



**ERG S.p.A.**  
**“Fourth Quarter 2013 Results”**  
**March 12, 2014**

**MODERATORS:**  
**LUCA BETTONTE, GROUP CEO**  
**PAOLO MERLI, GROUP CFO**

**Operator:**

Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the ERG Full Year 2013 Results Conference Call. After the presentation, there will be an opportunity to ask questions. At this time, I would like to turn the conference over to Mr. Luca Bettonte, CEO of ERG. Please go ahead, sir.

**Luca Bettonte:**

Good afternoon everybody and thanks for coming here to our usual conference call to comment our results for 2013. Along with me there is our Chief Financial Officer, Paolo Merli, who later will bring you through the figures in more details.

As usual, we start with a snapshot of our results that you have already seen in our press release: very good, strong and important results this year. Our EBITDA at replacement cost grew by 24% compared to the previous year. And let me remind that 2012 was a plus 51% versus 2011, so 2013 was another year of strong growth for the Group.

The main contributions came from Renewables (plus €108mn, thanks to the larger amount of megawatt installed), and from Power & Gas business unit (plus €30mn): good results thanks to the very good way the assets are managed and to the positive geographical location these assets are benefiting from. The only negative result is from Refining & Marketing: comparing 2013 with 2012, we posted a minus €26mn. But it is important to underline that inside this figure, retail posted better results versus last year, even though the scenario has not been any better. To the contrary we posted a very, very bad result in relation to the Coastal Refining, with a loss that is more than €50mn for our 20% at EBITDA level. However It is worth saying that we definitely closed the deal with LUKOIL on December 30, so next year we are going to benefit from not having exposure to such a business.

Comparing the fourth quarter, results have been a bit better, despite some decrease in the load factor. In fact wind in Italy blew lower than in the same quarter of the previous year; however, thanks to the contribution of the assets acquired from Gaz de France, we posted a slightly better result, which has some consequence also at a bottom line level. If we move right on the slide, you see that on quarterly basis our net income is just €3mn compared to the €10mn of the previous year. Of course, we had a higher depreciation and higher financial charges, and profitability at EBITDA level was pretty in line. Moving now towards the full year results, we posted a very, very high number: €38mn. That is the highest result of the last five years for the Group, and it is three times what we had last year, when in any case we had already achieved very important results.

Talking about our financial position, we landed at €1 billion in the end, growing from the €722mn of the net financial position we had last year. As usual, it is important to make a right comment on these figures, to deduct from the €1 billion the net outflow from the M&A transactions we did this year, in particular, the acquisition of the wind assets from Gaz de France and the sale of the refinery. If we deduct such amount (i.e. €441mn), the net debt at the year-end would be €574mn, with a de-leverage, compared to €722mn, of about €150mn after having paid the dividend in a range of €70mn and having invested €165mn in terms of CAPEX. So the Group is generating a strong cash flow, even though in a very difficult financial and economic scenario, and keeps on being on the move in

terms of business transformation and investment. So let me conclude this slide by saying that 2013 was another year of strong growth in terms of EBITDA, investments and de-leverage.

And before asking Paolo to go ahead with the presentation, let me just underline the main achievements for 2013, just to remind everybody that we are still on the move. In February we acquired the assets from IP Maestrone (it was about €850mn); in June we finalized the acquisition of Gebeleisis and Hrabrovo (respectively in Romania and Bulgaria), and we invested another €63mn. In October we finalized the acquisition of the O&M activities, so concluding by such an investment the construction of a fully equipped renewable company, and we invested another €10mn. And we finished the year in December with the completion of the two new wind farms in Italy and in Romania, by investing another €100mn.

We saw UniCredit enter the share capital of ERG Renew by investing €50mn. This is a very high quality transaction, which gave us the chance to have such an important partner among our shareholders. We fully exited from the ISAB Refinery by cashing some €450mn. And last, but not least, we finalized the agreement with Gaz de France and LUKOIL for the acquisition and then the sale of ISAB Energy, and in between by exiting the CIP6 convention. With reference to these transactions, let me just tell you that we are on time to meet the targets (in terms of timing) we described to you with our press release when we made such transactions. And now Paolo, please it is your time.

