



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

Welcome to the Presentation of Hera Group's Q1 Results. All participants are in listen-only mode. After the initial presentation, there will be a Q&A session. For assistance from an operator during the conference call, please press star followed by 1.

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 afternoon, and welcome to the presentation on Q1 2014. It was a very challenging quarter; challenging, because the Company was able to obtain some brilliant results in 2013. It renewed its Board of Directors and appointed the new CEO, who is here with me. And together with Mr. Hansen and Mr. Moroni, we will be discussing the results of Q1.

Now had we been asked a few months ago to give you a forecast, a weather forecast concerning the first quarter, despite any possible pessimism that we would never have imaged the climate to be so much higher compared to the average in previous years, so much so that the winter behind us in terms of performance was the worst in the past 30 years. Therefore, we decided to pitch in and were able to close the quarter with some results that we feel are positive despite the impact on a specific sector namely gas.

You have already had the chance to see the results and the figures, therefore you were able to appreciate the fact that despite the impact of the climate, also in terms of revenues and by climate, obviously I'm referring to the impact on gas sales and district heating specifically, but despite all this, beginning on EBITDA and down to the bottom line, down to net profit, so we were able to post a growth as we always posted ever since the company was created. This is the message that we are attempting to convey on page one of our presentation.

And it's a message that we are quite satisfied with because as we'll be seeing, our formula can guarantee a low risk level even when facing unforeseeable circumstances, such as the ones we've had over the winter.

The growth obviously was brought about in sectors other than gas and as we'll be seeing and hearing our results were able to offset the gas performance and by other sectors I am referring to water, electricity and waste.

Therefore, a multi service, the multi-utility approach that, we have always stood by, this is a way of offsetting the performance of an individual business sector in a certain period. In this case, we're referring to figures which would have been very significant indeed and which obviously were brought about by our response.

Now moving into the figures that you have already received, the impact on EBITDA, which was brought about by gas was quite significant. But again, we also had the positive results posted in the other sectors I mentioned plus the typical drivers that we use. And I'd like to remind you the fact that in these recent months, we continued working on M&A, the operations that we worked on in the Gorizia province and we've usually had in our history, even though it's a limited territory, even though the size of the operation wasn't major, again this was further proof of a recipe which has a number of different contributions which have once again allowed us to safeguard our continuity and to bring it in line with our expectations.

In terms of EBITDA therefore, we had a performance which I described, which was also brought about by increasing our customer base and also in terms of increasing our market presence both from the Salvaguardia market and the electricity business, it all has performed consistently with previous months.

We also had some major markets in terms of recovery – a recovery process, which began in 2013, in waste. Obviously, all of these details will be illustrated by Stefano in a few minutes' time. But, again, this is all proof of the hard work that we have been putting forth.

As far as the result posted, in terms of the financial results are concerned, which undermine the fact that we did have a negative impact, that brought about – which had an impact on few subsidiary companies which suffered from the performance of the gas business – the same kind of impact that we ourselves suffered.

And, therefore, the performance in Aimag and EstEnergy – we'll be referring to those companies to tell you about the change in accounting rules, which would applied to those companies as well, since they are co-managed together with Ascopiave. But both of these companies also suffered due to a negative impact, which again is brought about by the weather conditions.

In terms of taxes, we had some good news in the sense that there wasn't the renewal of Robin Hood Tax. You'll remember that that tax had increased from 6.5% to 10%. And since that tax wasn't renewed, we were able to have some positive effects from that standpoint.

In terms of depreciation and accruals, which we've mentioned – one illustrating the 2013 results, the variation for the quarter is only linked to depreciation investment – to the investments made last year. Therefore, there were no further items in terms of accruals.

Moving on to Page 3 and moving on to the drivers with which we were able to bridge 2013 and Q1 2014, you have a breakdown of the different components. As you can see, we had a positive performance in terms of organic growth, which is equal to €10 million. And we also have to take into account that included in the figures we're looking at, we also have an impact stemming from the Acegas Aps synergies which is again equal to €2 million – €10 million.

But first of all, in Q1 we had a further €2 million besides the ones that we had already posted in 2013, which haven't been included in Q1 2013. In another words it had started to be extracted a little bit further in the year and then they continue in the remaining quarters of the year. These are the figures concerning organic growth in synergies.

