



Third quarter 2011 Results

Bologna, 10th November 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***

Mr. Tommasi speaking

Good evening, here we are with the usual team and we want to illustrate and comment the results of Q3 of the year. We also take the opportunity, during the approval, to present the guidelines of our 2011-2015 business plan. We do understand that the external situation, the context we are living in, is not exactly pleasant in terms of making forecasts, but companies need to move forward, they need to continue striving towards their targets and therefore, having had a good third quarter, this is the best possible introduction so as to be able to support the continuity included in our update to the business plan.

In the past nine months the results have been absolutely positive and consistent with the good results we obtained in the first half and in the first quarter, in which the EBITDA grew by about 8%, EBIT grew by over 10% and the pre-tax profit grew by 15%. So this is proof of the fact that 2011, from this point of view, has not suffered due to the crisis. Therefore, EBITDA grew by 35 million Euros, due to the support of the various business areas, which all contributed positively and, specifically, as we have seen both this year and last year, with the significant contribution coming in from the energy sector. The results, from this point of view, do not need any additional comments, but there have been some inconsistencies in terms of the volumes in certain sectors because, whereas electricity and gas trading grew vis-à-vis the nine months of the previous year in terms of volume, the same cannot be said for gas sales and for waste coming in from the market.

If we go into the details of the nine months, as I was mentioning, we had a good growth in terms of the revenues, with an 11.2% increase vis-à-vis the same period last year. In terms of EBITDA, we are now up to 466 million vis-à-vis the 431 million in 2010 and, as far as EBIT is concerned, we are now up to 240 million vis-à-vis the 218 million in 2010.

Before EBIT, we also have to consider that the appreciation provisions account for 12.9 million, 15.8 coming from provisions from credit and the reduction is equal to 2.9 million, as far as the appreciation is concerned. We will be discussing about taxes later on, when we will go into the financials of Q3, taking into

account that, in this third quarter, we also considered the nine-month effect of the tax novelty represented by the Robin Tax which, in the first half of the year, still had not been included.

As far as the net profit is concerned, we are up to 84 million vis-à-vis the 79 million last year, with a +6.3%, despite the significant tax impact we had in the period. As far as the drivers are concerned, these are equal to 24.6 million Euros; as far as organic growth and synergies are concerned, 5 million came in from the new plants and, specifically, by the waste-energy plant in Rimini, which now is fully on stream; and, as far as M&A is concerned, we have a still limited contribution, but from the waste side of things we have the new joint venture titled Enomondo, which is on stream as of February 1st.

In the gas sector we have to highlight, as we have already mentioned, that we acquired the Sadori operator in the Marche Region, with a department also in the Abruzzo Region, and their contribution to Hera Comm came about as of July 1st, the date in which the merger took place. This is an interesting signal because, and I will be going into this later on, it also touches upon the perspectives we have in the gas business, an initial signal that the coming up of the gas tenders will also bring about a re-organisation in the sector, especially concerning the smaller operators.

As far as EBITDA growth is concerned, divided by strategic areas, as you can see from the report, you will notice that growth in the energy sector was equal to 30.9% in the past nine months, with 8% coming in from waste, and +1 million Euros in the networks area.

I can now give the floor to Mr. Venier, who will give us further information, and then to Mr. Moroni, who will be illustrating the impacts as far as investments and financial aspects are concerned.

Mr. Venier speaking

Thank you and good evening, as usual I will begin with W: Waste and Water. As far as waste is concerned, as the Chairman was saying, the growth was equal to approximately 10 million Euros and the contribution to this result coming in from the tariffs is significant: in the period they increased by 3%. We know that giving continuity to a tariff plan in a phase such as the one we are living in is confiding also vis-à-vis future forecasts and it compensated for the negative effects on bonus we had in the first two quarters and which, at the end of the month of September, accounts for -2.3%. As you can see from the graph on page 3, this contraction was recorded in terms of both special and urban waste. In terms of tons, it was actually higher in urban waste, as we already saw at the end of June.

Along with the increase in our industrial results, we had a contribution coming in from electricity: incentive plants moved from 400 to 490 GWh as an effect of the going on stream of the Rimini plant and also due to the contribution of Enomondo.

Another significant aspect of the trend we are seeing in our territory is the result we had on sorted collection, which is now at 50% and that confirms the role that Hera has in its territory from this point of view, but it also underscores the significant performance we had at a national level.

Now we are going to water: this year the significant difference vis-à-vis the previous year was in consumption. It may be remembered that last year this business suffered significantly due to the rain we had during the summer, whereas this year the summer was dry. The lack of rain, especially in August and September, brought about a recovery in consumption which, as you can see, in Q3 is up to 75 million m³. We must take into account that, during the summer, a significant contribution comes in from tourists' activities on the coast, since there is an extraordinary amount of consumption and an extraordinary

amount of tourists. In this business the industrial results increased by 1.4 million Euros and this result is particularly good because, besides the increase in tariffs, growth was also brought about by higher efficiency, which allowed us to fully offset the higher cost for electricity, equal to 1.3 million Euros.

Moving on to page 4, gas and electricity, a business that will be divided into regulated and liberalised activities, you will see that growth in gas was equal to 7 million Euros: from 130 to 137. Said 137 million will be divided up into 70 million Euros coming in from distribution and 57-58 million Euros coming in from sales and heating management, whereas 9 are coming in from district heating. The latter suffered the most due to the dynamics in consumption and due to the effects of the mild climate we had in the first half of the year: the overall contraction was equal to 3 million Euros vis-à-vis the previous year, whereas the former two activities contributed, as you can gather, by 10 million Euros. In terms of volumes, as I was saying a few minutes ago, the mild climate in the initial part of the year brought about a contraction of about 120 million m³ compared to the previous year which, as you can recall, was particularly cold both in the initial and in the final part; whereas our trading activities grew significantly by 400 million m³, also due to the effect of the further procurement that Hera Trading acquired during the year.

