



Results as at 30th June 2015

Bologna, 26th August 2015

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. Welcome to the H1 Financial Results Presentation for Hera Group. All participants are in listen-only mode. Following the initial presentation, there will be chance for some Q&A. (Operator Instructions).

And now I'd like to give the floor to Mr. Tomaso Tommasi di Vignano, Executive Chairman of Hera Group. Mr. Sir, you have the floor.

Mr. Tommasi di Vignano – Executive Chairman

Good afternoon. I wanted to introduce our H1 financial result presentation. Hopefully, you had a good summer vacation. Our H1 financial results are satisfactory and now we will be illustrating its contents. It's satisfactory because the items in the P&L and the results themselves were positive and there was a significant improvement vis-a-vis the Q1 results.

As you can see in the top right hand corner of page one, we have highlighted the growth percentages. Especially, the net profit results we obtained with the plus 11%, which is a figure we will be going back to later on. Of course, our results split up between Q1 and Q2. That is also needs to be taken into account specifically, when comparing our results to the previous year with the H1 2014 vis-a-vis the one this year. H1 in 2014 also included some EUR12 million in EBITDA stemming from two extraordinary factors, namely the management of white certificates and the later was the specific utilization on the electricity market in terms of our acquisition of the Gorizia networks.

Therefore the growth we were able to post, if we look at the net growth in 2014, minus the events I've mentioned is even more significant. In any case, in general terms we can underline how positive the results of the first half of the year, this year were. And as you can see on page two, we're looking at the H1 figures. You can see that these figures had the positive contribution from all of the operational sectors in terms of improvements posted and specifically, we also need to highlight the fact that besides the growth in EBITDA, we also had a good reduction in our financial costs and the cost of debts specifically, and we can go into the details later on.

But we have also had a better contribution from the joint ventures and the connected companies, which in Q2 had the better contributions compared to the previous periods. The tax rate is also something we'd like to focus on. Since it improved too from a 39.3% to 37.2% and it too contributed to a post minorities net profit result, which is significant with an 11.5% growth. I also want to underscore the EPS, which is up by 6.7% and therefore, there was no dilution following the increase in the number of shares brought about by the share capital increase links to the AMGA Udine acquisition.

Moving on to page three, to underline how in the top part of the page, the graph shows how we were able to achieve the result, had we removed the EUR13 million from the two extraordinary operations I mentioned from H1 2014. As you can see that once again, we would have had a 5.8% growth in terms of EBITDA in the first half and the make up of that growth is very well balanced with M&A operation, namely the Udine transaction which has a EUR13 million impact along with the organic growth which is at 11.5 million.

On top of that, and in line with the typical break down of contribution, within the EUR11.5 million growth in organic growth, we have 2.3 million stemming from the extraction of synergies from the company in the Friuli Venezia Giulia region, which has already reached ever since the Acegas operations began has reached EUR18.2 million and we're ahead of schedule actually. Therefore, we are continuing with the efficiency we had expected and with the extraction of the expected synergies. This has also brought about an increase in our EBITDA per employee rate when the integration actually happened.

When the Acegas integration happened, there has been a dip since their parameters were lower compared to ours, whereas for 2015, we are expecting to reach EUR110,000 per employee which is the target that we had, and therefore we are aligning the new territories with the figures, the rates that we had in the rest of the territories.

In terms of M&A, the contribution to the value that you can see on the screen, this links to the completion of the AMGA Udine transaction, which as you know was bought that was contributed beginning in July and therefore for the first time, we were able to have the contribution of AMGA Udine for the first half of the year, this year. The second operation, the second transaction was an energy customer transaction. This is the company that we made the acquisition through a tender and it brings further 13,000 customers and it operates in the Abruzzo region. These are the most significant elements, plus and is something that we have reaped the benefits of in recent times.

We are continuing with the typical reorganization and maintenance operations within the group, which are also present as far as the better contribution and the improved contribution of the minority shareholders, especially as far as the waste sector is concerned, within Herambiente we have been integrating the activities, the businesses that used to be dealt with five companies which used to have minorities within them. And therefore, this has brought about and we'll continue to bring about a reduction in minorities. And this year, it refers to the Akron transaction specifically. We acquired the 100% of the company as of July 1st this year, we have fully integrated that company within the Herambiente structure.

