



Results as at 31st December 2012

Bologna, 22nd March 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

Welcome to Hera Group's 2012 financial 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.

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

Mr. Tommasi di Vignano - Chairman

Good evening. I apologize for my voice, but I have a very bad cold. I hope I won't bore you with the problems I have in speech. I'll try to be as brief as possible and leave the floor to my colleagues, Mr. Venier, Mr. Moroni and Mr. Hansen.

We closed the year 2012 this morning in a Board meeting with the 11th year of positive growth. Despite the crisis, our growth did not stop in 2012 either. I'm sure you've already read our press release: our financial statements and the overall performance of the company continue to show how well our group is doing, without any interruption, without any obstacles, vis-à-vis its typical growth track record. I'm saying this, because not only can these elements be gathered explicitly from our financial statements, but also because there are some interpretations that can further highlight what our performance has been.

It certainly was a complex year. As usual, we were able to take advantage of some very positive performances in specific sectors: I'm specifically referring to the gas business and in general terms of the energy business, which posted a 21 million-euro growth in terms of EBITDA. This good performance was also accompanied by an equally positive result in the water sector.

These were the two driving sectors in terms of the results obtained, but I would also like to underline the fact that the waste business, despite a difficult start in 2012, was able to progressively improve its performance throughout the year, with a very positive fourth quarter.

We are very proud of underlining this, because this is what we intend to base our forecast for the initial months of 2013 on. Year-on-year, compared to 2011, we posted negative figures, but we also need to specifically take into account the effects of the expiry of the Cip6 in Bologna, which was implemented as of January 1st, 2012. It had an impact which was much higher than the result that we're looking at in comparison with the previous year. Had we not have the expiry of the Cip6, even the waste business would have posted a positive result for 2012.

This was a signal that many of you were expecting, since many of you often ask us if the difficulties on the market over the past 3 years would still continue to last or if there has been some sign of recovery. I'm sure that is what Mr. Venier will be telling you in going into the details of the waste business: he can surely give you some ways to interpret the scenario which proves how positive the company's responses have been in 2012.

The financial situation also confirms our figures and the forecasts we had made in the business plan, but I just have to specify that there were two very specific factors that need to be taken into account, which mark a difference between the results we were able to post. We reached to remove these two very specific elements, something that the rating agencies also did, so these are not simply adjustments that we took care of, but these are two factors that I believe are highly relevant and which are very time-specific. The first issue refers to the acquisition of a very important plant in the waste business: this was an asset that entered into the company's structure only in the last quarter of the year, and this operation had an impact on the net financial position as though they had been working for us for the entire year: therefore, this is obviously an element which needs to be taken into account. The second issue, which also has an impact on working capital, is something even more important: the need we had in 2012 of managing all of the regulations and indications coming either from the regulator or from the government concerning the commercial activities in the areas affected by the earthquake. This obviously had an impact in terms of the delay and the dilution of payments, which accounts for some 40-50 million euros, which we have begun to recover but which will go a long time before being decided on either by the regulator or by the government, as I was saying. But these are the only two elements which actually bring about a change. Some of these two elements justify the +100 million euros in terms of net financial profit, which you can see at year-end at December 31st.

Having said that, not only do we have some positive news in terms of the figures, but also in political terms. We continue to expand our customer base according to the targets we had. Even though the level of competition has grown both on the market and the energy business, we have added a further 62,000 customers, a sizeable amount indeed. We also made significant efforts in terms of saving our costs and increasing efficiency in our structures. This is something that we've always looked into, but which we looked into specifically in 2012, which allowed us to bring home a significant review of our organizational structure, the effects of which will be visible in the coming years, besides being visible in 2012.

This refers to the regulative part of the business and our territorial structures, and along with that I'd also like to mention a further way of interpreting how we've been saving our costs and increasing efficiency. Even this year, productivity per employee has been very positive, as in previous years. Therefore, EBITDA per employee was above 100,000 euros, which was a target we had for 2012.

Having said all that, I'd like to move on to page 2 of the presentation, which illustrates our financial statements and the comparison between 2011 and 2012. I would simply like to highlight that in terms of revenues we had a significant growth, also brought about by a trading activity which has an impact on how our revenues are determined.

As far as EBIDTA is concerned, on the following page we'll be seeing how we can interpret our results. As you can already see on this page, we are very much in line with the forecast we had in the business plan for 2012, if not certainly above our forecast. We were expecting 660 million whereas now we have 662 million.

