



Results as at 31st December 2015

Milan, 20th March 2016

Speakers:

- ***Tomaso Tommasi di Vignano, Executive Chairman***
- ***Stefano Venier, Chief Executive Officer***
- ***Luca Moroni, Administration, Finance And Control***
- ***Jens Klint Hansen, Investor Relations Manager***

Chorus Call operator

Good morning. This is the Chorus Call operator. And welcome to the presentation of the 2015 Annual Results for Hera Group. All participants are in listen-only mode. After the initial presentation and there will be a Q&A session. And now, I'd like to give the floor to Mr. Tomaso Tommasi di Vignano, Executive Chairman of Hera Group. You have the floor.

Mr. Tommasi di Vignano – Executive Chairman

Good afternoon. We have only just recently wrapped up a Board Meeting and here we are to illustrate our 2015 annual results, and I'm sure you have already received our press release and material. 2015 was a year which allowed us to confirm a number of important elements. Our growth didn't stop despite the complexities of a year, for example the weather we had in a number of months, besides the complexity in terms of working on some transactions that we had imagined at the beginning of last year. Despite these things, our growth was able to be achieved anyway from a number of different points of view.

First of all, we were able to achieve our growth, thanks to the strength of our formula, thanks to all of or most of the business elements, and there certainly is an element of strength and continuity, which is in fact what we have always focused on over the past few years.

Secondly, as expected, we also worked to compensate or to offset some of the more complex and difficult times, which you are aware of since you've received the information during the quarter reports. So that through our organic growth, we could also contribute to promoting efficiency which is something -- which has always been an important part of our business plans.

Plus, as an effect of our M&A policy, that we have been working on in recent years, we were also able to continue in extracting synergies, which is yet another way of allowing us to express organic growth.

And today, we've illustrated -- represented that the 2015 yearly results, plus the 2015 sustainability results, which is yet another way of underlining how we focus on quality of service and sustainability, and we also wish to underline the positive effects that our results had on our company's shareholders with -- and that is probably equal to EUR1.6 billion. If we go into the details of our financial highlights and of our P&L, you will note that our revenues grew by 6.7% compared to the previous year. This is a figure that we were also able to obtain, as we will be seeing from the commercial side of things, with the market side of things, so this is due also to a positive context that brought about by higher consumption rates, which in turn were sparked by the colder winter season compared to the previous year, which characterized part of the year 2015.

Now this growth in terms of revenues also has to be considered from the depreciation and provision standpoint, an area in which we were able to obtain significant growth vis-a-vis the values we had in 2014. And this is mainly due to the contribution which stemmed from the broadening of our company's perimeter, and the contribution brought about by the new acquisitions we made.

And then another, especially a positive element refers to our financial burden in which we were able to decrease from 145 million in 2014 to 137.9 million in 2015. This is a path that we've started a few years back with close attention being paid to this item by our financial department over the years and it's a result that I wish to underline.

And I also want to underline the fact that some transactions that we had worked on over the year through the buying of minority stakes we had, specifically in two companies referring to the Herambiente company in the waste sector. This too contributed to a better result with the contribution stemming from the minorities area.

Plus, we also had the positive impact as far as taxes are concerned. We have a tax rate which is down to 35.9% compared to the 42% we had in the previous year. As far as minorities are concerned, we have the effect of the two acquisitions we made in the waste sector in which we bought the minorities and therefore we are now down to 13.9 million in minorities compared to 17.6 million in 2014.

All of these elements allow us to have a net profit adjusted of 188 million from which we also have to subtract 8.2 million which stem from a depreciation in the energy plant sector, which means that with a net profit worth EUR180 million, we were able to post a 10% growth, which is a significant step forward. And it concludes a rebalancing of the top line and the bottom line, which in some years in the past was a source of concern, or it wasn't exactly an area in which we performed as we could have. Nowadays, we were able to achieve this balance and I'm sure you can appreciate it from the things that we have included in the presentation set, specifically on page three -- two excuse me. As far as page three is concerned, we've decided to give you full visibility on the issue of EBITDA with a focus on the drivers, which on the one hand conditioned EBITDA, and on the other, allowed EBITDA to grow. Some elements did condition EBITDA, we obviously had to start from the 2014 results, which included close to EUR27 million in one-offs, which you're aware of and which characterized the 2014 year-end results.

