent and complex period. Nonetheless, the response of our group is very much positive, also vis-à-vis the other operators of the sector.

As we had already highlighted in the previous report, we have to underline the fact that our growth is due to the strong contribution made by the energy sector, thanks to the continuation of the development of our commercial activities and thanks to our performances in the procurement and the optimization of our production plants, through which we were able to face the complex situation we are living through on the market and overcome the effects, in the gas sector, of a mild winter which, compared to last year, did not give favourable results.

As for the other company activities, besides continuing with our investment programme, as you will be hearing, and besides our individual initiatives in the M&A sector, as you may remember, we concluded two operations: one of them in the gas commercialization sector and the other one in the biomass sector, with the new joint venture which became operational as of January 1.

As we will be hearing from Mr. Moroni, we also had some positive results - besides our financial statements - in terms of the commitment we made in our business plan; what is more, we had positive free cash flows and we were able to keep our debt level at the same level we had last year.

More specifically, going into the figures of our results, it is easy to highlight how a significant portion of our revenues, whose growth which is equal to 8%, was due to energy prices and to volumes sold, which, as we will be seeing in Mr. Venier's presentation, were particularly relevant in the electricity sector. In terms of EBITDA, our performance is at 344 million Euros, vis-à-vis the 313 million Euros of the previous year, with an almost 10% growth; the contribution here came from our various business areas, with the special areas that I mentioned a few minutes ago. In terms of depreciation and provisions, we have to highlight a variation equal to 4.3%, which mainly stems from the provisions due to the devaluation of credit, whereas the depreciation stayed very much on the same levels. EBIT grew by 14% to 199.4 million: even here, we had a very good growth and in terms of financial charges, our performance was better compared to the previous year in the same period, with a variation of approximately 1.5 million.

As far as our pre-tax results are concerned, we are at 145.9 million, with a growth equal to 21.5%. In terms of taxes, the only legislative change here is the one which stems from the initial government financial law about the additional IRAP tax, which allows us to reach a group net profit of 83 million, which is a plus 20.2% compared to last year; moreover, we had a plus 14% in terms of net profit post-minority, an amount of 71.4 million. These are all variations, as I was mentioning, which are definitely positive and very much consistent with our forecast and with the performances in Q1: back then, we had already mentioned that there would have been some changes in growth in Q2, linked to the issue of fair value, which would conclude in the second quarter that we are referring to here.

As for the EBITDA growth, from the two views that we usually go into on these occasions, we have to highlight that, as far as drivers are concerned, the most consistent part of growth stems from organic growth, due to tariffs and to the increase of our customer base (which was quite significant in the electricity business, with 100,000 further customers over the past 12 months), besides our cross-selling and synergy activities, which is something that we constantly work on to improve.

In terms of new plants, we have to take into account the additional contribution of the Rimini waste-to-energy plant, which operated for the entire first half of the year, whereas, as you may remember, in 2010 it was on stream only for the last two months of the first half-year.

As far as M&A is concerned, of the two operations I was mentioning previously, only the biomass operation is taken into account here in the first half: it is a joint venture with a private operator called Enomondo, which contributed to the EBITDA growth by 3 million Euros.

As for our strategic areas, this brings us back to a different evaluation of the impacts that we have had over the first half and we would like to highlight how the networks grew by 1.1% compared to the previous year in the overall waste sector, due to the effect of the Rimini waste-to-energy plant, to Enomondo and to the regulated waste services: all of this brought about an increase equal to 8.3% compared to the previous year. We have had a very relevant increase given by the energy sector compared to the previous year, which is plus 32.3% and is linked to a very intense activity in terms of commercialization and also of the optimization of our plants, which indeed allowed us to offset the effects of the thermoelectric sector that you are familiar with.

These are the most relevant aspects that I wanted to highlight and now I will give the floor to Mr. Moroni, who will be going into some aspects on our financials, and then Mr. Venier, who will be going into our business breakdown.