Although this doesn't have any effect on the EBITDA of the company, it was already consolidated because Herambiente was a majority shareholder. That was just a way of underlining the things we have been managing at recent times. And once again, we are very satisfied with the balance we've been able to achieve. As you can see on page three, the various businesses over time proved to be very balanced in terms of contributing to the group's overall results.

And I want to hand the floor to Stefano, who will be going the details on the various businesses.

Mr. Venier – Chief Executive Officer

Thank you, and good afternoon. I'd like to begin by the recent remarks made by the Executive Chairman as far as waste is concerned. As you may remember, Q1 was characterized by results which were lower compared to the previous year as far as the waste business is concerned.

Q2, on the other hand has brought a growth rate which as you can see, was equal to 2.4 million compared to 2014. This has allowed us to re-absorb a part of the gap that we have had in the March 2015 equal to some EUR5 million and that has been reduced to 2.5 million. That's due to simple reasons explained through the motivations that we had explained at the end of March.

In other words, as you can see on page four, the volumes we treated in Q2 were in line with the volumes of the previous year and they were in line with the volumes in Q1 2014, and therefore we were able to stabilize the 100,000 tons reduction that we have had in Q1 this year compared to the previous year. Therefore all in all, the dynamics of volumes in Q2 were in line with our expectations and with the results posted last year. And the benefits, the improvements were also brought about by a price difference.

The prices in fact were slightly above the ones posted last year, and this brought about the 2.4 million growth which you can see in Q2 this year. In general terms, Q2 improved its profitability and as far as H1 is concerned, we were able to consolidate the EBITDA margins slightly below 28% as we have had last year.

Also in Q2, as you can see from the figures, we had our plans, our assets running at full capacity and therefore from this point of view, we were able to reabsorb some of the stops we've had in Q1 and in fact the volumes treated in the our waste to energy plants in Q2 were 2.5% above the previous year. We also have the Akron consolidation that is moving along as the Chairman said, but you can see that we have had a reduction in minorities as you can see from the P&L and the development of the business model focused on a recovery of waste and on the incineration of waste at the end of June this year, posted an increase in shorter collection which is now up to almost 55%.

Within urban waste trend which was positive in H1 with a 2% or 3% increase compared to the previous year.

Therefore, we do have some positive signals which as I was saying, are able to offset and actually reabsorb part of the effects that we had seen in Q1.

On page five, we have the breakdown of the regulator activities as far as the networks are concerned. In the comparison

here with the comparison, we have to go back to the specific equalization of the white certificates that the Chairman was mentioning early on during his introduction, which is equal to 13.5 million and in Q1, with the Q1 results or with that H1 results rather than links to organic growth and links to the Amga contribution, we were able to reabsorb that one-off event we have had in the Q1 last year and the results for H1 is pretty much the same.

You may remember that in March, we still had EUR4 million difference compared to the previous year when comparing the figures. As far as the P&L is concerned, now the results for H1 2015 equal to almost EUR213 million was brought about by an increase in our gas distribution activity is equal to 8.5 million, which brought about a EUR79.2 million results in H1. We also had growth in the water sector, which once again benefitted in terms of revenues and also in further efficiency that we were done with an almost EUR5 million growth with an overall EBITDA equal to 107.6.

As far as H1 is concerned, electricity distribution had a revenue reduction equal to 2.5 million of an EBITDA equal to 18.1 million whereas district heating, also thanks to improved conditions.

As far as our thermal effects were concerned, in the first month of the year, we were able to post EUR2 million improvement compared to the previous year with a EUR7.6 million a general results for H1 2015. And therefore generally speaking, as far as generating the EUR13 million growth, we had EUR8 million coming in from the Amga contribution and EUR5 million stemming from organic growth and most of which are linked to the good performance of the water business, which now has an EBITDA margin equal to almost 29%.

As far as sales are concerned, we consolidated the good results posted last year which we had already illustrated in Q1. You may remember that in Q1, we had a positive results compared to the previous year equal to plus 12 million, and far as H1 is concerned, we were able to consolidated figures going up to 14 million. And even in Q2, we were able to improve a profitability by a couple of million Euros this was determined by obvious facts.