Therefore, if we remove these components, we would have started from EUR840.9 million, and therefore we had to respond in an important way with the typical levers we use in our policy. Through organic growth, first of all, which is worth over EUR25 million to which we also added the EUR4.2 million in synergies, which are (technical difficulty) a further step, not the final step in terms of extracting synergies from the Acegas Aps and AMGA transactions, an area that we are continuing to work on. Therefore, the sum of these two items is an indicator. It shows the efforts that we have worked on in terms of increasing efficiency.

And finally, as far as M&A is concerned, I'd like to remind you the fact that out of these almost EUR14 million, a portion refers to the effects of the AMGA Udine transaction. As you may remember, the AMGA Udine transaction happened half way through 2013, and therefore -- 2014, excuse me; and therefore, we completed the entire process halfway through 2015. We also had other major operations, transactions, which happened towards the end of 2015 given the complexity of these transactions.

Despite this complexity, we were able to make three acquisitions, three transactions on the liberalized market. The first refers to a group of customers in the energy sector. And the other two transactions happened in the very last part of the year. And they refer to two companies operating in the waste sector. Both of which are ambitious companies, ambitions that we can go into later on, which just goes to show that this is proof of our desire to broaden our portfolio in the -- in our asset base, including landfills. As you may have seen in the 2015 results, landfills had an impact on the waste sector, this was a shortcoming that we have to solve swiftly.

We had to increase the number of available landfills, as we wait to restart the three largest landfills, which in our territory were awaiting authorizations or they were awaiting for the refurbishment works to be completed. This was the first -- I was referring to the first waste sector transaction. The second waste (technical difficulty) transaction was a lot more specific and it too is based on our desire to broaden our commercial presence. In this case, through the acquisition of a niche player, since it is a company which only focuses on recovering industrial waste in the Tuscany region.

These three transactions, therefore, were concluded at the end of the year. And therefore, they contributed a very little to the 2015 EBITDA. As a matter of fact, the operational start to the work of these transactions should have begun on January 1st, at least one of them. But now we're safe to say that two months down the line they have already started working and started giving an excellent contribution.

But since we are focusing on the 2015 year-end results, we have to consider the fact that we have the cash-out effects for these two transactions, but since these transactions were concluded at the end of December, we did not see a positive effects on EBITDA, these are the effects that we will be seeing this year in 2016. So this is just to give you a flavor of how we were able to post growth in terms of EBITDA.

Again, if we remove the one-off events we had in 2014, we have a growth rate which is equal to 5.2%, it's quite satisfactory; plus solid basis for 2016 activities. I'd now like to give the floor to Stefano, who will be giving you a business-by-business breakdown.

Mr. Venier – Chief Executive Officer

Thank you, and good afternoon. I'll begin with the Networks area. Networks, as you know, represent roughly 50%, and therefore this is a priority sector. Networks performed well, taking into account last year's results and taking into account some of the items that the Chairman already mentioned. Overall, the business in these regulated areas grew by EUR12 million in net vis-a-vis the previous year results.

The area which performed best in the networks was the Water sector. Water reached a 232 million of the 428 million year-end results, overall, with a 15 million growth vis-a-vis the previous year. A part of this is certainly linked to the tariff increase in water, plus EUR6 million stemmed from increased efficiency. EUR6 million of an overall result, which for the entire year was worth almost EUR20 million and therefore its contribution, it was roughly one-third, and this was the area which give us the most benefits.

As far as the gas distribution sector is concerned. At the end of the year, the final result was equaled to 144 million, which is pretty much in line with the previous year. As you may remember, in 2014, we had some extraordinary items, the white certificates, for instance, worth of EUR5 million to EUR6 million, which means that as a matter of fact our business improved organically along those lines. A part of this came from the perimeter delta, the remainder of the growth came from increased efficiency.

As far as the Electricity business, the Electricity Distribution business is concerned, we've suffered from the loss of concessione [ph] business in the Gorizia province, which is worth EUR10 million, the year-end result is at EUR39 million, 7.7 million decrease compared to the previous year, although we were able to recover EUR2 million in terms of efficiency.

Efficiency, which in the entire networks area accounts for 15 million of the overall EUR20 million and the final contribution was brought about by district heating. And rather than the cost optimization, the district heating business benefited from the colder winter, allowing the district heating sector to increase its results by 5.5 million and we were able to achieve EUR12.5 million at year-end 2015. So these were the internal figures as far as this part of the business is concerned.

The dynamics concerning economic development still hasn't given a contribution, a traditional parameter that we use, the new meters, the new contracts actually decreased by a couple of million euros compared to previous year, although in the final quarter of the year we did see a comeback, a recovery. In general terms, our VAT grew by EUR50 million and it is not around at EUR3.07 billion, including all four of the businesses in this area.

