GRUPPO HERA

Results as at 30th September 2013

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Speakers:

- ***Tomaso Tommasi di Vignano, Chairman***
- ***Stefano Venier, General manager Markets & Development***
- ***Luca Moroni, Administration, Finance And Control***
- ***Jens Klint Hansen, Investor Relations Manager***

Chorus Call operator
Welcome to the Third Quarter Financial Results of Hera Group. All participants are in listen-only mode. Following the initial presentation, there will be a Q&A session.
I'd now like to give the floor to Mr. Tomaso Tommasi di Vignano, Hera Group's Executive Chairman.

Tomaso Tommasi di Vignano, Chairman
Good afternoon. We are here with the usual team to illustrate the quarter's results, which were approved this morning by our board of directors. I won't be going into any remarks on the difficult scenario that we operated in since I'm sure you all know its fundamentals as you are also familiar with the reduction in demand, which affected some of our activities. Despite this, I think it's safe to say that these further three months in 2013 were positive once again with a wide spread and significant growth, and via various components of our balance sheet. Also given the consolidation of Acegas Aps and also due to the synergies that we began to extract that we'll – we will be discussing, besides the good results posted by Hera standalone as we'll be seeing in each of the strategic areas.
As far as the drivers on the liberalized markets are concerned, I think I have to highlight the good performance of electricity in terms of the prosecution, in terms of continuing its increase of our customer base. And we also had a good performance in terms of the recovery that we made in the special waste sector in the overall waste compartment.
I would also like to confirm that the figures you can see on page one of our presentation are in turn fully confirmed. Also you need to look at each business area with the pro forma approach to 2012, because all-in-all, we would still be posting a growth equal to €41 million in comparison with the previous year.
As far as the third quarter is concerned, I'd also like to underline the good impact we had on EBITDA margin, which is the other side of the coin in terms of – things we'll be seeing in terms of revenues. In terms of revenues, we had a decreased growth compared to the past, which is due to a different trading policy, which was made necessary due to the different regulatory and market conditions. But to more than offset this effect on the EBITDA results, we had a good performance in terms of increasing efficiency and cutting costs, which was even higher compared to the reduction in our revenues. This is a further element which needs to be taken into account as far as our future is concerned. Obviously, since the scenario continues to

be complex, our response also needs to be on the internal side of things so that we can continue to increase efficiency and reduce costs.
I'd also like to remind you that in the quarter's balance sheet, we still have the effects, the extraordinary effects linked to the Acegas Aps operation in terms of the IAS accounting, compared to the difference between what we paid for the acquisition. And in terms of pre-tax, this is very much in line with the previous quarter's report.
And between the end of the previous half of the year and the end of the nine months that we're looking at, the changes have been limited. And hopefully by the end of the year, we can also see some further improvement that we are working on beginning with the issue of the share capital increase that is ongoing currently.
A final point concerning the events which happened in the past quarter namely company and organizational restructuring. Specifically in the waste business, we've restructured three companies in which I'm going to have a stake in, which were now incorporated. One of which is the Energonut company, which as you know, we had acquired at the end of 2012 with a waste energy plant in the Molise region.
In the quarter, we also struck an agreement with ENI to focus on the territory of Gorizia so that through Trieste we can manage the gas and electricity networks on that territory. You also know that we are currently involved in a negotiation with AMGA Udine, we hope to conclude that operation within the expected deadline so that we can continue working on the regional platform, for which we had kept Acegas separate so that we could continue to use that company from that point of view as well.
I think that these are the most significant aspects of the past three months. Especially in numerical terms, for the things I've already said in terms of our revenues and also concerning the evolution of costs, I have to say that the performance was good because the €41 million on a pro forma basis besides the results compared to the nine months of 2012 fully confirm the ways in which we contributed to our good results. I don't think there is very much I can add on page two other than a moderate change which I hope we can recover it by the end of the year as far as the tax rate is concerned. On this page, you can see that we're at 46.2% compared to 45.6% if you would normalize 2012.
Moving on to page three, to underline a couple of other elements, which contributed to the growth of EBITDA. As I was saying, all of the sectors contributed to the growth including the two companies, which were merged. Because besides the €88 million, which are equal to the Acegas' EBITDA in 2012, we also have a growth equal to some €36 million, which accounts for the organic growth of the two companies put together, plus the €5.3 million, which stemmed from the synergies which we had promised and which we are achieving based on the program we announced when the Acegas acquisition was made.
I was also mentioning that we do have some positive figures as far as our commercial activities are concerned. Two points, which specifically stem from – on one hand, the growth in the special waste volumes with some further 300,000 tons compared to the previous year and almost 55,000 customers more in electricity compared to the end of last year. And these are the two commercial figures, which are the most striking as far as I'm concerned.
As far as strategic areas are concerned, in our business, we obviously have to highlight the fact that the merger with Acegas especially in the quarter such as the last one, in which due to its seasonal nature, gas doesn't contribute significantly to the result brought about a higher portion of EBITDA towards the regulated areas of business, which is up to 58% of the total compared to the 56% we had had in the same period in 2012.
Another positive element, which is the outcome of the attention placed to the evolution of the regulatory framework and to the reform, which is managed by the energy authority in the water business, which – was able to post a significant increase, which I believe is the most striking figure in the regulated businesses.
Two further elements; one, concerning the amounts of waste treated. Overall, as far as the waste treated is concerned, we're now back to the pre-crisis levels. In other words, the decline we had seen compared to the values at the end of 2008 and which everybody was concerned about is now – those values are now back to the levels we had in the past. Also thanks to our commercial efforts and also thanks to the effects of our activities in the perimeter.
As far as EBITDA in the energy sector is concerned, with the pro forma approach compared to the previous year, we have €8 million, to which we had to add the effects of an increase in our customer base and the growth in margins. As far as networks are concerned, I already mentioned how the most significant portion