Moving on to electricity, in this case the result is at 55.5 million Euros, with a 15-million-Euro growth compared to the previous year and also improving the dynamics in the first half of the year. Out of the 55 million Euros, 17 or 18 million are accounted for by distribution, which grew by 15 million Euros compared to the previous year, and the remaining 38 million came in from sales and production. In this case, the aspects that need to be highlighted are the ones of the underlying business, which is accounted for by a constant development in volumes sold, which is now above 7 TWh, and this allows us to confirm that, by the end of the year, it will be up to 10 TWh.

Whereas, as far as our customers are concerned, over the past twelve months, from September to September, we have seen an increase equal to 105,000 customers, which confirms the 8,000-8,500 customers per month we have had over the past 12, 24 and 36 months.

Moving on to the financial issues, I give the floor now to Mr. Moroni.

Mr. Moroni speaking

Thank you and good evening. Let us look at the financial issues through our cash flows. Vis-à-vis a positive effect coming in from the operational aspects equal to 260 million Euros, investments are equal to 213 million, compared to the 247 million Euros of the same period last year. Accounts for equities are equal to some 35 million Euros: that is mainly due to the completion of the major plants in the waste area, meaning that there has been a normal progressive reduction in the impact that this sector has on investments.

Then we have a higher amount, which is equal to 88 million Euros, on the Net Working Capital, which is due to the effect on the amount of gas we have stored, for which the company has decided to make investments, given the opportunity it was able to grasp on the market, which brought about an investment equal to some 50 million Euros out of the overall 88. This effect will then be taken into account in the 2012 financial statements and will have an effect next year. This brought about the absorption of cash flows equal to some 65 million Euros, the Net Financial Position of which is at 2.55 billion Euros. Now, vis-à-vis our two-billion year target, we are slightly above, but this is mainly due to this opportunity that we decided to grasp in order to have a better perspective on next year's results.

A final positive note that deserves to be underlined is that the rating agencies, in reviewing the company's yearly rating, confirmed Hera's rating: Moody confirmed its A 3 position and Standard & Poor's confirmed its triple B-plus.

Mr. Tommasi speaking

Well, I think that these are the main elements of these initial nine months and I believe that, overall, all of the company's businesses contributed, in a different way, but they contributed nevertheless, to this further growth. I would like to make two final statements which refer to the increase in the perimeter of our activities. The first is that we are continuing with our negotiation with AIMAG to be able to actually control that company, in which we already have a stake, as you already know. The second is about the positive news that we received just a few hours ago, namely that the assessment phase of the commission is now concluded, so that we can now be able to obtain the authorisation for the building and management of the waste-to-energy plant in Florence. The assessment was concluded with the preliminary assignment that we received yesterday. The next phases will focus, as far as the entity that will come up in this operation is concerned, on the authorisations to be able to actually build the plant because the authorisation we received was to create a company together with Quadrifolio, which is the local company. Now we will proceed with the authorisation processes for the plant and then, as far as we are concerned, we will start our talks with the banks involved, so as to be able to finance the actual building. It is a significant plant, equal to 140,000 tons, located at the end of the highway towards Florence. The amount of the overall investment is equal to up to 135 million Euros and the company will become operational, together with the Quadrifolio company, in a new joint venture, with the participation of Hera Ambiente, as far as the future management of the plant is concerned, and of Hera, as far as the actual design and construction phases. This is yet another signal which goes in the direction that we very much understood, which is that of operating outside of our territory in the waste sector, taking into account the know-how that the company has acquired over the past few years. Given the difficulties and the significant shortcomings of this market, this could entail some excellent opportunities.

We can say, as far as these nine months are concerned, that we have a solid platform that continues to respond even though there is an external crisis, which leads us to believe that, by year-end, it will also continue being consistent with the results we have obtained so far.

If there are any questions as far as the Q3 results are concerned, we can have them now, and then we will continue our presentation with the business plan.

Chorus Call operator speaking

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

The first question is from the Italian conference call by Stefano Gamberini of Equita.

Mr. Gamberini (Equita) speaking

Good evening. I have some questions. The first is on the tax rate. Can you explain the impact of the Robin Tax and the impact of higher IRAP, and can we have your projections on the entire year as far as Robin Tax and IRAP are concerned?

The second question is on the cost of debt. Can you tell us what the cost of debt is in the quarter, what do you expect for the year and, perhaps, even for next year? Is it safe to say that guidance for the year on debt is 2.50? And, if I understood correctly, you were saying that the investment for the waste-to-energy plant in Florence is 235 million Euros, so what will your share be in the investment? Can you give us an idea on when the plant will be built and what EBITDA it will represent? I asked a question on waste-to-energy now, just because you mentioned it in the final part of the presentation.

Mr. Moroni speaking

Beginning with the tax rate, for the initial nine months it is at 46% approximately, vis-à-vis 42% last year. If we take these two figures into account, and if we add the benefit we had last year during the Tremonti-ter, which was equal to 1.4 million Euros, and the negative effect we had this year, due to the Robin Tax and the increase in IRAP equal to 0.3% envisaged in the first of the two summer manoeuvres, which is equal to 3.2 (specifically, 2.2 as far as the Robin Tax is concerned and 1 million Euros coming in from the increased IRAP), we have 44.5% last year vis-à-vis 45.5 this year. The further 1.1% difference derives from a mix within the companies which fall under the Hera umbrella: they have a higher tax rate compared to others which have accounted for a delta mix. That means, as far as the Robin Tax is concerned, that the effect is 2.2 million Euros; by the end of the year the figure will be under 3 million and we feel that the same can be said for the coming years as well. So I do not think it will be above 3 million in the coming years.

Mr. Gamberini (Equita) speaking

Well, what is the tax rate for this year, more or less?

Mr. Moroni speaking

The tax rate for this year will be at around 45%. We do not feel it will be much different. We will not be able to benefit from the Tremonti-ter, whereas we will be having this combined impact of Robin Hood Tax and IRAP.

