



Results as at 31<sup>st</sup> March 2015

Bologna, 13<sup>th</sup> May 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 afternoon. This is the Chorus Call operator. Welcome to the Q1 financial results for Hera Group. All participants are in listen-only mode. At the end of the presentation, there will be a Q&A session. (Operator Instructions)

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

**Mr. Tommasi di Vignano – Executive Chairman**

Good afternoon. This is Mr. Tomaso speaking, Here we are on schedule to illustrate our Q1 results which we have probably been able to see, and you've already received the press release following our board meeting which concluded some 30 minutes ago. The quarter was comforting with the typical business mix and the typically positive results with the general and satisfactory framework which is in line with our expectations.

As you can already see on page one in the presentation, we are continuing to grow. Although in the quarter we didn't have any shocking events within our typical governance model, within our typical management. As you can see we had change in weather compared to the previous year, we were able to fully recover the things that we have lost with the warm weather we had in 2014. Although we did reap some benefits, and therefore hopefully we are now on the right path again which isn't 100% linked to our activities, hopefully we are back on track. So to speak even concerning events which we can control. And after the pretty of its explanatory first page, we can move on to the results and our P&L.

Basically as far as revenues are concerned, we had a 7% growth which pertains to the energy division and it goes back to what I was saying a few minutes ago and it's quite clear. And the recovery compared to a normal year prior to 2014 is equal to about 60% vis-a-vis the impact we have last year, given its difficulty. Therefore, we still have some space to grow from this point of view.

As far as our EBITDA is concerned, I would rather illustrate the slide in a few minutes later on to underline that the approach with which we need to interpret the EBITDA result which is positive nonetheless. As far as depreciation and provisions are concerned we have to underscore the fact that as far as depreciation is concerned, the most significant

contribution comes from the fact that we absorbed AMGA Udine which as you know is an operation that was effective as of July 1 last year, but only comes from the second half of the year. And here we are in the first quarter of the second half.

Therefore, we have had a positive impact on the results from the second six months period. At the same time, we also have to deal with the depreciation as far as provisions are concerned that is equal to some EUR2.3 million referring to bad debt EUR2.3 million from the Hera Comm, the commercial side of things in general.

We're improved as far as our cost of debt is concerned, as you can see. But Mr. Moroni will be going into the details later. We also want to underline a more significant contribution from our associates and joint ventures especially in the energy sector and I'm specifically referring to the increased results of both Est Energy and Sgr Rimini, which as you can see what about EUR5 million as far as the tax issue is concerned things went well as it did for everybody else with the cancellation of the Robin Hood tax and with a lower IRAP tax as far as our post minorities results are concerned, we've had a growth in quarter 4.1%. Therefore, we are going along a path, which had already been underscored by the good results obtained in 2014. As I was mentioning, I didn't refer to our EBITDA, give you a simple reason which you can see on page three. Without going into specific adjustments we do want to remind you the fact that in the 2014 results that we are comparing Q1 with as a matter of fact we had underlined two one-off factors. On the one hand, we had (inaudible) on the perequazione equalization for electricity, which we had inherited after we took over the Gorizia area, which was accompanied by an effect on white certificates and these two operations have brought about EUR14 million as a one-off event in 2014. Obviously, where we do start from 270 or rather from EUR260 million, not considering these two one off effects. The potential we were able to express in terms of EBITDA in Q1 would go from 1.1% to 6.6%, that just goes to show that we continue to grow, as Mr. Venier will be illustrating in the business-by-business breakdown in a very positive -- with a very positive phase for more so that we can be perceived by our results.

This is a most important element I believe. But again, EBITDA growth as it is typical for us to divide between organic growths equal to EUR7 million, EUR1 million of the 7 million comes from synergies, from the AMGA Udine transaction. There we also have a contribution from M&A again linked to the AMGA Udine transaction which has EUR10 million impacts and which has been fully on stream compared to 2014. Therefore, these are the two typical growth levels.

