



Results as at 31st March 2013

Bologna, 15th May 2013

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

Good morning. This is the Chorus Call operator. Welcome to the Q1 Presentation of Hera Group. All participants are in listen-only mode. After the initial presentation, there will be a Q&A session. [Operator Instructions].

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

Tomaso Tommasi di Vignano, Chairman

Good afternoon. Here we are to give you a brief presentation of 2013 Q1 results.

We have Mr. Venier, Mr. Moroni and Mr. Hansen here with me. We are satisfied. We're satisfied because the results are actually – have actually exceeded our expectations and they are the results of the hard work we've been performing over the past few months. This was the first quarter in which we had the opportunity of integrating the AcegasAps results, but the overall results that we are illustrating to you today, obviously, takes that operation into account. That was an operation that we have worked a great deal on and that we'll be going into during the presentation, but it also illustrates a significant Hera standalone growth – organic growth of that.

As you can see from page 1 in our presentation, the results of the past quarter is compared with the first quarter of previous year 2012, obviously 2012 figures don't include AcegasAps figures. Therefore, the light blue columns refer to Hera last year, whereas the dark blue columns illustrate the effect of the AcegasAps operation.

As you can see, we had an EBITDA growth, on EBITDA and an EBIT, which is above 20%. As far as EBITDA is concerned, it's about 25%. We have a very relevant results in pre-tax terms and in terms of net profit. And were they to be compared on a pro forma basis with the previous year, for example, in terms of net profit, we would still have a plus 113% growth. And also as far as EBITDA is concerned, we would have a plus 8.2% had we also included Acegas results in our 2012 figures.

So, this is a distinction we need to keep in mind throughout the presentation, because it's the first time we have this kind of a scenario. And therefore, we have to underline what stems from Hera performances and what was brought on board by Acegas.

Now, from this point of view, the sector-by-sector results are positive in all sectors, including those which had suffered some difficulties last year, such as waste, for instance. And we will obviously be going over the performance later on.

We also had an excellent performance in the water business, and I think we had a record result in the gas business in our Q1 performance.

We also have to take into account an extraordinary results stemming from the IAS criteria stemming from the AcegasAps operation. And in comparing the net assets of Acegas and what we did during the negotiation, we have this further variation equal to €73.8 million. It's an extraordinary income which enriches the results obtained from pre-tax profit down.

From the commercial side of things, I think both of the liberalized sectors, both on the energy and in the special-waste business, we performed well and we'll be seeing the figures later on. And to this, I'd also like to add a further element concerning the cost performances. We paid close attention to this item simply in terms of the decline in the trading activities which we had, which obviously had an impact on the price of raw materials, but also to underline the commitment that we had on cost cutting and the controlling cost that we'll continue in the months ahead.

As far as investments are concerned, even here we paid a close attention to our targets. We had €54 million invested in the quarter, including the Acegas amount which is equal to some €10 million, compared to €71 million of the first quarter last year.

Finally, another piece of good news is that generation of cash allowed us to reduce the financial debt. And therefore, the amount of the net financial position is according to expectations also as far as Acegas is concerned. Therefore, even in this case, we summed positive results to the growth of the net financial position following the merger.

Then on the left-hand side of the slide, we also wanted to underline the performances over the past five years without taking into account the extraordinary income we had, just to show the earnings per share growth over the past five years. As you know, we had made a commitment with the latest business plan when we said we wanted to take this element into close account to have an annual growth that wouldn't be below 5% on a yearly basis.

Now, if we consider what happened over the past two years, we have an average growth rate which is highly above the one we had promised. And I simply wanted to underline this element, because it is a way of adding further soundness to the forecast that we had given you some time ago.

Moving on to page two, without taking into account the pro forma basis for 2012, going into the 2013 figures alone, as you can see, the Hera plus Acegas revenues increased 6%. Now, were we to also take into account the Acegas effect for 2012, the equivalent of revenues would be reduced, which goes back to the issue already mentioned, which is connected to the lower energy trading activities.