As far as cost of debt is concerned, we had 5% approximately, which is fairly constant. I do not think it will change significantly to the end of the year, it may go to 5.1-5.2, but this will not have any significant effect. As far as 2012 is concerned, again, the effect will not be significant in terms of how it will change, since we do not envisage any re-financing or other similar operations and, were we actually to do something, we would do that only if the market conditions will provide for that. This means that, for 2012, we should be continuing with the figures we have for this year. As far as the guidance on debt is concerned, at the end of the first half of the year results I have mentioned a value equal to some 2 billion Euros. We seized this opportunity to actually stock gas, which accounted for some 50 million Euros in terms of cash and I think that will be the same by the end of the year.

Mr. Venier speaking

With regard to the Florence waste-to-energy plant, the investment is equal to 135 million Euros for a 140,000 ton plant with an installed capacity of 13 MW. Our share in the newco is equal to 40% and, as far as the time needed to be able to complete the plant, it always depends on the time for the authorisations that will require at least a year, meaning that the plant will be on stream in four years, reasonably.

Mr. Gamberini (Equita) speaking

Thank you.

Chorus Call operator speaking

There are no further questions for the time being.

Yes, we have another question: Edoardo Montalbano, Centrobanca.

Mr. Montalbano (Centrobanca) speaking

Good afternoon. I have a question on the Florence waste-to-energy plant. In terms of contribution to EBITDA, what can we expect? Some 15 million Euros perhaps? And is the contribution of the waste-to-energy plant included in the waste area target that you mentioned in the press release for the business plan?

Mr. Moroni speaking

Well, it is difficult to make a forecast as far as the contribution to EBITDA is concerned because, as you know, this is a plant that will go on stream after 2013 and, therefore, it will have new feeding tariffs that will have to be defined. Obviously, in the plan we used before, when we took part in the tender, we had to refer to the current regulations and, therefore, we had to take into account the issue of green certificates. Having said that, since in the tender there was a clause of economic and financial reviews in order to make changes in the regulatory and in the authorisation framework, if there will be any changes, I believe these variations will be sterilised by the disposal tariffs, which bring us to the second revenue stream. These tariffs will be equal to some 150 Euros per ton, which bring us to an EBITDA of the plant which is higher than the one you mentioned: I think it is closer to 20 million Euros, actually. We also need to take into account that we cannot consolidate this fully, as we have 40% and other parties have 60%, but we will be controlling the company.

And your last question was if this was included in the targets we communicated in the press release. The answer is no, first of all because we received the final communication only just yesterday and, secondly, because it is between the two business plans.

Chorus Call operator speaking

There are no further questions for the time being.

Mr. Tommasi speaking

Very well then. We can now move on to the second chapter of our presentation.

At the beginning I was mentioning why we are revealing this business plan today, actually 20 days after our traditional release day, which was in October. This is also due perhaps to some kind of operational continuity for the company: we have a number of investors and shareholders, and therefore we need to keep them informed on the forecasts and on the evolution of the business. We needed to start working on the budget for 2012, and therefore we needed to give absolute continuity to our planning process.

Going into the business plan, by the things that we will be illustrating, you will see that this is a plan that has two fundamental elements, the first of which is continuity. In other words, there are no revolutions vis-à-vis the important choices we have made in last year's business plan, and allow me to underline that there is significant continuity vis-à-vis our track record. It is positive continuity, which means that we are convinced that, in the light of how the past three years have been going, we believe we will continue to live

up to this standard of ours. The second element is growth and I will be going into the various elements of this aspect. We fully understand the problems of the business plan we will face, obviously because the context we are living in is a complex and difficult one, but we believe that we have provided some conservative responses to certain areas of growth. Specifically, I refer to organic growth, meaning that we have not overstressed this central element in our previous growth. That is due to the fact that, over the years, either we introduce some new elements, or that is an area that will necessarily be conservative compared to what has happened so far. But both of these elements are based on our belief that the company is solid, also vis-à-vis our business problems and the business problems that any multiutility has to face currently. Certainly, in the energy field we are still facing a scenario which is characterised by a number of problems we have already seen over the past two years. We have an overcapacity, which brought us advantages and disadvantages. Now, our specific organisation and our strategies, especially in the gas business, allowed us to take advantage of the situation. We believe that this can continue, since the market involves sectors which will continue being as they were for the past period. In the electricity market we were able to benefit from the fact that we made a very conservative choice in the past, meaning that our electricity production capacity allowed us not to be exposed to delicate situations in the times we are living in.

A second remark, which may sound trivial but which is a lot more concrete compared to what it was 3-4 years ago, is competition. We are very satisfied with the growth in our customer base and by their contribution to our results. Undoubtedly, the increase in competition does exist, meaning that, if we are able to reach the figures that Mr. Venier illustrated, that is due to the fact that our formula and the mechanisms we have are convincing to our customers, since the whole of the competition takes place between major players and, given our size, we are among them. Recently, though, as you were able to see during their advertisement campaigns, we noticed that the major players are now turning also to smaller customers, on which we ourselves invested a great deal and that are very satisfying to us.

The third point, obviously, is waste. [...] The company has already made most of its investments and plants in the waste-to-energy business, but we still have to complete our plant asset base with some interesting operations in terms of completing the array of our plants and, specifically, in the selection process of our sorted collection on which we will be completing our presence in the territory and perhaps even outside our territory. The second aspect is that we will be having more widespread distribution and investments in the biogas sector. Now, obviously these are operations that, if you take them individually, are very far compared to the waste-to-energy investments but, again, there are a number of smaller investments which have already been experimented over the past years, and we now have to cover the territory also in these two areas of activity. Obviously, were we to have certain opportunities such as the Florence one we mentioned before, we will not sit on our hands [...].