In the same graph, we also went a little bit beyond the Q1 results. And besides the things already mentioned, we also decided to include a piece of news, namely two operations we did from the organizational standpoint, they will be operational as of July. They refer to the creation of a company which will be referring to head on the end which will be the majority shareholder. Company which will include the two wished energies on the cities of Trieste and Padua, and also as a way to strengthen our structure in the waste asset sector.

We are also working on the 100% takeover with the current subsequent merger HeraAmbiente of the Akron company. The company which deals with the selection of our shorted collection materials, plastic and paper are special, this is a company whether 52% or 53% stake in the company, we'll be taking over 100% of the company following the completion of the acquisition from the private shareholders. So these are the main events and having said that, I'll hand the floor over to Mr. Venier.

## **Mr. Venier – Chief Executive Officer**

Good afternoon. I will be -- briefly going over our three business areas with more relevant items of digging with wastes as usual. As far as the waste business concerned, we had a slight dip in the quarter equal to some EUR4.9 million and EBITDA in Q1 was equal to EUR64.9 million compared to EUR69.8 million of the previous quarter. We're brought about this shift of two things. The first which is linked to the waste volumes we treated. In the lower left hand graphs, as you can see, we treated 938,000 [ph] tons compared to 1.16 million tons in 2014 and 856 in Q1 2013.

Urban Waste grew by 3% were special waste dip by 90,000 tons. Well part about these trends in special waste wasn't so much linked to market conditions for rather it was due to the combination of a couple of phenomena, which had an impact on our capacity. Always linked to recent energies give specifically, the waste energy flat in Bologna and one could see the -- breakdowns which happened during the first quarter which brought to the waste energy plants to stop for few weeks which obviously reduced our available capacity by some 30,000 tons.

The second event is linked to the exhaustion of few (Technical Difficulty) in 2014 and the opening of a new landfills that we had in our program, which have been located in the modern province, which is requiring a bit more time. Again this brought about a reduction in terms of our capacity and as a consequence we had a reduction in the volumes treated during the quarter. Although unfortunately we have to delay a few commercial opportunities through these reasons.

The second event, which had an impact on these results is linked to the incentives and the value of electricity. And as you know, given the dip in oil prices. The prices of electricity have dropped significantly over the past six to nine months. Therefore, year-on-year the overall amount of profit from the sale of electricity was down approximately EUR2 million year-on-year. So these are the two negative phenomena, two phenomena which had an impact on our results.

There is a third phenomenon which is positive, which is at -- as far as prices are concerned, we've seen a number of increases, sometimes increase is rather marginal equal to about 1%, whereas in other instances we've had increases ranging from 4% to 6%. We feel that this trend will continue in the coming months and therefore, with a larger capacity as far as our assets are concerned, we're sure we'll be reaping the benefits of this inversion in trends which we have seen over the past three to four years.

As far as of the networks division is concerned, as usual, we have a pretty complex break down. But our Executive Chairman during his introduction already mentioned the fact that last year we've had some extraordinary proceeds linked to the perequazione equalization as far as electricity is concerned, but also on gas distribution with some tariff increases and also with the revaluation of our white certificates following legislation which changed the criteria last February.

And we also have stable performance as far as gas division is concerned, EUR68 million for this year and last year. The growth as far as the Water regulated revenues are concerned from 47 million to over EUR50 billion in 2015. It was the -- already mentioned dip in electricity distribution which in Q1 this year at EUR9 million of further contraction equal to EUR8 billion which refers the largest portion of the EUR43 million [ph] I was mentioning.

Obviously, the results of the gas distribution business was increased by the broadening of our perimeter and the Udine province equal to some EUR6 million as you can see on the slide. These are the most important elements, the positive results that we posted in Q1 as far as water is concerned, is it another step forward in our -- the process of the organization of the tariff schemes, which were approved by the authority for the years 2014 and 2015, which brought about an increase in proceeds from water equal to some EUR3 million.