Mr. Moroni

Good morning. Even from a financial point of view, we have had some positive results, with an operating cash flow which is at 31.6million. Therefore, it is above 30 million Euros, before the dividend distribution flow, which is equal to 118 million. This allowed us to keep our net financial position on a stable basis at 1.971 billion, which is equal to the same period in 2010, with a stable performance as far as this indicator is concerned.

As far as debt-to-equity and debt-to-EBITDA financial indicators are concerned, we had an improvement by 15 and 9% respectively, with an average duration of debt equal to 9 years, of which 75% exceeds 5 years. So, we have a financial strength which has been very much confirmed, as we had seen in previous periods as well.

Mr. Venier

Good evening, Mr. Venier speaking, I'd now like to summarize the various business areas. The trends were already introduced by the chairman.

I will try to give you some ways to interpret the various performances of the various businesses, beginning on page 5, where we go into the waste business, which, as you know, includes Herambiente, Marche Multiservizi, waste collection and street sweeping. Our growth here was equal to 7% in terms of revenues. It was mainly driven by tariffs, of waste collection, by special waste volumes - which performed better compared to urban waste - and also by the significant increase in electricity production, which is at + 22%, and is mainly driven by the plants that are now on stream, specifically the Rimini waste-to-energy plant, but also the Enomondo plant.

As far as EBITDA is concerned, the growth was equal to 8 million. This result was given both by the waste disposal and by waste collection, due to the reasons that I illustrated just a few moments ago. I think it would be interesting to look at the volume trends, because in this area we had some differences: if you look at the table on the left hand side of the page, you will notice that the urban waste, even in the second quarter and overall in the first half, shows a trend which is in contraction vis-à-vis the previous year. As we had seen at the end of the previous quarter, the contraction was at 2%, whereas now we are at 2.9%. Please take into account that last year we had a significant growth vis-à-vis the previous year: it was a growth of 6%, so, obviously, as far as these figures are concerned, there is some adjustment phenomena, but there are also some effects based on the more general economic scenario. You should in fact keep in mind that within urban waste collection we also have the waste which is generated by commercial activities, which, as you know, are the ones that are currently suffering the most.

As far as special waste is concerned, the situation is slightly rising, equal to 0.9%. This performance is certainly due to our commercial activities, that we enhanced over the past half-year to maintain our market shares; also, we tried to exploit our infrastructure as much as we could.

Also on the same page, you will notice that our infrastructures certainly brought about a further evolution, as for the group's ability to dispose of the waste. Our waste-to-energy plants increased their contribution by 4% to the total of 1.7 million tonnes, and I think it is important to see this figure, especially as far as the

urban part of waste is concerned, because most of the waste disposed of in our incinerators is urban waste. Of the approximately 490,000 tonnes disposed of in our waste-to-energy plants, a significant portion is solid urban waste, which represents a 40% of the overall waste collected. This is a significant figure, which again illustrates the direction we are going in, which is very much consistent with EU legislation.

The figures on composting show that it is at 10% and growing visibly compared to the previous year. Composting is only limited to urban waste, and if we compare it to the overall volumes of urban waste, this is a figure which is equal to 20%. This is also the result of the development of the collection model that we are applying on the territory, which is now up to sorted waste collection, which is at almost 50%.

As our chairman was mentioning, the contribution to the results of this activity also came from the joint venture with Enomondo, from the biomass converting point of view. That plant is on stream as of January 1 and we have been able to fully benefit from it. It is of a sizeable dimension, converting 120,000 tonnes of biomass per year.

Moving on to the water business, on page 6, you will notice that there is a confirmation of last year's results. It is very much consistent with the volumes, which as you can see are the same from one year to the next: approximately 120 million cubic metres were distributed both in 2010 and 2011. We were able to benefit from a tariff increase equal to 2.7%, in line with the agreements we signed with the local Authorities, which will be effective up to 2012 and can be further strengthened in the Modena area. Besides this tariff increase, we had some additional costs, especially as far as the cost of electricity is concerned. As you know, between last year and this year there was a significant increase in that cost.