After waste, the fourth element is represented by a very important phase that we are prepared for, which is that of gas distribution tenders. As you know, we made some significant operations also in terms of becoming owners of the networks, but we are convinced that we will be able to defend our current concessions and to take advantage of the characteristics that the tenders will have, meaning that there will be one operator for each Province. It is easy to imagine that, by winning those tenders, this may also be an opportunity to cover parts of the territory that are not currently managed by our company. This is obviously an element that is about to be concluded, as far as the regulatory framework is concerned. I think we also lack a single piece of legislation, that would allow us to programme for the 4-5 years necessary to be able to organise the tenders. As you know, our forecast is to defend the seven Provinces we currently

operate in and then, besides those, we will consider seizing a couple of opportunities outside of our territory.

As far as water is concerned, I think that we need to make a consideration. Obviously, the water referendum is not completed, because the conclusion of that story has brought about the choice of creating an agency that regulates water and we hope that this agency will be launched shortly. It is true that the country has a number of far more important problems, but obviously this is something that we are waiting for. The referendum did not go into the conditions of everything done up to the referendum itself, meaning that it does not pose any threat to what we have done so far. We are getting in an intermediate phase, which is covered locally by the fact that we had a number of contracts with local authorities through the end of 2012; we tend to believe that the decisions made by the national authority may come into being before these contracts expire. Obviously, if that does not happen, we will have to take into account further scenarios that we did not feel we have to, even after the referendum.

As far as the model is concerned, the plan fully confirms our multiutility activities, because the results obtained over the past three years confirm how the mix of our activities allows us to maintain an attitude in which we can both grow and defend our position. The balance between the various areas of business is in fact an element which characterises us.

As far as the fundamental choices on the financial structure are concerned, besides the things we have already mentioned, I think that the plan is absolutely consistent, as far as investment is concerned, as you will be hearing, in the sense that last year we had a different target vis-à-vis the previous years. When we were still investing on the major plants, our target was equal to 340 million Euros per year on average, and this is a target that may change in the plan, linked to the conclusion of the AIMAG operation, for instance. But, without this element, we would be very much in line with the forecast we had made in the previous business plan as it would be for 2011.

As far as rationalisation operations, which are currently very widespread in the sector, frankly, as far as the rationalisation of the company and the reorganisation of our territorial perimeter, I mean in terms of the number of companies within the Group, everything that we could have done has been done. Our business portfolio is clear. In the past few months we sold the remaining minor operations we had; we simply lack something in Bologna, but that will be concluded within the end of the year, hopefully. We are now focused on our four and main business areas, plus public lighting and district heating, and that is where we will stay. This allows us to be solid even from a financial point of view because, in confirming the reference values we have given you, that is exactly what we are expressing.

As far as our strategic priorities are concerned, our customer expansion is an ongoing reality. Our target is to reach 2 million customers with 2.5 contracts per customer. This is a battle we have been fighting for a number of years. We are close to the target, meaning that it is as if we were looking at 5 million customers, having some 2 million customers with 2.5 contracts per customer, vis-à-vis our current 1.8 million customers.

As far as organic growth is concerned, this is a fundamental pillar and we will be seeing this in the values that we have forecasted for our future growth. Within this, we pay close attention to the issue of gas distribution obviously, and we are continuing to intervene both in terms of innovating from an organisational point of view and some initiatives of specific innovations through which we can continue increasing efficiency which, in the regulated business areas, can be increased even more.

As far as external growth opportunities are concerned, in our figures we have included the AIMAG operation, the acquisition of which we have been thinking of for quite some time now. We included in the business plan an amount of investments that can be used for the gas distribution tenders, and this is also within the M&A field, which is included in the plan.

As far as other issues are concerned, I can say that we have the usual scenarios in front of us, meaning the small to medium-sized operations, especially in the gas sector, as I have already explained, and we already concluded some of them this year. The second is to see whether or not we can collaborate with other operators, which is something that we cannot exclude and which has already been done in the waste business. Finally, everything that we have been reading in the papers on shareholders of other companies, is another possibility that in the future we will be able to have a debate on future aggregations, but currently nothing is happening. For the time being there has been no contact between companies, meaning that we are simply in the phase of a hopeful growth, which has come from other shareholders and also from certain elements we gathered from some of our public shareholders.

As far as the selectivity of asset development is concerned, I think that the reduction of our investment programme is fully confirmed in the new business plan. Those sums are fully consistent both with the overall situation and vis-à-vis the operations we have already concluded. Therefore, I do not believe that we have to review the plan altogether. With that sum we can continue growing but, at the same time, it is very different from the levels we had two years ago in terms of our investment policy.

Finally, I would like to confirm that our growth rate will be significant: it will be 5-6% in terms of EBITDA for the coming years and, within this process, we also want to improve our ratios and capacity to produce cash, which is one of the mainstays of our strategy for the coming years.

Before I leave the floor to Mr. Venier, [...]. The growth that we feel we will be able to achieve to 2015 is up to 800 million Euros, and the contribution coming up from the various drivers is divided according to our usual rules. We will have organic growth and synergies accounting for over 100 million Euros. This is a significant figure, even though in the past five years this area represented 35 million Euros per year, whereas in the coming five years we have 26-27 million Euros per year, meaning that we decided to be conservative due to the reasons that I previously mentioned. Next to this, we have the contribution coming in from new plants, especially from the waste business, and the specific projects we have in terms of lighter plants, just to be more specific, and they will be contributing approximately 30 million Euros.