of growth came from the water sector with some €20 million compared to 2012 if we homogenize the two balance sheets.
So, again, I think that we have positive results in all sectors with a greater contribution coming from the regulated side of our activities, especially in water, whereas in the liberalized sector of activities, we had a good performance in special waste and a good result for electricity.
I'd now like to give the floor to Mr. Moroni, for the financial results.

Luca Moroni, Administration, Finance And Control
Thank you and good afternoon. As Chairman already mentioned, the performance of our net financial position, which is stable at around €2.78 billion, thanks to the positive effects of the cash flow, which were positive for some €54 million pre-dividend. This was due to the fact that we were able to keep investments under control, which as far as the Hera perimeter is concerned are around €160 million. And if we also include the Acegas Aps part, that accounts for €195 million. But we are also able to control the working capital, which was at around €34 million, which testifies to the positive performance vis-à-vis the performances in previous quarters.
The exception that needs to be explained a bit on the use of funds, which accounts for €48 million, where usually that accounts for €30 million, which are due to the use of severance pays and the fund for the management of landfills. We have a further extraordinary effect equal to some €50 million, which are due to the final definition of the litigation with INPS that we accounted for in the previous financial statements, meaning that this was a one-off effect.
In financial terms, the company's debt as a cost, which is slightly above 5%, but I think it's worthwhile remembering that immediately after the closing of the quarter, we had two major operations. One of which was the admission of a new bond worth €500 million, aimed at replacing the short term Acegas Aps debt, this was a bond equal to 3.5% over an eight-year period, which is a median average of our debt, with a yield equal to 3.37%. Therefore, it's a top level rate and it was 60 basis points below the equal expiry of BTP.
Plus with the European Investment Bank, we closed lines for €200 million. Even here with a very interesting rate since we struck a deal with a six-month Euribor and a spread equal to some 80 basis points. And this will certainly allow us, through the combined effect of these two new fundings, to reduce the cost of debt in the near future.
The committed lines, the committed credit lines as of September 30 are at an important level, €540 million, with an available cash bulk which is quite significant. And we will be reviewing some of the committed credit lines so that we can optimize the cost basis from this point of view as well.
At this point, I'd like to give the floor to Mr. Venier.