Then we have the third item which refers to the operation with ENI to complete the operation concerning the electricity and gas networks and the two companies in the Gorizia province which brought about a further €5 million in the EBITDA growth. Then obviously I haven't given you the figures yet, but we have the impact of the weather that I referred to from the qualitative standpoint.

Obviously the effect of the weather conditions was quite significant. The impact was minus €20 million as far as EBITDA is concerned. Therefore if we do the math and had we not had the effects of the weather, our forecast was – growth on EBITDA without considering the effects on gas, which would have been equal to 9.2%, you can see it above the graph on Page 3.

I already mentioned the contribution from the different business sectors. We'll be going through the details later on. M&A, obviously it isn't a surprise that you were familiar with the operation I mentioned, but afterwards we can go back to M&A during our conclusion. It's just to give you an update on the acquisition of AMGA Udine, an operation that we are continuing to work on with the final details while we speak.

I'd like to give the floor to Stefano now, who will be going into the business-by-business description.

**Mr. Venier – Chief Executive Officer**

Thank you, Mr. Chairman. Good afternoon. As usual, let's begin with the waste business. The most significant element in terms of business dynamics is volumes obviously, which as you can see on the graph, has a special impact on special waste.

In the first quarter the volumes increased by 147 tonnes. This is a sizeable amount compared to Q1 in 2013. It is consistent with the signals that we had already been able to record in Q4 2013 when we had underscored a certain recovery happening in the special waste business.

Going back or rather I'd just answer the question that you'll certainly be asking, the recovery isn't brought about by a general economic recovery. But as we had already mentioned on a number of occasions, that recovery was brought about by the increase of our market share in a number of territories which is something that we began working on with our direct presence in our AcegasAps, plus with further market shares that were brought about by a balance situation in those specific regions.

Urban waste also posted a slight recovery. Obviously when it comes to urban waste the variations refer to 1.2% increase or decrease. What we feel is worthy of being underscored is that in Q1 this year compared to 12 months ago, urban waste had a slight recovery, which is as far as we're concerned marks the end of the slight contraction with that we had been seeing between the end of 2011 and in the first half of 2013.

In terms of EBITDA, what does all of this mean? What does this increase in volumes mean? It's an increase equal €5 million. We're now up to €69.8 million from our previous €64.7 million.

We have a comparison with 2013 on all pages and just to give you homogeneous picture on like-for-like basis, we're taking into account the IFRS 11 principles, the accounting principles that we started using as of January 1, 2014 which determines that the accounting of joint venture companies was a principle of net capital and not with the consolidation that we used to take into account previously.

And in the waste sector that refers to the 50% joint venture in Enomondo, which as you may remember it's a joint venture we have with a local operator, a wine maker called Caviro and it's a biomass plants that equal to 500,000 tones. This is an operation that we deconsolidated 2014 and in 2013. Therefore in homogeneous terms the €5 million I am referring to aren't the exact outcome of the variation in volumes. There are also the net effects stemming from contraction of the price of electricity because as you know, this unit has a major generation of electricity specially coming from waste energy transfer, also from biogas plants, which suffered due to the coal price which as you know in Q1 decreased significantly. Therefore,

having reabsorbed that effect of 250 terawatt hours generated, we had net increase equal to €5 million as I mentioned.

The final aspect I'd like to underline is that we are continuing to develop our urban waste management model so as to be able to recover waste more and more through a constant growth [ph] shorter (16:01) collection, which in Q1 reached 52% and also in Q1 we also opened a major selection plant in the city of Bologna which required €10 million approximately in investments and which is the most modern plant in Italy in that business sector which has few comparables in Europe.

Final piece of information I'd like to share with you to try to anticipate some of your questions, the €70 million bolstered in waste management are spilt up in the €25 million for waste collection and €45 million stemming from waste treatment and waste disposal.

Moving onto the networks businesses, we hosted a major increase of €21 million of which as the Chairman was saying a portion stems from M&A activities because as you know Gorizia activities referred to this area of business and again those activity are focused on gas and electricity distribution. We also had water, which was able to post a significant increase based on the new tariffs. Tariffs grew by 1.7% and take into account that on a yearly basis our turnover is above €500 million and therefore that translates into an increase in profitability and furthermore these tariffs started to recover.

On the one hand part of the gap that we had recorded in previous years and on the other, this increase also takes into account the impact of remuneration on capital for the six months period in 2011 that you may remember.