As far as M&A is concerned, the elements we have included in the plan are the acquisition and control of AIMAG and, as for the gas business, the tenders that we will be taking part in will have an impact. The final remark, as far as synergies and organic growth are concerned: I think that we can highlight the fact that we expect a significant contribution from the waste business and by the liberalised activities in electricity, and we believe we can also have some further 20-million-Euro increase in terms of tariffs in the regulated sector. Within the 104 million Euros I was referring to a few minutes ago, the overall organic growth, we have a significant contribution coming in from operational efficiency increase. Just to give you an idea of the growth coming in from the efficiency in our organisation, take into account that the reduction in customer management cost and in the cost for each individual customer is equal to some 15 million Euros throughout the plan. These figures can already give you an idea of what our forecasts are and we hope they will be as solid as the previous ones were. As far as M&A is concerned, I think that I mentioned everything. I am sure you are familiar with our ideas, you have been familiar with them for the past years now. I am referring to AIMAG as far as a possibility for M&A. It is a company with a 40-million-Euro EBITDA and a Net Financial Position which in 2010 was equal to 72 million Euros. We are considering to increase our stake to

65% in AIMAG. As far as Sadori is concerned, I have already mentioned everything, it is fully a part of our commercial structure with its 34,000 customers.

As far as gas tenders are concerned, I think that they require full attention both from an organisational point of view, because there will be a lot of work to be able to prepare for the tenders, and also for the opportunities we have, because we still have areas in our territory that, were we to win the new concessions, will be brought home. Obviously we will have to pay the previous owners the relevant value. Now I leave it to Mr. Venier for the business-to-business breakdown.

Mr. Venier speaking

Thank you. Now, a number of things have already been said, therefore I will not be repeating what has already been mentioned.

If you turn to page 11, you can look into the typical breakdown between the regulated area of networks and the liberalised areas of energy and waste. The waste contribution we expect will be 100 million Euros, with a growth from 195 to 293. Within the vast businesses, we also have the waste collection besides the waste disposal operations. Now, how is this compared to the previous business plan? There has been a slight contraction of some 10 million Euros, which is due to the fact that the completion of the major plants has now been finalised and, therefore, that is something that has already been factored. It would be crucial for us to be able to strengthen our commercial position, which is a strategy that we expect to conduct very much like a spiderweb, the centre of which will be Emilia Romagna, whereas we are also looking outside of our territory so that we can also intercept flows of waste, which are not necessarily those in Emilia Romagna, but which can cover a wider area, also to take account of the various logistic aspects. And, as the Chairman was saying, we can give value to some of the plants that we introduced in Italy and worked with for the past year now, with a significant satisfaction.

As far as networks are concerned, our expected growth is approximately 80 million Euros. This is some 20 million Euros higher than the one we expected in the previous business plan, which is a consequence of the integrations made, as far as gas distribution is concerned, that we imagined were factored in.

In the energy business we have a 12 million Euros growth. There is a difference between the 2010 results, which were very important, and the expected results in 2015. Within this time frame, as we were able to see in 2011 already, we will have a curve; in other words, there will be a peak, which is reasonably the one we are living in now, then a progressive descent. This also represents an element of caution that we wanted to include in the plan. We are aware of the fact that those favourable conditions we have been having in the past few months may not continue lasting forever. Given that, with these three businesses we reach 800 million Euros, which is the overall figure.

On page 12 we have some more industrial and quantitative elements in terms of how these numbers can be interpreted, just to go beyond the purely economic aspects and to be able to appreciate the dynamics or the operational targets we have, which are the heart of these results. Beginning with the networks area, in the top-left corner, we expect tariffs to increase by 2% on average. This is a very conservative forecast, which also envisages reaching a balance between covering costs and return on capital. We further reduced leakages, which is by far the best result achieved in Italy, but which is still a cost within this business' economic structure, meaning that reducing leakages can improve profitability. We will further extend the kilometres of managed networks, equal to some 10,000 km. This is a significant figure, and the contribution will be coming in from AIMAG and from the new kilometres of networks in our territory, which belong to

third parties currently. The same can be said for the number of PODs (the Points Of Delivery), which will increase by 30%. Obviously, these figures need to be taken into account per employee. They will be moving from 1,300 Points Of Delivery per employee to 1,600 PODs per employee. This obviously reflects on organic growth figures. We will have +30% in district heating volumes. Obviously, if the climate in the years ahead will be as it was this year, it would be slightly less but, if we expect to have years with an average cold (as you know I am a skier so I love the cold), we expect that to be 30%.

Moving on to waste, the goal is to allow our overall management model for urban waste to continue evolving and reaching 60% sorted collection on average, meaning that, within our territory, the points of excellence, which are already above 50%, will reach 60%. Whereas our territories which are lagging behind will be able to reach excellence at a national level. Now, keep in mind that, as we are structured, we can guarantee that over 90% of the sorted waste is either recycled or recovered. This is a significant element, taking into account that this can bring about further streams of profit that can then contribute to the overall results. These streams are, as for the humid part, the production of compost and fertilizers, and, as far as the dry part is concerned, it means recovering aluminium, plastic, paper and glass, for instance. Our plants will be able to absorb further 1.5 million tons of waste, which will bring about an overall result equal to 5 million tons. A part of this will be obviously linked to urban waste, between 1.8 and 2 million, and 3 million will be coming in from special waste. Consistently with the evolution that we had over the past ten years, the disposal in landfills will further decline to 18%, which will bring Hera even closer to the levels of excellence we have in Europe, represented by Norway, Sweden and Holland. 250 GWh will be awarded with green certificates; there may be a new name for these incentives, but they will continue yielding the same results. Whereas, we will have further nine new assets; these are light plants, with lower investment required vis-à-vis with energy plants, such as selection plants, biofermentation plants, and so on.

With regard to energy, we will have further 350,000 gas customers and further 240,000 electricity customers. Obviously, a part of these further 350,000 gas customers will be coming in from the consolidation of AIMAG and by the acquisition of Sadori, which contributed with above 30,000 customers. The rest will be coming in from organic growth and development. In terms of volume, this will mean increasing by 600 million m³ of gas sales, which will bring us close to the 3 billion m³ of gas, which is the target we have in mind. Whereas, we have +2.6% of electricity sales, a significant portion of which will be already reached in 2011. We will have a 7% reduction of cost to serve, which will bring us below the 20 Euros per customer managed, whereas we will have +43 MW of renewable energy, part of which is linked to the further development of photovoltaic production, which will add some 6-7 MW to the current 4, whereas the remainder will be represented by biomass, biofermentation and biogas.