**Paolo Merli:**

Thanks, Luca and good afternoon everyone. I will start as usual with a brief overview of the scenario in which we operated during the quarter. I move clockwise, starting from Renewables. You see that the electricity price for our green energy was €154/MWh during the quarter (up 5.5% year-on-year) in a quite stable scenario for the electricity price. The rise was due to the increase in green certificates price, which moved up from €80 to €89/MWh. Looking outside Italy, in the countries where we are today operating, the price is ranging from €91 to €104/MWh: France €91, Bulgaria €92, Germany €95 (all these are feed-in type tariffs), while Romania was €104. I remind you that Romania entered the scope of consolidation since July 1<sup>st</sup> last year, after the acquisition of a wind park in that country. In Romania the price includes two green certificates in the economics, while from a cash standpoint I remind you that one of the two certificates will be available for sale as of 2018, according to the so-called banking mechanism, introduced by the Regulator in 2013.

As far as Power, the electricity price was at €65/MWh, broadly flat over the last four quarters, because the step-down in prices occurred in October 2012 after massive revisions of gas contracts from the main shippers. In Sicily, notwithstanding this quite harsh scenario in the country, the prices were at substantial premium (€91/MWh), though in line year-on-year. This is always because Sicily got its own supply and demand balance, still totally disconnected from Italy, from the Mainland. The CIP6 tariff was €119/MWh, slightly down compared to the €123/MWh last year. This decrease follows the introduction of the new mechanism rules, which link the avoided cost component of the tariff more and more to gas rather than to oil prices. According to the decree, the indexation to gas will be full in place in 2014, so we expect this tariff to go down quite considerably in 2014, compared to 2013.

Moving now to comment the scenario in the Refining & Marketing and starting from Marketing, you see here that the volumes kept going down quite importantly: minus 2.9% in the quarter, and minus 5%, if I look at the full year volumes in the retail network. These figures have to be seen considering that 2013 is the fifth year in a row that volumes are declining: so one fifth of the market vanished, over the last five years.

Margins in the Marketing through the retail channel have been a bit stable, looking at the full year: slightly higher than 2012, even though in the fourth quarter specifically margins went down quite considerably, as the competitive arena got a bit aggressive as the incumbent wanted to recover some market share.

Moving to Refining, the EMC margin was at its lowest on year, the lowest ever with minus \$3/bbl: more than in absolute terms, you should focus on the trend compared to the minus \$1/bbl last year. This usually is due on one side to the huge order supply around the world, and on the other side to the weak demand for fuel products, which is partly testified also by our volumes in the retail, which are going down, as I have just commented.

Let us move on next slide, moving onto the economics. The EBITDA for the full year was €569mn, plus 24% year-on-year. In this chart, you see in a snapshot the main contributors to this growth, which were Renewables in particular, with €108mn more compared to 2012, due to the consolidation of ERG Wind. An increase came also from the Power division, with €30mn more than 2012. Those positives were only partly eroded by the weaker results in the Refining & Marketing division.

But I am going now to comment in more details business-by-business, starting from Renewables, at slide no. 9. Here I focus on the fourth quarter: €59mn of EBITDA, plus 59% compared to 2012. Such a huge increase in the economics is the reflection of the huge increase in the volumes: 594GWh produced over the period, plus 70% on a year-on-year basis.

I think it is worth to say that the fourth quarter was quite poor in terms of wind conditions in the country. This is testified by the fact that the wind production in the country was down 16% on a year-on-year basis, despite the wider asset base of the country. So on a normalized basis, the drop was even bigger than 20%. Our lower load factor in the period (which was 19% against 26% last year) is due only to the wind condition in Italy, and not to any problem at the plants.

Let me just spend a few words on the full year results, because €245mn is all-time record result for ERG Renew, which is expected to grow even further going forward: it is an important growth on a year-on-year basis, but also in absolute terms it is a very big, a very significant number.

Let us move now to slide no. 10, commenting the Power results. Here again, just few words on the full year results: €358mn (plus 9% year-on-year), and again this amount was our all-time record result for this business unit.

Let us now comment on the fourth quarter: €83mn against €89mn (so minus 7%), mainly due to the lower CIP6 tariff (with regards to ISAB Energy), and also to 20-day stoppage or limitation at 150 megawatts for the plant imposed by Terna, which was performing some maintenance work at the National Grid.

The CCGT plant of the Power unit kept performing very, very well (€24mn), though more or less in line with last year, enjoying a very, very favorable local scenario, but also the increase in revenues deriving from the dispatching activity in which our CCGT plant is participating, on top of the captive market provided by the industrial players nearby the plant in Priolo.