As far as the EBIT is concerned, we are in line with the previous year, stemming from the need we had at the end of the year of making two specific accruals to provisions: one refers to litigation with INPS, the Italian social security system, relating to non-payment of social security contributions; this was a litigation that lasted for several years, but now we have finally defined the terms for 2013, and therefore we have accounted equal accruals for 2012.

The second component of these accruals refers to the decisions of the regulator concerning the amounts that have to be refunded or reimbursed following the outcome of the referendum for the 6 months between the referendum on water and the moment in which the transitional period for the new regulatory framework that the regulators drafted starts. These two elements brought about a specific accrual of provisions which had an impact on the EBIT figures.

As far as profit is concerned, we have had a positive growth, also taking into account that the growth also benefited from the amendments made to the IRES tax, a tax that had been paid in previous years, and this has an impact on tax rate and on the overall results. But even without the effects of these amendments, we would have had an increase in profits anyways.

Before I conclude my introduction, allow me to make a couple more remarks concerning page 3: there you can see the two typical graphs we always illustrate, one of which shows the EBITDA-growth drivers, and please take two specific elements into account, the first of which is the amount of synergies and organic growth which account for 24.2 million euros, a figure which is slightly above the forecast made in our business plan, which is approximately some 24 million euros per year based on our track record. Therefore, even from this point of view, our ability to keep our results in line year after year is confirmed once again. And if we add up all the factors that account for organic growth, tariffs, customers and synergies, we also need to mention that there are a further 11 million euros concerning M&A operations. These obvious factors have limited entities, but the sum of all these factors account for a grand total of 11 million euros. On the same graph, on the left-hand side, you can see the representation of the effects of the expiry of the Cip6. The expiry of the Cip6 of the Bologna energy plants is something we've been stressing throughout the year. As of January 1st, this subsidy expired. It was a subsidy we had in previous years, and if we add it up to the results in our financial statements, you'll notice that this is yet another amount that has always been present in our history. As you can see, the 35 million euros in growth were once again achieved: therefore, if we add up this figure with the remaining items that brought about last year's growth, these are the figures that we work on, on a daily basis, these are our fundamentals, and knowing that for 11 years now we've been growing 35-40 million euros every year confirms that we are still convinced of being able to reach our ambitious targets of our business plan even in the years ahead.

One final remark, if you look at the bottom graph, refers to the topic I was mentioning a few minutes ago: we had varying performances, obviously positive ones in the various business areas; as far as energy is concerned, we had a 13 million-euro growth; in the networks, our growth was equal to 60 million euros; in the waste business, we had a decrease equal to 10 million euros compared to the previous year, but 18 million euros out of these 10 million euros refer to the expiry of the Cip6 incentives that I mentioned a few minutes ago. Therefore, as you can see, our operational efforts and the results obtained by each of these areas was positive in all three cases, and it was absolutely consistent with our track record.

And now I'd like to give the floor to Mr. Moroni, who illustrates the cash-flow performance before M&A and before payment of dividends.

Mr. Moroni - Administration, Finance And Control Director

Good afternoon. As far as cash flows are concerned, as we've already said, the major changes vis-à-vis the company's forecast in its budget and in its business plan stem from two extraordinary events: one refers to acquisitions, and one refers to the group's working capital. In fact, we had expected a growth in our working capital, but due to the effects of the overall scenario, our forecast was also accompanied by a further 50-60 million euros, for the most part stemming from credits from those customers residing in the municipalities affected by the earthquake (the earthquake which happened last May). The regulators

intervened on this matter, allowing a 24-month delay for these credits. We are going along with this postponement and we have been receiving these monthly instalments. We've also had a delay in the payment of certain green certificates, which were finally received last February, accounting for some 10 million euros.

As far as M&A is concerned, as we have already mentioned, the cash-out linked to the acquisition of the Energonut plant is equal to 52 million euros. Therefore, the 52 million euros of M&A plus the 10 million euros referring to working capital, give us the grand total of the financial position that we'll be recovering throughout 2013 and the remaining years of the business plan, also because this had actually already been expected in the business plan, especially in terms of the acquisition of Energonut, meaning that we are very much in line with our business plan forecasts, with just a few minor delays.

As far as our debt situation is concerned, I'm pleased to underline that in January we issued a bond to refinance a part of our debt by refinancing our put bonds. The sum was 700 million euros, with a 5.2% interest rate and a 15-year duration. This is a duration that was something that Italian companies had not seen for quite some time, therefore again this testifies to the company's soundness and the credibility the company has on the market.

