



Results as at 31<sup>st</sup> December 2014

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**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 Conference Operator. Welcome and thank you for joining the Hera Group Full-Year 2014 Financial Results Presentation. As a reminder, all participants are in a listen-only mode.

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

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

Good morning and welcome to all of you. We do want to thank you for being here with us early this morning. This year we decided to change the formula in which we illustrate our results. We hope you like it. We chose this also as if we are having a closer contact with you, and beyond commenting results, we thought we could maybe have a dialog as far as what your views are, and what our sentiments are vis-a-vis the things that we have already done and what awaits us. Speaking of our results today isn't very difficult as a matter of fact, it's not the reason why we made this choice as far as logistics are concerned although the results we feel are a brilliant indeed in yet another complicated year. Besides, we see more visible elements, what I do want to remind you of is that as far as the difficulty years are concerned, as far as the weather is concerned, had we not had a mild climate, our figures would have been even higher, which is something that leads us to be confident as far as how the Group can continue to grow. The reasons why our performance we feel has been a brilliant one besides the figures is also due to a qualitative aspect. And actually from the point of view of a number of profiles we performed above our expectations.

The first point as far as quality is concerned as you may have appreciated beside see a growth in EBITDA, which is something we have grown accustomed to even though this year the growth in EBITDA has been quite sizable. I think one of the innovative things is the positive results we obtained on all the lines. For many years it reminded us of the fact that it was difficult for us to transfer the quality of our operating results down to the bottom-line. Well this year I feel things have been a lot more balanced down to the net profit.

Second qualitative aspect which isn't new although it did consolidate in the 2014 result, is that the contribution to our results came above from all of the four main business areas, with a proportion which actually Megas, the prevalent contribution from a regulated areas which are now at around 55% of our EBITDA. Although there hasn't been a compression so to speak, there has been a no shift in the liberalized businesses and thanks to the contribution of the

electricity sector with the acquisition of new clients, and also thanks to the good performance in terms of volumes from the waste side of things.

We were able to make sure the 45% of our results came from the liberalized businesses. There are certainly a number of other factors, which in a comparison with our peers underscore our results. Such as for instance the limited negative impact that past choices have on our businesses as far as the power generation is concerned. Power generation obviously has a more sizable impact on other players. Besides, the significant increase in organic growth, our results were qualified yet again in 2014 by a significant contribution, contribution that was in line with our business plan expectations stemming specifically from the acquisitions process and as a matter of fact we fully completed the latest acquisition we made, the one referring to the AMGA Udine Company and the networks in Gorizia Province.

These were the events concerning M&A during the year, along which we also had the outcome of the synergy extraction process, which continued in line with the amounts that we had underscored in our business plan, if not actually outdoing our expectations concerning via AcegasAps operation, which is an operation that we are continuing to extract efficiency from, to bring it in line with the rest of the Group's levels. Obviously the growth of profit is important as you can see the contribution has been different compared to what we had obtained last year.

Because as you can see we have more than doubled the figures we had obtained in the 2013. If we take a quick look at the figures in general terms, I don't think there isn't much to say before we go into the business-by-business breakdown. We certainly had a reduction -- further reduction in terms of revenues, from this point of view it was due to the impact that I was mentioning concerning the climate, the weather throughout the year, because it covers two parts of winter both in the spring at the end of the year, both of which were mild. Plus we also have the decrease in commodity prices, which certainly had an influence on the overall revenue performance. As far as EBITDA is concerned, we have a plus 7% which is good and from this point of view I also want to underline the further improvement of the EBITDA margin, which is now above 19% also thanks to a reduction in the number of trading activities, so which were reduced following the innovations and the loss regulating the market, which as you know had an impact as of early 2014.

As far as EBIT is concerned, we will be going into the reasons why, we perform so well with a plus 10%. Financial burdens were also good. Remember the Green Bond operation, which was the most significant operation in 2014. We were able to reduce the cost of debt even though at the same time this value, this figure was more limited than the actual sum compared to the contribution coming from other connected activities or connected companies. Through rationalization, we were able to reduce the number of smaller companies; we had a stake in and therefore their contribution on the company's activities plus a reduction in the financial burden as a whole.

As far as tax rate is concerned, we have to underline the fact that it too was comforting as far as our results are concerned, because we have finally reached our target for the year, which was the tax rate, which went down from 44.8 the previous year to 40.2% end of 2014. Obviously this allowed us to have a sizable profit, which as I already mentioned was a record year for us from this point of view.

A final remark from the quality standpoint, which is something that I'm particularly fond of on page three. This is yet again proof of the soundness of our forecast, but it is also a proof of the excellent contribution to the EBITDA result, as far as organic growth is concerned, which was equal to almost EUR30 million, which as I already mention it could have been even higher. If we consider that this in fact is a figure, which we were able to obtain vis-a-vis a recovery in the climate effect, which would have almost doubled the organic growth potential for the company. Synergies are in line with the business plan forecast, as I said coming from the AcegasAps operation for the most part. And as far as M&A is concerned, the transactions were the ones which happened in the Friuli Venezia Giulia region specifically. Plus a few, smaller niche operations especially a significant transaction in Lombardi in a waste company. So these are the main elements, which in fact confirm the soundness of our recipe. A recipe we want to continue to implement along the lines expressed in our business plan.

Though, I'd like to hand it over to Mr. Venier who will be going into how we were able to obtain these figures.

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

Thank you and good morning. Now in describing the business-by-business breakdown, I will go along with the typical sequence beginning with the waste sector. In the waste sector as you can see from the top left-hand graph, we had some positive aspects and a few negative aspects. Overall, the growth year-on-year was equal to 2.5 million, which was in line with the figures we had described at the end of Q3. At the end of September the growth was equal to 2.3

million, it was 2.5 million for the entire year. And taken into account that already the fourth quarter 2013 had shown a sizable volume recovery, therefore in comparable terms the last quarter of the year, which went well obviously had to be compared with the fourth quarter of 2013 in which we have been seeing the initial signs of recovery, plus some important contracts and volumes that we have been able to acquire.

If we look at how the EUR241.8 million result was obtained, you can see that organic growth grew by 7 million. And that was especially driven by the volumes, which as you can see in the lower left-hand graph grew by 200,000 tons over the year, which is equal to almost 11% as far as special waste is concerned.