One final element from this point of view is brought about the effects we had in tariffs both for water and for gas distribution especially brought about by the investment plans, which in Q1 will equal to some EUR47 million in the regulated activities and the rubbish regulated activities on a total of EUR64 million which was spending we had in the first quarter.

Things went very well from the commercial side of things. Not only given to a better weather. As our Chairman was mentioning, and as we certainly heard in listening to the results of other companies who are mainly deal with the gas business and gas sales. The first quarter was better compared to Q1 last year, but not as good as Q1 2013. Basically it's somewhere in the middle between the two previous years. What does this mean on a nutshell, it means that in Q1 this year we sold one billion cubic meters in gas, which are 200 million cubic meters more than last year, a 70 of which referred to the increase in our perimeter following the AMGA Udine transaction and the remaining 130 million are linked to the weather.

I am only referring to the sale of gas to end users, not considering gas trading which was other dynamics. As far as electricity is concerned, our customer base grew again, and we can say very accurately that we are now above 800,000 customers, 808,000 as of March 31st as a matter of fact with the further 13,000 customers in Q1 which is equal to a total of almost 70,000 between the end of March last year and the end of March this year.

As far as gas is concerned, we are stable at 1.3 million clients with a total of 2.1 million contracts in the energy is efficient, but not everything was positive within this business area as often happens there are some positive conditions and other which are less positive.

Among the negative things we have to underline the fact that a limited amount of generation capacity we have had significantly lower contribution from the ancillary services for the centre self cluster [ph] minus EUR4.6 compared to the previous year, had we not have this phenomenon. The quarter was certainly had posted and almost EUR20 billion growth, which is partly linked to the weather as I said, but also linked to the excellent commercial activities that we've been working on for quite some time now.

This was a summary of the situation we had. As far as the financial elements are concerned, I'll give the floor over to Mr. Moroni and he will probably be going into one of your questions on the cost of debt.

#### **Mr. Moroni - Administration, Finance And Control Director**

Thank you and good afternoon. We had good results on our financial situation. As you can see, our cash flow are -- net positive cash flow is equal to plus 84 million. The operating cash flow was equal to EUR278 million [ph]. So we were

able to cover EUR62 million as far as investments are concerned, and they are pretty much stable situation as far as the net working capital is concerned. This is a positive piece of news since as you are aware of it in this part of the year the effects of the season would have brought about an increase in working capital, although you may remember that we were also able to (inaudible) from the CCSE for the Salvaguardia receivables.

This is the payment that we've received in February, we should have received last December. And as we've already commented for the year-end results the payment was delayed to February, this allows us to consolidate a very positive cash flows and this allows us to also absorbed the acquisition made from the private shareholders of the Akron company, as the Executive Chairman was mentioning earlier on.

The Group's debt was positive, EUR2.557 billion was lower compared to the EUR2.64 billion at year-end. And the cost of debt also improved with the constant optimization process that the company is working on for a number of months now and which is a fully viewable in Q1 this year, given the effects of the refinancing we had with the Green Bond in July last year, which in the first part of this year will be having its positive effects.

The cost of gross debt moves down from 3.9, we had last year down to 3.8. All of the financial indicators are doing well, as far as (inaudible) is concerned the debt equity ratio is equal to one times and the financial post of vis-a-vis net debt rolling or over 20% with an adjusted figure which is at 19%, which is a figure which is certainly very positive and very satisfactory as we're concerned since this was our target above 18% of the rating agencies had underlined. Asset value we had to obtain over two year period in 2013 and which already in 2014 we were able to fully reach and out do by 1%.

Therefore, I think that the financial indicator in general are very, very positive. That's it as far as we're concerned, maybe with a couple of remarks on the more interesting elements as far as we're concerned, also as far as future perspectives are concerned. The bounce back that Mr. Venier was mentioning on some of the prices for materials and the waste sector is something important. Because in 2014 our target was to increase our treatment abilities. We have already started seeing a bounce back as far as prices are concerned, which happened. Thus we also -- which were also confirmed our ability to expand on the customers in electricity, but this is an important element because it also allows us to further underpin the forecast in the business plan, plus we've also had a good recovery in gas, which is obviously influenced by nature by whether, but it's something we are very pleased with. So it's one of the core items in our P&L. As far as Aimag is concerned -- as far as AMGA is concerned, excuse me, we are moving along as we did for Padova and Trieste, we are getting ready to pay our dividend and we will continue with our activities in Q2 this year. These are the more significant elements.