You can see the financial ratios listed on page 4: we have a debt-to-EBITDA ratio equal to 3.35 times, without taking into account the fact that an EBITDA re-statement needs to be done concerning the payments for Energonut. And by taking this re-statement into account, it would be 3.27 times. The debt-to-equity ratio is 1.17 times and the duration of debt is at around 8 years on average, meaning that we are in a fairly conservative debt position in the mid-to-long term, with again an 8-year average.

Having said that, I'd like to give the floor now to Mr. Venier for the business-by-business breakdown.

Mr. Venier - General manager Markets & Development

Good evening. Let's begin the business-by-business breakdown with the waste business, as usual. I won't be commenting the EBITDA result, you can see it on the slide. What I would like to focus on is the quarter-by-quarter dynamics for such activity. As we mentioned in the introduction, we find comfort in analysing the performance in the different quarters of 2012 both for urban waste and special waste, and specifically in special waste, where we had had the sharpest decline, Q4 in 2012 made a significant comeback vis-à-vis the previous year, posting a +20%, which means over 75 thousand tonnes.

A part of this is obviously linked to the acquisition of Energonut, that accounts for some 20-25, but the rest refers to the commercial activities which were implemented throughout 2012. As you may remember, our commercial activities had already shown some effects in Q3, and these were consolidated in Q4.

We also had some positive signals in the urban waste business in the last quarter of the year, also compared to a very negative Q4 in 2011. The treatment of special waste during the final weeks of the year allowed us to have a rate of some 9,000 tonnes per week vis-à-vis the 7,000 tonnes we had at the beginning of the year.

The result of the waste business also shows a good performance of the waste collection activities, which benefited from a 3.4% tariff increase, with some good results in terms of sorted collection, which is at approximately 52%: therefore, our percentages are significantly higher compared to the national average, and they are especially relevant when compared to the amount of inhabitants we cover, which are above 2.5 million, meaning that we are the largest company vis-à-vis the territorial presence.

The remaining part of the waste obviously goes to our waste-to-energy plants, which have been churning on regularly and have been working at full capacity throughout the year. This has allowed us to further increase the amount of renewable energy that was generated, which is now at approximately 700 GW/h. Obviously vis-à-vis a complex situation in terms of volumes, we are also active in terms of cutting costs, and throughout the year we were able to reduce costs by 1.5%, with an estimated saving of 3 million euros. It is

a small part of a larger plan, according to which we will be reducing our costs by 10 million euros, as we have already commented in the business plan presentation.

On page 6, the water business is the second component of our portfolio: the water business showed a stable consumption level in 2012 vis-à-vis 2011, although it posted further growth and profitability brought about by the progressive recovery of profitability in this business, which is clearly shown in the lower left-hand graph. As you can see, there was a gradual and constant growth. This was also accompanied by an improvement of the quality of service, by some actions in savings on costs, and also by a gradual tariff increase. Last year we had an increase equal to some approximately 6.7%. In 2012 we also benefited from some of the major investments we made in previous years.

I think it is also worthy to note that, as far as investments in the water business are concerned—the Hera business that requires the most investment—in 2012 we invested 93 million euros approximately, which is a significantly lower figure compared to the 110 million euros we had in the previous years.

A few words on the new tariff system. As you know, it was launched, and we are waiting for the final approval of the tariffs. This tariff scheme will allow us, if the indications we had in compiling the forms will be confirmed, to have a RAB equal to 1.2 billion euros, which is fairly lower compared to what we had posted in previous years in our interaction with the regulators. This is due to a number of reasons, but most importantly, the new tariff scheme recognizes a component of working capital that previous schemes did not recognize. And we also have an adequate coverage on certain cost items, which in the past also brought about a reduction in business profitability. I'm referring specifically to the consumption of electricity, during the 3 years it suffered from cost effects which were very high, due to the effects of the expiry of incentives on renewable energy, which had an impact on this tariff. We're waiting for the final approval of this new system: we expect it to be approved by the end of April, so that we can then look at the next 4 years with reasonable optimism.

Moving on to the gas business, it was an important year for us. This isn't anything new, this was something that had already been highlighted in the previous three quarters. We confirmed the trends and the expectations we had in this area. As you can see here, we're referring both to sales and the distribution of gas. Out of the 240 million-euro EBITDA we posted in 2012, which shows an improvement equal to 32 million euros compared to the previous year, 110 million euros refer to commercial activities, including trading, a further 111 million euros refer to gas distribution, which improved by 5 million euros compared to the previous year, and 19 million euros refer to the district heating activity, which are due to the thermal season, which was very cold in 2012, especially in the first months of the year. It was able to post a 2 million-euro increase.