As far as urban waste is concerned, for the most part we were able to confirm the previous year's volumes. Proving resilience and stability also vis-a-vis the economic cycle. In 2013, there had been a slight dip where as in 2014, we have a slight recovery. Therefore, for the most part we continue to have volumes which are at around 2 million tones as far as urban waste is concerned. And from this point of view, the evolution we've been seeing is that of further growth and the sorted collection and recycling. Sorted collection within our entire parameter is now up to 54%. This is the average we've obtained in all of our territories, in the Bologna territory we were above 55% were as in the Triveneto area we're at 44%.

Therefore, as far as these volumes are concerned, as far as these sorted collection volumes are concerned some 500,000 tones are then selected and we are able to recover paper and plastic with another 500,000 tones are used to recover the humid part of the waste to produce compost. This is a specifically interesting because as you know we started producing electricity power through the bio-fermentation process and then we were able to recover the raw material. A company with a good saturation and with the energy plants allowed us to once again post a slight increase in the power generation, which is above 1 terawatt per hour. And an excellent use of our waste to energy plants, which we're able to manage 1.4 million tons of waste and given the fact that we have a stable, pretty stable volumes has brought about a further reduction of these landfills, which are now far below 20% of our general volumes. Also taking into account the special waste sector as far as the urban waste we are close to 10%.

Therefore, we are very much in line with EU decisions, leaving our company completely out of fines and sanctions, which don't apply to our territory. We had a growth in the special waste volume and a significant contribution came about from a reorganization in the Group, but only through the acquisitions that our Chairman was mentioning, referring to a company and the Lombardi region treating a very specific type of waste of CSS, secondary solid fuel, which is a byproduct of the waste treatment, which is used to produce concrete or cement.

But we also had a commercial reorganization of the company with the creation of a specific units called (inaudible) services, a unit which has started to implement new commercial approaches vis-a-vis major clients and multinational corporations, and in this we are trying to use the quality of the infrastructure we can offer in all of certifications and guarantees that a major international players required in managing the waste they produce in their plants.

An element to which limited this areas result was due to a couple of events, which happened whenever you manage industrial plants. We had an extended stop and we are not to waste plant, (inaudible) which kept the shutdown for a few weeks and therefore for this type of machinery, this actually had a EUR2 million to EUR3 million negative impact.

Another similar impact was also brought about by the fact that last year we have had an extraordinary contribution of --one-off contribution of credit on green certificate for the Padua plant, which had brought about further profitability equal to EUR3 million, which is something we weren't able to post this year because again that referred to a credit from previous years.

These are the more relevant aspects for the most part. Therefore, the waste business continues to consolidate from the commercial standpoint with growing volumes, and a few slight and positive signals of recovery as far as prices are concerned, something we were able to appreciate in the year's last quarter and earlier this year. That is an important topic as far as the company's concerned because as far as volumes are concerned we can continue to move around little bit, but it is on pricing that we now have to focus on as a way of recovering some further profitability percentage points.

If we move on to the networks businesses, the regulated side of things and I will be giving you the full figures although you've already received information of the various components of the regulated businesses. Here, we have a major growth of EUR47.6 million year-on-year. We have gone above EUR400 million EBITDA going up to 460.3 million.

The 47.6 growth should be no surprises as a matter of fact because already in the first nine months of 2014 we had grown EUR36 million.

Therefore, that is a further quarter added on top of a trend which had already consolidated during the initial nine months of the year. Water contributed specifically to this result to the EUR460 million result to water business is now up to EUR217 million. As far as EBITDA is concerned, gas distribution equals 145 million, electricity distribution approximately 47 million, and the remaining part is made up above the district heating which differently from the first three businesses is exposed to volume cyclicity.

Going into the details for each of these single individual businesses, certainly the business which grew most is the

water business which was able to benefit from the new tariffs introduced, as we had already commented previously. Apart of this growth, which is above EUR20 million year-on-year came about through the consolidation of the regulated tariffs. Were as another part, some further 50% came about through tariff recovery from the previous years. As you know in 2014, we recovered some tariff credits referring to 2012, plus we also began recovering the previous years prior to 2012 which will be spread out over a few year period 2014, '15 and '16. As far as the water business is concerned, the results have been positive indeed. This new set-up now makes things clear, there are certainly are a number of elements which need to be further clarified and further defined. We are putting a little bit of tension on this topic and we're waiting to see how the authority will be regulating the mechanisms to guarantee the quality of service.

In terms of invoicing, billing the level of our water losses per kilometer of network managed to intervention time to connect to customers. As you know our position for all of these elements are quite good and therefore we are waiting for the authority to start working on these other aspects, because once we complete the tariff credit recovery from previous years, these are the points that we will be getting on extra margins from in the future.

As far as gas distribution is concerned, as I was saying the profitability was equal to EUR145 million, of which or rather the EUR145 million benefit obviously from the broadening of our perimeter, growth in this business was above 28 million, more than half of which came from the broadening of our perimeter, the contribution from AMGA Udine and Gorizia specifically, which as far as this point is concerned strongly allowed our business to grow. And currently in gas distribution you may remember that our RAB is above EUR1 billion.

As far as electricity distribution is concerned in this case, we had some slightly positive results. In this business we had two contrasting effects, we had the effects brought about by the reduction in those procedures, which happened at the beginning of the year. And that the contribution from Gorizia activities equal to a couple of million Euros which offset each other. And especially in the electricity distribution in 2014 we were able to benefit from the (inaudible) on the Gorizia businesses that we had already mentioned at the beginning of the year. Which for the company it was some EUR8 million and further TUF recovery, which is obviously a one-off opportunity.

In general terms therefore organic growth in this business was equal to 12.8 million; synergies in AcegasAps contributed with a further 5.9 million with a broadening of the parameter I mentioned number of times. As one-off effects between TUF recoveries from previous years and (inaudible) that was equal to 12.2 million.

That in general terms, our businesses grew slightly below 50 million resi overall RAB is now close to EUR3 billion. And you may remember that in the business plan, our target was to read 3.1 billion. Finally, the free market sector, as a way of showing that the year's last quarter was neither cold not brilliant for the business. You can see the overall result, as far as growth is concerned in 2014 the results in this area exclusively focused on gas sales and electricity sales were equal to EUR10.6 million. The EUR10.6 million are less compared to the EUR60 million that we have posted at end of September.