We have been confirming the increasing volumes compared to 2014 equal 115 million cubic meters. We had a good performance as far as electricity is concerned compared to the previous year, we have been able to reach 80,000 customers more, moving up to 830,000 customers in general terms. And with the contribution of the consolidation of the Amga, commercial activities, and the Alento Gas acquisition, we were able to grow above 1.3 million customers in gas. And therefore, if we add up the two types of customers we are onto almost 2.2 million energy customers to end users.

The breakdown of the results of the semester equal to EUR117 million is broken down into EUR80 million on gas sales, EUR33 million refer to the electricity sales, and only EUR4 million or EUR4.5 million to power generation, which in our case, as we illustrated for Q1, suffered due to a contraction in the revenues from the MSD market, the ancillary services equal to almost EUR6 million that did have an impact. Otherwise the business area result, would have been even better.

And from this point of view, our activities as far as our sales are concerned are moving along as usual. Our procurement activities for next year have already been completed. As we are continuing with our commercial campaign and we are getting ready for our 2016 electricity campaign, which as you know typically start through the month of October and November.

Let me give the floor to Luca, for the financial presentation.

Mr. Moroni - Administration, Finance And Control Director

Good afternoon. Our H1 financial performance was very positive. We had a cash flow, operational cash flow is equal to EUR138 million. Thanks to a very careful management of our working capital and thanks to the reduction of our financial burden, and also thanks to improved tax rate. This has allowed us to generate cash flows which have been able to fully fund the payment of the dividend which we had in the month of June. And therefore we have a net financial position, which is in line with the one we had at the end of 2014 at around EUR2.65 billion.

The good news have already been mentioned. We have a cost of debt which is at around 3.8%, thanks to the positive operation which we implemented in July last year with the green bond and the coming back of the bond, which would have expired in 2016, and operation which allowed us to improve the cost of debt significantly and we are seeing the benefits of this operation on the cash flows.

Another positive element as far as rating has concerned, in fact Moody's upgraded our outlooks from negative to stable in early June confirming the fact that what we are doing from the financial P&L stand, but this is going in the right direction.

Mr. Tommasi di Vignano – Executive Chairman

I think that the news is or should be in line with your expectations, perhaps even out doing your expectations. It was a good first half of the year and we will continue with our programmed activities. As I mentioned earlier, we will be working on some fine-tuning as far as our organization is concerned and in June, we started new company. We have been managing our waste to energy plants in the Veneto region with a unified approach. So that we can further integrate

that area of business with our activities here in the Emilia Romagna region.

We had some very good financial results as Mr. Moroni illustrated. We have nothing further to add beside the fact that we are working great deal on the update of the business plan. I don't know whether now we have an exact date yet, but we will soon be publishing the updated version of business plan to 2019. These were the main elements, and as you know, we work on a date-to-date basis.

And as Stefano was mentioning concerning the waste business, in the presentation, we didn't split the investment we made in the first half of the year, the only sector which is lagging little bit behind comparing to H1 last year was waste, because we wanted to keep some aces in our sleeve to work on improving some of our plans which we have suffered from end of Q1. So these are operations, these are transactions that we have to work on with the right timing and with the right price. And we are continuing to work on such transactions. At this point, I would like to open the floor to some Q&A. But again, these are the fundamentals as far as we're concerned.

Q&A

Chorus Call operator

This is the Chorus Call operator. We can now begin with the Q&A part of the presentation (Operator Instructions).The first question is from teleconference. Javier Suarez, Mediobanca.

Mr. Suarez, Mediobanca

Good afternoon. Javier from Mediobanca here. I have three or four questions for you. First of all, a question on synergies, you mentioned that the AMGA Udine synergies and that the Acegas synergies are now at EUR18 million and I seem to remember that in the business plan, you were referring to some EUR30 million in synergies which you expected to extract from AMGA Udine and Acegas. This means that two-thirds of the drop has already been completed in the first half of 2015 alone. When can these targets actually be achieved. I remember that you're expecting to achieve them by 2018. It seems to that the delivery of the of extraction synergies is very fast.

The second question is on the waste business. I was very interested in the comment on prices, because what we're seeing is that volumes are staying stable, while we are seeing a slight increase in prices. The question for you is, what are the underlying reasons for this? It is linked to a larger demand for these services or is it linked to the company's positioning in the services where margins are higher. So can you explain what the underlying trends are, what the reasons are for this increase in prices and with services.