Moving on to energy. In energy we have been seeing the most exciting dynamics, the overall growth of this area was worth of EUR16.4 million. This is partially linked to the consolidation of the Alento Gas acquisition, an acquisition we made in the Umbria region in the year's first quarter, plus the contribution brought about for the six months by the AMGA Udine transaction.

Here we have organic growth, we have growth of volumes, which we're able to grow, thanks to the better weather compared to 2014. These results could have been even better had the month of December been even colder. As we know, the month of December was quite mild vis-a-vis the historical figures.

But despite that, at the end of the year, we have a growth of 300 million cubic meters in end-customer sales, and this has brought about by better thermal electric market and better trading activities. These two activities, plus the higher amount of volumes sold on the electricity market brought about by our commercial expansion, brought about the combined benefit of 11 million. The electricity market posted a significant growth, a growth which is equal to plus 60,000 new customers, which allows us to go beyond the 860,000 customer threshold in this business, this is a significant figure if you remember where we started from.

But also vis-a-vis the electricity market, where we have over 1.3 million customers, meaning that we are above the gas customer base in electricity. We're above 50% of the gas customer base.

We also had good margins in commodities. The performance in power generation was less exciting. In the past, we had benefited from some contribution from Molise [ph] and the Campania region from the ancillary services, this almost disappeared in 2015, given the activities operated by Terna and the interconnections in regions such as Puglia and Calabria, thanks to the new Matera-Santa Sofia plant.

Recently, also in the electricity business, we were able to make the acquisition of another commercial company in the Abruzzo region, it's called Julia Servizi Piu, with a further 15,000 customers who are almost exclusively gas customers and this is a way of increasing our positioning in the Marche and Abruzzo territory. We now have 150,000 customers in that part of the country, and this goes to show that that territory was -- while we identified as a territory which over time Board have seen a major consolidation and this is something that we feel will further continue in the coming months.

The final area I'd like to focus on is the waste business. In waste, there isn't anything else to add vis-a-vis compared to the things we had already commented in the previous quarters. The difficulties that the waste area had in terms of capacity to dispose of waste in landfills is the situation which lasted for the entire year of 2015. Its impact was above

EUR8 million, whereas EUR4.4 million was the impact stemming from the lower energy prices from waste energy plants. These two effects combined brought about the contraction from 242 million to 230 million.

As the Chairman was saying earlier, the acquisitions we made at the end of the year still haven't unleashed their effects on the -- on 2015, they will certainly be doing so in 2016. Hopefully, we will -- or through the acquisitions we made, we are able to increase our landfill capacity.

As far as the landfills, our previous landfills are concerned, we're still moving along in terms of increasing authorizations and hopefully things will change soon. For those of us who have listened in at the Business Plan presentation, we still have some positive signals as far as prices are concerned, especially in a dry and humid waste to be disposed off waste vis-a-vis the prices at the end of 2015. In the first two months of 2016, we've had an increase of about EUR2 to EUR3 per ton, which isn't bad at all.

As far as volumes are concerned, I mentioned the contraction we had in special waste, which is something that has been on the decline since the first quarter of the year. We've had the stable results for urban waste, which has declined worth a few -- a couple of tons. Sorted collection and recovery and recycling is increasing. We're above 55% of the entire territory, homogeneously. Plus, we had an increase in efficiency worth a few million euros of bringing the results from EUR15 million to EUR20 million.

This is an overview of the waste business and I'll give the floor to Luca, who can comment especially on the optimization of financials and tax rate, which is something that our Chairman was mentioning earlier and which was something that we were very satisfied within closing the year results.

Mr. Moroni – Administration, Finance And Control Director

Thank you, and good afternoon. We closed 2015 with an excellent profile in terms of the cash flows we generated. Over EUR200 million, which obviously stemmed from a good performance in our operational levers on the one hand, plus a rather positive management to the financial side of things and taxes.

We were able to decrease our debt level, down to 3.85% our gross debt compared to 4.25% last year. So it's 40 to 50 basis points less. This was a path we began in 2013 already than in 2014. We had the tender offer of the new green bond, which was able to have a number of positive effects in optimizing the cost of debt in 2015. As far as the tax rate is concerned, we were able to take advantage of all of the elements of the new regulations, especially within the new stability law, previously with the patent box regulations and the tax credits on innovation and investment in research and development. All of this allowed us to have positive effects in the lines [ph] below EBITDA and this also had an impact on cash flows.