As far as EBITDA is concerned, we had a significant growth, which was both due to the Acegas operation and also due to the results that Hera standalone was able to achieve. And also due to the trading effects I mentioned, you'll see how we had a significant growth in terms of the EBITDA margin compared to last year, we're almost at 19%.

In terms of EBIT, things went well with the contributions that I underlined a few minutes ago. And as far as financial charges are concerned, we have had a trend with roughly €1 million reduction as far as Hera standalone is concerned, whereas the difference between last year and this year is brought about due to the adding up of the financial charges referring to Acegas. I already mentioned the €73.8 million of extraordinary income, which works about a pre-tax profit equal to €221.4 million, which is a highly relevant figure.

In terms of taxes, things went well as far as the fully integrated perimeter is concerned. And they would have gone even better compared to last year even had we normalized 2012, because for 2013 we would have been around 41% instead of the 42% we had last year.

On this page, just to make the comparison easier, we also wanted to include the pro forma basis of the financial statement and you can see the effects it would have had – the positive effects it would have had on all levels of the financial statement and the size, the amount that these items would have had. Moving on to page three, the summary of the things we said in terms of EBITDA is illustrated in the top-left graph. We've seen that EBITDA grew by €15 million for the Hera part and it grew €41.9 million for Acegas in terms of growth and in terms of the contribution made by Acegas standalone.

Just a couple of remarks on our commercial expansion. We have to underline the fact that with this operation and with the growth we had in the first quarter or especially in electricity, we are now close to the 2 million energy customer mark, which had been part of our business plan targets for quite some time. And therefore, with this latest operation, we're now up to 1.9 million customers, meaning that we are very much on the threshold of the 2 million. And already in the last quarter, we confirmed a further 50,000 new customers on electricity, plus the Acegas contribution.

Our regulated activities performed well, both in waste and in water especially. And Stefano will be explaining how we posted a very good quarter indeed. As far as the strategic areas are concerned, you can see the comparison that we have between the 2012 results and the 2013 results. In Q1, you can see that we had some sizeable increases with the usual balance we have between the three fundamental areas of business. 23% in energy and the networks, up to 36% in waste, which is a sector in which we were also able to take advantage of a new asset we acquired at the end of last year. Therefore, the scenario is in line with our expectations, including your expectations, based on the consensus we have. And it's also a little bit above what we were expecting to see after the entrance of Acegas in our company's perimeter.

And in the conclusions I'll be making, I'll also be illustrating what we've been doing as far as Acegas is concerned, including the events which took place yesterday. Yesterday, we took control of the board of directors and, therefore, we launched a number of initiatives that I'll be mentioning later on.

And now, I'd like to give the floor to Mr. Moroni and then to Stefano, who will be going over the financial aspects and then the business-by-business breakdown.

Luca Moroni, Administration, Finance And Control

Thank you and good afternoon. We have some good news as far as the cash flows are concerned. As you can see on page four, the debt, including the net financial position of AcegasAps, is at €2.6118 billion. The Acegas debt is equal to €490 million vis-à-vis an initial amount of €470 million. Therefore, as far as the Acegas perimeter is concerned, we had a slight increase; whereas as far as the Hera perimeter is concerned, we had a major decrease equal to €95 million, which stems from a reduction in Capex as was already mentioned and also based on the good performance of ...

We also have some good news as far as the financial charges are concerned, given that in the Hera perimeter, we have a slight decrease vis-à-vis the financial charges in the same period last year with a difference equal to €1 million.

Therefore, from the €31 million we had last year, down to €30 million this year as far as the Hera perimeter is concerned and to that we have to add the €4 million stemming from the AcegasAps delta, which means that in terms of the cost of cash for the Hera perimeter, we had an improvement of a few basis points bringing the average cost from 5% to approximately 4.5% for Hera standalone.

I think that this completes the positive news from the financial standpoint and we expect to continue along this path even in the future quarters.

Now, I'd like to give the floor to Stefano to comment the various areas of business.