And my third question is on the water business. In the presentation, you mentioned that the size of tariffs that is the issue of efficiency which is contributing to increase in the EBITDA margin. How relevant is the efficiency in the performance of the water and how much potential is there for further efficiency. And my last question is on the working capital. Slide seven, we saw that working capital has no effect on H1 2015, now I was wondering, what the trend as far as the change in working capital could be to year-end.

I'm saying this, because this year I believe, you have cashed in the Salvaguardia service for 2014, and for the rest of the year, you will have to finance the Salvaguardia, the safeguard services. What are your expectations for the evolution of working capital for H2 2015?

Mr. Tommasi di Vignano - Executive Chairman

This is Mr. Tommasi. I'll try to answer to the first two questions. As far as synergies are concerned, I referred to EUR18 million, but in fact its 18.2 million as of the end of June, at the end of H1. Therefore, we are perfectly in line with our expectations, because the Acegas operations began in January 2013. So that means that we are working for two and half years vis-a-vis the five years that you correctly mentioned. Therefore if we continue with this pace, we will be achieving our target, and we'll see whether now we can work or achieve those results ahead of schedule.

We'll see in some sectors, the synergies can happen all at once. For instance, the larger chunk of our IT services isn't something that we are going to work on every week with new programs. It's something we work on, and then all that once, we can cover entire cycle, entire project and at that point obviously we have a sizable effect all at once at a given moment in time.

Therefore, we have posted good results so far of 8.5 million in 2013 and the 7.8 in 2014 and the 2.3 in the first six months this year. We'll continue with this pace and I think that our target is very much in our reach.

In our second question on the waste prices. The reason for the slight increase is due to two reasons I feel. The first is that, we never concealed the fact that at the end of Q1 this year, we did suffer a bit in terms of availability, that's because demand was above our capacity to dispose of waste for two reasons. One was a reason that Stefano explained,

so much so, that it was a one-off event, we had some plants which had to be stopped, some waste to energy plant had to be stopped, those are one-off events which stopped those in the Q1 and we solved the problem. But at the same time, we had grown accustomed to have a kind of a buffer. Our landfills vis-a-vis the market demands, and on the one hand our landfills were aggressively closed as highlighted by the regional government's waste plan and also due to EU legislation, we had to close four small landfills this year. And on the other hand, we wanted to maintain the larger landfills as envisaged into this plan.

And one of these landfills had some problems in terms of the usability, and therefore that reduced our ability to dispose of waste. These events led us to make some choices in terms of the types of clients return to and also in terms of those customers are willing to pay better or more vis-a-vis what they had been used to pay in the previous three years, three years in which due to the crisis, prices had suffered both here and on the rest of the market.

And therefore, with a lower availability of the treatment capacities, we were able to fine tune our selection. Obviously, this refers to the special waste sector, because as far as urban waste sector is concerned, and they performed well and they increased in terms of quantity in the last Q as well and every waste has a higher value in terms of tariff, but they also have to be disposed off, they have to be the first types of waste which we disposed off by law or urban waste to increase even more, we would be forced to dispose off urban waste by law and before disposing our special waste.

And as far as special waste is concerned, that refers to the market and therefore that can be conditioned through availability of assets in a given moment in time. And therefore, currently we have been witnessing a growth in figures as far as price is concerned compared to the previous year, and this is the growth which needs to be measured vis-a-vis special waste, the market driven waste. As far as special waste is concerned, both of the humid part of waste and for the dry part of the waste as well, growth has been quite homogeneous and quite significant as well. And now it's a matter of continuing in this direction, while we continue to work on our asset base and that's something that we are committed to, we are looking at some scouting activities and where we would have some tangible results, we will be surely letting you know.

As far as your question in the water business is concerned, we still have some room to improve efficiency. We're also working on that as far as that business plan is concerned, cost rationalization is on the top of our list. Also in terms of the evolutions, as far as tariffs are concerned, that's an evolution which will be happening, we still don't know what exactly will entail. But it will happen, and therefore, we have to work on cost, and cost have been a priority as of last year.