Our working capital also performed well. There was a very slight variation compared to the previous year, especially on credits. We were very satisfied indeed, because with an increase in the credit stemming from the Salvaguardia market, which you have become familiar with over the years. These are credits, which are ensured service peak by rule set by the authority. And on the traditional markets, we also had the opportunity to contain our credits and we've also had a credit decrease also vis-a-vis an increase in revenues.

There was EUR207 million from free cash flows allowed us to fully finance our dividend and to fund our M&A transactions almost completely. The remaining EUR11 million variation brings our debt level up to EUR1.65 billion of vis-a-vis the EUR1.64 billion last year stemmed from the effects of the net financial position stemming from one of the acquisitions made at the end of last year, which isn't illustrated in any positive effect in terms of EBITDA throughout the year 2015. And therefore, as such a restatement may very well be made vis-a-vis this figure.

All of the financial indicators are positive, especially the operating cash flows on net debt are above 20% to 20.5% as a matter of fact and the debt-to-EBITDA level is at three times now vis-a-vis the previous 3.04 times.

Now, I'll give the floor back to the Chairman for the conclusions.

Mr. Tommasi di Vignano – Executive Chairman

I don't think there is very much left to add, besides the fact that the criteria we had applied to our business plan referred to four items and which integrated all of our growth forecasts. The first is efficiency, something that we worked on, and that -- and the results of which are obvious also in terms of the figures achieved.

Another item was the quality of service. With the desire to strive for excellence and the many of the elements included in our sustainability results show that we are already in the range of excellence and this is something that our customers perceive. We certainly have to intensify and it is actually something we've already started to do in 2015. We have to intensify and continue intensifying our approach to technology and organization. As I said, this is something that we have already started doing and this means that in 2015, we were able to achieve a solid balance sheet, that is also a balance sheet which is very encouraging for the future giving these elements I mentioned.

I won't go into the waste business, which Stefano referred to. Also one of the landfills, which were in -- which was waiting for authorization, it is about to start its activities once more. We are working on M&A and as we have proven either through acquisitions, if there are no available merger possibilities, or through mergers themselves, which have been our specialty so far. In either of these sectors both in acquisition and mergers, we have the experience and the solidity to continue to work in this direction, as you were able to see in the business plan.

We have continued to work this way and given our soundness and given our strength, we can look to these possible transactions without share capital increase. So this is the profile which emerges clearly from the results. The attractiveness of our dividend is more than confirmed if we also look to other examples, especially on the market and therefore shareholders will be more than satisfied. You have the floor now for any questions you may have.

Chorus Call operator

This is the chorus call operator, we will now begin our Q&A session. (Operator Instructions) The first question is by Javier Suarez, Mediobanca.

Mr. Suarez, Mediobanca

Good afternoon, everybody. Javier Suarez speaking from Mediobanca. Three questions. The first question is for the Chairman. On the regulatory context, as a way of fostering consolidation, what is your interpretation of the recent decree in Parliament. Do you think that this is a tool that can in fact promote consolidation? And do you think that there will be a speeding up in consolidation in 2016?

The second question refers to the company's balance sheet. Obviously, you've had a major cash generation and the cost of debt is still relatively high given the very low interest rates on the market. The question is, what can the company do to reduce the interest rates or to fully exploit these very low interest rates? And as far as consolidation is concerned, is there a clear preference of cash rather than paper because you can fund a cash transaction with very low interest rates.

And the final question as far as the P&L is concerned, slide two, if I remember correctly. I'd like to know what the breakdown is between depreciation and provisions of EUR422 million. What is the breakdown between depreciation and provision? What is the EUR8.2 million depreciation is concerned and actually have some guidance on taxations for next year as well?

Thank you.

Mr. Venier – Chief Executive Officer

Let me begin by answering second question on our balance sheet, what can we do as far as liability management is concerned. We can do something, not pretty much as a matter of fact, look at the initiatives, but last year we had swapped our variable tax rates to a fixed rate, allowing us to set our cost of debt for some of our products, of almost EUR1 billion out of a total of 3 billion, I think it was 2.9% or 2.15%.

From the operational standpoint, we can continue to look for the possibility of recalling a part of the next bond, which will be expiring, this will happen in 2019 only. So, this is only something that will be economically interesting at the end of the year and that will be the moment in which we may announce a two-year call back or to make the call back two years ahead of schedule. And that's what we did when in 2014, we made the call back of the bond which expired last February.