In terms of volumes, as you can see, the volumes sold grew by approximately 5%. This is mainly due to the fact that our trading activities increased somewhat. The trading activity managed 1.4 billion cubic metres: a major portion of this went to the wholesale market, 300 million cubic metres went to the thermo-electric market, and then there was a portion which was provided to the commercial companies. Our customers are at over 1.1 million: now this is a figure which deserves to be appreciated, if we consider that we have a customer base which is very highly concentrated in our territories. In certain areas our market share is 90%, meaning that we are exposed to competition, which, as we mentioned earlier, is becoming harsher and harsher in the segment. Therefore the fact that we were able to consolidate our customer base means that our activities in territories other than ours brought in a number of customers that were at least equal to the ones that were affected by the turn rate in our territories—we are referring to around 30,000 customers. These are the main elements of the gas business.

Moving on to electricity, the business which has always been the smallest contributor to our performances, it continues to be our smallest business, even though we were able to grow very quickly, as you can see from the graph. Last year we had a result equal to 62 million euros: therefore, we had a contraction equal to about 10 million euros compared to 2011, but this is mainly due to a change in fair values.

I'd like to mention once again that the commercial campaign, especially on larger customers, develops at the end of the year, with contracts that begin as of January 1st of the following year, whereas the books are closed in the months of November-December. This obviously impacts the position of fair values to December 31st, and as far as this is concerned, 2012 was negative to the tune of 10 million euros.

Now, this does not mean that we have lost this amount of money. It simply means we'll be recovering this amount during 2013.

As far as splitting, which is a typical question, the 62 million euros have a 27 million-euro contribution coming in from the distribution activity, which has slightly improved compared to the previous year, and 35 million euros from the sales and trading activities, as well as a small component coming in from generation. Even though it was a small portion, we also suffered from it too. These were the essential elements.

For those of you who did not have the chance to read the AcegasAps's press release, I'll simply give a few figures on the company's results, which were approved by the BoD a few days ago. 2012 was a very positive year: EBITDA grew by some 10 million euros, and the net result improved by 8 million euros. Part of this improvement in the net result, as far as AcegasAps is concerned, refers to the recovery of IRAP tax, that accounts for some 5-6 million euros; the rest stems from the results of the companies' management. They were able to post some significant results thanks to their excellent management, and those were distributed throughout the business areas in a very homogeneous way: out of the 10 million-euro EBITDA increase, 4.5 million euros come from gas activities, 2.5 million euros from electricity, and a further 2.5 million euros from the water business.

So as you can see, they had an improvement in profitability, which was evenly distributed throughout their businesses. Another important aspect is the result of net debt, which was contained at 464 million euros, together with the EBITDA level, that further improves the net debt-to-EBITDA ratio, from the 3.8 times in the previous year to slightly below 3.6 times, which is a good contribution vis-à-vis the further reduction of the net debt-to-EBITDA ratio that we had expected in the business plan.

As far as the process is concerned, we are currently continuing with the sell-out activity, so that we can delist the company. In the initial ten days of offer, we raked in a further amount of shares, and we are currently above 93% of AcegasAps's shares. This period will expire on March 27th, when we will be going into the final stages towards the total delisting of the company and achieving full control of the company, which will then be introduction to the next steps in terms of renewing their BoD, as we mentioned a number of times.

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

Mr. Tommasi di Vignano - Chairman

Among the components that we will continue to look at in working on our business plan, specific importance was given to the M&A operations in Trieste and Padua and the acquisition of Energonut. This allows us to note, as Mr. Venier was saying when he was commenting the AcegasAps's results, that they were close to the 800 million-euro EBITDA, if we add our results to the ones posted by AcegasAps, which means that even in terms of the business plan that you're familiar with, we are moving along consistently both in terms of our actions and in terms of the figures obtained. Our synergies and organic growth average for each year was reached in 2012 as well; we also made a significant effort on waste, also from the commercial standpoint, and that, too, is starting to show some significant results.

We have continued to increase the amount of our electricity customers, which is also part of a long-lasting policy now, and we were also able to reduce our investment levels, as we had already done in 2011. Finally, we have confirmed, as we were authorized to do by the BoD, to our shareholders that our dividend per share is equal to the one we had last year, and that was also something included in the business plan.

Now, all of these elements should reassure those who are looking at our company and the value of our shares, concerning the path we have ahead and concerning the attention with which we manage and

comply with the commitments we have made to the market and to you. And now we are at your disposal for any 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 Antonella Bianchessi, Citi.