Moving on to page 7, moving on to energy, the two areas of energy had some very exciting growth, as we had seen in the initial months of the year. Our results in terms of EBITDA were up by 11million, from 109 to 120.6 million. This result is for the most part due to the activities linked to our commercial area, as we had already mentioned at the end of the first quarter but also in commenting the results of 2010. Benefits came from our procurement policy in the gas business, a policy we have been working on for the past few years, which is contributing in a very important way, in a condition where the market is quite long and therefore offers those companies which are present from a commercial point of view advantages in optimizing their procurement costs. The results could have been even better, had the climate conditions in 2011 been similar to the ones in 2010, but I think that we can be quite satisfied with them nonetheless.

We have seen some good trends from the commercial side of things and therefore there has been a shifting between the results we had last year in the trading sector, specifically from April and May onwards, towards commercial activities with a positive result equal to a plus 10 million and, out of the 120 million, the sales activities almost had the same importance as the gas distribution figures. The only anticipation I'd like to make as far as this business area is concerned is that we signed the procurement contracts for the year to come with some satisfactory conditions indeed.

Moving on to the electricity side of our business, even here we had a significant growth, which is similar to the one we saw in the gas sector, equal to 10.5 million. Some elements contributed to this growth: first of all the growth of our customer base, equal to 100,000 customers from one year to the next. Out of this 100,000 customers, 30,000 stem from our safeguard, *salvaguardia* area, whereas the remaining ones are customers we were able to conquer from our commercial area and this reflects the balance between new customers and lost customers, meaning that we have about 5,000 to 6,000 new customers per month.

As in gas, in this area we are a fairly short operator vis-à-vis our sales volumes, which have grown significantly in the past few years, especially in the first half of the year, equal to 30%. Of the 4.8 TWh that are sold, approximately 60% is sold on the liberalised market, whereas the remaining part, approximately 1.1 TWh, belongs to the *salvaguardia* services, while the rest is on the regulated market.

Even our distribution activities had a good performance in the first half of the year and they improved their results by approximately 2 million Euros. It is fairly relevant if you take into account that the contribution of electricity distribution on the overall 42 million is equal to 12 million.

Finally, just a brief comment on our investments, which confirmed the trend that we had anticipated, which characterized 2010. We are down to approximately 330-350 million Euros per year, a figure that we had anticipated in our business plan. In the first half of the year, investments are equal to 140 million Euros roughly, of which less than 6 were linked to financial activities, and the remaining part was on capex.

Water continues to have a fairly stable investment level, due to the simple fact that it consistently reflects the agreements signed with local Authorities and it brings about the tariff increases that we already saw.

On the other hand, there has been a significant decrease in the waste area, which is going from a phase in which we had a significant amount of investments on plants to one in which we are shifting to actually exploiting the plants we built. This allowed us to reach the free positive cash flow that we were mentioning a few minutes ago.

Mr. Tommasi di Vignano

Well, as far as the conclusions are concerned, I don't think that there is much to add. I don't want to repeat the notions that we have just explained. We are satisfied with our performance, regardless of the difficult context we are operating in, and our hope is that these positive results will also be reflected on our stock price. A number of external circumstances, which are often emphasized more than they should, have had an impact on our stock price which is far below its true value, far below the group's fundamentals and sooner or later the market will have to realize what the true situation is. We are a sound group, our operational results are here in front of you and we will continue to work towards the development we have in mind in the months ahead, also to prepare for next year.

Mr. Venier was making a comment on the investment made in the waste sector. In the waste sector, the initiatives we are working on are not all of the macro dimension: -for instance, we are working to increase our position as far as the sorted waste is concerned, we are to continue working on composting through digestors, and we have a number of initiatives that we will be working on in the months and in the years ahead, as foreseen by the business plan. Similar explanations can be given as far as the other sectors are concerned, and this gives us an idea of our orderly growth.

This is the message that we very much wanted to share with you and hopefully it will be understood. Frankly, we feel that the current stock price is below our expectations, we can't even understand why the stock price is what it is, and in our financial figures we did not even consider the possible impact of the Robin tax. The news that we read today in the newspapers show that we did well in not including the possible outcome of the Robin tax, because the situation is still being discussed. This means that certain judgments in the sector are sometimes negative, regardless of the true context that the sector is going through.