And in drafting the new business plan, the topic of cost regulated business is important. As far as the water is concerned, we have a 28.5% margin, we expect to increase it up to 30% and take into account that as far as water is concerned, we have some EUR750 million in terms of turnover. Perhaps, Luca can answer the question of working capital.

Mr. Moroni - Administration, Finance And Control Director

As far as working capital is concerned, in H1, as you mentioned, we were able to reap the benefits on the cashing on Salvaguardia for CCSE that was worth some EUR80 million. And furthermore, we had a further benefit on working capital stemming basically from the effect of the introduced induction of the regulation and the split payment and reverse charge on VAT, which had a positive effect which is temporary and that's worth some EUR50 million. This effect will disappear towards the end of the year, because VAT will have to be paid by year-end, by December 27th. But also as far as the seasonal nature of working capital, June is a month which gives us a less satisfaction so to speak. Therefore, the two effects by the end of the year will be offsetting each other. Therefore, our expectation is that there won't be a further major variations on working capital by year-end. And in terms of NFP, we should be pretty much stable.

Mr. Suarez, Mediobanca

And what were the effects of the Salvaguardia service be for 2015 and I'm referring to the cost pressure, which will be recognized in 2016, equal to the EUR80 million that you cashed in 2014.

Mr. Moroni - Administration, Finance And Control Director

Well, as far as the Salvaguardia market is concerned, we cashed in EUR80 million, we accounted for that in November 2015 -- we will account that in November 2015 and that happens on a two-year basis. We account for that on the turnover on the credits which are still open on the two-year period. As far as the euro is concerned, it's worth some EUR40 million and we will be accounting that next in 2016.

Hopefully having cashed in at the end of 2016, but again, that will depend on when we will have the cash available to be able to reimburse the amounts either in 2016 or as we saw this year shifting that to early 2017.

Mr. Suarez, Mediobanca

Thank you.

Chorus Call operator

The next question is by Stefano Gamberini, Equita.

Mr. Gamberini, Equita Sim

Good afternoon. I also have three questions. First of all, I have a question on consolidation, can you give us an update on where you stand as far as Aimag concerned, negotiations haven't been moving on after the Q1 conference call. Can you give us an update on that? Can you comment on what you expect on the decrease linked on the reform of the public administration? My second question refers to the consultation paper on energy [ph] distribution.

How hard do you -- what you think of that. The two interesting aspects, the (inaudible) want to introduce some incentives as far as consolidation is concerned. And secondly, the introduction of the concept of cost per inhabitant, can there be any positive affects as far as that is concerned. And the final question, going back to waste. If understood correctly, you are working at full capacity as far as your plans are concerned and you were mentioning that you're waiting for the approval of new landfills which didn't happened. When do you think it will be approved, I'm just trying to understand what we can expect for next year in terms of volumes? Will there be a further possibility to grow before any further acquisitions or will you continue to work at full capacity given the delays in approving the new landfills?

Mr. Stefano Venier – Chief Executive Officer

As far as water business is concerned, the consultation document you were mentioning is interesting. And in the short-term, I'm also interested in the evolution we will be seeing in the documents pertaining to the so called quality of service with commercial quality. That's something that I'm counting on very much, as far as a business plan is concerned, we have some expectations from that point of view. Because we feel that from a number of different points of view, as far as the quality of service offered, I think we should be rewarded. I think we'll be seeing some advantages both in terms of the quality of our commercial services and our technical services as well.

We already use the same standards we have for gas and electricity, and therefore, I think that this already represents a benchmark. As far as the cost per inhabitant mechanism, you were mentioning it's a matter of seeing how that will be envisaged in the sense that we have a good variety, we have a very balanced distribution of our service throughout the territory. And therefore, I don't think we will be hindered nor will there be advantage. I think we will be pretty much within the average range. And we'll have to look at the efficiency rates that we had. We're still in an intermediate phase, we are still discussing things, although I feel that the idea makes sense.

As far as aggregation or consolidation is concerned, that's something that we hope for not only in water, that's something that has been discussed recently also as far as energy sector is concerned. These are incentives that we -- that I feel were well designed, especially the ones referring to the first phase in which we have a parameter cost scheme vis-a-vis the dimension of the entity. Obviously, whenever you have an aggregation, the size of the company increases, whenever transaction is sizable, especially which is something which happened to us with the Acegas integration. Obviously delaying the application of the new recognized costs level following the transaction, but one, two or three years can give you a major contribution.

