2009 Annual Results
Bologna, 29th March 2010

Speakers:

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

Chorus Call Operator

Good afternoon, this is the Chorus Call operator speaking.
Welcome to the presentation of the 2009 Hera Group results. Let me remind you that all participants are in listening only mode. After the initial presentation you will have the opportunity to ask questions. To receive assistance from an operator during the conference call press star followed by zero.
And now, I will give the floor to Tommaso Tommasi di Vignano, Chairman of Hera. You have the floor, Sir.

Tommaso Tommasi di Vignano speaking.

Good afternoon, we are here to discuss the figures pertaining to 2009, which is a complex year indeed for everybody and to illustrate the results of our Group which, as far as we are concerned, did well throughout the crisis period we are examining.
Why did it do well? Because besides the results per se, I think it is obvious to notice the goals we achieved in terms of growth and our operational results. And secondly, I would like to underline how these results also came about significantly from the liberalised sectors in an attitude towards development. Sales have grown by 38% in electricity and in gas the growth is equal to 12% in trading and sales activities.

We also have a good grasp on our clients because the clients in the energy sector grew by 50 thousand units during the year. Even in the waste management sector, for special waste, the final results actually show the good results obtained even though in the first months we had truly felt the crisis with a -13%, whereas at year end for this activity the reduction was only of 7% compared to the previous year.

Obviously, we also had a great amount of satisfaction on regulated businesses and more specifically, as far as the distribution of electricity is concerned, we had 10.3% and in gas 17.6%. This is due to significant tariff increases and sectors which also had a more positive climate, a more positive temperature from a meteorological point of view compared to the previous year. In the water sector, the tariff growth was equal to 3.1% and in waste it was equal to 2.7%, according to what was agreed upon with the authorities and the individual sectors.

Overall, we have to also remind you of how in 2009 we worked substantially for the first time after the first seven years of the Group activities on the organisational front with a strong intervention which modified the Company's structure on the territory and therefore which went beyond the LOCs, the local operating companies, at the end of 2009 and in July, as you surely remember, we had created the Herambiente company so as to be able to deal with the possible future developments in the sector through the activities to be conducted in the waste management plants. With the last 500 million euro bond we also moved our debt from a five year to a seven year period.

As far as investments are concerned, we have to highlight two aspects: on the one hand we have the large plants which are being finalised on the territory we referred to; we simply have to finalise the waste-to-energy plant in Rimini which is being completed and should be fully operational by the end of June. We are also completing the Ortona plant, where we are present with a foreign partner and which will also be completed during 2010.

Overall, the fact that we have just about completed our efforts on the large plants that we have begun in the initial years of the Group activities already highlights how we are having returns on our investments. In 2008 the operational investments were equal to 419 million, in 2009 to 391 million and as a forecast in 2010 we will be around 330 million euro.

And finally, concerning the focus on possible external growth opportunities, we should remind you of two significant events which took place during the year: the first was the acquisition of the gas and district heating networks in three provinces, which took place in the fall, and also vis-à-vis the tenders which are looming ahead as far as the gas distribution sector is concerned. And the second novelty of the year is represented by the acquisition of 25% of the AIMAG stakes, a multi-utility company in our territory, and hopefully we will be able to continue in the acquisition of a further stake in the company.

As far as figures are concerned, we have to highlight a few significant aspects that I would like to remind you of. As far as revenues are concerned, we had a +13% which was substantially due to a strong growth in the electricity sector equal to approximately 470 million; therefore it is a growth due to the market expansion and due to the increase in tariffs which, as far as revenues are concerned, have more than compensated, they offset the effect of the reduction of consumption which happened in 2009.

Even in terms of EBITDA, with the contribution of the regulated businesses I referred to and the liberalised businesses, we have a growth equal to 7.4% which represents a significant result within which the gas sector has certainly contributed very positively with a growth equal to 31 million.

In terms of amortisation and allocation we have figures equal to 27 million in amortisation which are represented by the investments made and the amortisation represented by the large waste plants which were activated in 2008 and then in 2009. Even EBIT therefore even though it was influenced by the amount of this amortisation is positive and equals to a growth of 10.4 million.