I'd like to add that we are also close to the completion of the tender for the Florence waste energy plant, an initiative that you are all familiar with, and the committee will be beginning its assessments on September 9. Having said that, if you now have any questions, we are very much available for any further issue that you may find interesting.

Chorus Call operator

This is the Chorus Call operator. We will now begin the Q&A session. Anybody wishing to ask a question should press star followed by 1 on their telephone. To exit the question, please press star followed by 2. Anybody wishing to ask a question, please press star followed by 1 now.

The first question is from the Italian conference call, Eduardo Montalbano from Centrobanca.

Mr. Montalbano, Centrobanca

Good afternoon. Three questions. First of all, in your opinion, what could be the impact of the Robin tax on the year-end results on the strength of the draft decree? And now on with the second question: -when will the new business plan be released? Third question: -you mentioned the date of September 9 as far as the tender of Florence is concerned: would that be the date in which we will know who the winner of the tender will be?

Mr. Moroni

This is Mr. Moroni speaking. The first question: as far as the Robin tax is concerned, it is not easy to say what impact it will have on the year, because, as the chairman was already mentioning, the issue is still being discussed, even though the bill defined a further plus 4 points compared to the previous values, so it is a 10.5%. This will only have an impact on our sales and trading companies, because as far as the parent companies are concerned, we have the prevalence of revenues, and given that we have distribution activities which are below 51%, this will not be applied to the parent company. In the assessment we made in the first half of the year, the impact was equal to ca. 2 million Euros, but obviously this is an assessment which is still subject to all of the hypotheses that will be discussed in the weeks ahead, when the new financial law will be discussed. Right now, it is difficult to say whether or not these 2 million will become 4 million or less than 2 million or any other figure, because it will obviously depend on the final rate that will be defined and what it will be applied to.

Mr. Tommasi di Vignano

As far as the business plan to 2015 is concerned, it should be illustrated to the board in our next meeting, which will take place on October 10.

Then you also had a question on Florence and I'll have to correct myself, because the judging committee will meet on September 6. Obviously, after the envelopes are opened we will receive a call, because they may have some questions or clarifications they need before the committee actually evaluates our offer, and that will take some months. Having said that, we are confident because we have presented a very good project and also because we have acquired a significant level of expertise and professionalism in the sector, both in Italy and abroad. Therefore, I believe that the project that we sent in will certainly be in line with the client's expectations.

Chorus Call operator

The next question is by Fabio Picardi from Banca IMI.

Mr. Picardi, Banca IMI

Good evening, I also had a question on the Robin tax, but you already answered on that. I was wondering whether or not you also made some forecasts on the duration of the surcharge, if it will last 3 years for only 4% or if it will be the entire time for 10.5%, even though from what I gather, the distribution side of things will not cause you to suffer a significant impact.

And a second question: - as far as the Q2 results are concerned, if you'd like to make some further comments. I was noting that the gas-electricity EBITDA was decreasing, whereas the waste EBITDA grew. Is this due to external reasons or is it due to your organic growth? I'd like to ask for some comments on Q2, if there are any significant elements that deserve to be highlighted.

And the third question is on your debt: - I was wondering whether you could give us some indications vis-à-vis your year-end results, also in terms of the seasonal nature of your debt position.

And the final question: - as far as the water sector is concerned, if there are any novelties, any indications concerning the evolution of regulations after the referendum, if there is some news, especially concerning the Water Services Authority. Thank you.

Mr. Venier

We are discussing on your questions. Let me begin from your second question. The remark was that in the first half of the year, the increase in energy was lower compared to the Q1 result, whereas waste improved compared to Q1. Is that correct?

Mr. Picardi, Banca IMI

I was wondering if - also vis-à-vis the excellent results in Q1 for energy and gas that I noticed in Q2 - you were to compare EBITDA in Q2 to last year, there was a slight decrease, whereas waste increased. I was wondering if that was due to seasonal reasons.