## **Mr. Tommasi di Vignano – Executive Chairman**

And I'll now leave it to you for some Q&A.

## **Q&A**

### **Chorus Call operator**

This is the Chorus Call operator. We will now begin the Q&A session. (Operator Instructions) The first question is from the Italian conference by Javier Suarez, Mediobanca.

### **Mr. Suarez, Mediobanca**

Good afternoon. I'm Javier Suarez from Mediobanca. I have three sets of questions. The first set refers to slide seven. Cash flow, looking at the chart, can you give some breakdown by activities for the CapEx. Second question, of the EUR24 million referring to M&A and others, can you give us some details. And I was also interested in the positive working capital effects, proactive management. It shows what the company management is doing to improve working capital. The second set of questions refers to the latest concerned it's for 2015. As far as consistent concerned out of EUR200 million of net income of EUR175 million and a net debt which is equal to EUR2.67 billion. I'd like to know whether or not you feel comfortable with these figures. Are there any effects we should be concerned about with the stop and with the energy plants and it appears high especially as far as that is concerned. Are you agree with this comment or not.

And last question is, can you give us latest guidance for 2015 in terms of provisioning for the company. And also like to know what the provisioning was during Q1, what about the taxation we can expect and the cost of debt that you are forecasted to year-end. Thank you.

## **Mr. Stefano Venier – Chief Executive Officer**

The questions were very fast. I hope also able to just follow them down. As far as the breakdown of investments is concerned they can provide, divided as follows, EUR30 million per water, approximately 12 million or 13 million for gas, 4 million for electricity, 5 million in waste management. The remaining amount refers to investments and other activities, facilities, IT and everything referring to our corporate activities for total amount of EUR64 million which minus contribution equals to EUR62 million that we illustrated in the cash flow.

It was at EUR24 million compared to M&A and other. It's basically only M&A, because the price for the acquisition of the minority share, 42% share in the Akron company which we mentioned earlier on is a price that we have already recorded in our (inaudible) And even though the finalization of the acquisition happened in recent days. But although the agreement was defined at the end of March, we had already posted at the expenses for this acquisition, which brings us to 100% ownership reaching minorities and therefore bringing about the integration of the company within hit on (inaudible).

What are doing as far as working capital is concerned, I'll hand it over to Luca who will be explaining what we're doing both for origination and credit management.

## **Mr. Moroni - Administration, Finance And Control Director**

As far as credit management is concerned, I already mentioned the fact that for few years now we have invested a great deal on this process, on this activity, both as far as corporate procedure concerned and IT systems. And we are currently seeing the positive effects of the investments made over the past two or three years. Meaning that we are seeing some positive effects on the unpaid ratios of our customer base, which we optimized over the past months. And we are also moving the collections on our customer base forward both due to the increased efficiency in credit recovery. And also given the fact that we have been becoming better and better in terms of our invoicing systems are concerned, our invoicing cycles rather. Therefore, we are able to act in a more timely fashion. And even in that phase of this process we're able to make a profit on the sales.

All of this together is bringing about some good results as far as the management of our credit is concerned. Do you require any more specific details, please feel free to ask, although I think that for the time being that as can do. As far as our view is concerned on tax rates our estimate currently is that the tax rate should be slightly below 40%, 40% tops, these are the simulations we have. As far as the cost of debt is concerned, I don't think there will be a further dip in rates. Therefore, I think it's reasonable to feel that the 3.8% or 3.85% is the figure we will still have at the end of the year. And your final question referred to provisioning. During the quarter, I believe you are referring to credits. That was equal to 17.5 million vis-a-vis the 16 million last year. And obviously provisioning for the remainder of the year. I can't remember right now. It should be in line with last year, 65 million is what do guys telling me.