As far as pre-tax profit is concerned, we have to highlight interest on debt with a value similar to that of last year which is equal to 87 million approximately within which the largest debt was equal to 7 million. And as far as IAS figures are concerned, we have a negative 13 million and another thing which is obvious but is painful, we have the effects of the fiscal moratoria i.e. a one-off tax recovery which had an impact which has been compensated both in terms of the pre-tax profit results and in the remaining sectors of the balance sheet of the financial statements.
As far as taxes are concerned, in terms of tax rate we have seen an increase compared to our forecast which makes them similar to the ones paid in 2008. This is due to the impact of the fiscal moratoria and also due to the effect it had on the regional business tax. The net profit result of the Group is equal to 85 million euro, which post minorities drops to 71.1 million. Now, if we consider the amount we were referring to previously, this gives us a net profit adjusted result of 95.3, with a slight increase compared to 2008.

And finally, if we consider how we have obtained these results from an operational point of view for EBITDA, you will notice that the classic components of our growth have all contributed to the growth itself; and as far as mergers and acquisitions are concerned, especially due to the impact of the acquisition of the gas networks I was referring to previously, you will notice that the contribution is equal to 16 million euro. As far as AIMAG is concerned, which is the second M&A operation of the year, we acquired 25% of stakes, which you can see in the financial statements only in terms of the financial investment since AIMAG itself has still not closed its financial statements and therefore the contribution to results has not been booked. We also know that they have had a

positive result in terms of their management results and we will certainly be forwarding the information to you later on.
As far as organic growth and synergies are concerned, thanks to the market expansion effects that I was referring to both in the electricity and gas sectors and also due to a favourable climate, and due to the tariff increases I was previously mentioning, even here we have an 8.4 million euro growth in terms of EBITDA. And finally we also had a significant contribution from the new plants as was expected. We had the contribution of the Forlì plant for the entire year and we also had the Modena WTE plant and the co-generation plant in Imola which contributed in the final months of the year.
As far as the EBITDA contribution per business is concerned, I would like to highlight the following elements: as far as the electricity sector is concerned we are a little bit ahead. These are the growth rates that we have forecasted with our industrial plan to 2013, which – as you may remember – called for an increase possibly beyond 10TW and we have already gone beyond the 7TW/h in the electricity sector and this is a good indicator of our commercial aggressiveness in this sector. The second sector is the gas one and it goes back to the tariff increase I was mentioning with a growth of 17% in distribution tariffs. EBITDA for sales is equal to 5 million for the gas sector. Then we have a stable scenario for the water sector and, as far as the waste sector is concerned, we have to highlight the following: within the total results of the waste sector, which includes waste management and the collection of waste, the result of Herambiente for the year is equal to 145 million. I believe this is a good result for a good start in a difficult year. And finally, also vis-à-vis the activation of the plants I was mentioning previously, we also have to underline the fact that the contribution in terms of waste management for the WTE plants grew to 750 thousand tons, which allows us to decrease the pressure for the other plants and more specifically for the landfills for the obvious environmental policy issues.
These are the main points in our year and I will now leave the floor to Mr Venier to illustrate the business areas and then we will move on to our conclusions.

Stefano Venier speaking

Thank you Mr Chairman. Good afternoon. As usual, I will begin with the waste business which, as the Chairman was mentioning, saw some highs and lows. From the beginning of the year we started up in a complex and difficult situation whereas in the final part of the year we went back to grow and especially in special waste and even from the economic point of view you may remember that in the third quarter we still had displayed a decrease compared to the previous year, while overall throughout the year we can see that we grew slightly (equal to 1 million euro) to which a contribution was given by the collection of waste management, on the one hand, and then also by Herambiente which is fully operational and therefore on a full-year basis had a result equal to approximately 145 million as the Chairman was mentioning a while ago.

Now, what brought about these results? On the one hand, obviously the infrastructures. The Chairman was saying that, as far as WTE plants are concerned, we managed 750 thousand tons which is equal to an increase of 18% in the operational capacity of this sector, which is equal to a reduction of 12% in the part which includes the waste management and landfills. Now, these 750 thousand tons registered the constant good performance of the Bologna plant, which was also seen in 2009 with 200 thousand tons and we also had a good result in the Ferrara plant, which went beyond 130 thousand tons, Forlì with 120 thousand tons and the Modena plant (old and new) which managed 140 thousand tons. Obviously we had an increase in the production of electricity which, as you can see, grew by 19% and is now equal to some 500GW/h as an overall production.