And finally we also have the distribution of electricity and gas. In this case we had a major increase. This increase specifically also takes into account an aspect which is strictly related to these businesses, the management of White Certificates.

Since we are one of the most active players in Italy in this specific area and since from the economic standpoint over the years developed a number of agreements and projects, which equal some 80 projects, we have a portfolio – a number of shares and the value of White Certificates, the new value of White Certificates had an impact which accounts for some €5 million in Q1.

These are the most significant elements as far as the networks businesses are concerned. Another typical question is out of the €131 million, gas refers to €58 million, water refers to some €49 million and the remaining refers to electricity and district heating.

That was the good news. And moving on to the problems we faced in Q1, referring to the thermal season, what that actually mean as far as Hera Group is concerned, what did the mild winter bring about?

They bought about a contraction of volumes sold to end customers equal to some 250 million cubic meters – 246 million cubic meters to be exact, without taking into account the effects on Estenergy which is consolidated as of January 1 in that capital.

This is a 25 percentage points – in other words last year we had sold 1 billion cubic meters, whereas this year we sold slightly below 750 million cubic meters. This is the bias of the phenomenon linked to the thermal season. This is impact that the mild winter had on Hera Group.

The impact was equal to some €20 million, but honestly speaking, €20 million also includes the effects of the variations on tariffs on the gas market. As you may remember, Q1 last year, that was the last quarter of full tariff, whereas the first quarter this year obviously mirrored the cut that the authority made starting October 1 last year, which as you may remember was equal to roughly 7.5%.

As far as our electricity sales are concerned, we had a plus €4 million improvement. But this improvement, it doesn't stem from an increase in the sale of electricity volumes which remained pretty much stable or with a slight contraction.

Similarly, what happened for the entire national territory, but the plus €4 million reflect the better profitability that we were able to obtain as far as the procurement and sales of electricity are concerned, plus the beginning of the third cycle of the Salvaguardia market to safeguard the customers.

As you may remember, we were able to obtain some further territories. This is obviously an effect that will be a recurring effect in the coming quarters and this is one of the elements which allowed us to absorb the extraordinary effect I mentioned a few minutes ago.

We also have the impact of power generation. Compared to Q1 last year we were able – we had minus €2 million plus a number of smaller, minor items worth €2 million and this is the overall picture. Therefore, the €70 million in Q1 include €15 million or €16 million for electricity and the remaining portion refers to cash and connected businesses. And therefore this is the general overview.

In this case too, as in the waste business, the figures for 2013 were realigned. They were readjusted to give you a homogenous view of the accounting principles and in this case the effects were more obvious because the company that we spun off, the Estenergy Company that we have a 51% stake in, whereas 49% is owned by Ascopiave. Especially in Q1 last year, their results have been particularly positive. Therefore the impact is equal to some €9 million. The deconsolidation impact is equal to €9 million.

Plus, a final note, the warm weather didn't stop our commercial activities in terms of the number of customers. We increased our customer base in electricity by some 65,000 customers over the past 12 months, and specifically 20 – further 20,000 customers in Q1, 2014.

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

Good afternoon. I have the pleasure of illustrating another piece of positive news, which characterized Q1; the cash flow situation, which also had an impact on – the impact of PFN due to the effect – due to the good effects of free cash flow, which equals €26 million. It was down from €2.567 billion, but that's equal to €2.567 billion at the end of 2013, down to €2.54 billion at the end of March. But the effect was a very positive indeed, given the management of self-financing.

Capex decreased the positive effect of self-financing, although it is very much in line with our expectations. We absorbed certain amount of working capital, affected by the anticipated payment of taxes and then we had a management of the new IRAP tax, which replaced the tariff tax, which existed in 2013.

The other effects are – to the variation of funds and deferred taxes and the item referring to M&A, which was already mentioned, which refers to the net financial profits referring to Isontina Reti Gas, which was fully consolidated. Therefore, the figures are very solid from the financial standpoint, which are consistent with the efforts throughout last year and throughout the first quarter this year.

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

During my introduction, I believe I already mentioned the fact that we believe that these results confirm soundness of the business mix that we've been working on for so long. Again, Q1 this year was further proof of the soundness of our portfolio mix. And despite all this that we were able to bolster growth and this will be the target we'll have throughout the year.