Stefano Venier, General manager Markets & Development
Thank you. Good afternoon. Let's go into the business-by-business breakdown with the waste as usual. The most significant elements were already highlighted; therefore allow me to summarize the key elements.
EBITDA was able to – €174.6 million. Therefore if we add the Hera activities to the Acegas Aps ones, the €174.6 million are a significant growth compared to the previous year with a plus €15 million growth on a homogeneous comparison basis.
The underlying dynamics underlined on one hand a recovery in volumes as the Chairman was mentioning, which were equal to 290,000 tons more compared to the previous year, half of these stem from Acegas Aps, the other 50% stems from Hera. But we also had a further growth in the renewable electricity equal to some 240 further – GWh, thanks to the new plant, which as you – as you may remember, we have the anaerobic bio-digesters and also due to an improved use of waste energy plants, which also have a contribution of the Energonut plant.
Along with these positive dynamics, we also had some negative ones. You're familiar with the CIP6 incentive variation that we already illustrated with the business plan presentation. You're also aware of the competitive dynamics, which we also illustrated in the business plan presentation, which put some pressure on certain prices, especially for special waste with up to five year to eight year reduction on average prices per ton. And then in the Marche region, we had the exhaustion of the Cagli landfill that also in the Marche region as I was mentioning.

If you look to urban waste, the performance was stable. The growth that you can see on the chart equal to some 200,000 tons stems from the Acegas Aps perimeter, whereas in the Hera perimeter, we have the same volumes in the first nine months this year compared to the first nine months last year, which shows that there has been a stabilization vis-à-vis the decline in volumes that we have seen in 2012.

In a nutshell, these first nine months are benefiting from the contribution of the waste energy plants that we have acquired in Molise, which is working well. We had a production equal to 74 GWh and a consumption of 500,000 tons of waste. On page six, you have a summary of the performances in the water business, which was positively affected by tariffs.

There were some positive tariff effects that we're benefiting from in 2013, which consolidates the variations which happened in 2012. As you all know we are in the initial part of the new transitory period of the two years. We're awaiting the definitions for 2014 and 2015. The authority which is to transform this two-year transitory period into a four-year transitory period will be seeing what the outcome of that process is. We are currently seeing the fine-tuning process that we were discussing recently.

In highlighting the EBITDA contribution 2013, out of the €171 million that you can see on the chart, €132 million are referred to Hera and almost €40 million referred to the Acegas Aps perimeter. Things are going well in terms of tariffs, not so well in terms of volumes. We have seen a 4% contraction, which is obviously due to the effects of the climate. It is also due to a slowdown to the economic dynamics and which brought about the shutting down of a few commercial activities as you know. We also know that this shift in volumes will not have any effects on profitability since we have a mechanism which guarantees profits.

As far as the dynamics of other activities, which have an impact on margins and turnover, we still continue to see the reduction that we've been seeing for some time now, in which we already recorded in the first half presentation and also in the first nine months compared to 2012, which in turn wasn't a brilliant year. Take one figure into account. If you analyze the dynamics of revenues for Hera standalone, you can gather that the growth that we had, which is almost €10 million, was for the most part reabsorbed by the lower connection points. Luckily, these two areas have different levels of profitability and that's why we didn't post positive results in the first nine months.

Moving on to the gas business, compared to the other two businesses, gas is starting and will continue to see the most significant variations. As you know, as of October 1, we have the full application of the safeguard market tariffs, with a review of the CCI. Therefore, as of November now, we still haven't seen the effects of these new tariffs. We only have the portion concerning the amendments made in April.

Profitability is at €186 million compared to the €159 million of the previous year and has a very similar figure as far as the same perimeter in the previous 12 months. So it's approximately €186 million EBITDA. This €186 million can be broken down in the following way. The €107 million accounted for commercial activities and wholesale plus the downstream activities in heat management and the remaining part is district heating, which accounts for some €11 million.

In this segment, we have maintained the same level as far the customers base is concerned, which is around 1.2 million customers, out of which 1.1 million are HeraComm, the remaining portion is the per quarter figure of Acegas Aps. Per quarter because as you know the commercial activities of Acegas Aps are shared because, in the past 49% was sold to the Ascopiave company, whereas in terms of volumes, the more significant variation stems from the dynamics in wholesales, which in 2013, posted a significant reduction in volumes sold, especially to the thermoelectric sector and to the wholesale trading of the national market activities.