Going back to the activities of the collection and street cleaning activities, we had an increase of 2.7%, in line with our forecast and in line with our industrial plan and with the agreements signed. We had tariff increases which were also accompanied by a growth in volume in terms of urban waste which is now close to 18 hundred tons at the end of the year. The Group managed similar amounts of waste compared to the previous year as you can see on the graph. I already referred to urban waste and you can see the special waste figures on the left. As you can see quarter by quarter we had a progressive recovery and we finished up the year at -7.3%. The signals of the first two months of 2010 show positive results with an increase of almost 3%.

Overall, let me also add that within the special waste sector even our plants had some excellent performances. The Ravenna plant reached a record production equal to 36 thousand tons throughout the year. Now, for those who are listening from the very beginning, when we actually acquired the plant, it only was able to burn 26-28 thousand tons, therefore we increased the productive capacity by almost 50%.

Now let’s go to the water sector results. As the Chairman was saying a while ago, this sector was characterised by stability. As you can see, the operations were relatively modest in terms of the overall operations EBITDA in which we had an increase and in the managed volume in which we had a contraction equal to 0.2%. These are the results which consider on the one hand an increase in tariffs equal to 3.1% and lower volumes and, on the other hand, the effects of the crisis which were felt even in this sector. For example, the reduction in contracts was due to the fact that the construction sector slowed down its activities. We also have to remind you the fact that the 2008 results also felt the extraordinary benefit we had from the Marche Multiservizi company, equal to some 3 million euro. Therefore, the results show that we have an increase of 4 million euro overall.

Going to the gas and electricity sector, we have a number of positive elements indeed. As in the previous sectors, I am coming down the economic results and in this case we have had a growth which is obvious, going from 143.8 to 174.4 million euro and to this result a contribution was made by liberalised activities and, as the Chairman was saying, they increased their result by 5 million euro reaching 58 million euro and also the regulated activities which contributed to this result through their 117 million euro within which we had gas distribution and district heating activities.

Going into the drivers which allowed us to reach these economical results and beginning with the market, you will notice that the growth in volumes is one of the most important elements. In this case, they were due especially to the increase in volumes linked to trading activities. These are wholesale activities which, as you can see, went from almost 300 million cubic meters to over 600 million cubic meters and within these we have the activities which are that of supplying electricity to our plants but also 600 million cubic meters, which is the overall result.
As far as our clients are concerned, we had a slight growth. We now have 1.07 million clients, including the 8 thousand clients we have in Sardinia for GPL. You will notice that we also had a positive result in terms of sales and we also have to consider the contraction in industrial clients, which as you know on the national level went between 7 and 10%.

Distribution activities. Here we have the most significant variations and we are proud of having the most significant results in this sector, because this came about as a consequence of a well-managed interaction process vis-à-vis the authorities. As we have already mentioned in previous instances we had an approval of tariffs for 2009 and 2010.
Here we have different and important figures. As far as revenues per unit, we had an increase by 17% from one year to the next as the Chairman was saying. This increase is due to three basic elements: the first is the definition of the recognised RAB which is equal to 800 million euro for the entire Group including Marche Multiservizi with approximately 6.5% vis-à-vis 2008. Now, on this tariff growth this variation of recognised RAB has had a 7.6 million result. Now, due to the redefinition of tariffs we had a cost base reduced by 2 million euro and then we have the effect of the neutralisation of volumes which compared to 2008 had a more significant importance compared to the RAB effect.

As far as our forecasts are concerned, we will have a further progression throughout the years to come. We have had a tariff increase approved for 2010 and we will see what will happen in 2011 and 2012. We have already referred to the acquisition of networks and now I would like to underline the advances made in the district heating sector which not only saw a growth equal to almost 13% in the distributed volumes but also a significant result in terms of growth equal to 2.6 million which obviously had the contribution made by the full operation of the Imola plant, which was launched at the end of September 2009, as you know.

This brings me to the results in the electricity sector. In this case, as in the first quarter we have seen a slight contraction with a result of 53 million euro which was broken down in 24 million in the liberalised activities and 29 million in the distribution activities. The most important sectors which will be important in the years to come as the Chairman was saying previously are connected to the commercial development. As far as the volume growth is concerned, ranging from 5 to 7 TW/h and as far as our client base is concerned, we can underline a significant result since the growth was equal to some 50 thousand clients which brought our client base to a total of over 330 thousand clients.