As far as your request to give us some forecasts on EBITDA at year-end. This isn't something we usually do, so that's the first obstacle, but I think it's premature. We have elements, such as organic growth, which -- and be a little bit more foreseeable. Although, I'm sure that you too hope there may be some opportunities that we're scouting for further M&A. Therefore, we want to play it safe and we don't want to talk about things which haven't been defined yet.

Obviously, the figure you were referring to. If you were to look at it with contribution from M&A would be one thing, without M&A would be a whole different story. Therefore again, I think it's a little too early to give you a reliable figure as far as year-end is concerned.

## **Mr. Suarez, Mediobanca**

Thank you.

## **Chorus Call operator**

Our next question is by Stefano Gamberini, Equita.

## **Mr. Gamberini, Equita Sim**

Good afternoon. I have a few questions for you. The first one I refers to the Herambiente operation with the Trieste and Padua with the energy plants. How is that -- how does you define that as far as minorities are concerned, you also have to access some was there cash out from Herambiente to Hera or was it simply a swap and shares between yourselves and your financial partners.

Second question goes back to the waste business. We had a dip, let's know if you were able to solve your problems within the energy plants and with the new landfill. And from now on can we expect to see a growth in waste volumes, especially in special waste.

Especially vis-a-vis the target in your business plan, which is the average yearly growth of 14% to 15%. What we expect for this year and next year. Two last questions. The chairman was mentioning, possible transactions within year-end. Can you further illustrate, we had Aimag as a target, I believe there will be municipal elections. Do you think there will be some news there. And can you tell us if the government will be -- if you can experts something more from the government.

From the stability level we've seen zero impact to date. What do you think we can expect as far as the government is concerned. Then a final question. In the year-end results we have 0.5 -- for distribution of water to 1.42, electricity 3.4.

To these figures refer to the end of 2014, or they have had figures as set by the authority or are they pre or post minorities. Thank you.

### **Mr. Stefano Venier – Chief Executive Officer**

Well. As far as the waste-to-energy plants in Trieste and Padua, The operation envisages the (inaudible) waste-to-energy plants to be included in a Company, 70% of that company will be owned by Herambiente, 30% will be owned by AcegasAps and Amga as a way of being able to guarantee an availability of plants of assets for the company. The operation, obviously stems from the need to bringing the two assets under the same coordination since these two assets completed the Herambiente asset base, all of which are owned by Herambiente.

The operation doesn't bring about any changes in the Herambiente shareholding structure. And it was also happen probably through a share capital increase for Herambiente, The share capital increase will be equal to some EUR40 million. Therefore, the minority shareholders will bring in fresh resources equal to some EUR9 million. This is the value of the structure. Therefore, there is a direct contribution of the shareholders on Herambiente.

As far as the state of our waste-to-energy plants are concerned, we have solved the problems, we obviously took advantage of the stop to work on ordinary maintenance, together with the extraordinary maintenance. The plants are now working properly.

As usual, therefore, we don't have any reason to believe that there will be a further stops, further damage. The failures weren't particularly serious in (inaudible) it was a piece of a furnace which broke, furnaces are one of the more vulnerable parts of an incinerator, unfortunately furnaces are difficult to inspect constantly, because it need to be able to work 24/7 and it's fairly hot. As far as the RAB is concerned, the figures we mentioned in our financial statement or in the tariffs referring to two years ago. They referred to more recent RAB, the one we are referring to in December 31, 2014. And they are pre-minority interests which, as you may remember, only referred to a small portion as far as gas is concerned, it's a small portion of the assets namely referring to the furnaces [ph] Hera province and the same goes for the water business, mostly everything else belongs to us.

As far as M&A is concerned, I hand it over to the Chairman.