Ms. Bianchessi, Citi

Good afternoon, an initial question on the regulatory impact on your figures, in terms of the reform of the water sector. Can you illustrate some effects it will have on revenues, and on provisions? It seems to me that the regulators would further extend the life of assets significantly.

The second question concerns the impact on the gas supply: what types of figures do you expect? Even though perhaps it is a little bit premature, can you help us understand what the possible impact may be?

And then can we look at any future acquisitions? The consolidation process in the gas sector seems to be slowing down: is this true for you, too, or has there been any progress? Are you working on concluding some of the actions you started a few years ago, for example the company in Modena, etc.? And finally, as for the significant growth on waste volumes, can you give us an idea of whether or not there is a real recovery on the market, or if your growth was simply due to your commercial efforts, conquering new customers? Can you explain these phenomena?

Mr. Venier - General manager Markets & Development

This is Mr. Venier speaking. Beginning with the regulatory issues: As far as water is concerned, as I was already mentioning, the framework we are currently seeing for the transitional years 2012 and 2013 is pretty comforting. The figures that have emerged are very close to what our forecasts were with some ex-ante assimilations. When we drafted the business plan and we illustrated the business plan in early October, we already had a few elements to work on: therefore, for the time being I think it's safe to say that what we had expected in the business plan in terms of dynamics is confirmed by the figures that emerged for 2012 and 2013 in terms of revenues and EBITDA. Obviously there may be some slight improvement, but we are referring to some minor figures, 1 or 2 million euros.

Moreover, if we look at the projections we made on the water cycle in the business plan, you'll see that the growth dynamics were pretty important. As far as our accruals policy is concerned, we still have not made some major assimilations, so I think we can obtain some benefits, but I think we should make a more detailed analysis on the invested capital, a stratified analysis, and I'm referring to each individual accrual. Perhaps we have a pretty fine-tuned sentiment, but I have to say that our projections as far as the business plan is concerned are very close to the impacts that are emerging. As you were saying, not everything is still perfectly clear and there is still some sizeable amount of money still at stake. If we look at graduality, we're looking at 1 euro cent, and when comparing such result, which shows 1 billion cubic meters at 1 euro cent equals 10 million euros, that gives you a flavour of things, plus a couple other items which account for a further 10 million euros.

Then there is good news: the review of the sales component, which hypothesises an increase of this component, equal to approximately 13-15 euros per PDR, that should give a significant contribution in rebalancing raw materials and sales that the regulator has identified.

We have already made a few simulations in the top range and in the low range and the figures you can see in the business plan have been confirmed.

Here we're looking at an interval of maximum 5 million euros, therefore we think the projections we made in the business plan from this point of view should be confirmed. In terms of volumes on the waste market, for the time being, I think these results were more due to our commercial activities and to our position on the market in terms of the solutions we can offer in terms of waste disposal that other competitors cannot

offer, rather than a recovery of the market as a whole. It would be very difficult to image a scenario in which industrial production and energy consumption continue to decline. So, just to answer your question, as far as the Q4 results are concerned, these are more due to our market position, rather than a recovery of the general demand.

You also asked a question on M&A and the gas distribution business. Well, actually the speed with which work has been done for the tenders for the municipalities to organize the initial part of the tenders is progressing fairly slowly, but we don't perceive a lack of attention to the issue. The point is, they've been working on these issues they are not accustomed to, so they need to turn to technical and legal consultants, and they need to create a machine that municipalities were not previously equipped with. Therefore, if you are asking us if we're moving towards tenders in the territory, the answer is yes; if you want to know if the timeline is in line with the calendar that the authorities have drafted, the answer would be no. Therefore, I am sure there would be a delay vis-à-vis the agenda, the calendar that had been published, as far as gas tenders are concerned. Obviously, everybody, including the anti-trust authority, needs to understand the benefits that this consolidation process would give to the sector, there would have to be the consolidation of certain players, because obviously if the goal of this entire operation was that of reducing the number of players in Italy, which no other country has.

Then moving on to your other questions on M&A. The first question, I remember, refers to the Aimag company: as you know, we have a 25% stake in that company, and we had started negotiations concerning the acquisition of a controlling stake in the company, then as you know the earthquake struck that area. The epicentre of the earthquake was in the area Aimag operates in, therefore we felt it wise to postpone the negotiation. Fifteen days ago we had contacts with them, and therefore, since we have postponed the acquisition of the company from 2013 to 2014 in our business plan, our hope is that we can continue negotiations this year so that we can conclude them, if possible, and therefore bring this home for the 2014 results. So again, as far as Aimag is concerned, the operation is still very credible, both in terms of the timing and in terms of the contacts that have been started again.