I also mentioned the annual general meeting. It was a very important meeting, but on the one hand, our 2013 financial statement was approved, the dividend policy was confirmed, the dividend policy that had been proposed by the Board of Directors. And then we had the renewal of the Board of Directors and besides having reduced the number of board members, making the company more governable in numerical

terms also had a major number of changes. There was also a generational change between the various board members. We had a very high change also in light of the recent policy on gender conditions.

Then another element concerning the annual general meeting, refers to the AMGA Udine operation. Certainly remember the steps of the operation. And you also may remember that the main focus, the main business of the AMGA Udine Company refers to a gas sales of electricity in the Udine products. As far as distribution is concerned, both in Italy and in Bulgaria, those activities will be managed by AcegasAps; whereas, as far as gas, electricity and sales, that those activities, those businesses will be governed by Hera Group directly.

The AMGA Udine operation as you know, as far as negotiations are concerned is now over. Both our assemblies approved the operation. And currently, we are dedicating our efforts to the various assessment projects that by the end of June we will be able to approve the share capital increase for the two companies that would allow us to become fully operational as of July 1.

Therefore all of these elements give you profile of a company that is going along its path toward a very solid and specific policy, and even the more sensitive topics such as the removal of the Board of Directors from a certain point of view, and having dealt with a temporary emergency, such as the mild winter for the gas business that I mentioned were concluded successfully without having an impact on growth and without any kind of problems. And compared to our peers, this is yet another positive element.

At this point, we're ready for your – questions you may have.

## **Q&A**

### **Chorus Call operator**

This is the Chorus Call operator, we will now be beginning the Q&A session. Anybody wishing to ask a question can press star followed by 1 on their telephone. To exit the question list, please press star followed by 2. And now ask your questions, pressing star followed by 1 on your telephones now.

First question is by Javier Suarez, Mediobanca.

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

Good afternoon. Javier Suarez, Mediobanca. Three questions. There was a major growth. You were mentioning that the growth, it isn't linked to a recovery from the market, but to company specific elements. Can you give me further elements, how did your market share evolve? Your market share is approximately 30%. And how much room for growth do you still have through these commercial initiatives. What is the performance of the waste energy plants?

And during the conference call you also mentioned the fact that you have stable margins. I would have expected that through your commercial activities your margins may have suffered. Can you tell us how come you have such a stable margin situation? And what is your vision moving forward?

Second question is more on synergies. You referred to a growth in synergies. In Acegas, you are up to €10 million now. Can you tell us how you were able to increase the synergies from €8 million to €10 million and how can you gain the €30 million synergies in 2017. And as far as AMGA Udine is concerned, the guidance for synergies was equal to €4 million. Do you think those synergies could be further updated?

And then two final questions on the company's figures. As far as the D&A concerned, can you give us a breakdown between depreciation and provisions, as far as tax rate is concerned – can you give us some guidance on the tax rate we may expect at the end of the year? Thank you.

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

Let's begin with waste business, the questions concerning the volumes. The dynamics that we noticed in Q1 are a reflection of the contract conditions which are either yearly or two yearly contracts and therefore in the coming months we expect to see team dynamics. Obviously the more we proceed in the quarters, the differential between previous year will be bridged and as you may remember Q3 and Q4 last year had already seen the similar effects to the ones posted in Q1 this year. Therefore I don't think that this is simply a trend route that – that we see only in Q1. With expect the same things to be observed in the coming months.

The load factor we had in the waste energy plants moved by 24 million tonnes in Q1. Obviously we are referring to the optimization equal to 1% to 2% in the utilization of waste energy plants. Often from one quarter to the other, they are also impacted by maintenance which shutdown a machine for two or three weeks at a time and that does have an impact. But again we're working at full capacity and full capacity which can also be seen in the production of power which at Q1 was up by 10-gigawatt per hour going up to some 250 as I already mentioned.

If I understood it correctly, you were asking the impact that electricity had in all this. Taking into account that the pull in the first quarter shifted by five to six hours per megawatt hour. That had an impact on revenues. There would be a minor portion of this that we'll be able to recover by updating the price to the green certificates, but it will be only partial compensation. Therefore lost a few million euros through the effect of the electricity market dynamics.

As far as synergies are concerned, you had a two-fold question. First of all, you wanted us to confirm the figures concerning the Acegas operation and what our forecasts are for the AMGA Udine operation. As far as Acegas is concerned, besides the fact that we were able to achieve a further €2 million and besides the synergies we were able to extract last year for the entire year, meaning that we had already posted €10 million of the total €30 million, I think therefore that it's safe to say that this year's target, which was to achieve a further €8 million, besides of what's posted last year is very much within our reach because the operations are moving along very well.