### **Mr. Tommasi di Vignano – Executive Chairman**

As far as the M&A issues concerned, you blended with the macro topic which refers to what the government will be doing. We expressed our view as what the government has done so far or I can repeat it very gladly, some of their decisions went in the right direction and they were finalized. I think that what we can't criticize is the fact that we still have some fundamental things which need to be dealt with.

First of all, the waste authority which still hasn't been created. And secondly, the definition of the rules for the tenders for the review over the concession, especially for waste. These are two major gaps in what the government has been doing to date. Whereas as far as other things are concerned, what can we criticize is that. If the criticisms is that for using the Council of Ministers every day to work on these rules it was little scattered.

We don't have a (inaudible) against the gaps that I already mentioned, I think it would be a good idea, they can

(inaudible) the topic of consolidation if the government is very concerned with. It should also take into account all the rules needed for the renewal of concessions also, because this is another tool which can bring about consolidation which is at a standstill.

As far as gas is concerned, the gas concession are concerned another year has been wasted and as far as the rules for waste in concern, they are still aren't available. I think that these two operations alone would bring about a reduction of number of players. Having said all of that, going back to your specific question. As far as our patents are concerned, I am not ashamed to say that it is normal that we have focused on our region first, that has been our strategy as far as growth is concerned.

And the last remaining steps was taken control of the Aimag company, it's not a very sizable competitive, but still it's the only remaining independent company. Due to the doubt of the shareholders of the company, we still haven't completed the transaction. So what I can tell you is that, although I can't tell what we will do in the coming months. What I can say is that our attitude won't change, if their attitude of the share -- (inaudible) shareholders will change, we will be able to wait for them. Otherwise, we'll be same, we will be using our typical criteria. Well, which is that we'll be looking for new opportunities in the regions we are already present in.

### **Mr. Gamberini, Equita Sim**

Therefore, if I understood correctly, besides Aimag, there are other opportunities, other possible opportunities. And the second thing I want to understand is, the minority shareholders in Herambiente was also begin EUR9 million. Therefore, the total value of towards energy plant is equal to approximately EUR78 million [ph]. So as far as the evaluation of the -- whereas energy plants are concerned, thus we only have equity part then you also have the bridge to equity and the overall assessment of the two incinerators was slightly above EUR140 million. Therefore, the Chairman was referring to other possible M&A transactions before Aimag.

### **Mr. Tommasi di Vignano – Executive Chairman**

You're right. In my previous answer I said that, I don't think it will be appropriate to set our year-end results at March 31, because we were still starting as far as M&A is concerned. You've known us for so long that, I'm sure you had no doubts whatsoever. But again, I cannot -- I will not give you any details as to what and how, or where we're working. M&A is something we've always looked at. Then if the Aimag gentleman will call us up tomorrow and if they tell us they will be willing to give us control of the company, we can look into two possible transactions, we have the means to do. But again, we're not here waiting for Aimag that needs to be clear. We're also looking at other possibilities.

### **Mr. Gamberini, Equita Sim**

Very clear. Thank you.

### **Chorus Call operator**

The next question is by Giuseppe Rebuzzini, Fidentiis Equities.

### **Mr. Rebuzzini, Fidentiis Equities**

I'll repeat the question, you're referring to a decrease in energy about EUR4.6 million. Thanks to your presence in MSD.

### **Mr. Stefano Venier – Chief Executive Officer**

Compared to last year, which were very well with dispatchment [ph] call were lower with lower values. And the difference in value between Q1 last year and this year is equal to EUR4.5 million, and that is equal to -- certainly about EUR1 million for ancillary services. I think we can't go below zero.

**Chorus Call operator**

Next question is by Dario Carradori, Goldman Sachs.

**Mr. Carradori – Goldman Sachs**

A quick question. Can you give us some further details on the EBITDA impact on the extraordinary maintenance for the waste-to-energy plants in Q1.

**Mr. Stefano Venier – Chief Executive Officer**

Well, as further categories components in terms of lower volumes or lower treated volumes, lower tariffs, lower electricity produced. I think it's worth about EUR1 million.