Mr. Venier

Let me comment on energy. Vis-à-vis Q1, in Q2, as the chairman was saying, and as we already said in a previous conference call, we had not some positions of fair value of March 31. As of March 31, we had 2.5 million for gas and 3 million for electricity, which had been accounted for as fair value as at March 31 and have been realised as at June 30. Therefore, comparison should be made by decreasing by 5 million the results of Q1, and by doing so you would probably find some more consistent trends, but we also have to add, as I said during my explanation a few minutes ago, that last year, beginning from April and May, we seized some important opportunities on the trading market which did not repeat this year. First of all, because a part of those purchases were already accounted for on the commercial aspect of things; secondly, because the spot market performance in Europe wasn't the same as in 2010. The trading activities in Q2 this year had a result that we expected, which was below Q2 last year, but it was a physiological performance.

As far as the waste is concerned, Q2 results are slightly better and that is due to the fact that, as you've seen in the special waste, we increased volumes. We were able to increase the production of electricity and that was work we did to try to offset the conditions of the past few months, which were a little bit more

difficult compared to the previous years, therefore we took some initiatives in that sense. Plus, the regulatory activities, as far as the waste collection is concerned, provided a positive combination, and we had a tariff increase equal to 2.7%, as I already mentioned.

As far as the Robin tax is concerned, again, up until the situation becomes stable, with an act, with a legislation to tell us what we will be dealing with, I think that any hypothesis is just taking a guess basically: we saw a draft bill which was corrected just a few weeks after being drafted. Any estimate we may make currently is simply theory, therefore we decided to avoid making mid- to long-term assessments and we decided to take into account some calculations that had to be taken into account in the first-half results.

As for your question on debt, the company's commitment is to continue to contain our net financial position and therefore our expectation is to have a debt level which will remain stable below 2 billion Euros: that is the goal we will continue to have for this year. Then you also had a question on water and I'll leave that to the chairman.

Mr. Tommasi di Vignano

I think we should go back to what Mr. Venier was saying concerning the current situation. We currently have contracts which will expire in a year and a half, so we still have a year and a half, but obviously we will stick to these agreements, and our counterparts will also have to stick to them in terms of tariffs; so that is the direction we will be working in. I hope that the time we still have ahead will be enough to be able to see two events come true: the creation of a national agency and the creation of that Authority that will have to substitute all the various local Authorities which, as you know, have a mandate which expires on December 31 this year. So, obviously, all the Authorities for the sector also have to be created. The good thing is that we still have a year and a half ahead of us and hopefully the interest in the sector will bring about these two results as soon as possible.

Furthermore, based on the bill that is being discussed, our first assessments lead us to believe that our concessions, having been recognized before the creation of the local Authorities - these concessions are 25 years long - are very much longer than the time that has passed so far, therefore we do hope that there will continue being reasons for contracts as far as our relationships with the municipalities are concerned.

As far as the liberalisation of the market is concerned, and as far as our case is concerned, it will only be limited to waste and to public lighting by the law, that is here another element that leads us to believe that things will be clarified and this will allow us to maintain our activities.

Chorus Call operator

The next question is by Stefano Gamberini from Equita SIM.

Mr. Gamberini, Equita SIM

Good evening. The first question is on waste. Waste has + 23 million revenues and only + 8 million EBITDA; taking into account that the electricity increase is equal to 22%, electricity EBITDA alone should be 10 - 15 million, so can you explain what happened in terms of cost in the first half, as far as waste is concerned?

And then, the second question is about the trend concerning special waste. There was a decrease in volume equal to 4%, so can you explain what will happen in the second half of the year, how prices are

evolving, and what you expect to see in the next months of the year if you will continue have these flat volumes?

My second question is on water. Can you help us understand what will happen in terms of regulations? You said the contracts will continue for a further 20 years, but if in a year and a half you don't have any return on capital, it will be better perhaps to give back your concessions. So, can you explain what solution you have to go beyond the current stalemate?