Therefore I believe that the work that we have been doing, both over there and here in terms of operating solutions, we can extend to the Acegas company – is bringing about the expected impact. So therefore I feel that the year-end targets can be achievable. As far as AMGA Udine is concerned, we still have to analyze the details. Seeing is believing as you know. Therefore I'd rather wait till July 1 before we make some projections or forecasts.

But I believe that the experience that we have acquired in recent years, lead us to believe that the €4 million in synergies that we announced are achievable and we will be further committing if we actually see that there are other synergies which can be extracted. But again this is one of the items in which we are experts and we're skilled and expecting synergies and therefore I feel that we can achieve some positive results as far as AMGA is concerned.

And then you had another question on tax rate and D&A. As far as D&A is concerned, depreciation is equal to €80 million and provisions without the devaluation of credits is equal to 6.5 million, correct evaluation is equal to €15 million or €16 million, which are absolutely in line with Q1, 2013.

As far as tax rate is concerned, as you know, Q1, besides the effect that the Chairman mentioned on the Robin Hood Tax, we had the positive impact of the IRAP tax, which can be deducted disproportionately compared to the entire year. Taking into account the effects of the Robin Hood Tax, our tax rate is around 44%, which is equal to 2 points less compared to the previous year.

**Chorus Call operator**

For any further questions, please press star followed by 1 on your phones.

The next question is by Dario Carradori, Goldman Sachs, please.

**Mr. Carradori, Goldman Sachs**

Good afternoon. I have two questions for you. First of all as far the 2014 guidance is concerned; two months ago you had mentioned that the EBITDA would have been in line with last year, and you have a very positive Q1. And obviously Q1 is the most difficult quarter as far as climate is concerned, as far as M&A is concerned, besides AMGA Udine. Do you expect to resume the discussion with AIMAG during the summer, and are there any tangible opportunities from that point of view? The final question, there is a negative news for electricity distributors in Bulgaria and your presence in Bulgaria is very limited, even despite the AMGA Udine and there are no major write-down of risks for electricity in Bulgaria?

**Mr. Venier – Chief Executive Officer**

I'll begin with your last question which is the easiest. In Bulgaria we are only involved in gas sales and distribution activities for all the concessions, both the ones that we took over from Acegas and the ones that we'll be taking over from AMGA. Plus we have already planned to consolidate these activities in a single company, single governance as of July 1st. And as far as your question on electricity distribution is concerned, that has nothing to do with us.

As far as the issue of M&A is concerned, in July we will be completing the Udine operation and before summer holidays we want to go back to negotiations with AIMAG. And looking forward, I think we'll be needing a few more months' time, because obviously, we take these types of forecasts whenever we update the business plan.

Since the business plan is typically updated in October, October will be the month in which we actually review our forecasts as far as M&A is concerned. Obviously, the AIMAG operation, which has been an accomplished operation so far is something that we are focused on currently, although it doesn't condition us in terms looking for possible interesting opportunities. And in recent days, it seems to me that as far as the valuations made by the government, it seems to me that there is a wish to support consolidation.

As far as the year end forecasts are concerned, you're referring to a forecast which we still haven't been able to process and unless we have another – Q4, same performance as Q1 for gas, based on the current results alone, I'm sure that we'll be able to obtain the targets we have given ourselves and also to take into account the consensus of analysts which is something that we are in line with.

And having said all these quite frankly I think that with these initial three months alone they are offering a pretty sound picture, the resilience that we have proven to have. Therefore, rather than updating our forecast, let's just say that we see things pretty much in line with what you analysts have expressed so far and if we'll be able to post something more we'll do that and also take into account that with the final six months of the year, we'll also AMGA. That's another thing that we will have to take into account. Therefore that is our position and any further detailed update will happen when we illustrate the new business plan. Thank you.

**Chorus Call operator**

The next question is by Stefano Gamberini, Equita Sim, please.

**Mr. Gamberini, Equita Sim**

Good evening. I have a question on networks. So the €11 million in further EBITDA and distribution that M&A are referred to white certificates on the one hand but I think there are other aspects too, because there was decline in gas and electricity sales. Therefore can you help us understand what brought about this growth and then if we should multiply that by four – you come up with your position at year end?