Finally, just a couple of remarks on electricity. In this area of business, the nine months EBITDA was equal to €62.8 million compared to the €46 million we had with Hera last year, but also with the €56 million including Acegas Aps. Out of the €62.8 million, €34.5 million referred to commercial activities and €29 million referred to distribution – electricity distribution, which as you may recall, includes both distribution in the cities of Modena and Imola, and the city of Trieste.

In this case, the customer dynamics is a little bit more exciting. Two weeks ago, we had already mentioned that our overall 700,000 clients target had been achieved, including in terms of figures – now, these 700,000 customers obviously grew thanks to the contribution of Acegas Aps, but also due to the further growth that we posted as HeraComm, which over this period had an increase of almost 50,000 customers. As you can see, we are showing the net increase here, including the switching, which inevitably happen in such a dynamic market.

As far as volumes are concerned, you can see that there was a 2.3% contraction, which isn't simply the outcome of the consumption dynamics. The specific consumption in terms of territory and companies because as you know statistics show that there is a contraction compared to the previous year, ranging between 2% and 3%. But it's also the outcome of a selection activity on our customer portfolio, a selection that began at the end of last year already to try to focus on those customers, which we feel are more attractive and more solvent and more in line with the payment of bills – bill deadlines. Meaning that we gave up a few customers, which in statistical terms, as far as volumes are concerned, have an affect already, don't have an effect on the overall business profitability. I won't add much more on the issue of generation. You're all familiar with the difficulties that are affecting this part of the business. And in our case, their visibility and impact are fairly moderate, although there is an impact the same as for all other major national players.

Moving on to conclusions, I think it's safe to say that the growth profile can be fully confirmed through the things we've said. The mix that we've been working on in this quarter is consistent with all the things which happened. And therefore, wherever it will be possible to further drive commercially, we'll be doing this. We'll also be cutting cost and we'll also be working on cutting costs in 2014.

And we'll continue to work on M&A, which as you can see, is bringing about some results step-by-step. The Acegas operation is in fact contributing to the group's results. That is contributing to synergies, and it hasn't hindered earnings per share in these past few months. As far as the Acegas' issue is concerned, I think that we've said all the most relevant things also including synergies.

The only thing I may add is that currently we're working on the internal efficiency infrastructure, but we're also working on simplifying the companies within that group. And that will be yet another issue that will be present in our future presentations because we feel that some of the smaller companies will have to be re-included at the Acegas' perimeter whereas in other cases we may take into account some operations to sell some of the companies on the market.

As far as AMGA Udine is concerned, the negotiation process is continuing. We have concluded all of the preliminary meetings. Obviously, the most sensitive, the most complex part is the one that we'll be facing in the upcoming weeks since we're also reaching the deadline within which we will have to understand whether or not the operation will be successful. As far as the share capital increase is concerned, it will be concluded, as we already announced, on November 19. So, it is a process that will be concluded with the quantitative results that we had already illustrated.

This is the news as far as we're concerned, and now we can move on to the Q&A session.

Chorus Call operator

This is the Chorus Call operator. We can now begin our Q&A session. First question is from the Italian conference by Antonella Bianchessi of Citigroup.

Antonella Bianchessi, Citigroup analyst

Good afternoon. Just some further information on water tariffs. If you can update us on when you expect the exact figure? Do you have any indications concerning RAB? And in light of the significant increase in your EBITDA, can you give us some references on the return on RAB, which you have already posted, as far as water sector is concerned.

My second question is on cost cutting; I noticed that every quarter, the number of employees, on a like-for-like basis, increases slightly. Therefore, I was wondering what kind of cost reduction strategies you are applying? What is your strategy compared to your competitors who are cutting the number of employees.

And finally as far as your debt is concerned, what are your expectations for the upcoming years? What is the debt level which you feel is sustainable for a company such as Hera? And finally, a question on AMGA Udine. Can you confirm that a possible acquisition would happen through a share swap or do you have any other capital structure in mind?