But we have to state quite clearly that even the last quarter in 2014 from the climate point of view compared to the previous year showed a volume contraction of which in general terms as far as the company is concerned equals over 300 million cubic tones less overall the year, throughout the year, equal to 18% of less volumes sold. And since this contraction that refers almost entirely to the supply business to the residential market and the small owners, homeowners business. The percentage in contraction was well above 20% almost equal to 25%. Therefore as you know, this was the warmest year over the past 30 years.

We hope that is now behind us, so 2015 began in a mild or moderately cold way. It wasn't cold in the early months of the year as we would have wanted it to be as for 2013 had been and we are positioned somewhere at the middle of the road between the horrible year which is 2014 and the very good year which was 2013. In this business area we had an interplay with a number of elements besides the climate, besides the weather. As you know, last October, or rather October 2013 first, and in October 2014 later there were further fine tuning on the regulated gas market tariffs, which certainly had an impact on the customer base part we have into that segment.

There have been some further developments on the electricity sales the commercial electricity sales, and most of this result actually came from that area of business, and in the electricity business there are two elements, which actually helped us post this results and therefore fully offset the effects of both the weather and the crisis, because as you know there has been a 3% to 4% contraction in volumes, which is part of us, but the downturn, and an electricity on the one hand, we have a broadening of the Salvaguardia market, Safeguarded market as you know, for the third year in a row -- of a third time in a row we have been awarded the Salvaguardia service, in this case as January 1, 2014 on a broader cash generating versus the previous year and with slightly better economic conditions.

This has allowed us to increase our profitability in this segment with a further EUR10 million. The other important

aspect you want to underline is that over time, we have certainly learned how to manage this segment more and more efficiently, especially as far as credit management, which is a key element in that type of a market and I'm quite satisfied to say that in late January and early February we received a compensation from the Cassa Conguaglio is equal to almost EUR80 million as far as that customer service for which couldn't be cut-off.

As you know, there are certain clients or customers in the public investigation and the health service, who need to continue to be supplied and therefore we have a mechanism to which the Cassa Conguaglio can pay us the credit load and we're quite satisfied to have received EUR80 million from Cassa Conguaglio because it's very important aspect, which also changes this market specific profiles.

As far as gas is concerned, I already said how the weather was particularly warm with a EUR6 million effect, we were able to significantly offset the impact of the mild weather, both through some better margins via sales business, and through critics stemming from previous years on volume, equal to a few million euro. And the combined effect of all this allowed the profitability for the gas sales to only dip by EUR10 million, where as the electricity sales grew by EUR19 million for a general total of 10.6 million, as I said.

Let's look at the purely financial results. Yesterday, as we were commenting the results during our Board meeting, one of the remarks I made was that not only does this result, there only[ph] is a result very homogeneous in all of the areas of business with a tangible improvement as the chairman was saying a few minutes ago. But also with an efficiency, as far as our financial statement is concerned which was highly and satisfactory for us.

For the third straight year, we are confirmed of the fact that the dividends, we paid were completely self funded by the operating cash flow, generated by our activities. If you look at the self financing and then we have between accruals, depreciation, et cetera. This was how we were able to finance, EUR326 [ph] million of investment and the other financial burdensome taxes, which are a part of the balance sheet. Within this balance that you can see -- EUR4.4 million, free cash flow generation. We also have the impact of the buyback program that we've been implementing over the years which accounts for some EUR20 million for the year.

Therefore we generated EUR25 million. The shift in net and therefore was brought about exclusively by the shift in parameter because (inaudible) ordinary company and the edge acquisition of the Gorizia businesses, along with the two or three minor acquisitions we've mentioned right about a financial impact on (inaudible) and therefore the final result for the net financial profits was plus 78[ph] billion. Along with the major development on cash generation, we were able to reduce the debt to net debt to EBITDA ratio for down from the 3.17 times we had at the end of the year 2013 and at 3.04 times.

It's important to underline that three-time target is a target, which as you (inaudible); we have given ourselves for 2015. Therefore, we were able to obtain our results one year ahead. And also a year ahead of schedule -- to recover another indicator, which is important for us, which we often use as metrics. Which is EBITDA per employee with the acquisition of AcegasAps company. If this value this figure was below the EUR100,000 mark due to the different level of profitability that the companies (inaudible) compared to ours. The ordinary[ph] company as well has a slightly lower value, slightly below EUR19,000. Whereas this year 2014, we're now back up EUR203,000 per employee therefore we're now above EUR100,000 threshold per employee, which as far as we're concerned, is a benchmark, it's an indicator as Refri Srl may be of the efficiency level that we are able to express to our businesses.

We've mentioned via cost of debt shift. The net cost of debt as of the year was at 3.96%, therefore even here we are now below a psychological threshold, 4% threshold. Obviously, this result was obtained both Green Bond operation as Tommasi was mentioning plus the refinancing operations we had at the end of 2013. The complete the effects of Green Bond will be able to be appreciated at this year for entire year where as for the last year it was only for final[ph] months of different.

This is something we're very satisfied with, we're not going to stop. We're going to continue looking around to see if we can continue working in this direction. But it is a major step forward because in the past or the recent past, we used to be at around 4.8% to 5% a couple years ago and therefore a decreasing that by one percentage point was no easy feat. Obviously the context around this helped, but I also think that this was due to work, the hard work that we're here to illustrate.

As far as the tax rate is concerned, final point, you are certainly able to appreciate the reduction we had, which was brought about especially by the IRAP per deduction. As you know in the past that IRAP tax was something that affected us. Also given the amount of employees we had since we have over 8,000 employees, many of which are involved in the waste business. Obviously, the fact that the IRAP can't be deducted give a major contribution equal to some two percentage points plus we also have the Robin Hood Tax, and which was reduced in 2014, they will be entirely erased for 2015, therefore this year we will have a further benefit that will be equal to approximately 0.5 percentage point. I believe this covers all of the financial structure aspects of the cash flow.

Therefore, I think I can give the floor back to the Executive Chairman for a few final remarks before any questions you may have.

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

Thank you. Well I believe that the various elements in our results have been covered and illustrated. We underlined the most significant aspects as a way of clarifying the way we obtained these results. As far as the Board meeting yesterday is concerned, there are two other things I'd like to say.