And I'd also like to ask another question on gas. You said that you signed contracts for 2012 in a satisfactory way. Does that mean that the 2012 marginality will be in line with the 2011 marginality, so with very high margins, even though you had lower volumes? Can we expect results in 2012 that will be in line with the results in 2011 and 2010? Furthermore, about the end of the year 43% tax rate: if we exclude Robin tax, we had an increase on the IRAP tax. Is there something that we can project on the year-end results based on the first half results? Can you also tell us something about your debt? Can you give us just an idea of the cost of debt this year? If we separate the IFRS part (the 12-13 million Euros which have an impact every year) from the current cost that you will have, do you expect there will be an increase of this cost in 2012? Speaking of the variable side of things that may increase.

Mr. Venier

I don't have all the details in front of me, but one of the reasons why you notice there is a more significant growth in revenues compared to the growth of EBITDA is that the urban waste tariffs, which were up by 3.5%, obviously reflect the dynamics of the underlying cost. In other words, increasing sorted collection does not come free of charge. Obviously, the tariff increase that we have on waste collection tariffs, which are up 3.5%, is mainly driven by an increase in the cost for the service. In other words, further increasing our sorted collection has a cost, which needs to be covered and it is covered by the urban waste collection tariffs, which take up a significant amount of revenues, since margin on collection is what it is.

And then another one of your questions was on cost. We have to take into account that the volume dynamics that we also have on by-products obviously shifts some costs.

As far as gas is concerned, when I was saying that we signed satisfactory agreements, what I mean is that they won't be worse compared to the agreements of this year. Obviously a part of the answer to your question is also linked to the length and the effectiveness of the contracts. As you know, the thermal year goes from October 1, 2011 to September 30, 2012, so it only covers the first 9 months of 2012 and not the entire 12 months. If you take into account distribution to consumption, it means covering 60 to 70% of the total volumes that we will be selling in 2012, which is a good result.

As far as margins are concerned, if there is no significant commercial war on the final commercial market, we hope to maintain the margins that we saw in the first half of the year.

You also had a question on water. You mentioned a remuneration of capital in the dynamics which are coming to being at the expiry of our agreements with the local Authorities. Again, that would be simply making a hypothesis, but from a logical point of view, what I can say is that we still have a year and a half ahead of us and we hope that the agency will come into being as soon as possible. From what we know, in early September there will be a meeting between the Ministry of Economic Development, the Ministry of the Environment and the Committee of the regional governments, in which, as you know, they have the right to choose one of the members; they are already discussing about the three candidates and the chairman. I know that there is, again, a meeting planned for early September, so they are working on the

creation of this body. Sure enough, it won't be easy, but obviously, if there is remuneration of capital, investment will be made, whereas if there is no remuneration on capital for new investment, no new investments will be made and that is what we will be taking into account as far as our next moves will be. Obviously, since we are used to having years added on to agreements in Italy, a year could be added on within the next year;— anyway, there need to be coherence and common sense. If there is no common sense, as far as our legislators are concerned, we will have to act accordingly. We have to take care of our cash flows, so if there is no remuneration, there won't be any investment either.

Mr. Moroni

As far as the tax rate is concerned, historically the month of June is the one with decidedly higher a tax rate compared to the other months of the year; so, reasonably, at the end of the year it should improve. We are not speaking of significant basis points, but they will be somewhere between 42 and 43% and the effect vis-à-vis the previous year, apart from the extraordinary operation at the end of the year, is due, as we have been mentioning at the beginning of the conference call, to the first financial policy, which increased IRAP by 30 basis points and to the disappearance of the positive repercussion of the Tremonti-ter law.

The year-end tax rate should be included between 42 and 43%. The cost of debt is around 5%, between 4.8 and 4.9%, and we don't expect a significant increase next year. The variable-rate exposure of the company is quite limited, and it is at 30% of the overall debt. I think we will be very much able to offset any possible movements on rates, unless there are radical changes on rates, but for the time being, short-term rates are stable and the mid-long-term rates are lower compared to previous months, so, again, we don't expect any radical changes on the rate curve that could significantly hinder our debt cost.