Stefano Venier, General manager Markets & Development

As far as the water tariffs are concerned, when do we expect for a final confirmation? We expect it soon, and we still haven't received it. In this procedures, the authority asks local authorities to formally approve the tariffs in their systems within mid-November for 2012 and 2013. There are some ongoing negotiations

for the upcoming two years. Hopefully, they'll take one to one-and-a-half months time. Hopefully that will happen by January. The choice to have a continuous and consistent approach won't bring about any major variations in the cost of the business or the tariffs as far as I'm concerned, hopefully.
Moving on to your question on RAB, our indication is that it is approximately €1.2 billion, which is the reference RAB for Hera, plus some €200 million, which are the ones referring to Acegas Aps. On these figures, we are working on an assessment concerning Bologna and Modena exclusively, whereas the remaining parts have still been worked on. We don't feel there will be any surprises, also in light of the latest consultation document, which was published and made available for consultation about a month ago. Therefore, also in light of our business plan presentation four weeks or five weeks ago, we don't think there will be any variations. Therefore the good performance that we saw this year, we expect will happen also next year.
Your second question then: cost cutting and employees. I'll give the floor to the Chairman, who has all of the figures to answer to that.

Tomaso Tommasi di Vignano, Chairman
As far as employees are concerned, the comparison with September 30, 2012, without taking Acegas into account, obviously, from 6,564 employees, we're down to 6,433 permanent employees.
Therefore that's a reduction of 109 employees, 30 of which are a sharp reduction and 63 are a perimeter variations since we sold off the last of the non-core activities, which we still haven't been able to get rid of over the years. The graveyard in Bologna and that concluded this first half. So the total is minus 110, 34 of which were employees who retired and the remaining part refer to the graveyard.
As far as Acegas is concerned, honestly, we have a very clear idea on mind since day one. And amongst our synergy and efficiency targets, we mentioned that Acegas has an excessive number of employees and therefore through turnover we'll be able to reduce this number. This is an ongoing process. The Acegas management is aware of the issue and that is certainly one of their main targets. Certainly, we are only at the – at the beginning of the process, and therefore, as we have always done, we will continue working on turnover.
As far as the issue of costs are concerned, the cost I was referring to in the third quarter figures refers to the overall cost. Employee cost, which have been contained within the numerical variation I referred to but also in terms of the per capita cost. But especially, I also included the cost per service portion. All other costs from raw materials to services which had indirectly benefited from the lower trading activities. And as far as services are concerned, it was all of the activities linked to our businesses. Therefore, the fact that we were able to contain cost is important not simply for the – pertaining to employees.
You are also asking a question on debt, and we are very much in line with our business plan expectations, which as you may remember, had a target equal to 3.2 times debt-to-EBITDA ratio and that's the target we still have in mind. Obviously, with all of the other figures in mind for the remaining years of the business plan so that at the end we can go below three times, which we feel is a fully sustainable and something we hope to achieve.
There is one final question on AMGA I believe. Can you repeat the question you had on AMGA? You were asking what we expect if it's going to be a traditional merger. Could you please repeat the question on AMGA Udine?

Antonella Bianchessi, Citigroup analyst
What is the strategy? What is the financial structure for the AMGA Udine operation?

Stefano Venier, General manager Markets & Development
The operation will happen in the traditional way. Also given the fact that the idea is to merge AMGA within Hera so that we can offer the AMGA shareholders Hera shares. And since they are listed, they have an intrinsic value which doesn't exist in other instances. Obviously, that doesn't mean that AMGA activities won't be a part of the platform with Trieste, Gorizia, and Padua.
The operation will take place through a share swap also. Keep in mind that the AMGA shareholding structure is fairly wide and different. It's not simply the municipality plus a number of other smaller municipalities, there are also a number of other shareholders such as EON and other – more of those

private institutions. That's the structure therefore and perhaps we'll have to make some adjustments along the way. But for the time being – and this is something I can't go into specifics about.

Chorus Call operator
The next question is by Stefano Gamberini of Equita SIM.