Stefano Venier, General manager Markets & Development

Thank you and good afternoon. I'll begin with the waste business as usual. I'm especially satisfied because the signals we've been seeing at the end of last year seemed to be continuing in terms of the volume dynamics in this quarter. And beginning with this element, beginning with the development of our activities on special waste, we'll notice that there has been a relevant increase equal to 41,000 tons, equalled – almost to more than 12% vis-à-vis Q1 last year in terms of the activities that we manage.

The contribution to this volume – these volumes come from two major factors. The first of which is the continuation of the commercial activities that we have started quite some time ago that we had the opportunity of discussing with you over the past few months, plus the consolidation of our activities in Central Italy through the Energonut plant, which contributed with roughly 50% to the volumes. Therefore, of the 41,000 tons, half of these stemmed from the good functioning of this plant that we bought at the end of last year and the remaining 50% stems from purely commercial activities. The higher volumes are also accompanied by higher production of renewable energy, thanks to the Energonut plant and now we're up 258 gigawatts per hour.

The other element that we had mentioned and we are continuing to work on, on a daily basis is cost cutting also vis-à-vis the market dynamics, which are going on. As you may remember, we mentioned we had \$10 million cost reduction plan that we started up in the second half of last year. And in Q1 this year, on a like-for-like basis, in terms of price, we had an improvement equal to €2.5 million or €2.6 million on this front being that we brought home an initial 25% of the result we have in mind.

Obviously, all of this translates into an increased profitability in this business, which as far as Hera is concerned, went up from €48 million to €54 million. To that, we have to add the Acegas waste contribution, which is equal to €11.4 million for a total of €65.6 million.

Just a couple of remarks on the functioning of the Acegas activities, their activities were developed with a very good continuity. As far as Acegas is concerned, the volumes were reasonably stable vis-à-vis at the same period last year, 60,000 tons in urban waste, whereas the functioning waste-to-energy plant performed very well both in Padua and in Trieste.

Therefore, on a like-for-like basis, this area went from €58 million, if you take into account Hera plus AcegasAps, from €58 million to €65 million. Therefore, we had an €8 million growth. As far as the essential elements of the quality of business, I'd like to underline the increase we had in sorted collection which is now up to 53% from the 50% we had a 12 months ago and from the 52% levels we had at the end of last year.

And in terms of the plants, as you may remember at the end of last year, we began the building of the two new bio-digesters, 1 megawatt each here in the Romagna territory. And they were completed in Q1 and we expect to have that fully on stream within the first half of the year. So, the second half of the year can be six months in which it would be fully on stream.

Last remark as far as the waste business is concerned, which is the performance of our assets, our plants which you can notice in terms of the volumes treated in the graph of page five, in which you can see that the amounts of waste treated in waste-to-energy plants has grown further. This probably stems from the fact that we have 20,000 tons to 25,000 tons for the plant and we have the optimization of the already existing plants. And this is obviously something which decreases the use of our landfills. We had a good performance of our selection plants, which further improved their performances. There seems to be a small mistake in the percentages here on the graph. The growth isn't equal to 0.3%. Since it's a growth of 15,000 tons, it's well above 10% as a matter of fact.

Moving on to water, in this first quarter, we were able to see the full implementation of the tariff scheme. The tariff scheme is now fully cleared or almost full cleared. There's still a number of – a limited number of elements which still need to be clarified. But the business dynamics were good, because as you can see also vis-à-vis revenues which were pretty stable, our profitability increased and that obviously is affected by the cost-cutting activities.

The business in Q1 is up to €52 million with an improvement, a sizeable improvement if we consider the perimeter, the change in perimeter, but also on a like-for-like basis, in other words, if we look at the activities in 2012 and 2013, we'll see that we had €6.5 million increase between Q1 last year and Q1 this year, despite an aspect, which is a general economic situation, which is similar in our territories as well and which is obviously reflected on the new clients.