The drivers are the traditional ones which also characterised our first steps in our commercial development. In other words, they are cross selling activities on our client basis which we have in the other services we offer, but also an effective commercial activity in terms of the offer we make in the neighbouring territories. Our trading activities took place in different conditions compared to the past, as you know; the development is now equal to 15 TW/h and this is obviously favourably supported by our commercial activities because of the 7 TW/h representing sales, some 60% are tied to our production or to bilateral contracts, which are on a three-yearly base, whereas the rest of the part came from procurement on the spot market.

The 2009 results were also impacted by two more negative results which limited the positive results. First of all, we have the change in fair value of derivatives (negative impact of almost 5 million euro), whereas as far as regulated distribution activities vis-à-vis growth in tariffs (equal to 10%), as the Chairman was saying previously, we also had a contraction in volume which in our territory was equal to some 6.4%. We also have to add to this the use of electronic measurers, which brought about less value equal to approximately 1 million euro. Now, since these are one-off results, this did not have an impact on our business area which this year we believe will be able to see the fruits of the positive commercial activities of the past 12 months.

As far as other activities are concerned, I will not focus on these; these are only a few elements after the streamlining we conducted over the past few years. We have nonetheless consolidated the results acquired in the past years and in the telecommunication activities we have consolidated our presence.

On page 9, we have a summary of the financial results obtained, with a representation of the invested capital and our debts. As far as investments made, which have an impact on fixed assets, we have already discussed the 391 million euro of capital expenditure executed as budgeted and we also had the investments made in the waste management sector, whereas as far as the investments made, we also had the 36.8 million euro which were due to the acquisition of 25% of the stakes in AIMAG. We also strengthened our gas and district heating networks through the emission of specific bonds. And as far as working capital is concerned, in this case we had a variation equal to approximately 50 million euro. This variation was brought about by a couple of effects for the most part: not so much by a significant variation in receivables, but rather by the fact that since distribution tariffs for gas were only approved in the final days of the year, we still have receivables which we are already recovering with a first sequence of invoices equal to over 20 million euro and on the other hand we also have the working capital which reflects the investments made which, as we have already mentioned, have already registered an initial contraction in the shift from 2008 to 2009.

As far as financial debts are concerned, we confirm the results which we had in September 2009 with a slight variation which, as we have already commented, sees an increase compared to the final positioning of last year.

As far as the structure of debt is concerned, we have previously mentioned the operations we made: we tried to take advantage of the opportunities deriving from the credit market and we made an initial emission of 150 million euro in yen and we have renegotiated the previous bond. We issued a new 500 million euro bond which we finalised in the early days of December, we feel at very favourable conditions equal to 4.8%, fixed rate. I will give the floor to the Chairman for some final comments.

Tommaso Tommasi di Vignano speaking

Well, we think it is safe to say that our organisation is solid and comfortable in terms of results without being excessively optimistic also vis-à-vis the economic scenario we are currently going through and also based on the initial results that we have seen as far as the first two months of 2010 are concerned.
We are going along with the intervention as foreseen by our industrial plan which you are all aware of and within this framework we will be going about with the organisational intervention that I mentioned in my introduction. We will be working with three municipalities that sold networks and we will be completing our larger plants. Obviously, this process of larger plants was concluded but this year we still have some very important results to obtain. The first is the completion of the Rimini plant which I was mentioning previously but also the Ortona plant as well as a significant initiative in the biomass field which will be brought about in the year 2010.
As far as the effects of tariffs are concerned, now, besides the gas distribution tariff and besides the benefits we had in 2009, this will also make a significant contribution for this year. And finally, without going back to the consequences of the fiscal moratoria, which is always painful, and we hope to never hear about this again in the future, we turned to our Board of Directors with a proposal that the Board of Directors agreed upon, which foresees a dividend of 8 euro cents this year which derives from an assessment made in the following way. Now, this means that before the moratoria we had 49 million euro in revenues which will be reintegrated with a partial reuse of SOTs which took place at the end of the year equal to 57 million euro, 39 million of which will integrate the dividend effect. It is a dividend which has a dividend yield equal to 4.6% with current rates and it is a dividend which does not modify our plan which, as you know, we will see at the end of 2011 with payment in 2012 to have a significant growth in terms of our objectives.

And now, the floor goes to you for any questions you may have.