On page 13 we have a slide that I think is very important from a qualitative point of view. It can be interpreted in a number of ways. We inserted it to add transparency to the elements that we included in the business plan so that we can take into account the context we are operating in and the dynamics that the regulatory framework is currently going through.

Now, vis-à-vis the three areas, we have taken into account the risk factors between 2010 and 2015. Now, in energy we must take into account downstream competition and the balance on supply margins. As far as downstream competition, we have considered a double turn rate in our territory. Currently we have a 3.5% turn rate in gas and 5.6% turn rate in electricity, whereas in the plan we considered 7 and 12% respectively. As far as supply margins are concerned, we considered a decrease in the real terms, also vis-à-vis the margins we recorded in 2010, and that gives you an idea of the conservative plans we made. On waste we have green certificates, or the incentives that will be substituting them. The hypothesis to have 72 Euros

per MWh in 2015 means that there will be a progressive reduction vis-à-vis the current values and vis-à-vis the hypothesis of the previous plan, meaning that, within the 800-million-Euro target, we also absorbed this delta, equal to a few million Euros. Whereas, with regard to the competition on special waste, especially in this area we have a scarcity in product, which reflects the economic situation. As you can see, over the past few days we had statistics on electricity consumption, which do not indicate that there will be a quick recovery. In this case, we considered a cut of margins between 5 and 8%. Moving on to networks, the regulated area, we tried to make our estimate on the impact of tariffs deriving from the tenders for the new concessions and we kept the water tariffs in line with an increase aligned to inflation at least by 0.5%, which is the X factor we have in the condition of full remuneration.

Finally, two remarks on the investments that the Chairman already mentioned. Substantially, over the years we expect to be stable, in 2013 and 2014 there may be a slight increase vis-à-vis the expected 340 million Euros per year, due to the dynamics gas tenders may bring about, meaning that, due to the fact that these figures include the consolidation of AIMAG, vis-à-vis last year's figures, we tried to optimise of further 20 million Euros the numbers we had forecasted. The returns should grow to 10.5%, which is in line with what we expected in the past and also with the financial ratios and the cash flows. As the Chairman was mentioning, at the end of the plan 2014-2015 we will have a positive cash flow for all businesses, even after paying dividends.

Mr. Tommasi speaking

Well, as far as I am concerned, I do not think there is very much else to add, besides perhaps a remark on the reliability of our forecasts. I do not think anyone of you can imagine that we have exceeded in our optimism for two reasons: first of all because this growth figures have been proven to be effective, both in terms of how we can obtain them and in terms of size, and also because we very frankly explained how we went over all possible risk factors before we defined our targets, meaning that we were especially conscious as far as possible risks are concerned. I think that this is the major element that fully underlines our reliability. I would like to ask you your opinions on this overall plan, which allows us to confirm once again our further improvement of the debt/EBITDA ratio. In the past nine months, vis-à-vis the same nine months last year, there was a slight improvement in that we confirm our target at the end of the business plan to go below the 3 times ratio, but we think we will be able to reach a 2.7-2.8 times ratio in 2015.

Having said that, before Mr. Gamberini asks his usual questions, I simply confirm the fact that, as far as our dividend policy is concerned, we have not changed our mind, we will not be moving backwards. Obviously making promises in the current context is not easy, that is why we will not make any promises. We can leave you with three remarks. Last year we had a significant growth of the dividend, this year we had a taxation which was heavier for others, but which had an impact on ourselves nonetheless. Hopefully, there will not be any further elements in the future, except that we will also have to take into account the performance of our share, which is crucial when it comes to discuss any future mid to long-term dividend policies. I am sure you will be hearing some confirmations when I will have to discuss our year-end results. This is a confirmation of our company's history. Next year we will be celebrating our tenth anniversary and I think that, in order to move this plan forward, one thing is true, that is that our commitment will be no less compared to the commitment we had in the past nine years.

Thank you and we are available for any questions.

Chorus call operator speaking

For a question, please press "star" followed by 1 on your telephone.

The next question is by Stefano Gamberini, Equita.

Mr. Gamberini (Equita) speaking

Well, you have already answered one of my questions. One year ago you said that, at the end of the business plan, you thought you would reach an 11-cent dividend per share, I was wondering if in this plan your target is the same.

And then another question: can you tell us what is the EBITDA coming in from M&A, what is the AIMAG EBITDA and what is the EBITDA coming in from the gas concession tenders?

I would also like to understand the growth in waste. 98 million Euros plus 20 million Euros bring us to some 120 million Euros, 30 of which would be coming in from new plants, meaning there are some 90 million Euros coming in from organic growth. Can you help us understand how in four years we can grow some 20-22 million Euros per year in the waste sector? Is it due to volumes growing by 43%, or are there other drivers that can allow for such growth?

Mr. Tommasi speaking

Just to further clarify, speaking of dividends I said that it is difficult to make projections, but I also said that our mood vis-à-vis our dividend policy has not changed. So, for the short term, since the end of the year is close, we will not be moving backwards. As far as the remaining years of the business plan, our idea is the same you are already familiar with and which we confirm, obviously with all the caution needed in this context and with the events you have seen in other companies that we talk to on a daily basis. We hope that everybody does because, until the share value is at 1.3, I think it will be very difficult to confirm the dividends, as if the ratio were truly representative of what the value really is. If you ask me if the business plan values that we have expressed are equal to an increase in dividend, I think that they will be, but if you ask me what might happen from other points of view, for instance, as far as taxes are concerned, I have considered the elements that I'm aware of, but what I am not aware of I cannot take into account. This year I believe we will be able to live up to our commitments, also including the tax novelties, but in the next years we will have to see what happens, so we confirm our values but we need to pay close attention. I think it is already a luxury vis-à-vis the news we have been reading in the papers.