Because, keep in mind that in terms of post merger costs, in terms of affirmation we do have these costs and we've able to prove that time and time again. And therefore, from this view, it would mean transferring to the water sector and also reintroducing of the other businesses a healthy position so that we can truly have incentives for consolidations. What do we expect from the Madia decree. Well in terms of the of articles 18 and 19, it's pretty clear. It appears to be in line with the things that government has been expressing. And besides the fact that the implementation decree, we'll have to be issued within the upcoming 12 months. And therefore, this means that the principles will have to be translated into specific regulations for the various parties involved.

And hopefully, thanks to that tool, we will be more determined in complying with the provisions included in that decree. For instance, we have always said time and time again, that after having defined that the optimal territorial catchment areas for the tenders. And I believe that for the water cycle, in one of the decrees, I think it was a Madia decree. It was mentioned that the catchment area should have been the province. The only thing missing was the one for urban services and in the Madia decree, Article 18 states that the optimal catchment areas has to be drafted for all the services. The only one missing is one for waste that goes without saying. And therefore that is so important element.

First the decree also states that management activities will have to be -- have to have competition and that will lock some of the municipalities already existing in-house companies, that's something that we have all been hoping for. I don't want to go into each and every point listed in the decree, there are some things we agree with, we're still missing

that elements concerning the importance for each municipality and that will bring about a process which are based on the central level something that everybody agrees on.

Mr. Tomaso Tommasi di Vignano – Executive Chairman

Well, as far as I'm concerned, the size, the fact that the incentives and the question you're asking in terms of how we position on consolidation. Well, the things that Stefano has been saying so far are all important things. And I'm sure that they can all paved the way. That's the way of explaining that -- it will no longer be any room for the micro municipal companies there. Therefore, it's a matter of how effective the new legislation will be.

Having said that, as we already said in March, we are currently going through a very careful scouting phase. That's how I would define the position we're in. The fact that we are scouting doesn't mean that we're actually negotiating things, it means that we've been having a number of different meetings, so can choose the best possible options and the best possibilities. Therefore, I have no names to mention, given all the things I've said. And since we already gave the market a geographical idea of the direction we're headed in.

I think it's not very complicated to understand that what areas we will be focusing on. We've studied the topic very well, I'm sure, and therefore I am sure you know that they are different sized target companies. And as a business plan update, we will certainly be confirming the fact that we have been scouting. And as we've always said in recent years, we'll also be giving you some ideas as to the time frame and the size of the targets that we will be working on within the business plan years, that's our strategy.

We are not fond of announcing things prematurely. Although, I'm sure that soon we will have good or bad news or small or large transactions. Soon we will be making the announcement. For the time being, we have nothing further to add, because it would be also negative as far as our relationships with our counterparts are concerned.

As far as the Aimag company is concerned; it's a very touchy situation. Our counterparts in that transaction are very complex. One day someone says something and the next day they change their minds. They have now started to gather a manifestation of interests. Since we're shareholders, we will see how we can deal with the solution. It will be concluded by September, October and they will be seeing whether we are still interested in the company or whether or now, we have to chose to other things.

There's nothing further to add as far as integration or consolidation is concerned. Whereas, as far as the waste business is concerned, I think our position is very clear. We have all types of assets, we have 70 different plants, and if it all function well, if they are all up and running and they still have any stops or they don't have to suspend their activities. Obviously following the negative effects we had two years ago, we were able to work on our storage policy and we can use our available plants at full capacity. And the volumes we have are two more than last year will be on working on -- on improving that this year. As you were mentioning, we did have that situation with the third landfill in the Modena Province that you were mentioning. We have some problems currently in terms of authorizations and in terms of the work which needs to be done to get it up and running again.