As far as Acegas is concerned, Mr. Venier said it all, we are very pleased with the operation, the work is progressing very well also in terms of reorganizing that company, the company has potential both in terms of the synergies we can extract together with them and also in terms of improving their results. These are both elements that we took into account in our business plan and these elements have been confirmed in terms of how available their management will be. As of May, that company will be managed by a BoD in which we have a majority.

As far as Acegas is concerned, I think that says it all, we are also very pleased with the acquisition of a waste-to-energy plant in the Molise region that was also an excellent operation, and the value we paid is proving to be more than appropriate vis-à-vis the initial months of operations. That asset will be integrated in Hera Ambiente—this will be happening mid-year. It was an independent company and has no reason to continue being an independent company.

Having said that, I think that the conclusion on the issue of M&A is that looking forward, all the things that we included in the business plan, the gas tenders, Aimag and Acegas plus Energonut, these are all fully valid operations, and I'm underlining this to your benefit because whenever we include them in the business plan, there is always a very high possibility of bringing them home. We're not going to include these operations simply to fill a few more pages or to increase our figures. There are also some things that are not included in the business plan, which account for any operation that the market may offer, and I'm referring to the possibilities there may be in looking at small- to medium-sized multi-utilities. There may be again further opportunities with the approach we've always had in terms of broadening our territory, in other words they need to be close to where we are already positioned. As you know, there are quite a few such opportunities in the North-Eastern part of the country, and there may be other opportunities close to our other boundaries.

We have no pressure whatsoever in terms of rushing into possible opportunities: we'll simply continue looking at the best and most interesting opportunities that are close to us, because these are all very

challenging operations which can bring about further growth, further synergies, meaning that it can continue to be a part of the recipe we've always had when it comes to improving our results. Thank you.

Chorus Call operator

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

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

Mr. Gamberini, Equita Sim

Good afternoon, I have a few questions for you: first of all, as far as one-offs are concerned, you're referring to 18 million euros one-off operations for the IRAP reimbursement. I was wondering if there are any one-off operations above the EBITDA, besides the 10 million euros of fair values. I believe you're referring to 13.4 million euros referring to past-year items.

Again, then, can you give us your RAB in gas and in water? And also a question on water: why did the RAB increase by 200 million euros, whereas your tariffs did not move? In other terms, you're confirming your business plan figures, I was wondering why you did not include this hike in your business plan. Another question, on the impact of the retail tariffs: is that equal to 14 million euros? Because in the business plan there was no such regulatory amendment, whereas now you're saying that with this amendment nothing really changes, so can you help us understand if those 14 million euros all refer to the amendment made by the regulators? Another question concerns the capital increase of 80 million shares. Can you help us understand what the dynamics will be from this point of view? I believe the Board already received authorization for this, and you can launch the capital increase wherever you want to. Can we expect this in the second half of the year, or more in the short term? On net debt-working capital, on slide 4, you were mentioning lower debt, worsening working capital: can you explain this component even more? Can you explain how this component had an impact on working capital? And can you give us an idea on what we can expect as far as debt and working capital at the end of 2013? Thank you.

Mr. Moroni - Administration, Finance And Control Director

This is Moroni speaking. I can answer your questions concerning one-off operations and on debt and working capital. As far as one-offs are concerned, these are non-recurring elements that had an impact on accrual provisions, they're below the EBITDA line, so it's an amount equal to some 13 million euros, which are divided into two main items: the first is a transaction with INPS, the national social security system, concerning redundancy payments. This was a litigation that had lasted for a few years, which was very detailed in the business plan in terms of its riskiness, and then in January we found an agreement with the national social security to suspend all the on-going litigations. The second item refers to an estimate we made of the possible impact of the reimbursement of remuneration on invested capital in the water business, due to a sentence by the council state which will then have to be accompanied by some calculations made by the regulator for the possible reimbursement of this component for the second half of 2011. I'd like to remind all of you that Hera used to adopt a regional tariff scheme that already envisaged a remuneration of capital which was very much in line with the new indications of the rules for the new tariff, also for the remuneration linked to indebtedness, even though this remuneration has been supplied to invested capital, it remunerates all possible sources of funding but it was defined as a share linked to IRES tax over 15 years plus the spread, therefore as such it was very much in line with the rules which are currently being decided by the regulator. I'm saying this because we're convinced of the fact that in our situation we should be the exception to the rule, so to speak. In other words, we may not even have to reimburse anything. But just to play it safe, just to be conservative, we made an estimate of a figure which we may have to reimburse: so again, the two non-recurring elements, the two one-off elements account for a little over 13 million euros.