And even in 2013, we had a further decline vis-à-vis last year. We keep asking ourselves when the crisis will actually end. I think we are very close to the lowest levels ever and this obviously has a direct impact on the business economics. But on the other hand, we also have to take note of the variation of volumes, which is at 5% for the first time. This isn't something that we suffered from directly because we now have a system based on a recognized revenues. But this, again, is a clear sign of the general context that we have to work in.

Moving on to the gas business, even in Q1 this year posted a slight improvement vis-à-vis Q1 last year. And if we look at Hera standalone prior to the merger with Acegas, we'll see that the improvement was equal to slightly below €5 million. This is due to a number of factors.

We had a slight decline in volumes sold. We had a slight increase in margins. We had some negative effects on the gas distribution. But the overall situation brought about an improvement equal to €5.8 million. And then, we have to add the AcegasAps contribution, which also improved slightly from €13 million to €15.3 million for an overall improvement equal to approximately €7 million. Obviously, in this specific business,

the balance between procurement and sales need to be taken into account as something we've commented a great deal in the past.

Let me just note the volumes performances, and as you can see both for Hera and for Acegas in terms of sales, there has been a contraction ranging between 10% and 13%, which doesn't simply stem from a lower per unit consumption, but it's also the result of some decisions we made in terms of specific customers we had, so that we can continue focusing on the working capital and then credits.

We had some pretty good results in the district heating sector. And since it is connected to thermal season, district heating had some reasonably constant performances, as the winter was pretty average. It was neither too cold, neither too warmer, it was a little bit warmer compared to last year, but those levels were stable.

In terms of customers, as for the Hera perimeter, we have stabilized our customer base at 1.115 million customers. Naturally, as of January 1, we also incorporated the AcegasAps gas clients and since we have a 51% share in EstEnergy, we have further 110,000 customers of Acegas and the total now is almost 1,250,000 customers.

Moving on to electricity, in electricity, we have a more stable situation in the sense that we had a pretty good performance in electricity distribution. We had some ups and downs in the liberalized market for energy. We are aware of the difficulties in the upstream. Even though we have a modest portion of this in our portfolio, still it gives us some amount of signals.

But on the other hand, we were also able to optimize our marginalities on the end customer, which allowed us to fully absorb the upstream dynamics in a result which in Q1 2013 was equal to €24.9 million so for a total of – €21.4 million for Hera standalone, €24.9 million for Hera plus Acegas.

We've had an increase of 50,000 new clients, just in line with our recent track record. And to that, we have to add 120,000 customers from AcegasAps for a total of 670,000 customers which added up to the 1.25 million customers I mentioned, lead us close to the 2 million customer threshold that the Chairman mentioned earlier on.

Also, in terms of volumes, here we have some negative signs and these are due to the two phenomena I mentioned. One is the overall context that Terna publishes on a monthly basis. And the other is obviously due to the attention we pay to our customer portfolio. The fees are pretty much the positive performances that we were able to see in all of our businesses. And in this case, for the first time after a few quarters that we had a very homogenous performance in all the portfolio.

I'll give the floor back to the Chairman for some closing remarks.

Tomaso Tommasi di Vignano, Chairman

Thank you. When I was speaking of the AcegasAps operation I mentioned that we worked very hard on a number of different levels. We were able to finalize the operation with the full acquisition of the company's capital happened three weeks ago. It was very recent, therefore, and it was very challenging, including the acquisition and share swap operation. As far as the corporate structure is concerned, just yesterday we have finalized a complex operation with the redesigning of the board of directors.

We elected the new members and we also reorganized the company using Acegas management for the most part, but with the initial new members that we decided to bring on board as a group in key positions. The third level that we are operating in is a number of working groups, a number of project-by-project working groups that we already started before we even took control of the company, because we thought that we had to save time vis-à-vis the commitment we had with our shareholders and with the market concerning the efficiency and synergies that can be extracted from the operation.