Moving now to Refining & Marketing, and starting from Marketing, the CEO has already commented the positive results in this business, which are even more positive in light of the fact that the fundamentals of the market deteriorated even farther compared to 2012. This result in particular was the consequence of the efficiency actions taken in terms of cost reductions, which led to a significant cost cut compared to 2012. And this allowed TotalErg in particular to keep more or less the same economics compared to 2012.

In the fourth quarter, as I already commented in my first slide, the reason behind the €11mn of EBITDA compared to €14mn in 2012 was purely the consequence of a price war to gain market share from the main competitors. The market share of TotalErg in the fourth quarter was 11.5% compared to 12.1%, but on a full-year basis the market share of TotalErg was pretty in line with last year at 11.3%.

Last - and least in this case, considering the fact that on December 30, 2013 we sold the remaining 20% of ISAB Refinery – I will comment on Refining operations, which during the year posted a loss of €59mn, out of which €50mn came from our Coastal operations, which phase-out from our economics as of January 01, this year. We are looking at the fourth quarter: minus €13mn, which is more or less in line with the previous quarter, and mainly due to the scenario. I would like to make you note that the Inland Refining - which is included in the scope of TotalErg - closed the quarter more or less at breakeven, and over the year lost €9mn. This figure would have been much, much bigger if we had had in place Rome Refinery, in particular under this very tough scenario for low converted refinery.

Moving now to key financials, starting from the P&L, here as usual, I comment the pro forma P&L at replacement cost, which include all the JVs line-by-line and the full consolidation of ISAB Energy. I have already commented the EBITDA; then moving down, EBIT was €56mn against \$70mn, as a consequence of the rising depreciation following in particular the consolidation of ERG Wind, and - even though at a lower extent - the depreciation following the acquisitions in Romania and Bulgaria. Net financial expenses came at €23mn, almost double compared to the €13mn in the fourth quarter 2012; again, the increase is totally connected with the consolidation of ERG Wind, which accounted for roughly €10mn over the period. Pre-tax results are €33mn against €58mn, and then going down to bottom line (after minorities, which are mainly related to ISAB Energy) €3mn, against €10mn last year. But I think here it is more important to comment the full year results, which are more representative of the Group economic performance: €38mn, even more than three times the results posted in 2012.

To better understand the change in our dividend policy and our ordinary dividend announced today, I think it is also important to focus on the fact that, even though those are not audited figures, out of the €38mn the Coastal Refining accounted for about minus €50mn at bottom line.

Moving to the next slide, I comment the full year investments, which again are more representative of what the Group has done in the year. Investments came at €238mn, mostly in the Renewables where we invested €170mn, which is a mix of M&A in Bulgaria and Romania, and the organic completion of two wind farms: in Italy Palazzo San Gervasio (34 megawatts) and in Romania Topolog (84 megawatts, of which just a 50% quota is included in that figure). These numbers do not include the €860mn announced in terms of enterprise value related to the acquisition of ERG Wind. So in the wind segment the Group invested more or less €1 billion in 2013.

As far as Power is concerned, investments are mainly in maintenance and, in a minimum part, also in the re-processing of some ancillary plants such as the boiling system of the CCGT, which allowed higher margins linked to the captive market in Priolo site, as I commented earlier.

In the Refining & Marketing, investments are mainly related to maintenance and to the restructuring of our retail network, coherently with the targets we announced for 2015, with a push towards automation and towards company-owned service stations.

I will move now to the cash flow statements, and here as usual from left to right. On the left you have the adjusted net debt at the end of 2012 (€722mn) and then the cash flow from operation, net of the non-cash item related to the CIP6 reversal. So the €569mn minus €82mn which is the precise figure related to the reversal of the CIP6. Working capital is €46mn, CAPEX €165mn (which do not include the M&A, which are posted on the blue bars on the right), €88mn of financial charges, €63mn for taxes and €68mn for dividends, which include the minority stake to ISAB Energy.