As far as our debt is concerned and the dynamics of working capital are concerned, on page 4 there is a table which explains the trends in working capital. As I was mentioning, in our cash flows, we had an estimated portion which would have an effect and lessen debt on commercial volumes, also due to the volumes stemming from the lower investments made which had already been planned, which are again in

line with our forecast. Whereas as far as credit is concerned, we had an effect which is defined by two elements: one, the most important, accounts for approximately 40 million euros, and it is linked to a credit of those customers living in the territories affected by the earthquake that we will be obtaining with a certain delay over a 24-month period.

The second item refers to some energy certificates that in our forecast we thought we would be obtaining by the end of December, whereas we actually obtained them in the month of February.

Therefore, as far as debt is concerned, if we take into account that out of the 84 million-euro M&A, we also have the 52 million euros of Energonut, which had already been incorporated in the business plan. Therefore, if we look at 2013, the year in which the cash-out for Energonut had been incorporated, and we then realign these figures with our forecast, the only difference in which we'll be recovering the amounts of money beginning in May 2012 onwards—the 24-month period we are referring to refers to those credits stemming from the territories affected by the earthquake.

Mr. Venier - General manager Markets & Development

This is Venier speaking. Just a few more answers to your questions. Concerning the one-off items under the EBITDA, Luca already answered. Above the EBITDA, the only thing we have is the one which refers to the 11 million-euro growth in M&A. In these 11 million euros, we have the contribution coming in from the Energonut acquisition and the PV plants, then we have another amount stemming from a real-estate sale. Obviously these are one-off operations, since it was a specific sale, but in general terms we are working on rationalizing our real-estate portfolio: this is something we've been working on for the past 6-7 years, and every year we actually entered in an operation which brought us 1, 2 or 3 million euros. It's a matter of looking into assets we acquired over time, therefore from that point of view, this is something which should be above EBITDA, but it has been somewhat repetitive over time.

As far as the water tariffs are concerned, yes it is true that the RAB increased vis-à-vis what we had historically, based on the books with our ATOs, which is equal to 1 billion euros approximately, whereas now it is more around 1.2 billion euros, but I believe 70-80 million euros refers to the recognition of the working capital within it. Obviously tariffs do reflect the RAB variation, but the fact that it did include the working capital was something that was clear already from last year and when we made the simulation for the business plan it was something that we did take into account. All in all, we expected a 1.15 billion euros, whereas the figures we now have are more at around 1.2 billion euros, but there aren't truly visible effects.

What I do want to underline is that when we were looking at the business plan, we made a projection for the development of profitability of the water business, which went from 150 million euros in 2011 to 237 million euros. If we take away the effects of consolidation for Acegas and Aimag, which account for some 55 million euros, this means that the profitability dynamics for water that we expect throughout the business plan to 2016 is from 150 million euros in 2011 to approximately 180 million euros at the end of the business plan, which accounts for a +30 million euros, 8 million of which we posted this year already, and the remaining portion we expect to reckon in the years ahead. This shows that the tariff dynamics are growing at about 3-4%. These were the figures we expected and, even based on the latest information we have, it's what we will continue expecting.

Some of this forecast is also based on the sterilization of the cost of electricity, which for the pass-through is pretty comforting.

Concerning the review of CCI, those 16 million euros: I won't question where you got that amount, but what I said was, when we made the forecast for the business plan, we considered a certain impact. What was the estimated impact? It was some 20 million euros, and that is something that we already included in the business plan. It's already partially included in the budget, and the numbers which are emerging with the reform of the CCI are around those figures, so these are things which have already been included in the business plan.

As far as the issue of the RAB of the water business is concerned, the share borne by third parties is a portion beyond 150 million euros. Everything else is owned by Hera, which is approximately 1 billion euros, which includes the net working capital component and not simply net assets. Since it is pretty much part of the family, the RAB share of Acegas is equal to 360 million euros, all of which is fully owned.

As far as gas is concerned, these are the usual figures which we mentioned on a number of occasions: we own approximately 700 million euros, a third party owns some 200 million euros, whereas Acegas owns some 200 million euros, fully owned.

Another question: FSI, the Italian Strategic Fund—the assembly has already given mandate to the BoD to work on the capital increase, that can only happen following the completion of the bid for the acquisition of Acegas's shares. This is a closer link to the fact that since it is an option-based capital increase, we need to have the final Hera capital, so that we can then come up with the options for those shares that will account for the capital increase.