Chorus Call Operator

This is the Chorus Call Operator, we will now begin our Q&A session. All those wishing to ask a question, can press star followed by one on the telephone. If you change your mind, to exit the question queue press star followed by two. Whoever wishes to ask a question can press star followed by one now.

The first question is from the Italian conference call by Francesca Pezzoli of Cheuvreux:

Francesca Pezzoli, Cheuvreaux

Good afternoon, I have a couple of questions. The first refers to the IAS interests. I was wondering what those are about and if this 12 million level of 2009 will also be maintained on this level even in the future. And the other question is one on the gas sector: will the revisions in RAB gas tariffs also have a positive impact in the future? Do you also expect some improvements in terms of the plan target you have given us a while ago?

Stefano Venier speaking

I will start from the second question. Certainly, the revision of RAB will have positive effects. In the past, our industrial plan in financial terms had been drafted keeping in mind the previous RAB situation, which, as you can also see in page 6, was equal to some 6-6.5% less and this will also have an effect in the years to come, at least up to 2012, which is the period that we have for the current gas tariffs. From here to 2012, the effects will certainly be positive. I also have to say that as far as future tenders are concerned, the fact that we have a RAB which is higher compared to law ex 170, also places us in a better condition vis-à-vis the valorisation of our assets and therefore we will certainly be seeing positive effects even in the short term.
As far as the IAS effects are concerned, these are the direct consequences of the review we had to operate vis-à-vis the rate which is used for non cash expenses that we have in our financial

statements and in this case we reduced the discount rate for the future from 6.8 to 6.6%. Therefore, if we do not change our average capital cost, the price of these expenses will be fixed. Now, if the average discount rate will grow, we will have the opposite effect.

Thank you.

Chorus Call Operator

The next question is from the Italian conference call by Stefano Gamberini of Equita SIM:

Stefano Gamberini, Equita SIM

Good afternoon. First of all, I would like to understand […] in the waste sector you are seeing the volumes are growing by 3%; I would like to know what the price or tariff effect was, the average price, and if this year you will also have a positive average price effect, also vis-à-vis the recyclable material. Second question: could you be a little more clear on the dividend policy? The dividend is stable, are you confirming this important growth also for 2011? And can we also have 11 cents for 2011? Will growth of the dividend be linear from now on or do we have to expect some growth in the so-called steps in the next two years? And I would like also to know what the allocations are – they are still fairly important as I can see. I would like to understand what are the reasons behind this allocation because, if I understood correctly, trade receivables were stable. And two last things on the gas sector: can you tell us what are the RAB figures also for third-parties in the gas sector and the EBITDA for the district heating sector? Can you explain a little bit more what the overall value is?

Stefano Venier speaking

As far as waste is concerned, we have recorded this growth in volumes in general terms in this sector. As far as prices are concerned, even last year we had a stabilisation of price policy vis-à-vis prices and therefore we did not have any significant variations over last year and in the initial months of this year. Now the statistics referred to the months of January and February of this year and still do not have the figures pertaining to the month of March, and two months are still two little to see the actual effects in terms of pricing.
Now, looking at the monthly curves of 2009 vis-à-vis the previous year, in many cases we saw some slight growth, in other cases we had some slight decreases. As far as the average price is concerned, we were stable. The question of the dividend I will leave to the Chairman. He was just suggesting that perhaps in recycled products (such as paper or glass or these types of assets) there was a slight fluctuation. As for these assets, these are obviously linked to the growth or the business of the various consortia which deal with these products.
Going to the question of the RAB, according to the latest tariff schemes 600 pertain to us, 200 pertain to third-parties. Within this 200 we also have those of Hera Spa and Marche Multiservizi. What was the profitability for district heating? Of the 117 million euro in 2009 some 11 million were connected to the activity of district heating.
Allocation. It is true that in terms of receivables, the level did not shift very much compared to the previous year because especially in the second half of the year we conducted an intense activity of receivables management, so much so that we gave up many potential procurement activities so to be able to have a satisfactory level of receivables, but we also had to deal with some complex situations deriving from the overall economic situation. Just a figure: last year we had approximately 15 million euro on the total of our receivables, which went from being normal receivables management (trade receivables) to so-called problematic management, either because the deadlines for payment had not been complied with or because we had situations in which an initial agreement was reached, but keep in mind that we were referring to 15 million on an overall result, which is equal to 500 million euro and which reaches 1 billion also including invoices which still have to be sent out. Allocation grew to reflect this variation on the quality of a part of the receivables, it had a net growth equal to 4 million. The sum that we now have for the management of receivables is now equal to 67 million euro, which we feel to be a very good figure but it is also

linked to certain specific conditions which come about and which are difficult to have full control over. Given the overall economic situation the value was fairly controlled or contained.