As far as synergies are concerned, we are already working in that field and we are confident that already this year we can reach the €7 million to €8 million, which account for one-fourth of the overall synergies we intend to extract. So, we are working hard. We will have to look into the perimeters, some of the activities and some of the companies that Acegas has a stake in, so that we can be – we'll be in line with our group's performances and so that we can streamline certain elements that may have even blocked some of Acegas' progresses in the past. It's just a summary of the activities that we've been doing. As you can imagine, it was quite demanding work.

One final piece of the good news, which is normal, on June 6, we will be paying our dividends as approved by the General Assembly. And since I took a look at some of the results posted in the month of April, I think

it's safe to say that the good results posted in Q1 are being confirmed and this is something that we are confident will allow us to have good results throughout the year.

And I'll leave it to you in case you have any questions.

Chorus Call operator

This is the Chorus Call operator. We can now begin our Q&A session. [Operator Instructions] The first question is by Stefano Gamberini, Equita SIM.

Stefano Gamberini, Equita SIM analyst

Good evening. I have the usual three questions for you. First of all, Stefano, can you illustrate what's happening in the waste business? Are you – you're growing significantly in terms of volumes. [ph] Eden (34:17) also posted some excellent results from that point of view. Can you explain what is happening in the general scenario? Who is losing market shares and how the prices are evolving in the special-waste sector? Can you also give us the EBITDA contribution, Energonut EBITDA contribution in Q1?

Second question, as the usual question on networks, can you tell us electricity and gas networks performances? And also, in the gas business, can you explain what impact you expect from the regulations from the Maggior Tutela service? As disclosed, are they reduced tariffs for Q2? Since the price is linked to the spot price maybe on the last Q, we maybe are expecting some major impacts. And things seemed to be going better than expected both in the Q – in Q1 and in April. I know you don't usually answer but since it's a more complex structure, if you include the Acegas integration, can you tell us where the EBITDA will be at the end of the year?

And also, some information of the debt level, can you help us understand what the trend can be throughout the year?

And I have a further question on the capital increase, the reserve capital increase for FSI. Can you give us some timing on when you will be closing the deal as far as the capital increase is concerned?

Stefano Venier, General manager Markets & Development

Let's begin with your question on the waste sector. Currently, I think we are looking at a consolidation process, number of companies operating on the national level – the detriment of some smaller players and also based on some areas, some regions that no longer have ways of disposing of their waste and therefore they have to offer their waste to the market. I'm referring to the special waste, which originally was urban waste. And I'm not referring to Campania exclusively, but also to a number of other regions which have to face some very complex situations such as Abruzzo, Lazio and others.

As far as price trends are concerned, they are declining slightly. This was a trend we were seeing last year as well. This is a sector which is pretty much being restructured. The demand seems to be stagnant or growing slightly. Therefore, the major players have to do something as far as price is concerned to consolidate their market share. These are changes on price that we already saw last year with 5% to 10% decreases on price depending on the types of waste, could be dry or humid, but this is the price range decrease.

As far as the contribution of Energonut is concerned, in Q1 we're at €5 million. This is the net contribution that Energonut had on the overall results.

Moving on to your question on the networks, I didn't really understand what you were asking.

Stefano Gamberini, Equita SIM analyst

The contribution of gas distribution and electricity distribution?

Stefano Venier, General manager Markets & Development

So, you're asking the splitting in gas between distribution and sales. As far as the result of the gas area, which is €134.5 million, the gas distribution share is equal to €52 million roughly. This repeating is equal to €9 million and gas sales trading is the remaining portion. As far as electricity is concerned of the overall €24.9 million we're referring to, electricity distribution is equal to €10 million roughly, if you add up Hera and Acegas obviously.

As far as [ph] CC (39:22), that's a little bit more complex. You know that we began reading the new legislation only just yesterday, although it had been discussed Thursday night. Compared to the previous draft that we had seen, there were some minor changes.

Now, significant changes that this regulation will come into effect as of August 1, which is an advantage compared to a solution that had been illustrated previously, which was that of having yet another quarter with percentages and then the new setup as of January 1 next year, because this would have complicated the gas procurement policies further.