We have to end that phase therefore, and if we'll be able to proceed to the squeeze-out, this final phase will be happening at the end of May. From then on, we will be looking at a path to actually go into the capital increase. From this point of view, therefore, the capital increase was also subject to two or three suspensive conditions, one of which was the AcegasAps operation, which we included as of January 1st; secondly, the fact that FSI could have access to a number of options that would allow it to have a share equal to at least 2.6%, which is another thing which happened. At this point, we only have to wait for the completion of the acquisition and share swap of Acegas's shares. After that, it will simply be a matter of drafting the documents required by Consob. As we usually do things fairly quickly, I think reasonably we'll be able to complete the operation before we go on holidays in August.

And as far as further comments are concerned, today's BoD meeting already placed on the agenda of the next assembly in April the statutory amendment with which FSI will be able to choose one member of the BoD, therefore we are very much on track with the commitments we had in mind. I think that answers all of your questions, thank you very much.

Chorus Call operator

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

For any questions you may have, please press star followed by 1 on your phones.

The next question is by Edoardo Montalbano, Centrobanca.

Mr. Montalbano, Centrobanca

Good afternoon, I have 4 questions. First of all, do you have a rough estimate of Energonut's contribution in 2013, given that it was acquired in November 2012? Second question is one you already may have answered: when will you be consolidating AcegasAps in Hera's financial statements? The third question is on the electricity business: I noticed that your results in Q4 were pretty weak, what was the impact of tolling electricity generation both in Q4 and on the entire year? And my fourth question is on the 15-year bond that you issued in the past months. What was the rationale in issuing the 15-year bond, an investment that lasts that long? Or perhaps, wouldn't it have been a better idea to issue a bond with a lower duration that would have allowed you to reduce the average cost of debt down to figures that are more in line with your competitors?

Mr. Venier - General manager Markets & Development

As far as Energonut is concerned, their contribution to 2013 will be at around 17 million euros. This is the value that we were able to come up based on the 2012 figures. As far as the consolidation of AcegasAps is concerned, this is coming into effect as of January 1st, 2013, therefore the Q1 report that will be illustrated at the end of April will already include AcegasAps.

As far as your third question on the electricity business is concerned, you'd like to know what impact the result of generation has on both the year and on Q4, is that correct? Yes, this figure had an impact on tolling, since the effects were negative. Well, the impact on tolling is very simple: specifically in the two plants in Teverola and Sparanise, where we have a stake, it's a trade-off. The plants work very little, as in the rest of the country, only 2,000 hours throughout the year, as far as I remember. And that produced an MSD, so we're referring to a negative net effect equal to a few million euros on a yearly basis. Therefore, as far as the quarter is concerned, it's a couple of million per quarter.

On the bond, I'll leave the floor to Luca.

Mr. Moroni - Administration, Finance And Control Director

As I was mentioning when I was referring to the bond, we seized an opportunity to refinance some of the debt we already had in the company. This was a structured debt, therefore we took the opportunity at an equal cost to substitute a structured debt with a plain vanilla debt, therefore removing any possible risk that a structured debt could have, such as for instance the review of credit spreads after an X amount of time, as foreseen in those products, plus the ancillary costs in terms of legal costs or the risk itself of the credit spread. We seized an opportunity, and with an equal cost we were able to change that type of a product. Obviously there is a trade-off on the duration of these types of tools: the more long-term they are, the more they are similar to equity, therefore they should be seen as long-term financing for investment projects that are long-term commitments, which are typical for our types of companies. Again, it was an equivalent operation: there was an opportunity to reduce the cost, taking into account that again we had a credit spread which is equal to the one we have with the BTP, therefore I feel that the operation was very successful also in terms of economic value. Thank you.

Mr. Montalbano, Centrobanca

A question on the AcegasAps's debt, which I believe is for the most part short-term debt. Can you give us some information on the possibility of refinancing that debt?

Mr. Moroni - Administration, Finance And Control Director

The Acegas debt level for the most part is in fact short-term debt. We are already planning a refinancing of that debt. We'll be looking at the best possible opportunity on the market, also taking into account the average cost of overall debt, of the total perimeter of both Hera and AcegasAps together. Therefore we'll be assessing whether or not we will be issuing another bond and with what maturity or what tenure, or perhaps we'll be looking into other opportunities such as EIB funds.

Chorus Call operator

For any questions you may have, please press star followed by 1 on your phones.

Mr. Tommasi di Vignano, for the time being there are no further questions.

Mr. Tommasi di Vignano - Chairman

Very well then, thank you very much. We'll soon be meeting again, after the consolidation for the Q1 results in about 1 month and a half. Thank you very much, see you soon.