Mr. Venier speaking

Just some information on M&A, the impact we have considered is 60 million Euros. 40-42 of these are linked to AIMAG, while the remaining amount, minus Sadori's 3 million, is 15 million Euros accountable for energy. Concerning the contribution made by IMAG, and this brings us to your second question, obviously we have a contribution in the business breakdown, meaning that the consolidation of this company should contribute 13 million Euros to the 98 million that we have identified in the waste business. So, on a like-for-like basis, the imagined growth for the current waste sector is equal to 80 million Euros. Besides that, within the 80 million Euros you also have the contributions coming in from tariffs in the waste business which, as we said, is equal to approximately 2%. This brings about increasing revenues equal to 5 to 7 million Euros, depending on each year, because obviously a basic increase is equal to an increase in value, that comes from the regulated area of businesses.

Mr. Tommasi speaking

I do not know if that is enough for you, or if you require any other elements.

Mr. Gamberini (Equita) speaking

I just want to understand how the capacity use of the various waste-to-energy plants will have an impact, and how much the increase in volumes affects your growth forecast, with 20 million Euros coming in from regulated activities and further 15 coming in from AIMAG. I was wondering if these are the drivers and, if volumes will not grow, then how much EBITDA will I lose?

Mr. Venier speaking

Obviously the volumes, as I was mentioning, are expected to grow compared to 2010. Special waste should recover soon, hopefully, and it should grow to almost 3 million tons, as I said before, totalling 5 million tons with a 7% growth. As far as urban waste is concerned, we expect a 0.1-0.2% increase per year, which should bring us to 1.9 million tons. The small contribution from AIMAG is equal to 70 tons, which should bring us to the 2 million tons I was referring to. So the growth in volume should be equal to 1.5 million tons, of which 200,000 tons coming in from urban waste. As you know, revenues in urban waste are equal to 100 Euros per ton, whereas we expect the remaining part to decline by 5-8%.

The same is true for the part concerning green certificates that in 2010 contributed with 16 million Euros. Even though we expect a contraction in price to 72 Euros, we have a growth in energy with incentives which should reach 400-450 Gwh, therefore green certificates will move from 16 to 31 million, thus covering further 15 million Euros.

Between pages 17 and 20 of the presentation, you can obtain all the other details on plants, energy, etc. Obviously, if you require further details, I can give them to you later on.

Chorus call operator

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

Dario Michi, Banca Akros.

Mr. Michi (Banca Akros) speaking

Good afternoon, I would like to hear your opinion on M&A. We have noticed you are focused on small- to mid-size companies but, in reading the papers, the political intention is that of having larger mergers at a national level. Can you explain what is happening in the Veneto Region, and what are your concrete possibilities? You have mentioned that there are no current discussions. What is the truth, is the world of politics pushing towards that direction, or is it an industrial need to be able to have larger sizes?

Mr. Tommasi speaking

I think that defining the drives and decisions made in this period is difficult. Sometimes the world of politics, or public shareholders rather, become excited, as we have seen in other categories, about the charm of larger operations. But we have seen that a large operation between peers is very complicated, in terms of actually being able to fulfil it. So the entire sector actually slowed down. We were the first to actually underline this difficulty with concrete facts and, over the past four years, we noticed that it was not simply a bizarre vision we had, because nobody else went in that direction. So this gives you an idea of the trend, because it is a path which leads to growth, but there are also other difficulties that these operations

entail, which can be understood by those who actually sit around a table and have to bring about synergies and conduct negotiations. So, this is an overall picture. We cannot say we are reluctant, as far as we are concerned. What we do understand is that, when those dimensions are involved, it is a complex operation.

As far as possible opportunities are concerned, you were mentioning the Veneto Region, well, it is fairly different. Theoretically speaking, Hera, compared to the operators in Veneto, is very different. It is a lot more important compared to the ones in Veneto. Therefore, any possible operation which would increase our territory towards the East is an operation which is somewhere in between the smaller operations, such as the ones for gas distribution for instance, and the major operations that we have read about in the papers as a future perspective of certain shareholders. In Veneto the situation is a lot different. It is interesting because it is a really important market but, as far as growth through future integrations, it has not done anything. Therefore the size of those operations would be somewhere in between the major operations and the smaller ones, such as the ones linked to individual sectors, for instance. Now, the fact that there may be an interest, taking into account that we have always tried to consider any possible opportunity throughout our territory it is something that may exist, but formally there are no contacts whatsoever. And I do not think it is comparable to larger-sized operations, such as operations with those that have a size equal to us. That would be a completely different situation that would allow you to grow in terms of size, but you would also have a number of problems. There are no choices made so far, but I think it is important to understand what we are looking at.

Chorus call operator

There are no further questions at the moment.

Yes, there is a final question from Edoardo Montalbano, Centrobanca

Mr. Montalbano (Centrobanca) speaking

Thank you. A question on Galsi. I was wondering if your gas targets also include the contribution which may come in from Galsi. What is your position, as far as the final investment decision which is expected for the first half of 2012?

Mr. Venier speaking

Cautiously, we did not include Galsi in the target we identified. That does not mean that our position vis-à-vis that initiative has changed; it is something we are looking into. There was a Board of Directors' meeting yesterday. Obviously we need to take into account that a 40% shareholder said yesterday that we should think cautiously about the timing for launching the operation. That means that we will complete our activities by the end of the year or the beginning of next year, but then there are various partners who want to discuss how to move forward with the operations, also given the position which one of the main shareholders has.

Mr. Montalbano (Centrobanca) speaking

Thank you.

Chorus call operator speaking

Maria Beatrice Gerosa, from Mediobanca.

Ms. Gerosa (Mediobanca) speaking

My question is: as far as Capex is concerned, besides the ones you showed in three years of business, usually in your business plans you also have some investments which cover the holding sector, which are always very significant. I wonder what those investments would account for in the new business plan.