Therefore, that is the share that we are missing in terms of doing slightly more than what we can do currently, since we are running at full capacity. And I already mentioned to the fact earlier that we are looking around, we are looking at what can be done in terms of investment so that we can add some plants to our portfolio as a way of covering this moment in time in which we don't have the full availability of this landfill I was mentioning, and it's a sizable landfill. Therefore, out of that total 70 plants we have, it's nothing dramatic. But as far as our ability to treat waste it's nothing major. And if we won't be able to speed things up as far as the work which needs to be done on that landfill and on the authorization as a reason of the business plan, we will try to find a different solutions perhaps by increasing our availability either in landfill sector or in other sectors and seeing what the market has to offer.

And therefore in H2 this year, something will be happening in this field and that would certainly offset the problems we've been having with the Modena landfill. That about it.

Mr. Gamberini, Equita Sim

Thank you.

Chorus Call operator

Our next question is by Dario Carradori, Goldman Sachs.

Mr. Carradori, Goldman Sachs

Good afternoon. A question on the tax rate, the 37%, is that sustainable for the second half of the year and for the years ahead.

My second question is on the gas supply. Gas prices have been lowering, can we expect good margins since traditionally you've had short approach to gas and therefore, can we expect some good margins for the winter?

And my last question is more in general on the business plan that you will be illustrating soon, can you give us some ideas on the trends from the qualitative on the various businesses and what businesses are doing better or worse compared to the previous installment of the business plan.

Mr. Stefano Venier – Chief Executive Officer

As far as the tax rate is concerned, it has a certain cyclical nature which is linked to the trends and the EBITDA after-tax, by year end we expect to have a 38.5% level of full year, which is 2% better compared to last year if I remember correctly. As far as the gas supply is concerned, the prices have been going down, it's true. But in this kind of a market context, it depends on the type of a contracts for gas you have on the end customer. Nowadays, most customers in line with the expectations for the next 12 month or 24 months, most customers are asking for a indexed contracts, meaning that if you sell a TTF indexed contract by buying all the TTF, you are obviously hedged on the TTF price trend.

But once you fix the margin that is the margin we have, you can't profit by staying short on procurement. Because besides the risk that entails -- to do that you would have to sell the fixed rate. And that also goes for the ACC contracts [ph] because as you know the ACC contracts, the ones for the maggior tutela [ph] contracts are indexed to TTF. So even from that point of view, you cannot speculate on the lower gas prices, nevertheless since gas price is partially linked to the oil prices and also linked to the offer on the market. When I previously said that we had signed satisfactory contracts for next year, that means that even this year, we were have conditions which were positive and we were able to take advantage from the markets balance.

As far as the trends are concerned, that would be a very complex answer. I think it's a little premature. As far as the business plan is concerned, I think it's -- it would be more appropriate to talk about with the Board of Directors before we talk about it to investors. I think, all we have to do is look at the business trends for H1.

Chorus Call operator

Next question is a follow-up by Stefano Gamberini, Equita.

Mr. Gamberini, Equita Sim

Just two further things. First is for the EON customer tender, that transaction wasn't concluded, can you go back to that, are you sure interested in it? Then the second question, can you comment on your expectations you have on EBITDA year-end or can you comment on consensus.

And a final question on gas tenders, even here, when do you think that tenders will actually start?

Mr. Stefano Venier – Chief Executive Officer

Well, as far as the EON customer sale is concerned, as a matter of fact, in August, we discovered that they had change their mind. We've read about it in the papers. I don't understand the rationale behind this decision. Our rationale is still the same in terms of being interested in customers and the supply market. We feel that not only do we have a good position, but we also have a certain integration ability and we have a room for further growth. And therefore on that type of business, we are always interested in looking at opportunities whenever it will exist. Then, if November, our German friends will change their minds again, and if the conditions will be right, we'll go back to that.

Having said that, on those types of activities, those are one of the areas that we're focused on in terms of the possibility to make acquisitions. But obviously, we will look at the opportunities on the market.

Alento was an opportunity to few months ago, and we see whether there will be some further opportunities in the coming months. As we have underlined time and time again, the Supply segment in the next two years will be a segment which will witness consolidation. It doesn't make sense to continue to having 40 or 50 different players in that market segment, the segment which obviously needs economies of scale also in terms of future prospects.

As far as the gas tenders are concerned, it's a process which is continuing. Honestly speaking, we can see things from the point of view of the territories we're operating in. We have some information on the things happening elsewhere. As far as the Acegas Aps, and AMGA territory and as far as the territory here in Emilia-Romagna is concerned, all of the tender centers have been created, they're all working, they're all very concerned with sticking to the latest time frames

which was issued.