In this case, as defined by the latest draft, we are linked to TTF. We will still have some minor risks because as you can see, we have quarterly prices. Therefore, we'll have to do the math to see what the minor risk quotas are. Gradualism has changed because there has been a major reduction in the first year vis-à-vis the range, which you may remember was equal to €0.015 to €0.025. We are at slightly below €0.005, but we will be recovering this cut in the upcoming two years. Therefore, I think this is a clear sign of having a – making a strong statement initially and then giving back later on.

Something was also added on, on the QVD part. Of the initial simulations that we saw and these are just the initial assessments we made over the past 24 hours without even having the time of talking to other players, overall, we are around the same figures, the same impact we had when we were commenting our year-end results. There seems to be a slightly heavier result for the 2013, 2014 thermal year equal to a few million euros which will then recover in the next two years.

Therefore, if we compare this to the situation that we as a company had in the 2012, 2013 thermal year, the cut is reasonably equal to €20 million to €25 million, but which again is something that we expected already in the business plan last year, meaning that it was something that we had already started to tackle, €25 million as the net result of a number of initiatives and evaluations that we are performing on how we can manage the situation as best as we can.

Therefore, this isn't something which revolutionizes the draft we had seen proposed a few months ago or two months ago rather. Therefore, it's just some minor fine-tuning.

Moving on to the capital increase for FSI, as you know, this is a capital increase that we very much needed following the completion of the – that we had to postpone after the AcegasAps operation. The operation was concluded with the delisting at the end of May – mid-May. Obviously, the months ahead would be an opportunity to sit around the table with FSI to negotiate the operation and take into account that we have to draft the information document that we'll have to send it to Consob, which itself requires 40 to 45 days to draft. For the time being, in our plan, we intend to look into this operation during the summer, the FSI operation.

Chorus Call operator

The next question is by Dario Michi of Banca Akros.

Dario Michi, Banca Akros analyst

Good afternoon. I have two questions. First of all, on the dividend, we saw that earnings per share grew – has been growing significantly every year over 4%. The dividend is at the 9% – it's stable at 9%. In the past, Chairman had said that the earnings were very generous. Now, given the excellent share performance, do you expect to increase the dividend? The second question is also on the capital increase for FSI. I don't seem to recall the price dynamics. The price used to be significantly lower compared to the current share price. My question is, the negotiations you will be having with them, will it also be possibly reviewing the price?

Tomaso Tommasi di Vignano, Chairman

As far as this issue is concerned, as Stefano was saying, we'll have to discuss things with FSI. For the time being, we have no elements. We are looking at the performance of the share price ourselves, taking into account that we'll be paying dividends. We haven't been discussing these topics for quite some time. Therefore, it's difficult to make some forecasts, especially concerning others. So, I think it would be fair to go into this topic once we go back to the negotiation with them.

Whereas, the other question was on the dividend. We still have to pay the dividend for this year. The dividend we'll be paying on June 6. Therefore, we haven't been reviewing the dividend. Were I to give you

an initial assessment, I think our commitment was significant. We wanted to offer a floor for the entire business plan. Meaning that for the time being, that's what I would commit to. And any different types of assessments would have to be made in the fall when we will be updating the business plan. For the time being, we're very satisfied to say that our EPS trend is very satisfactory, which means that we hadn't made any mistakes in our forecast when we were drafting the business plan, but that's as far as I would go.

Chorus Call operator

The next question is by Antonella Bianchessi, Citi.

Antonella Bianchessi, Citi analyst

Good afternoon. I'd like some specifics on what you expect for the yearend results for 2013. Can you give us some explanations whether reduction in interest rates that we've seen recently could this have an impact on the profitability of the networks? And what impact could the water sector reform have? Could it have an impact on revenues in general? And as far as cost of debt, is there any way of benefiting from the recent reduction in rates?