Your remark is correct, of course. Currently there is a preference, so to speak, to finance acquisitions through cash rather than paper, given the lower cost. This is something that we can try to take advantage of and is something that we've actually done 100% on the smaller transactions we concluded in 2015. And it's also since that we can do within the limits of the financial flexibility we have. Our benchmark is always the fact that we want to have a waiting level at along the lines of the one we have. Therefore, we have to continue to have the flexibility on the debt-to-EBITDA ratio, which is three times nowadays.

Looking forward and looking to the past as well, I'm looking to the results in 2015. In 2016, we also have to look at the WACC [ph] results. The authority did take back some of the money, half of the net cash flow, once we paid the dividends, had to be paid back to the authority. Therefore, we want to regenerate some of that liquidity we had over the year.

Moving on to your question on the depreciation on the P&L, they all refer to activities or projects that we had in the energy sector. We saw the 50% of a small company, small power generation company with a 50-megawatt plant in Gorizia, which used to belong to AcegasAps and that brought about the actual financial loss for the disposal of

financial assets over about EUR4 million and then we also had another generation project, it was one year project and given the situation we decided to depreciate since we don't think that we will hold on to that project as far as our future development projects are concerned.

As far as the breakdown between depreciation and provisions are concerned, out of the EUR440 million total, a EUR340 million referred to depreciation, whereas the remaining EUR100 million refer to a provisions and other risks for further 40 million. Therefore, the remaining 170 refers to the bad debt provisions, and 72 rather vis-a-vis 66 last year and 37 referred to provisions for other risks, meaning that three-fourth of that refers to depreciation.

And the outlook for tax rates for 2016 is at around 37.5%. And one last aspect concerning taxes, much like the other companies have already done already in the year 2015, we have factored in the effects stemming from the lower IRES tax, which is approved by the government and which will come into effect in 2017. In our case, we simply had to reabsorb a couple of million euros and hopefully this reduction in tax rate will in fact be reduced.

Mr. Tommasi di Vignano – Executive Chairman

As far as your first question is concerned, I can give you what my feelings are, since we have been discussing this topic for quite some time I referred to M&A we certainly have to take two risks into account. The first is that, the things which have been drafted in the Madia decree on this topic we'll hopefully reach its logical conclusion without any other things that could limit the transparency of the profits, for instance. We were to imagine that in the waste business, in the future, we can still have end operators simultaneously in the same territory as it is today. Obviously, there will be no benefit whatsoever for the Madia decree. For the time being, things have been drafted differently, the same goes for water. So again, the end result is the most important thing.

The second aspect is that the regulatory strictness that we hope for, given the high level of fragmentation in Italy, again, strict as we hope for, can be also a way of affording some to continue to hold on to their small municipal companies and this is something which still exists.

You may think that there is no hope in this sector, but things are quite differently because we are finally starting to see things changing. In the first half of 2015, things were very different. And the fact that tenders will be launched for concessions for the entire catchment area. The fact that this is happening in all sectors is starting to increase the pressure on smaller companies or a small company shareholders who will have to sell their assets, something which is now very easy to proceed.

Some of these small companies are starting to understand this. Obviously, I don't know how much time it will take for Mayors or political parties to continue holding on, that's another question. And that is something that we're trying to be prepared for, not for a single transaction, but hopefully something that we have committed to operating our business plan, both in terms of tenders and in terms of mergers and acquisitions as we have defined in our business plan. So again each individual opportunity, each individual case is something that we have to work on individually. In some areas of the country, we need to be very patient and we need to work very intensely.

Mr. Bartoli, MainFirst

Good evening. I just have a few questions. I'd like to begin with a question on waste sector. Can you give us some further comments on the outlook for 2016, especially the EBITDA contribution for instance that we can expect from the two acquisitions you've completed at the end of 2015? And the possibility to recover those landfills, which did not contribute to the 2015 results? You mentioned one landfill that is about to restart and what will be happening with the other landfills and especially as far as margins are concerned, can we expect a recovery vis-a-vis the EUR8 million we'd lost last year, can there be an improvement given the improved market conditions? You've mentioned that there was an increase in prices in the first few months of the year.

The second question concerning water, you posted a very strong result in 2015. Again, can you give us an idea of what the 2016 effort maybe? And there will be an impact of the regulatory review, but then there should be quality premiums and tariff increases; so in general, what is your outlook for this year?

Then I have a third question on your gas business. You mentioned that there was an improvement in margins, especially in Q4. So from this point of view, what have you been seeing in the first few months in 2016? And specifically, given the very low prices in gas on the wholesale market, can you benefit from the current market conditions?