The first is that the Board confirmed the EUR0.09 dividend as set by the business plan to be proposed to the shareholders simply on April 28 with a different yield above 4%, which is a confirmation of our position. The second remark, which also relates to the Board meeting yesterday it relates to few change proposals we want to adjust to the General Assembly as far as our statutes are concerned, which are obviously linked to the General Assembly outcome, plus a few other steps, which will have to be made with our public shareholders before we can take it to the General Assembly, following that we will be moving along. We can go into details, if you want but there is nothing major, nothing we're concerned with, these are things that we've been managing over the years through a good and united approach with the management on one hand and the majority shareholders on the other. Therefore there will be some news coming from the General Assembly as far as shareholders assembly, but I do want to speak for the very beginning that there is no reason to be concerned. We hope we'll be able to cover these innovations in a very compact and united way. Now we would like to open the floor to your comments and questions. Thank you.

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

Thank you. Two or three questions. The first as far as business plan is concerned you illustrated last year and in view of the results you posted in 2014 and it was very difficult year. Can I say that the targets you have illustrated as far as growth is concerned are very cautious. I want to hear your view. How conservative are the targets that you've illustrated relatively short time ago despite the strong delivery, despite the very strong growth. My question is, how do you view these targets in light of the 2014 results and the different tax rate. So that's the first question.

Second question is on the shareholders' pact. The effect that this could have on a possible reduction in the stake that a number of municipalities will have in the company. How do you think this process will be managed and what are the possible effects this could have on Hera? The shareholders of the company is free float. And the third question is very regional. As far as consolidation is concerned, in Italy, many described Hera as an example to follow up. And I was wondering in your contacts with the government and politics, what are your suggestions as far as the incentives that could in fact speed up the consolidation process?

### **Mr. Letizia, Equita Sim**

Roberto Letizia from Equita SIM. Can you just give us some information on the first quarter performance, can you give us some qualitative elements? Also given the fact that the weather, the climate that still isn't the best you also mentioned the CCE reimbursement equal to EUR80 million in the early part of the year. Can you explain a bit better how this works and if you expect other reimbursements in the remaining part of the year and to what extent?

And just a brief view as to what you feel the consequences of the abolition of the (inaudible) market is concerned with the timeframe the government has illustrated due you think this could be an opportunity or do you think that this can be potential damages as far as new tenders will be involved are concerned. And another question. (inaudible) was asking as far as consolidation is concerned. Has the government already given you some insight as to what they'll be offering both in terms of incentives and disincentives which perhaps work even better from a political standpoint. This has been I would see anything in these equities.

Three questions on your results. The first question is, in the tax rate we're seeing, is there an extraordinary component a one-off component brought about by the elimination of the Robin Hood tax, not one that -- not there are percentage reduction that had already in business for 2014, but any one-off component, which doesn't impact the cash flow, well into this event which happened at the beginning of the year. Second question. It refers to Amga Udine, their contribution to EBITDA happened in the second part of the year. Can you give us the general results for the entire year for the Amga Udine company. And maybe a breakdown, a business by business breakdown within your portfolio.

Third question on the (inaudible) market. Can you specify the EBIT of the (inaudible) business within your electricity portfolio, or within the energy division portfolio. And then a question more linked to the business plan. The EBITDA for the waste division has grown and you explained why it grew slightly less compared to what you were expecting in 2014. I was wondering if the organic growth target in the waste division that you illustrated in the business plan is it

still reliable or should it be reviewed?

**Mr. Venier – Chief Executive Officer**

Let's go to the questions beginning with the questions about 2014 and then we can move on to the remarks on consolidation and on the business plan. I'll begin with the easiest, the Cassa Conguaglio reimbursement. There is a launch just a couple of years ago, recognizing the Cassa Conguaglio companies, the reimbursement for the cash or for the credit from clients, which can't be cut-off. The typical example would be hospital where a police officer or something like that.

**Mr. Letizia, Equita Sim**

How does the reimbursement happen?

**Mr. Venier – Chief Executive Officer**

Well you increase all the credits very carefully over time; it happens one year later if I remember correctly or on a two year basis. Therefore, we have a rolling refund for the -- but we should have gotten the previous year. Therefore the overall figure as identified by the Cassa Conguaglio then were we to cash in that credit that Cassa Conguaglio replaces, will then pay it back. If we receive both the credit from the client and from Cassa Conguaglio we pay it back. Therefore this is something it will repeat every year; therefore you will be seeing a growth in CCN linked to the credit for these clients which can't be cut off. And then the following year by generating 31st -- the following year we will be refunded. This is how the mechanism works. It's repetitive the dimension depends on how much credit we have, and it is rolling over the years. That was the first question.

Then we had a second question on what has already been done as far as AMGA companies concerned. It's tough for me to give you some figures because I am no longer exists. AMGA used to be a company which manage the gas distribution, which was absorbed by AcegasAps, whereas sales and dis-repeating side of their business was absorbed by Hera Comm. Therefore, the company was almost split in two. Therefore, we no longer have the financial statement to which I can give you the exact result of the former AMGA Company. I can give you some ideas as to the size and the half of the year the contribution was EUR12.5 million but in commercial activities and distribution whereas for the entire year the figure is at around EUR23 million or EUR24 million. In normal conditions obviously last year if I apply all this to 2014 and this value was slightly lower because the commercial activities, the sales suffered due to the mild weather as all the other players in the sector has suffered. Therefore with an ex-post operation we would be closer to 22 million to 33 million rather than the EUR23 million, EUR24 million I was referring to the previous year's contribution, it was EUR12.5 million but in commercial activities and distribution whereas for the entire year the figure is at around EUR23 million or EUR24 million. In normal conditions obviously last year if I apply all this to 2014 and this value was slightly lower because the commercial activities, the sales suffered due to the mild weather as all the other players in the sector has suffered. Therefore with an ex-post operation we would be closer to 22 million to 33 million rather than the EUR23 million, EUR24 million I was referring to the previous year.

As to the EUR12.5 million recorded in the first half of the year, EUR3 million refer to commercial activities, the remaining part is brought about by distribution activities. As far as tax rate is concerned, I'll hand it over to Luca.

What is the Salvaguardia portion on the electricity EBITDA? Again, I don't have a separate company to manage these Salvaguardia market. All of the back office activities are carried out by the very same structures, which manage our sales back office, therefore covering these figures is a little complicated. Certainly it does represent over one-third of the sales business as far as electricity is concerned. This is also obvious where we need to analyze the structure of our sales added distribution businesses.