And I think that the first tenders will be happening either at the end of this year or early next year. The first tenders will be happening in 2016 for sure. And from this point of view, we have fine-tuned things as far as a business plan is concerned. We have had a 12 month shifts compared to the previous business plan. And I'm sure that by 2019, we will have completed all the tenders in our territories. There is no province which still hasn't started these activities as far as the tender centers concerned, the tender station is concerned. And there is -- there are interactions going on. But as far as I'm concerned, last July, the authorities still haven't received any (inaudible).

I think some are waiting for some of -- some of them making first move, so to speak. I heard somewhere that Milan would have been the first -- would have had the first tender within that, it didn't happen as far as I know. Sure, this phase of standstill will end within the next four to eight weeks. And therefore, the first calls for tender will be happening by year-end. And as far as the guidelines are concerned, we never make a statement on that. Hansen showed me the consensus for the first six months and based on that consensus, were in line, if not for the better, but I'm not seeing the consensus for the whole year. He showed us the consensus, just a minute before we entered the conference call.

Chorus Call operator

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

Mr. Suarez, Mediobanca

Thank you. Thanks again, I had two or three other questions. The first is on taxation, you mentioned that taxation in 2015 will be at around 38.5%. We all remember that previous guidance of 40%? And my next question is the 38.5% taxation, is it sustainable for the upcoming years besides 2015? My second question is the lower MSD -- the lower ancillary services for the first six months. What were the affect for the full year?

Mr. Stefano Venier – Chief Executive Officer

Yes, In fact, despite guideline, you're referring to what we had included in last year's business plan, you're right. We had mention taxation around 40%. Because when we presented the business plan last year, we weren't sure that Robin Tax would have been completely removed and therefore the difference between 40% and 38.5%, we are referring to -- today it refers to the removal of the Robin Hood Tax. As far as the contribution of the impact of ancillary services or MSD. Last year, the contribution was equal to some EUR10 million, this year it's going to zero for the first six months. And therefore, the most expected impact would be 10 million or 11 million.

Mr. Suarez, Mediobanca

Can you give us the breakdown for the tax rate for H1 2015? The water was 70 and then gas 32, what about the remaining businesses?

Mr. Stefano Venier – Chief Executive Officer

The total for net investments is in H1, 60 in water, 32 in gas, 10 in electricity, 15 in waste and the remaining part for the other businesses including IT facilities, et cetera.

Mr. Suarez, Mediobanca

Thank you.

Chorus Call operator

The next question is a follow-up by Dario Carradori, Goldman Sachs.

Dario Carradori, Analyst

As far as the cost of debt is concerned, since it is being reduced, do you still have the intention of further reducing it? Is there any renegotiation which will be happening in Q3?

Mr. Luca Moroni - Administration, Finance And Control Director

Well, our work, we've been doing over the past 12 months to 18 months was pretty significant. You may remember that we had a cost of debt which was closer to 4.8%, 4.7%, and then overtime, with a various refinancing operations, we have been able to bring it down to 2.8%. Recently we made a swap transaction for a large part of the variable rates debt moving that to a fixed rate, and therefore, seen as a lower rates which currently exist, we were able to maintain the 3.8% tax rate over time through the expiry of the two loans which were swapped from variable to fixed rate, this was a two bonds, the 19 and 21 bonds.

Before the two swaps, we remained at around 2%, if not below that. Therefore, as far as the average is concerned, we are at 3.8%. For this year, I don't think there is any further room for improvements. There may be some further fine-tuning in the portion, which needs to be reimbursed or managed. The remaining part of the 2016 bond worth some EUR190 million, which will expire in February 2016. Therefore, since that part of the debt is still at 4.5%, we'll probably be able to refinance it at lower rates.

But these are marginal value compared to the overall value. Therefore the 3.8% rate is fair view representative for the future. Again, besides the further fine-tuning we'll be looking at.

Dario Carradori, Analyst

Thank you.

Chorus Call operator

Mr. Tommasi di Vignano. Gentlemen, for the time being, there are no further questions.

Mr. Tommasi di Vignano – Executive Chairman

Thank you very much, and see you soon.