Another question on gas sales. As far as retail customers are concerned, we did have an increased price. What do you expect for the next year in terms of gas prices?



Third question on the cost of debt, can you give us an idea of what the cost of debt may be during the year, if this reduction trend can also be projected to the coming years. I know you don't usually give guidance on this topic, but can you help us understand the CapEx that we may expect throughout the year? Thank you.

**Mr. Venier – Chief Executive Officer**

As far as networks are concerned, the €11 million referred to a growth which may seem to differ compared to the previous year, given the reason that you mentioned since we entered the new gas regulatory period.

And the new gas regulatory period brought about the negative surprise that we had expected and the reduction of remuneration on capital, but there were a number of other variations which consolidated a number of issues that still needed to be solved from previous years and we were able to factor in the new period, which brought about some benefits, which offset things and that will continue in the remaining month of the year.

That refers to cash distribution but it also refers to new electricity tie ups. But compared to the previous period, we were able to have some benefit that will continue at the coming months. Obviously, we're referring to €1 million or €2 million on the one hand or €1 million or €2 million on the other, but including the white certificates topic that brings about the figures I gave you. While the former can be projected into the coming quarters, white certificates cannot, since it is the outcome of a re-valuation on price. Unless the price of white certificates in the market grows by further €20, you won't be seeing if that – if that come up every quarter. In Q1 the pricing mechanisms were re-determined and that in turn brought about the new pricing for the portfolio?

Therefore again, this was an event. It was one-off event in Q1 and hopefully we will no longer have the mild winter that we had this year. As far as your question on gas – electricity sales are concerned, it's difficult for me to answer at this point, because – although it is clear – although we have a clear picture of the tariff that the authority will implement as of October, given the major variations is equal a specific item that they would either give back to us, but as you look into the coming three or four years, it's a moving process, I won't be able to tell you what the margins will be for the next thermal year because we still haven't find the gas procurement contracts. Will still haven't rated the portfolio. As you know this is an activity which usually happens in the month of May and July.

That is the typical timeframe. Therefore it's difficult for me to give you view on things. What I can say is that taking into account the market prices and we're looking into the market on a daily basis, I haven't been seeing any unfavourable structural changes compared to the previous year.

As a matter of fact some aspects are slightly more favorable, given the large amount of unsold cash during the winter, because as you know the mild winter didn't only have an impact on Italy. The mild winter actually affected all over Europe. And therefore simply look at the amounts of gas which are currently stocked, you will see that there is a large amount of gas available. That's one of the reasons why currently in the short term that there isn't a major concern as far as the possible implications that the Ukrainian situation can have on the market. Obviously were there to be a civil war, things would change. But for the time being, with the current conditions there is no problem – there are no problems linked to the short market in the coming fall.

As far as the cost of debt is concerned, the cost on gross debt decreased by 20 basis points from 4.2 to 4 and the overall cost is at around 4.6. And that takes into account the fact that we have some negative carry given the capacity we have available. And that is the guidance through the entire year pretty much since then. Our debt – 95% of our debt has a medium term – long term expiry. Therefore this is what we expect for the entire year.

Allow me to add that we are mentioning the available cash on our portfolio. You keep asking us why do we have it. Well, because we have €180 million expiry and it's going to be refinanced in the coming six months

and therefore at the end of last year we had a good operation worth €500 million with reasonably interest cost.

**Mr. Gamberini, Equita Sim**

Two brief follow-up questions. First of all can you help us understand the €1 million or €2 million which referred to this Q1 calculation, therefore it would be equal to €4 million or €5 million for the entire year. It's one-off event for this year or is it an upgrade that it will have for the entire regulatory period? Second follow-up question, on net debt; do have any guidance for year end?

**Mr. Venier – Chief Executive Officer**

That is a phenomenon that we will be having in 2014, but it only refers to this year. I'm referring to the two – those I earlier. As far as the debt is concerned, first of all you have to take into account that in June we will be paying dividends that will account for some €730 million further debt. Our forecasts are pretty positive and as far as cash flow is concerned, similarly to 2013. And based on these two issues, I mentioned part of the cash flow will compensate – increase debt, part of our payment of dividends and then like last year another portion of that will increase in the financial.

**Chorus Call operator**

Gentlemen, there are no further questions.

**Mr. Tommasi di Vignano - Chairman**

Very well, then. Thank you very much and we are – will be available any other questions you may have in the coming days. Thank you very much. Good bye.