If you look at the gas business, if you compare the profitability of cash distribution with that the gas customers around 60 to 40 ratio in terms of EBITDA. Because obviously going down the lives, the ratio changes. In the electricity business we have 50% profitability for sales, 50% profitability from distribution. The difference is basically brought about by the contribution coming in from Salvaguardia business .

Luca, perhaps you want to answer the question on tax rate.

**Mr. Moroni – Administration, Finance And Control**

As far as tax rate is concerned, there are no extraordinary elements because one-off effect we recorded this year was isolated and the one off opportunities is EUR9.3 million more and refers to the assets stemming from the acquisition. But it is a separate thing and therefore it isn't calculated in the 40% tax rate. As far as Robin Hood tax is concerned, we have recorded the components for -- the fiscal components for 2014 equal to some EUR5 million. There is an on-going discussion also following a communication from (inaudible) to understand whether or not these EUR4 million or EUR5 million as far as we're concerned have to be paid or not. But we'll only find out with the 2015 provisions. We have had no effect vis-a-vis the passive and active differentiation in the financial statements, which as far as we're concerned offset each other. Therefore, there is no effect on the taxes. Therefore doing the math as far as tax rate is concerned is pretty straightforward.

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

There was another question on the effects stemming from the Mantua [ph] appellation. I am a fan of that concept, I'll explain why? The Mantua service sets tariffs which are below cost. It is a business that we manage and try to limit the damage that is obviously a part of the portfolio, but it is an activity which doesn't cover cost that entirely. And I am saying this with reference to a situation was is a lot lower compared to other players. We have 100,000 Mantua clients in three states and maybe 150,000 to 160,000 in the entire Emilia-Romagna region.

Therefore, Mantua for Hera is equal to some 250,000 or 260,000 customers that's it. But it is a sector which isn't managed very well. Either we fully cover costs as far as this market segment is concerned, otherwise I more than welcome the appellation of the Mantua market, also because 14 years past, and I think the time has come to actually go along the line. Except being a babysitter, and the point is that the risk we run is that we can bring about bizarre mechanisms. The acquisition of the raw material managed by single entity which is a public entity, which also will be governing the entire Mantua market, this will I think these are all things which take us back to a market system in which you have a single large public player, which continues to manage, almost 50% of the market.

So I believe in protecting the weaker classes of society, I believe in protecting certain areas of society which do need to be protected, but quite frankly the majority to tell our market for businesses is it is feasible. Therefore, if you want to know whether or not I'm concerned, I'm not, I don't think that we're facing any threats of course, I don't want my customers to be auctioned off to others, because I wouldn't understand that.

Also taking into account that in many cases, those are customers who when we reorganized the system, with the (inaudible) act, those are customers that paid for it, that are bought from Haendel policy, first quarter this year going, now it's a question that you have a driver to do it, as far as volumes are concerned, our volumes are contracting vis-a-vis 2013 there's been 10% to 12% they have improved I'm referring to January, February, obviously because we still don't have the figures for March.

We have improved compared to the previous year by some 10%, somewhere in the middle between 2013 and 2014. As far as other drivers are concerned, the electricity, the electricity consumption continued to decrease by 2 or 3 percentage points in our areas were in line with the country's average. As far as waste is concerned, we're continuing with the volume trends, which is slightly on the rise, as far as certain ways are concerned, whereas special waste year-on-year, we may have had a slight dip in volumes, because between the end of last year, and the beginning of this year we had some contract renewals, which took a chunk in the month of January, although we're grouped in line with our expectations.

The water business, I think is a very straightforward, that's a fully regulated sterilize business. So these are the key main points as to the first two months results. Nothing dramatic, nothing explosive. I don't think in Q1, we will be showing major growth, over the shelf, major dips compared to last year.

As far as we can see for the first two months, at least in line with the business plan. This also brings me to the question as to whether or not the growth rate for organic growth, that we had included in the business plan are still credible as far as we're concerned. I think the answer to this question is a little premature and this also brings me to (inaudible) question. Typically between April and September, we review the business plans and the changes that we will have to consider within the business plan are few, quite a few compared to the previous year, a year in which we didn't have any clear visibility at your number of aspects before we try to make some forecast. Some are positive factors, the abolition [ph] of the Robin Hood tax as far as we're concerned equals a saving of further -- taxes, vis-a-vis the forecast we had made last year.

Obviously, the market capital -- the capital market condition, the condition of debt vis-a-vis the forecast we made last year in which you may remember our forecasts where we would have an average cost of debt between 4% and 4.3%, and certainly will be seeing a slight reduction in a few dozen basis point something we're expecting and we're getting ready to fight two things. Some positive results, some further and better results will be posted by capitalizing some of the efficiency results posted this year, both concerning the AcegasAps integration.

And as far as our programs are concerned, you may remember that in the previous business plan, our efficiency target



was to reduce costs by over EUR70 million, half of which would be connected to the consolidation activities in the Triveneto area and the AcegasAps and the remaining part on the current corporate perimeter.

And in 2014, as far as this point is concerned, we may have done even better compared to our initial program and this is something that we dragged into this year. I think 2014 is the year in which we were able to be ahead of schedule and few other things that we expected to do. From a few points of view, we went ahead of schedule, another areas we're six months ahead of schedule, therefore in general terms, I'm not saying that where we recalculating everything on the rise, but we have reviewed things compared to the original business plan, but obviously the business plan will also have to take into account other elements which were -- which we still don't have visibility on, which is the regulatory review on capital remuneration. You may remember that last year's business plan had an average of remuneration equal to so hypothetical average duration gone to around 6% of figures were discussing currently, below that figure. Therefore we have some positive things on some which are not so positive. I don't know if earnings per share will grow further next year, but it has grown and schedule compared to what we expected.

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

Basically, two other things should be mentioned which are also links to yesterday's Board decisions. The first topic is the state of the art on the renewal of the shareholders' pact between our public shareholders. As you know, the previous shareholders' pact the previous three year pact had expired of last year.

At that time, the shareholders, given the uncertainty of the regulatory framework, the shareholders decided to sign an intermediate six month long pact, which was exactly the same as the previous one. It will expire in June this year and therefore, as of July 1, we will have a new three-year shareholders' pact with the typical timeframe in which the shareholders have already included some new elements, which will be added to the shareholders' pact.