Tommaso Tommasi di Vignano speaking

As far as the dividend is concerned, now in confirming that our goal is that of reaching 11 cents as a result for 2011, obviously this threshold is a goal we have in terms of little steps, as you defined them, but this was already implicit in the things we said a year ago. Obviously the first step is something that we would have liked to do this year, but since we had the fiscal moratoria and since we did not want to tap into our reserves, into our funds, we have decided it would have been better to confirm the sum that we had decided previously, but this does not eliminate anything from the previous target.

Stefano Gamberini speaking

Just another question on allocation. We are still above 50 million euro and they had to be decreased because they are partly linked to the acquisition of the network in the gas sector. Can you explain the breakdown of these figures and how much more can we expect in the year to come and in these allocation levels?

Stefano Venier speaking

Well within these 50 million euro of allocation, we have some 26 million which are linked to the write-down of credit. As I was saying, a part of this went to compensate the use of the fund equal to 11 million, 15 were used for the write-down fund and therefore they also had to support our goal for the future. The second half also includes the post-mortem allocation for landfills which were equal to some 5 million euro. We also have 10-11 million allocation for the re-establishment fund. Obviously this had to be reduced due to the effect of the networks and we also have a number of water networks that we still allocate on. The restoration of the re-establishment fund is not something we are concerned with because, as you can see for yourself, the investments are far greater and therefore they are higher compared to the allocation. But obviously this is an amount which is difficult to touch because as you know water networks cannot be transferred to non public companies. Therefore we also have the allocation connected to the Forlì and Cesena gas networks (the only two left). The other part is linked to generic risks or other areas.

Stefano Gamberini speaking

Can we have a forecast for 2010 therefore?

Stefano Venier speaking

Well, honestly I would not know how to answer for 2010. The restoration of the re-establishment fund will be kept and the post-mortem one will be kept as well. As far as the credit write-down one is concerned, it depends on how the year will go. Some say that we are seeing some good recovery signals which can be a suggestion that we will have better conditions. In the first two months I saw better volumes but as far as the credit part is concerned, companies are still suffering. It depends on how the year will evolve. If it will go in line with the recovery signals, allocation may be slightly reduced compared to the previous year, but if we will have a similar trend compared to 2009 obviously we will be going towards stabilisation. We are working to reduce it obviously because 67 million for the write-down fund is a significant figure indeed, but obviously we confront ourselves with our accountants on a daily basis.

Chorus Call Operator

Next question is from the Italian conference call. Fabio Picardi of Banca IMI

Fabio Picardi, Banca IMI

Good afternoon. I have a first question for the RAB figures. Now the 800 million euro figure is something which pertains to 2009 or does it pertain to the period going to 2012? Perhaps we have to expect a raise in tariffs linked to a graduality mechanism, therefore the figures you gave us are the ones that go up to 2012 or we have to expect further increases in the RAB value?
The second question is on the net financial situation, on the reasons for the growth we had in 2009 and I would also like to know whether or not you can give us some guidance on 2010: what are your forecasts, what are your expectations for this year?
And finally, also vis-à-vis forecasts for 2010, what can we foresee for EBITDA for the water services also vis-à-vis the growth in tariffs and the lower volumes as highlighted for 2009?