Mr. Venier – Chief Executive Officer

Let me begin with your last question on gas supply and what our outlook is for 2016. Well, in Q1, the margins were pretty much similar to the ones of the previous quarter, they stemmed from the same supply contracts. Obviously, volumes were lower compared to the previous years, because February was warmer than February 2015, meaning that we did lose some volumes from this point of view. In late March, it will be -- we'll be seeing a slight contraction, as far as the (inaudible) team is concerned.

As far as the outlook on gas procurement is concerned, well the fact that prices are low, at least a lot less room for everything else, so to speak. The important thing as far as we're concerned is the spread between North and South Europe. The spread between TTF and PSV was spread between Baumgarten and PSV. Given the assured level of prices lower compared to what we had in the same period last year. Everything is a little more crushed.

The positive aspect of this condition as far as prices are concerned, that we are already working on the 2017 calendar. Some players in the gas and the energy sectors, given the prices are asking for offers, and therefore we are already completing the contracts for the 2017 calendars. And this is a way to start working on our commercial campaign, not so much of residential customers, of course, I'm referring to our industrial customers.

As far as water is concerned, vis-a-vis, this year's figures, and I agree the results were very good, but you also have to remember that we had posted the same improvement last year, which means that in two years, we had a EUR30 million increase on profitability. In 2016, we'll be seeing the impact of the WACC review of the water cycle that is worth EUR12 million for us. So that takes away almost all of the improvements we posted in 2015.

Despite this, as far as premium on the quality of service is concerned we do count on a few million euros, as we said. And when we presented the business plan, we have restated this plus will be working on increasing efficiency. It will be almost impossible to fully offset the impact of WACC on the first year, but at least two-thirds recovery is the target we've set.

And I will leave the floor to our Chairman for your question on waste.

Mr. Tommasi di Vignano – Executive Chairman

Well. If you are concerned with the decline in results compared to the previous years. Well, in terms of recovering, I'm not concerned as myself.

Let me explain why I'm optimistic. Of course, we always need a real and tangible date and especially when it's a matter of receiving authorization it's always complicated to have a deadline. But anyway, what were the things which went well in 2015, and what should we add to reach the results that you were mentioning?

The things which are working well are our assets. Everything went up very well except for the landfills. And this was also confirmed in the results posted in early 2016, which means that with the increase in capacity and landfills figure you were mentioning, which isn't anything shocking, is a figure that we'll be able to recover. We are in the final stage of the regional government to approve the regional program for waste, which includes the three large landfills, which are protected and they are the ones which in the future will continue to be used to dispose of special waste and urban waste. One of these three landfills is about to start working again since we've completed the works. The other two should be reopened by the end of the year.

Hopefully, one will be opened towards mid-year and the other in the fall, hopefully. Take into account that in our business plan perspectives, as far as special waste landfills are concerned, which are the ones that we had problems on recently, we have two other options which we took into account in the business plan, which obviously can't be used for urban waste, but which are interesting, nonetheless, because one of these is a large special waste, including hazardous waste landfill and the other is another special waste landfill in Tuscany. Therefore, we don't need authorizations from local regional government. So the potential in this area of business is pretty significant. All the small landfills we used to have up to a year ago have all been closed in line with the business plan forecasts we had made.

So again as far as our assets are concerned, I have no concerns whatsoever. Whereas you may remember that in the business plan we have said that the waste to energy plant that we bought two years ago, and the Molise region which in two years' time will be expiring is CIP6 incentives. So that will have a negative impact on figures.

Another positive remark that Mr. Venier have already mentioned earlier, is the fact that besides the work we're doing on our assets, we hope to continue having the growth trend which as far as prices are concerned is something we've been seeing over the past three months. An increase in the prices obviously could be a way of offsetting the expiry of the CIP6 incentives on the waste to energy plant in Molise is concerned.

Plus besides the landfills we were talking about, we also mentioned the two landfills that we bought in the Veneto region recently, both of which are going very well and they're in line with our expectations. So again, we have the landfills on the Veneto region which have no constraints and which are working very well. Then we have the three large landfills in the Emilia Romagna region, which are concluding the authorization process, so with the projects to broaden them, plus we have the two landfills dedicated to special waste that I mentioned.

With this in mind and taking into account that we have 10 waste to energy plants, despite the CIP6 incentives I mentioned. Plus as we mentioned in the previous conference call, we are about to begin building the waste to energy plant in Florence. So as far as this sector is concerned, we haven't been standing still, and the projects in this area business are pretty solid.