Therefore, there will be no discontinuity and what are the new elements? Basically they cover two profiles, the first profile is the more difficult one, for them, and politically which is the one that would also have to be assessed by their municipal councils this decision to avoid keeping a symbolic number of threshold which was included in our (inaudible) you may remember if there was a minimum threshold of 51% as far as their shares are concerned 50 assembly will approve this, there should be an article which confirms the fact that the company cannot be scaled, it is confirmed based on the other by-law provisions.

And regarding the threshold for the votes for private shareholders which were already present. Therefore by using these tools we want to have to make the 51% threshold explicit. We'll also have to include the concept according to which the main public shareholders will be if you of all of the shareholders or for that there will be no quantity indicated, although some said in the past days it's a symbolic thing none of them and they said this over and over, none of the public shareholders wanted to give up maintain the control of the company.

This was the first important cultural shift -- I think it's important to stick so that, we shouldn't see things as if they were uncertainty, the shareholders' pact will be renewed with exactly same conditions for the remaining part, and therefore, the shareholders continue to support management.

And they continue to support our M&A operations. So this is the first aspect which is also accompanied by the fact that this is a choice which certainly has some cultural implications, but also some practical implications as well.

Our shareholders are very practical and they are aware of the new elements introduced for the government's decisions, these weren't unexpected at all, and they weren't underestimated. The incentive as stated by the stability law, for all those who were to reduce their stake and the companies in this sector could use the proceeds outside of the stability pact, as you remember. This provision is potentially in line with the one that you mentioned, concerning our by-laws and therefore it is also one of the reasons use those proceeds something else has to happen.

But this isn't applied to all of our public shareholders, therefore together with them, we had to create the process that didn't have to be mandatory for shareholders, but each of our shareholders will have to decide whether or not to sell a part of their stake as a way of using government incentives.

But whenever they will decide to sell a part of the stake, let's see, we'll have to prior to abide to the timeframe and the ways which will be the same for all public shareholders. Therefore there will be a reduction. For those who will reduce your stake within the limitations specify for each shareholder and for each year won't bring about the risk of having a quantitative excess or disorders, which could have a negative impact on the value of our share. I think this is a wise decision, a decision that the company will be able to manage operationally with all of the potential which is a must at these types of operations.

But I also want to say that, even the highest possible scenario where all the visibility is to decide to use the incentives and therefore to reduce you stake still were talking about a reduction equal to figures which are extremely compatible with sale of those shares on the market and assure that they will be almost successfully dedicated to institutional investors, but again technically this would be covered.

Some of our shareholders have already said that they have no intention of selling because they prefer to have a role in

the company and dividends, whereas others may mix things up, maybe they will continue to cash in dividends and maybe have some other opportunities in other investment sectors not ours obviously. Before were things to proceed this way and were in the assembly to give us a green light. This would be the more relevant piece of news, although it isn't relevant as far as numbers or figures are concerned, there is no concern whatsoever as far as an excessive amount of available shares are concerned.

As far as the second point is concerned, and with the same document, this is dealt [ph] by the board with same document, that will be introduced to the shareholder assembly is the introduction of the increased growth, which is a tool, which has existed in number of European countries for quite some time. This comes from a law from last year, and it won't have an impact, since those wishing to take advantage of it will have to be recorded in a specific register for 24-month period. If these provisions will be implemented in May or June after these shareholders assembly, that would lead us all the way to mid 2017 to see how this could actually be applied.

Another thing, which is important to underline is that, the public shareholders choice of proposing these to the shareholders assembly is very careful as to the balance with the minority shareholders. Therefore the possible use of multiple votes can be only limited to a couple of topics.

On the one hand, the decisions pertaining to the renewal of the Board of Directors there for that would be only once every three years. And where we to intervene on the threshold, (inaudible) 5% for the votes for private shareholders only for that article the by-laws. We could use the majority vote, but here we have only two topics that if you put in process will be different.

And that has an impact both on the private and public shareholders, potentially as anybody can register depending on their preferences. Therefore, I think that this is a balance of well-thought-out solution which will also have to be accompanied by a further Board member for the minorities one more compared to the once we have, and therefore I hope that private shareholders will understand the meaning behind this choice.

As far as the question on our relationship with the government in terms of consolidation and new provisions are concerned, for the regulatory standpoint, my feeling is that, not so much of the -- like quality that perhaps there wasn't best to scatter these laws at four or five different laws. They had the same regulations being included in a single law that everybody could use to understand how things are going to change, the impact would have been bigger. Therefore, the use of different vehicles, so to speak, let people to think, well, what is the vehicle upcoming going to include, therefore it wasn't as pragmatic it should have been. I'm not criticizing the content; I'm criticizing the way in which the content was supplied. That explains why colleagues and other of our peers mentioned that made these public statements on the consolidation, but I don't think anything new actually happened in recent months, but close to exist, and we gave a proof of that so much so that our shareholders have already started to think about their possible proceeds. Where we're still lagging compared to what has already been published.

Well, to (inaudible) sector has still hasn't been covered, which is strangely enough as the one which we needs to be improved. But perhaps also taking advantage of the trends being discussed in parliament. On the competences between the state and regions, perhaps it would be a good idea to have a national authority for the Weighed sector as well. We have been seeing this for quite some time now. It's the case for the waste sector that will guarantee a regulation, strong mortgage framework for very delicate sensitive sector, which is over the highest number of players and shortcomings as far as the asset base is concerned in the entire country. Therefore, maybe the Weighed sector should have been tackled first whereas the exact opposite happened.

During the fact that we've been insisting on this point, we often hear that there will be decisions taken very soon, but we still haven't seen anything. I think this is the significant gap which needs to be bridged. Also because the other sectors have been regulated and therefore they also have regulations pertaining to tenders.

For gas and water, as you know the minimum catchment area that the tenders were referred to is a province as you know, that obviously, it means making sure that when the tenders happen, the huge amount of players will reduce significantly in those two sectors, I mentioned. As far as Weighed sector is concerned, in which the condition is a disaster, as far as the number of page is concerned that kind of regulations exist. And therefore we're seeing an increase in the number of players rather than the opposite. Therefore the second suggestion we have is to also have a professional catchment areas for the waste sector that would mean having larger players. These are the things that they are still missing.