Stefano Venier speaking

The RAB that I illustrated is the one which represents tariffs which were applied in 2009. So, I do not know what the tariffs will be for 2012, I mean, I still do not have a clear understanding of the dynamics which should come into being from 2010 onwards nor can I illustrate the RAB because, as you will know, within determining the RAB we will also have to consider the investments we will be making in 2011. Therefore the figure that you see in the graph is the RAB pertaining to 2009.
As far as the water business is concerned, it is true that we had a contraction in terms of volume equal to 0.2%, a minimum reduction. In the fourth quarter of the year we had a growth compared to 2008. We had a positive variation equal to +1 million cubic metres. This year as far as tariffs are concerned, I think that we will be sticking to the tariffs and the plans we had already decided upon.
As far as volumes are concerned, I still do not have the figures for the first quarter, as you can see they do not have any excessively important results. From this point of view, the result for the regulated sector is fairly stabilised. What may have a positive impact, we hope, are the actual contracts we will be having, the non regulated part, since we all expect a growth in the construction sector, which last year in terms of contraction had an impact equal to 2 million euro, which we hope to recover as soon as possible between this year and the next, that's our hope.
As far as the net financial position is concerned, already in the last quarter of 2009 we had a containment and this also confirms our objectives, our goals for next year and for years to come consistently with our industrial plan, and therefore with non-significant variations in the levels we have reached also vis-à-vis our investment program. As I said, in 2010 we hope to reach 330 million euro as far as operational investments are concerned and this policy should also continue in the years to come. If you calculate the development of amortisation, you will see that this is a strong and progressive trend.

Fabio Picardi speaking

I would like to further explain my question pertaining to the growth in RAB for the graduality mechanisms, not in terms of investments and amortisation. What I expect is a growth in the RAB value because, as you highlighted, this graduality mechanisms do not allow us to have tariff growth in 2009.

Stefano Venier speaking

Well, given the tariff scheme which was approved in 2009, in 2010 we will have a further RAB growth and in theory it is something that we will also have to expect for 2011 and 2012. That's what we hope to expect. Obviously we have to wait for the Authority to approve a tariff plan but given the declarations we heard we could have some further 100 million euro in RAB.

I would like to remind you that if you have a question to pose, you can press star followed by one on your telephone.

Chorus Call Operator

The next question is from the Italian conference call, by Stefano Gamberini of Equita SIM

Stefano Gamberini, Equita SIM

Two further questions. The first regards Herambiente. In the past you were considering selling part of Herambiente stocks and you also said that there will be tariff increases in 2012 in the regulated areas. Can you tell us what these increases will be in the gas distribution and water and in the electricity sector? And, more specifically, in the water sector the figure you gave (3.2) is lower compared to the 4.5 that I expected, so I was wondering whether or not in the years to come you have already decided upon tariff increases with the relevant authorities, and what they are.
And finally, as far as market activities are concerned, can you tell us a few more things concerning gas sales? Will 2010 margins be in expansion or in contraction? And the same question for the electricity sector: do you expect some improved margins for your plants compared to 2009?

Tommaso Tommasi di Vignano speaking

As far as Herambiente is concerned, I confirm that we are discussing things with those interested and at the end of the first half of the year we should have the final definition of the deal.

Stefano Venier speaking

I will answer your questions beginning with the simplest one, concerning the water sector. The 4.5% you mentioned was the average growth rate that we had expected to have if we also considered 2008, in other words, the previous plan. Already in the last plan the average growth rate for tariffs was expected from 2009 to 2012 to be equal to 3.5%, which you can find on page 14 of our presentation.
As far as the gas tariffs are concerned, in this case we will have an increase equal to the one that I showed you for 2009 concerning the RAB variation, the 7 million euro I was referring to previously.
As far as electricity distribution tariffs are concerned, those will remain substantially stable and they have a very limited impact as far as we are concerned.
Gas margins. This is an interesting point because some markets are changing rapidly and […] similar conditions to the ones we had last year but as you know, the negotiations on the gas procurement obviously goes from 1 October to 30 September of the following year. Therefore we have visibility on the margins that we had, as far as acquisition is concerned, up to September, based on the contract we signed last summer.

As far as the last quarter of the year, we will see how the negotiations will go for procurement, so from this point of view we will be seeing the most significant impacts on the last quarter of the year.
Electricity market. Obviously here we have a situation which is the one linked to production activities vis-à-vis commercial activities. As in the gas sector, having a broad client base is an advantage, it is an asset, it is a competitive advantage in terms of procurement, but on the other hand, those who have production assets are currently suffering quite a bit.
As far as the balance between what we produce and what we sell, it is in favour of what we sell currently. Nonetheless, even as far as our production activities are concerned, we are suffering from the current prices in electricity. Forecasts in this sector are very complex, it will depend on how the remaining part of the year will go in terms of the market. It is a little bit more difficult for me to give you a forecast after only the first two months of the year.

One last thing, do you have guidance on 2010 EBITDA?