Mr. Gamberini, Equita SIM

As far as your special waste volumes are concerned, what do you expect in the months ahead? Could perhaps the Naples waste crisis be solved by using your waste-to-energy plants, or is it not on your agenda?

Mr. Venier

Well, the special waste situation is not exciting, just like the rest of the Italian economy. We don't expect any significant turnarounds in the second half of the year. I think that, for the remaining months of the year, we will continue along the lines that we saw in the first half. As far as the industrial production is concerned, and as far as the remaining part of our economic system is concerned, I don't see a vigorous strength that can justify any significant increases in this sense. We have been discussing with other players; their trends are very similar to ours and that matches the industrial results of the country. Hopefully, 2012 will be slightly better from this point of view. Thank you.

Chorus Call operator

For any questions, you can press star followed by 1 on your telephone.

We have a follow-up by Eduardo Montalbano, Centrobanca.

Mr. Montalbano, Centrobanca

Can you give us an EBITDA target for the entire year?

We are trying to get some further figures. I don't want to look at the interpretation of possible acts of the possible legislation because there are no elements to do so. And along the same line, what we can see is that, as far as we are concerned, we are confident that we will be able to reach our targets. We will be illustrating our new business plan in the months ahead and we are in line with the plan we previously presented. In fact, with the results we showed today we have reached even more as far as timing is concerned vis-à-vis what we had expected. All of these elements can help you to make some solid forecasts, because, as far as we are concerned, we don't want to make any formal statements.

Chorus Call operator

We now have the follow-up by Stefano Gamberini of Equita SIM.

Mr. Gamberini, Equita SIM

A question on Galsi. Will things be further postponed? I believe the kick-off should happen within the end of the year or early 2012. What about the provisions on credit? Will there be any postponing in terms of payments? Is the quality of credit worsening? You had more provisions, which confirm the 65 million you had last year also this year. Could you give us some indications on the valuation on credit?

Finally, can you give us the results of the separate networks? In other words, gas distribution, water distribution: can you give us some separate figures?

Mr. Venier

As far as Galsi is concerned, you do remember correctly: the final investment decision was to happen by the end of the year. The context is something you are familiar with, we have talked about this before and therefore we have been discussing the timing issue. Obviously, the attitude that Algerian Sonatrach will have will be important. Evidently, the context will not bring about speeding things up. We will continue our activities normally, without any stops as a matter of fact.

As far as breaking down the margins in distribution, out of 120 -121 million Euros in gas, distribution is equal to 60 million, then we have some 10 million on TLR and the remaining part is sales and trading.

As far as electricity is concerned, distribution covers 12 million out of the 42 overall.

Finally, a remark about provisions. Provisions have obviously increased, but also look at the commercial dynamics that we have been having: we have + 30% on volumes, we increased our turnover, we have 100,000 new customers, so we need to have more provisions; this is also dictated by the *Salvaguardia* sector. Those types of customers bring about an increase, which is equal to the figure we have been looking at, since half of it comes from the *Salvaguardia* sector.

Mr. Moroni

Yes, I agree with what Stefano Venier was saying. We have had a marginal increase in the provisions for the devaluation fund. We are talking 3-4 million Euros given by the increase in volumes, especially for the turnover with the *Salvaguardia* customers. We have not had any significant setbacks as far as payment days are concerned. Obviously, we will continue to monitor the situation, because the overall economic situation is, as we know, still affected by the crisis, and the figure that you were referring to last year will be similar to the one we expect this year as well.

Chorus Call operator

For any further questions, press star followed by 1 on your telephone.

Mr. Tommasi di Vignano

Gentlemen, there are no further questions. Thank you very much and we will continue working in 2011. We are committed to giving you all the news we have as quick as possible, and I believe we will meet you next time you to discuss on the business plan. Thank you.

Chorus Call operator

This is the Chorus call operator. The conference call is now over. You can now disconnect your telephones. Thank you.