Mr. Bartoli, MainFirst

Just a couple of details, what can the impact of the CIP6 expiry in the Molise region, what can its impact be. And what kind of the positive impact of the two recent acquisitions beyond EBITDA?

Mr. Venier – Chief Executive Officer

They are pretty much the same, a 11 million and a 11 million. Thank you.

Chorus Call operator

The next question is by Stefano Gamberini, Equita SIM.

Mr. Gamberini, Equita Sim

Good afternoon. Also as far as waste is concerned, can you give us some figures of the landfills you were mentioning, the Ravenna landfill and the other two that you will be increasing in terms of capacity, how much more capacity will you be obtaining?

And secondly as far as Florence is concerned, if I remember correctly, it's a 17 installed -- 17 megawatt installed capacity waste energy plant. What will that assets' EBITDA be once it is fully operational? How much of the Florence Waste Energy Plant contribute?

And then I would like to ask the Chairman to comment on the postponing of the gas tenders by another year. And can you further explain the Madia decree topic? Do you think they will be changing it yet again or will there be some amendments where you're referring to the cash materials both for waste and for water? And is there real -- is the issue of the fact that the Energy Authority will -- won't be one dealing with these matters anymore?

Mr. Venier – Chief Executive Officer

As far as the broadening of the Ravenna landfill is concerned, it refers to some 900,000 tons. The other two landfills are at over 1 million tons, if I remember correctly. And the landfills we acquired in Veneto, it's 1.5 million tons. These are just the general figures spread out over 10 to 15-year period.

As far as the capacity we obtained through the waste recycling company at some 500,000 tons between liquids and solids. As far as the Florence Waste Energy Plant is concerned, we hope to start building the plant in the upcoming months. We are finalizing the financing side of things. And hopefully, the company's EBITDA will be at around EUR20 million. At the moment, we have a 40% stake in the company, the remaining 60% is owned by Quadrifoglio, the company which won the tender in the upper Tuscany and Central region around Florence, they are the ones who won the tender.

As far as the gas tenders are concerned, in the Emilia product [ph] law, the terms were extended. That is a way of allowing certain local authorities to avoid sanctions. I currently talk for the area of the country that we are located in. As far as the northeastern part of the country is concerned, things were going along as planned previously. A lot of calls for tenders have already been published, the one in Forli-Cesena already received comments from the authority, and it will be soon integrated with some of the comments sent in some of the appeals have already been examined and refused.

And therefore, I don't think that the time frame that we had in our business plan will be delayed by eight to 12 months. As we kind of expected from the further delay, that's not the -- these aren't the signals we're getting from the tender centers, that they're all working fine, they just know that they won't be sanctioned if the delayed things were 15 days or 20 days. Sometimes, given the fact that they were afraid of the sanctions, they had to speed things up. In terms of adding the rules, these were last minute things which were done as a way of avoiding sanctions.

On the final question on the Madia Decree. I think that the Chairman's examples were just examples. What we expect to continue seeing is the waste sector to be given on a provincial basis. I'm sure that this will be an important thing. And as we've always said, the fact that the Energy Authority was chosen to reorganize the sector something very positive. And hopefully this will have an impact at both in terms of the future tenders, but also in terms of redefining tariffs. For instance, the waste and disposal tariffs on a homogeneous level. Just an example based on law number 152, remuneration on a recognized -- on capital recognized for certain assets is 3.5%. You can understand that things can only improve given such a low percentage. So, I think that these were all the questions that you had asked.

Mr. Gamberini, Equita Sim

I didn't understand Florence? You have 40%?

Mr. Venier – Chief Executive Officer

The company that we have a 40% stake in is the company that has the building and the management of the waste energy plant. And yes, we only have -- we have 40%, a 40% stake in the company, which owns the asset. And then out of the EUR20 million, you will be consolidating 40% of that.

Chorus Call operator

The next question is a follow-up by Enrico Bartoli, MainFirst.

Mr. Bartoli, MainFirst

Two very brief follow-up questions. One is a question on tax rate. This year was 35.9% (technical difficulty) with a negative impact given the fair taxes restatement, therefore it should be even lower compared to that figure. And how will be -- we be having the 37.5% tax rate to next year?

And then I have another question on the Madia Decree. It seems to me that in the general decree which was approved last year, mention was made of a number of sanctions for the local authorities which refused to sell their stakes in municipally-owned companies. Is there anything in the implementation decrees referring to that although I don't think so. Is there anything else which will be defined from this point of view?