Luca Moroni, Administration, Finance And Control

As far as the regulation is concerned, obviously, the decrease in interest rates, obviously, reflects on the remuneration rates. As you know, we are on the threshold of the new regulatory period concerning gas distribution. This is what we'll be looking at in terms of making 10-year projections for rates. The regulator tends to avoid focusing on the previous days' rates, given the high volatility we've had both recently and in the past.

I'm sure you all remember the recent issues ... the definition of remuneration for the further year in which the 13-month old rates were taken into account to have a sort of a smoothing effect. I think just for fairness sake, I think that these considerations will have to be made. The mechanism is very transparent. It's very well-known.

Therefore, a lower forward curve on 10-year rates means also having an impact of the remuneration of regulated activities, which also means lower costs for the debt and I'll leave the floor to Luca for further insight on that. I didn't really hear the second question.

Antonella Bianchessi, Citi analyst

Can you give us some insight on year-end besides the Acegas contribution? I believe you expect to have a higher growth compared to the usual 6% growth trends you've had. Can you give us some projections also taking into account that we will have the impact of the gas reform in Q4?

Stefano Venier, General manager Markets & Development

Well, I think that in making assessments we can't ignore the fact that in this quarter we maximized the benefits on our gas activities, whereas the effect of the reform will only be seen in the year's last quarter. This is an element that we have to keep in mind, for the most part, for the time being, the signals are fairly good. As far as our growth rates are concerned, in Hera, we've always had a €30 million to €35 million growth every year, and we are working in that direction, not taking into account the variation we'll have at the gas market. Then we have to take into account the variation brought home by Acegas. That's something that we're working on. As I said, we expect to extract €6 million in synergies this year and we are confident that we will. And this will be something that will decrease the impact that we'll be having in gas. And I'll turn the floor to Luca for some insight on interest rates.

Luca Moroni, Administration, Finance And Control

As I was saying during my previous presentation, some positive effects on the average cost of debt was already seen in Q1, because as far as Hera is concerned, as far as the Hera perimeter is concerned, we had a reduction vis-à-vis the previous year from 5% down to 4.5%. In overall terms, we're at 5.1% approximately. The effect of the rate decrease is exactly the reason why we benefited from this trend. Obviously, we should never forget that the company's – the Hera Group's policy is to have a debt structure which we have a medium- to long-term debt which is equal to 67% of our debt. Therefore, we have a

benefit on the complementary portion, but not on the entire debt level. I think that this trend could be reflected on the upcoming quarters as well. But we have to take into account that we'll also have to look into refinancing the Acegas debt, which is more short term, if we are to stick to our group's policies. Therefore, these two variables will have to go hand in hand, although I think that this is a trend that can certainly be taken into account for the upcoming quarters as well. Therefore, we can try to imagine scenario in which this €1 million we have in terms of savings maybe won't be multiplied by four, but at least we can freeze it and see whether or not we can double it within the end of the year. So, I think we can look at a couple of million vis-à-vis linear projection.

Chorus Call operator

The next question is from the English conference, Rodolphe Ranouil, Royal Bank of Scotland.

Rodolphe Ranouil, Royal Bank of Scotland analyst

Yes. Good afternoon. Just a quick question for you to dwell on the – on exactly the subject that we were broaching about. I was wondering if the group is planning to issue new debt in the coming months or quarters, particularly looking at the recent performance of your long-dated bonds, which were issued in October around 5.2% yield and are now yielding below 4%? Hello?

Luca Moroni, Administration, Finance And Control

As I was saying in the – our program is to refinance the short-term debt portion of the group's – of AcegasAps net financial position, plus the portion which will be expiring pertaining to the Hera debt. For example, the convertible bond, unless it reaches a level that can be converted also given the shares performance over the past few weeks.

Chorus Call operator

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

Tomaso Tommasi di Vignano, Chairman

Thank you very much. We hope we were clear as to our recent results and I think that if you take into account all of the problems, including the regulatory problems we had to face in recent times, I'm sure you'll agree with us that hopefully the remaining part of the year will be as satisfactory and as consistent as the things we've been able to achieve so far. Thank you. Talk to you soon.