And then if we ass at the incentives and clear the divisions and the upcoming tenders, all of this will certainly push consolidation forward something which still hasn't had yet except for a few major exceptions. As far as we're concerned, the last piece of news is that, for the time being we don't have any specific negotiations going on. We're scouting things take into account that the business plan already includes the possibility of further consolidation transactions and where do you think you've been seeing per chance the regulatory framework will finally take off as we've been saying.

Well, we may very well add a further option in the next business plan compared to the elements included in the current business plan, which was the average which we expected based on our track record in the absence of these

new regulations. I think this is the most we can say right now, because again, things need to be right on both sides in order to start of negotiations.

The other regulatory elements which we could mention, which -- it doesn't cover our sector directly is the effect that given the month will be seeing the new regulations pertaining to the rationalization project for the period between March 2015 and March 2016, as far as municipalities eliminating their stakes. This doesn't refer to the companies in our sector, but for the healthy ones at least, because although there are some cases for the waste business in certain, some parts of Italy, in which we have unhealthy companies. With then those companies should have to be included in that project, which was asked of -- Public Administration. Obviously, based on the government's imports FASDA government's imports will be the faster we will have changes in each of the municipalities. But again, for companies such as ours, with our size and with the consolidation plans we have with this aspect, it's far more useful to understand the reasoning behind our counterparts to sellers, rather than understanding what will happen to us, nothing will happen to us.

So this is a general picture both for the company itself and the topics related to consolidation.

### **Mr. Brignolo – Ubi Pramerica**

I have question on the, major total [ph] market, you were saying that services uncover costs. Just to understand, do you have a negative EBITDA for major total [ph] it's difficult to understand before doesn't fully incorporate TTS in Hera, always has spot prices, spot contracts.

But on the other hand, we also had an increase in sales for major total. Since 10% of your customer base would do you keep it entirely? Would you bring it to the liberalized market what would be the increase in margin. And in the EUR217 million in gas and EUR111 million on electricity. Could you give us a break down as to network's sales and district heating for gas? And if we see the same thing, how much distribution, how much is supply.

And the last question, for the thermal campaign next year. Since oil and gas spot prices are in line, as there is so much make up gas by the big players such Edison. Do you think that 2015, 2016 will be the toughest thermal year since big players also will have a great deal of gas, cheap gas in line with your prices.

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

As far as major total market is concerned, but that Patrimonio only referring to electricity not gas customers. When I said that, it doesn't guarantee good profitability, again I'm referring to electricity, gas is something different. As far as the majority sale of electricity market is concerned, if you take into account the burden linked to credits, the latest RCV update, we still have a few negative million Euros. If you take other larger players in other areas of the country, we also reached double-digit figures, for us it's a few million Euros. We'd like to turn the profit even EUR2, so from that point of view majority of the sales [ph] is not a business.

Obviously from this standpoint, the -- 260,000 customers are an element through which we share the structure costs. Therefore we're concerned with accretion of separate companies with across on top of the split and the cost for the connectivity or a brand bundling or commercial services. This is only have the effect of reducing the scale economy which allows us to limit the damage to a few million Euros as far as I'm concerned. Therefore the shift to the liberalized market will at least have some costs reflected the profits.

As far as of the procurement campaign is concerned, certainly the price of oil at these levels are similar to the effects that you had that you were mentioning. In the negotiations which have over the past two years, I'm not sure which components in which review was to take into account. We've all read that some undefined percentages on the contracts have been linked to the spot price up. So the return of portion is still into oil that gives them a competitive advantage. I think that it will bring about an increased competition for thermal production. Therefore I do believe there will be an increased thermoelectric production with gas consumption.

For the commercial side of things from the sales, they will be more competitive on the wholesale market. Therefore, it is to expect to have the opportunity to negotiate gas supplies far better compared to previous years.

On the final market, you're right, but also one year's time doesn't are completely destroy the market balance, maybe for the larger customers, but in our portfolio large customers don't have a significant role to play. For the small residential customers, these are things that can't be improvised. Therefore there may be some competitive offers, but I think the impact will be dramatic. Obviously, where we do have the same oil price for three or four years, obviously, in the medium term, there may be some effects. The splitting between gas and electricity, goes back to the figures I mentioned earlier. In gas, gas sales last year, including heating management, we have 24 million and (inaudible) for the rest. For electricity it was 47 for sales, 63 for distribution. So this is the breakdown between sales and distribution

for gas and electricity, whereas this treating the result of a 6.8 million, it was the 2.5 million year dip, which is due to the thermal facts in 2014.

### **Mr. Michi – Banca Akros**

Very briefly, going back to consolidation and incentives, which you do have stimulated shareholders -- majority shareholders who will reduce their stake; we haven't seen any such shareholders yet. I'm also reading your last slide in which you referred to further legislation to stimulate these effects, is there anything else you can tell us? Any further initiative, which may be adopted to promote consolidation? And can you give us an update on Aimag?

I think this seems to slow down reading the newspaper articles. And just to understand the time frame for the change of the new shareholders PAT will be effective as of July 1, do you expect the municipalities to have approved the change of by-laws by then to approve the decrease in the 51% share?

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

To begin with your final question, yes, so we do expect things to go that way. Technically, it has to go that way, because since it does and this is a change of by-laws, I don't want to organize the shareholder assembly as specifically for that. But going for the year budget shareholders assembly, therefore it will be dealing with this on April 28, then in May and June, and they can still work on the late comers, but by July 1 things will be back to normal.

As far as Aimag is concerned, it's pretty boring. We have a 25% stake in that company, they're continuing to by time, their concern is that, we roll -- our presence will be invasive, which is something that we haven't done so far, because they are next to our neighbors, we're shareholders and it would have been harmful to us. But the tenders, the upcoming tenders, something have scared them, because they actually make a decision.

The recent decision that they themselves are taken were simply that of saying, well looking at the scenario, we have to find an industrial partner, sizable industrial partner, something about the 25% stake that we currently have. So this was a decision they took. They then began their consultations; because they actually split between those who intend to sell the entire public stake, therefore go for merger or the sale of our portion of the public stake giving us control of the company without fully enter in the company. This is the doubt they have. But frankly we're not posting any time there.