**Mr. Carradori – Goldman Sachs**

Thank you.

**Chorus Call operator**

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

**Mr. Suarez – Mediobanca**

I had one last question. From your point of view, what are the dynamics underlying the recent prices in the waste business.

**Mr. Stefano Venier – Chief Executive Officer**

Yeah. I had, was there had been an increase in volumes but not prices.

**Mr. Suarez – Mediobanca**

Therefore, I think it's important for this increase in prices in the Q1. What are the underlying reasons behind that?

**Mr. Stefano Venier – Chief Executive Officer**

I think there is two main reasons for the increase in prices. First of all, since we too in Q1 had a little less room, we also focused on the better offers, we look over an amount of volumes because we had no capacity, but also because we also check for the better prices. But also because progressively ensuring waste sectors, we've been moving from simple waste disposal to full service relationships, especially with certain companies such as a number of major multi-site national and international players and this is reflected in pricing. And therefore, from this point of view, we have been able to see some improvement. And in Q1 alone is equal to 0.5 million, which is a positive results, positive signal.

**Mr. Suarez – Mediobanca**



A follow-up to Stefano's question. What you expect from the government during the second half of the year. What are the next steps the government could be looking into as a way of further incentivizing consolidation. We saw the April document in the national plan of reforms and it does mention utilities, but what should we expect in the coming months from the government?

**Mr. Tommasi di Vignano – Executive Chairman**

I'll say it again. First of all we have to complete the authorities. The wish authorities is absolutely key. Secondly, we have to concentrate on the time frame and the contents of tenders from the legal framework, and there is a major gap as far as waste is concerned. So that they can avoid moving towards in-house solutions which are conceptually in start contradiction with the entire country should move towards as far as consolidation is concerned. It's something that I don't think the government can do. As you can see we had some major shift as far as our bylaws are concerned, which are partly linked to the decisions that government already took to incentivize reduction of public shareholders. Then the people are aware of these tools and then don't use them, but for the time being I don't think the government can do much more from that point of view.

I'm referring to the lawmakers, what lawmakers had to do, so we are avoiding stated has already been done. And this allows our shareholders to be the first to take innovative decisions as we did in the latest shareholders meeting, during which the conditions were set so that those who want to can take advantage of those of this legislation as a way of reducing their stake, as a way of promoting consolidation.

So these are the three different levels we're looking at. Without these three levels things won't work. If the government does all three of these things and they have already achieved one and a half, then things will be heading in the right direction. It's up to the decision makers now. For instance, as far as making sure that's for all sectors of the cash generation will be provincial that are focusing on provincial cash generation for one sector and not all of them. We can continue to ask for them, but it's a decision makers or lawmakers have to complete these things. I hope that was clear enough for you.

**Mr. Suarez – Mediobanca**

Very clear. It must be pretty frustrating. It seems as if the legislation is already there, but then those have to make the final decision, he is avoiding the final decision.

**Mr. Tommasi di Vignano – Executive Chairman**

The lawmakers have done apart and what they had to do. And it wasn't even very orderly. But again they have done part of what they had to do. Let's say, 50% of what they had to do has been done. But we're still lacking another 50%. Therefore, the lawmakers have to complete what they have to do and the recipients have these laws, both the laws have already past with the one which still need to be drafted. We'll have to use these laws. I think that what is frustrating is how lengthy or how much time this required to complete these rules. Difficult to understand why there has been such a delay.

Well. You can try to. I mean you're familiar with the authorities yourselves. So please feel free to tell them. And to reminder the fact that in the waste sector there is no adequate set of rules and this obviously doesn't make things easier, that's just an example. Then a fact that other companies are little lazy in using the tools and have already been made available is something else which is undeniably true.

**Mr. Suarez – Mediobanca**

Thank you.

**Mr. Tommasi di Vignano – Executive Chairman**

Well then, thank you very much. We'll talk to you soon, hopefully with some further good news. Bye bye.