Stefano Gamberini, Equita SIM analyst
Good afternoon. I have three questions. My first question is on the results you expect for year-end. Can you give us an idea, flavor of the EBITDA by year-end or a flavor for debt? We've seen an improvement at year-end in previous years, therefore, can you tell us if that can be below 2.6% or 2.5%, where you're expect it to be by year-end? The second question – let me take a step back to the business plan. And there was an aspect which is on accruals, you have an impact of €45 million on the nine months with some one-offs. In the business plan, you had highlighted some €50 million to €60 million for accruals for current depreciation. So, the actual figure was €250 million in real cash. Can you help us understand why that level is so high even in the five-year arena? Is that an excessive amount of caution? And finally, a question for the Chairman, can you help us understand something about the share capital increase? I believe that was an operation to allow FSI to enter into the shareholding capital. There were two different agreements to allow that to happen, and it was important to – or still is important for you to allow FSI to enter. If that were not to happen at the end of the share capital increase, where the FSI not to have a 3% share, what remarks does you make? Could there be any other opportunities? Can you clarify this?

Tomaso Tommasi di Vignano, Chairman
Let me go into your second question, the one on accruals. Besides the one-off operation that Luca explained, in terms of the cash out that was due to the INPS affair. I think that our accruals policy maybe conservative. But take into account that over the past two years or three years, we had a situation in which the rates linked to the payment of outstandings was a factor, and this has an affect over time.
Secondly, also take into account that as you know, we manage also the salvaguardia service. There will be a tender in next 15 days for the next three years. And that is a service characterized by the presence of a number of customers, which can be problematic for a certain extent. This needs to be reflected on the management margin, but it also has an accruals component, which also has a carryover beyond the deadline, because obviously the accrual is made linked to the aging of credit. And therefore, over time, you will have an accruals carryover. So I think that these are the components for the most part.
And we also have to keep in mind that since Hera continues to grow with some 40,000 to 50,000 customers per year, we obviously increase our turnover linked to our commercial activities that has a portion of CCN in the bills and even 2% or 3% requires a portion of accruals. I hope that's a conservative hope because that would then free up a number of resources and that would be an advantage for us. So, as far as salvaguardia market, there will be a contribution equal to €50 million EBITDA.
I don't understand why we have €70 million in accruals per year. I don't know how that is linked to other businesses and what the profitability of the businesses is, but the €70 million in accruals you're referring to €50 million of those partly refer to the commercial activities directly in the energy part and then we also have the other commercial activities such as waste and water. Therefore, I don't understand what you are confused about. Obviously, the salvaguardia market has a major profitability level. Its contribution to our balance sheet is about €20 million per year. When compared to other businesses, it also has a higher accruals portion. Therefore, you do have a benefit on EBITDA but we also have an impact on accruals. I don't know whether or not I fully grasped your question.

Stefano Gamberini, Equita SIM analyst
Yes, you did. It was just away for understanding the cash conversion of results.

Tomaso Tommasi di Vignano, Chairman
Also take into account that if you look at the differential, each year the investments level has a portion of depreciation. So, we are also glad in the recovery of waste volumes, but a part of this recovery is destined to landfills, especially for certain categories in special wastes, which means that volumes increased but we

also have to make accruals for the post-mortem fund, but a 100% of the margin, but it does take away a portion of the margin. Given the type of business we have, there is this type of a correlation.

Moving onto your question, and thank you for having said that you didn't know whether or not we would have answered, let me try to answer it, let's begin from the debt. Our target for year-end is €2.65 billion. And that as you yourself can gather is in-line with debt-to-EBITDA ratio that we have targeted. From this second profile, we are very much in-line with obtaining the expected results. It's pretty feasible and based on the things I've said, you'll see that I contravened all of our rules, therefore you can come up with both of the figures you yourself are referring to.