Tommaso Tommasi di Vignano speaking

We will continue as we did in last year, we will not be giving you information on 2010 EBITDA for the time being.

Chorus Call Operator

The next question is from the Italian conference call by Maria Beatrice Gerosa, Mediobanca.

Maria Beatrice Gerosa, Mediobanca

Good afternoon. I have two questions, the first dealing with the gas concessions: what is your strategy in terms of these concessions reaching their deadline? Do you have any new opportunities in this specific market phase? And the second question deals with the fiscal moratoria: will you, as other competitors of yours, be lodging an appeal to receive a reimbursement for the cash-out which was made so far?

Stefano Venier speaking

As far as the fiscal moratoria is concerned we also lodged an appeal, we are convinced that we are right, that’s why we lodged an appeal and not because we have to deal with those figures, not because those figures have a significant or negative impact on our figures. If we will obtain a reimbursement we will be more than happy to accept it.

Tommaso Tommasi di Vignano speaking

As far as the gas tenders are concerned, the situation is fairly complex: on the one hand, we have taken part in the meetings together with the Ministry of the Industry, together with our federation so as to be able to make proposals, any possible variations or consolidations vis-à-vis the good job conducted by the Authority, and we feel that all medium and large operators share our position. Our concern is not so much linked to the content but rather it is linked to the speed with which these decrees will be drafted, the speed that we hope will be applied so as to be able to block those attempts made by individual municipalities, which as they wait for these decrees, for the time being, have old-style tenders, meaning that they try to optimise the results for the municipalities rather than for users. This is our overall, general position.
As far as our territory is concerned, more specifically, and also so as to be able to be ready for the tenders, which will not all take place at the same time, even though the deadlines may be in similar periods of the year, were the current provisions to be approved as it is currently foreseen by the Authority, we would have to take part in eight tenders because two of our territorial areas would be involved in the first version given by the Authority with two tenders each; the others would be subdivided into provincial areas. In terms of numbers and in terms of strategy we will struggle to defend the contracts we have. Obviously having acquired the ownership of our networks on 85% of the territory, we see good bases to start upon and to deal with this innovation and besides ours we also intend to observe any possible tender opportunities in the neighbouring areas, also to be able to compensate or to offset not-winning tenders in our area. We are planning to go along with both strategies on the gas sector.

Maria Beatrice Gerosa speaking

But in your opinion, the RAB value which still has to be defined by the Authority, will it be the value in case you have some kind of reimbursement for a network which changes ownership?

Stefano Venier speaking

Well, it depends on what is written in the contract, the guideline is the article which regulates the various contracts and tenders. There are a number of options which go back to the royal decree which is based on the residual industrial value or others which can be even the free of charge devolution. In this case we have a non-defined criterion in the application of the royal decree which allows us to see the RAB as a potential reference. But when we refer to the residual industrial value, we feel that it should be at least equal to the RAB figure. So, from that point of view the figures expressed in the RAB are sufficiently consistent.

Maria Beatrice Gerosa speaking

We are keeping in mind that you are among the top 5 in terms of gas distribution in Italy and since the goal of the Authority is that of reducing the operators from the approximately 200 we have currently to not over 20, I feel that there should be some good opportunities for growth.

Stefano Venier speaking

Well, there certainly are opportunities for growth, but, as the Chairman was saying, when we develop these opportunities we should not forget that in order to be able to manage this business as best as possible, there needs to be some kind of neighbouring element as far as the territory is concerned, otherwise it would be difficult to manage a number of companies distributed throughout the national territory. We also have to deal with the financial implications in a consistent way when it comes to acquiring or to winning tenders in neighbouring territories, and therefore we will be assessing the situations and we will be assessing our capabilities. Obviously our net financial position is something that we pay close attention to: we cannot conquer the world with other people's money, so to speak.

Chorus Call Operator

I would like to remind you that if you wish to pose a question you can press star followed by one on your telephone. For any further questions you can press star followed by one on your telephone.
Mr Tommasi di Vignano, the questions in the conference call are over.

Tommaso Tommasi di Vignano speaking

I would like to thank you. I hope you enjoyed the new advertising campaign that you can see on the screen which I feel summarises our multi-utility nature very well and it also underlines the fact that we would like to grow not only in terms of clients but also in terms of services offered to each client. That's our true target in our plan and I feel that this image represents our plan very well. Thank you very much.