Then, as far as the water business is concerned, I wanted to know: if there is no clear information after 2012, would you continue to apply the currently existing legislation? In other words, is the guaranteed return of 7% pre-tax real?

My third question is: in your target 2015, as far as gas is concerned, how much of that is linked to external growth, and how much will AIMAG contribute to 2015?

And one final question: I suppose that the Net Financial Position target also includes a certain amount of dividend cash-outs. I was wondering if you could give us further information.

Mr. Venier speaking

The first question was on Capex.

Ms. Gerosa (Mediobanca) speaking

The sum of Capex per division never gives you the total, because it does not include the investments on the holding side of things. I was wondering how much that accounts for.

Mr. Venier speaking

Usually, it accounts for some 30-50 million Euros per year. Yes, between 45 and 50 million Euros per year every year.

Ms. Gerosa (Mediobanca) speaking

These are not allocated to any operational divisions.

Mr. Venier speaking

They are within the 340 million Euros that you see on the screen, where you have the business-per-business breakdown. In the presentation you also have the section pertaining to the holding.

Ms. Gerosa (Mediobanca) speaking

I do not see the holding area. There is a business-per-business breakdown, but it does not include the holdings.

Mr. Venier speaking

These are included in the various individual business areas.

Ms. Gerosa (Mediobanca) speaking

Until 2010 it was not like that. Your Capex in the holding were all excluded from the reported division-by-division Capex.

Mr. Venier speaking

If you sum up the Capexes of electricity, gas, water and waste, that gives you the total Capex that we declare as a group. If you look at the balance sheet, you will see that the investment for the holding is stated separately, since the holding investments are basically for facilities, information systems and fleets for waste management. They are allocated in the various business areas.

Ms. Gerosa (Mediobanca) speaking

The only thing I am interested in is understanding if the 345 million Euros per year of Capex you are referring to, from 2011 to 2015, is all the Cap expending.

Mr. Venier speaking

Yes, it is all inclusive. It also includes any possible financial commitments coming from minority stakes in those companies where we are minority shareholders. For example, within these figures we also have the investments for capital increases that would have to be made to build the Galsi, which is an equity as far as we are concerned, but where we have our share. Which, by the way, represents most of the investments that we have envisaged: 8-10 million Euros per year, no more than that.

As far as water is concerned, we continued with a return on capital which is in line with what we will have in 2012 which, except for the 7% of territory as envisaged by current legislation is equal to the investment made in the water sector: approximately 90-100 million Euros, depending on the effect that AIMAG will bring about. We tried to be consistent, obviously if we do not have the 7%, but rather 4-5%, we will shift to maintenance investments, while abandoning development investments.

Then, your question on the 2015 target and its link to AIMAG.

Ms. Gerosa (Mediobanca) speaking

Well, maybe you explained it already, but I missed it. As for the target for 2015, I was wondering if the gas EBITDA also includes external growth, and how much will the consolidation of AIMAG contribute?

Mr. Venier speaking

Page 10 of the presentation includes the contribution given by AIMAG. In 2015 it will be some 42-43 million Euros and the part which refers to gas is equal to some 15 million Euros.

Then, your final question was on the Net Financial Position.

Ms. Gerosa (Mediobanca) speaking

You must have a total dividend spending in your Net Financial Position.

Mr. Venier speaking

Mr. Tommasi forbids me to give you that information.

Ms. Gerosa (Mediobanca) speaking

What If we use the older guidance we are already familiar with?

Mr. Venier speaking

The further 40% for consolidating AIMAG will take place through share swap. This is also because AIMAG shareholders want to be part of the shareholders' agreement, and they also have taken the 35 million Euros from the initial 25%. To date, the discussions we have had with them were focused on industrial aspects, on synergies, and we still not have gone into how the actual share swap will take place.

Mr. Tommasi speaking

Just to give you some news, we also need to take into account that their attention in the negotiation process is focused on finding an agreement with our public shareholders, as far as the governance is concerned. A new shareholders' agreement is currently being signed and obviously they want to be a part of it. They feel that this comes before completing the negotiation that Mr. Venier was referring to, which refers to the definition of some other aspects and to the share swap. They are discussing the shareholders' agreement with partners, which will have to be renewed before December 31st.

Ms. Gerosa (Mediobanca) speaking

So we cannot go into the issue dividends.

Mr. Tommasi speaking

We have already discussed it quite a bit, actually.

Ms. Gerosa (Mediobanca) speaking

A final question. I notice that your net debt to EBITDA target is equal to 2.7 in 2015, and it also includes the conversion of the convertible bond.

Mr. Venier speaking

Yes, that is correct. The expiration of the convertible bond is at the end of 2013, the conversion price includes an adjustment mechanism which is also based on the future dividends that will be distributed. Initially the conversion price was 1.83, but obviously every year in which we give out dividends we have to detract 50% of the dividend distributed, which brings us down to 1.7 or slightly below 1.7. That is the strike price. Now, one could say that going from 1 to 1.7 in two years is something difficult to achieve, but I hope we will achieve it. Obviously it is a forecast and the convertible bond is actually included in our debt position and not in the equity position. Were we even to give it back, I do not think that debt will increase by 150 million.

Ms. Gerosa (Mediobanca) speaking

One final question. Any timing for the refinancing of the debt?

Mr. Moroni speaking

In 2012 we have no expected expiry. The first expiry is the one Mr. Venier mentioned, the convertible bond, and in 2015 we have the expiry of a European Investment Bank funding, equal to 180 million Euros. These are the expiries in the business plan.

Ms. Gerosa (Mediobanca) speaking

What was the value of the convertible bond?

Mr. Moroni speaking

140 million Euros.

Ms. Gerosa (Mediobanca) speaking

As at 2013. Thank you.

Chorus call operator

There are no further questions.

Mr. Tommasi speaking

Thank you very much, and I hope to hear from you soon to see whether or not year-end will be in line with our forecast, which is something we do expect as a matter of fact. Thank you.