As far as the share capital increase is concerned, it's a sensitive issue since the operation still hasn't been concluded. There are all of the options, which still haven't been taken and that was a part that FSI had committed to and it was a significant portion of their expectations. Certainly, initially the performance of the options' value made a number of our shareholders turn to the market, which was perfectly allowed; that possibility did exist, and therefore we need to do the math at the end of the process. If your question is, are we interested in solving an unsatisfactory acquisition with FSI, well, obviously, we will try to meet with them as soon as we have the figures, which we still don't have, and then together with them we can think about the result. As far as we were concerned, that was a very important strategic operation, which in fact was a recognition to the company's track record. I don't think they've changed their minds and therefore based on the figures we have, we will see what still needs to be done and we'll be talking as shareholders, as partners, which in fact they are.

Chorus Call operator
The next question is by Giuseppe Rebuzzini, Fidentiis.

Giuseppe Rebuzzini, Fidentiis analyst
Thank you and good afternoon. Can you update us on the gas distribution RAB and electricity distribution RAB? Plus another question: in the table concerning the natural gas sales volumes, can you give us a breakdown between the residential customers and wholesale and industrial customers.

Stefano Venier, General manager Markets & Development
As far as the gas RAB is concerned, for Hera that's some €800 million. And as far as the Acegas' permit is concerned I think it's some €200 million. If you call Mr. Hansen, he can give you the correct figures. As far as the sales breakdown is concerned, if you'll just give me a second and I'll look for the figures. I can't remember them by heart for the nine months. I don't have the figures with me right now. I can give you the number of customers, but I can't give you a figure on volumes sold. Because, obviously, the residential and business customers' difference is a little old fashioned. The current differentiation is between safeguarded customers and liberalized market customers. It's a lot more complex. But I can give you these figures. I can send you these figures later.

Giuseppe Rebuzzini, Fidentiis analyst
Thank you. I was just asking this question on residential clients because I wanted to understand what customers are impacted by the reform on sales conditions to end customers that you were mentioning.

Stefano Venier, General manager Markets & Development
The new regulations of the energy authority. Well, then if that's your question, I think it's wiser to look at the entire year and not the nine months. We're looking at a number of customers, which is slightly above 700,000 customers, whose yearly volumes are at around 800 million cubic meters.

Chorus Call operator
The next question is a follow-up by Stefano Gamberini from Equita SIM.

Stefano Gamberini, Equita SIM analyst
Two things. First of all, concerning the impact of the new rules on gas sales, what could the impact be in terms of millions of euros for next year? It's going to be something around €10 million or something

beyond that? Because if I'm not mistaken, there will be a progressive element. So compared to 2012, what can we expect for 2013 and what can we expect for 2014? Secondly, concerning the water business RAB: €1.4 million. That €1.4 million is fully pertinent to Hera. And should we consider at the end of the 2012 and 2013 transitory period, will there be a decrease in RAB for 2013 tariffs? What does that RAB you gave us refer to?

Stefano Venier, General manager Markets & Development
As far as the RAB is concerned, it's a reference for 2012. We're in a fairly normalized situation between investments and depreciation. We don't have any major variations in RAB, either going up or going down, neither for this year or for the next. As you know, a part of that refers to the CCN component and also to the structural investments, but those percentages are included in the document.

Stefano Gamberini, Equita SIM analyst
As far as the impact of the reform of the CCI is concerned, compared to 2012, what can the impact be?

Stefano Venier, General manager Markets & Development
It's the figures that I have mentioned in the business plan pretty much, somewhere between €10 million and €13 million or €14 million. Why am I referring to a range? It simply depends on the volume which we'll be selling. There is a thermal effect that we have to take into account, mean that if my consumption curve is compared to the past 10 year or 30 year average those values will shift a few million euros. But again compared to 2012, I think we're in a range between €10 million and €15 million maximum. That is the effect which is strictly linked to the CCI reform.
Obviously, the CCI reform also brought about a number of changes in terms of the wholesale gas market. And there it's a lot more difficult for me to make a forecast on the effects of the trading margins for next year. So, the €10 million to €15 million are the comparison for 2012. You were asking 2014 compared to 2012, 2014 compared to 2012.

Chorus Call operator
Mr. Tommasi di Vignano, gentlemen, there are no further questions.

Tomaso Tommasi di Vignano, Chairman
Thank you very much, and we will continue to work – talk to you soon. Thank you.