Your first question was, as to what is still missing in the incentives. Well, the phrase you're referring to, it goes back to the things that we are seeing, the real gap as far as we're concerned is the Weighed sector. And the fact that the government should be effective in terms of something of their small companies, which you don't have profitability therefore by using tools which already exists, I don't think there's really much to invent a promise that we lost a bit of enthusiasm to the fact that complete provision was analyzed by Council of Ministers, far more exciting topic.

But I think that from a regulatory standpoint to think that we're progressing well again, except for the concern, that I hope you agree with me on for the waste business. We have to underline how important it is for time to time again, they've been telling us that they will intervene the waste business and the waste sector.

The tender that article five of the Constitution that we are currently working on in Parliament, which is the one, in which recentralizes those competences, which used to be at the regional level. But for the most part focused on the waste sector.

Although if you were to read to that for the rationalization in the sector, this is the constitutional lot has to be approved by both houses of parliament twice, it will take some time and therefore hopefully we will be able to find a quicker response to these sectors.

But again, I mean things are lacking or quickly.

### **Mr. Rebuzzini – Fidentiis Equities**

Three questions, very quick questions. First is, can you give us ideas to the role of emphasize in Hera? To begin with the project although, I don't think the project is actually turning into reality. Maybe a question I should ask them the question but I'm sure you have a customer relationship with them, the point is do you think they will give the shareholding structure can they help you in the future. Secondly, can you give us your perception as to authorities will in reviewing the parameters to calculate to reiteration of regulated businesses for gas and electricity and the impact this can have on water?

And the final question is for the gas tenders, there's talk of decreases, but all we reading about is a constant postponing, what is your customer feedback?

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

Our relationship with FSI is good, but they were the victims so to speak, of a very specific situation. You may remember that when we decided to have shareholding structure, we had to conclude our share capital increase for the AcegasAps operation, which was the one that attractive to us.

And the way we had, the thing we had set up for the share capital increase, may have bit low in terms of share value. Perhaps the way which we offered options also above more attractive than expected for the market and therefore when they decided to buy those options, (inaudible) have already sold on the market.

Therefore, nothing happened they were left with the share that was so low that they already interested in keeping at, should they still have it but it was completely irrelevant since that was not where we had to agree on when the operation begin.

Again, the cause was also the enormous amount of time we took going through concept and other authorities to work on the initial share capital increase allowing them to then to what we had expected. They continue to express accrue to interest for our territory expansion policy. But with the transactions such as Trieste which have to be sizable. That's why they had shown interest in our company.

Certainly, they had understood the Trieste transaction was important per se. And it also brought about further opportunities. I think they still have the same opinion to come up with a sizable transaction once again I'm sure they would be more than ready to support us the transaction.

Well, speaking of something which refers to what they were able to buy, it was so negotiable. For strategic fund, it's almost ridiculous to have them in our shareholding structure. But there's nothing different compared to the fixed asset side and I believe that with the right opportunity and to be more than happy to support us.

As far as the gas tenders are concerned, there have been some delays, the final (inaudible) that six months. The completion of the regulatory framework was a little complicated over time, but due to direct knowledge of how the tender stations are starting to move in our territory, I think it's safe to say that if it's not 100%, it's almost close to 100%, things are moving forward. There is some preparation still happening. Many have the -- they already prepared the authorizations, -- will be seen first call for tenders by the end of the year.

The limit for the VIR is given by how concrete references are and then the assessment that the authority makes, vis-a-vis the values which have been defined if these are above 10% rep [ph]. In other words, if you post double the amount with justification, that already will make it (inaudible) okay, not okay, minus 30 et cetera.

As determined by a comparison with a test, then if it is about 10%, we will continue with the authority. The tariff doesn't double because the component for capital renovation covers less than 40% of the tariff. Therefore it can increase in the relative component, in another words, it has to double the VIR value, and then the company which ordered the tender is the one-third of the value. If it makes sense in theoretical terms, I can say that the VIR is twice the rep, but then if the company ordered the tender as same the rep post. So we're moving ahead, therefore probably the new business plan among the various things will have a shift -- 12-month shift in some tenders, whereas others will probably be confirmed.

As far as the AEEGSI opinion is concerned, I don't know if I have anything else to add compared to what some of my colleagues have said from (inaudible), but nothing new compared to what they have had to say already. The regulatory definition is something that we're expecting by the end of the year. We are currently answer the first consultation document negotiations are happening.

For the authorities' point of view, my impression is that, they are willing to listen. They are aware of the fact that strict application of this mechanism would bring about some distortions. Trust, we are also aware of the fact that it would currently to bring about parameters based on a quantitative easing, which could be implemented -- then the longer implemented into advanced time. Therefore this already creates situations in which you define a parameter in a given moment in time with elements which will no longer exist once we're applied.

They are aware of these complications and therefore I believe that the talks will be pretty intense in the upcoming months. For the time being, the first phase, besides few discussions and round tables, that was the first dialogue we had, the first opportunity for dialogue with the consultation document, that was at the end of February, now going into the details beginning in May.

## **Mr. Carradori – Goldman Sachs**

Good morning. Just a quick clarification. It's safe to say that the tax rate for 2015 will be lower compared to 2015, I believe you said that it will be further reduced by 0.5%, so perhaps 39.5% will be a reasonable figure. Then as far as

the cost of debt is concerned, should we expect it to be further reduced to 2015, can you give us some insight? And final, as far as working capital is concerned, in 2015 we should be expecting an improvement in working capital. Can you clarify these aspects?

**Mr. Venier – Chief Executive Officer**

As far as the tax rate is concerned, they said that the effect will be between 0.4% and 0.5%. So from 42% to 43% it will be likely to be 39.8% to 40%, just to make it round things off. Now see the exact figure depends on the nature, that's how income is made. Working capital, as I said, the reflex on the (inaudible) value stems on credit, therefore, if I look at it on a monthly basis, the short-term effect will be an improvement but in the credit was formed once again in (inaudible) had the same amount of customers that will continue to have a commercial credit equal to EUR80 million, so there will be no shift from one into the other.

The third question was on the cost of debt. Maybe 396 is that we had at a given year, may make it go down 2.9 [ph] times. If you won't have any liability management operations loads which is something we observe constantly, and that is something we respect.

**Mr. Tommasi di Vignano – Chairman**

Thank you once again and I hope this was useful opportunity for everybody, it certainly was for us and will be talking soon for the Q1 results. Thank you. Good bye.