Mr. Venier – Chief Executive Officer

No. There are no sanctions, there are some pseudo incentives rather. There are some strong restrictions when it comes to the creation of new companies. As a matter of fact, there are no sanctions only incentives. And we don't expect anything along those lines to be introduced because the only time that sanctions were introduced that wasn't very successful, I'm referring to the Ronchi Decree which had to undergo a national referendum. As far as the tax rate is concerned I'll leave the floor to Luca.

Mr. Moroni – Administration, Finance And Control

As far as the tax rate is concerned, in this year it is 35.9%. We have some non-recurring elements, elements which refer to the extra financial gains brought about by the acquisitions made at end of the year. This is something that we fully took advantage of over the past two years since we made acquisitions (technical difficulty) AMGA Udine (technical difficulty) now this recent acquisition of the waste sector in 2015. This is always an opportunity we seize whenever we can. Therefore, the tax rate should stand at that percentage that we mentioned earlier.

Chorus Call operator

The next question is a follow-up by Stefano Gamberini, Equita Sim.

Mr. Gamberini, Equita Sim

Two quick follow-ups, you mentioned that you made the acquisition of 16,000 gas customers in the Abruzzo region, how much was the worth? And then in the press release you mentioned the analysis of the best opportunities for most utilities which neighbor your territory. Can you give us an update on what's going on in terms of possible mergers, has there been anything new compared to when you presented the business plans?

Mr. Venier – Chief Executive Officer

The acquisition that we are referring to is the acquisition of a company located in the city of Giulianova and Teramo, it's worth 15,000 customers, the price we paid was 5.3 million for 100% of the equity. The NFP within it was worth EUR1 million. Maybe, the Chairman wants to add something else.

Mr. Tommasi di Vignano – Executive Chairman

I think I gave you some very clear comments. Our territorial references are clear, they are present on the business plan and we've given you the numbers. So as far as M&A is concerned, we're continuing to work as we started doing last year as well. We don't want to focus on a single target, which then maybe set back due to political reasons. We want to have a general picture of the problem, so that we can focus on our projects and we have to spread them out over the business plan years. I think that can allow us to do things properly.

And then we have some news as far as Imega is concerned, it is a part of that general picture I was mentioning. Recently their public shareholders mentioned that the solution, the best solution for them is to go towards a merger or full merger with a larger player. This is a decision which has been made formal on a piece of paper. And I think this is the guideline of the company and the company -- with the company -- the -- with their company and our company which is the only company in fact which has expressed a desire to fully integrate the company. So we're interested in continuing (inaudible) so apparently things have now been clarified.

In the coming months, we will be seeing which will come first and which opportunities will come first. Our plans won't end in 2016, of course. I hope that was clear for you. Thank you.

Chorus Call operator

The next question is a follow-up by Javier Suarez, Mediobanca.

Mr. Suarez, Mediobanca

You gave us the overall RAB of your regulated businesses. Can you give us a breakdown of the RAB?

Mr. Venier – Chief Executive Officer

Well, there are no major changes compared to last year. As far as water is concerned, the RAB is slightly below 1.5 billion; Gas is 1.05; 350 in electricity distribution; and 200 in district heating.

Mr. Suarez, Mediobanca

Thank you.

Chorus Call operator

The next question is by (inaudible).

Mrs Tonin, Banca IMI

Good afternoon. I have a very quick question for you. You mentioned your ability to recover the water WACC losses through efficiency. In that business plan, you indicated a decline in WACC equaled to EUR25 million, therefore it's a lower EBITDA in networks will be equal to 12.5 million or 13 million. And electricity and gas and district heating, how much of this do you think you'll be able to recover through efficiency, two-thirds of the total, as you mentioned?

Mr. Venier – Chief Executive Officer

Yes, the impact of WACC is divided evenly, consistently with the RAB breakdown I mentioned, so it's a further EUR12.5 billion [ph] on the other businesses. As we mentioned earlier, we have the EUR25 million effect plus the roughly EUR11 million stemming from the exploration of the CIP6 (inaudible) plant as we mentioned when represented the business plan in terms of net profit, we want to reabsorb all these negative impacts in 2016. Maybe we won't be able to do so in terms of EBITDA, but we will in terms of the net profit.

Mrs Tonin, Banca IMI

Thank you.

Chorus Call operator

Gentlemen, there were no further questions.

Mr. Tommasi di Vignano – Chairman

Thank you very much. This ends our conference call. See you soon. Thank you very much.