Here I think it is important to note that the green bars, which represent the ordinary part of the business, tells of a Company that with its cash flow from operation fully covers the investments, the financial charges, the taxes and the dividends paid to shareholders, leaving still room to de-leverage the Group. Net debt increased as a consequence of all the M&As, some absorbing such as ERG Wind acquisition, the two M&As in Romania and Bulgaria, a disposal of a small wind farm in Italy, and the acquisition of the O&M operations, which (even though its economic value is not that important for us) is a very, very strategic transaction, as it allows the Group to integrate these activities, which could be extended also to the other assets of ERG Renew. Finally, €426mn is the net cash in from the full exit from ISAB refinery.

In the end, the net debt came at €1 billion with a leverage of 34%, which is quite a strong balance sheet in light of the changing portfolio of the Group, which today is very, very much squeezed towards Renewables and Power activities, with an implied volatility lower and lower compared to the past. Excluding the JVs, the reported net debt is €800mn. So now back to Luca for his final remarks.

**Luca Bettonte:**

Okay, thanks Paolo. Here we are to make some comments on what ERG is going to be in the future. But before moving to 2014, let me make with you a big comparison between our actual results this year versus what we said as guidance at the beginning of the year.

As you see in the slide no. 18, we posted an EBITDA of €569mn, by far higher than the €500mn that we shared with you at the beginning of the year. The main reasons have to be found in the higher load factor we had in Renewables, and also in the contribution - respectively from July and September - of the wind farms bought in Romania (Gebeleisis) and in Bulgaria (Hrabrovo). The full year 2013 load factor was very high, even though - as I said at the beginning of my speech - the fourth quarter of this year was the worst quarter in terms of wind production, in particular in Italy. And the second reason is that we posted very good results - better than expected - in Power, both for ISAB Energy and CCGT. The main reason here has to be found in a better than expected scenario, and also in the modulation and the dispatching market services provided for by the CCGT plant. The Retail business has been pretty in line with the budget, while we posted a very weak - worse than budgeted - performance in the Coastal Refining. Corporate costs were slightly better than expected: this allowed us to overcome the guidance we gave you at the beginning of the year.

And now I want to move forward, to see what is going to happen in 2014. But before doing that, we have to consider the transactions which are being carried on: I am referring to the sale of ISAB Energy to LUKOIL and - before that - the acquisition from Gaz de France and then the exit from the CIP6 convention. This means that we have to make an adjustment to the results that we posted last year: we have done this exercise by deducting from the €569mn EBITDA relating to 2013 the actual result posted by ISAB Energy in the second half of 2013, because we expected to close the deal starting from July 1, 2014. So, we deducted €132mn from the actual result of 2013 and landed at €437mn: that is the adjusted result on a like-for-like basis to be compared to what we expect to achieve in 2014. That is why we can tell you that we are still forecasting a growth for the Group in terms of EBITDA: our guidance for next year is in the range of €470mn EBITDA, and the main reasons for this growth have to be identified in the further growth in the renewable business, thanks to the higher installed capacity. In fact, as I told you at the beginning, we finalized the construction of two wind farms, one in Romania (Topolog), and another one in Italy (Palazzo San Gervasio). I am talking about some 70 megawatts more, and then we are also forecasting a higher load factor over the year because, as I told you, the fourth quarter of 2013 was an even more than extraordinary weak wind season. And again, we are expecting to bring home cost saving and synergies from the full exploiting of the O&M operations that we bought last year. And we want to exploit that at its best this year, by enlarging the services to all the wind farms we have in Italy.

The other reason why we are confident to tell you that we are going to grow also next year has to be found in the Refining & Marketing, where TotalErg is pursuing in an appropriate manner its business plan. They did a good result this year compared to the previous year, and they are on budget, on time in reshaping the network. And so, we

expect also from them a slight growth compared to this year. But here it is really important that we no longer have an exposure to the Coastal Refining, which this year weighted for some €56mn negative EBITDA, that we will no longer have next year.

And then for the Power & Gas business unit, the forecast for the first half of 2014 is going to be lower than the actual results ISAB Energy posted last year, because of a weaker scenario, in particular for the avoided cost of fuel price tariff. And we are not forecasting an extraordinary local positive scenario for our CCGT plant. In this case, for 2014 we are expecting results that are going to be lower than what we got in 2013. But all in all we are forecasting €470mn EBITDA by year-end, plus 7% to 8% compared to what we achieved in 2013 on a like-for-like basis. Just to joke: if you added to the €470mn the result ISAB Energy posted in the second half of last year, you would land at some €600mn. That is the final figure that we gave you for 2015, when we shared the business plan with you in December 2012.

Going forward from 2014 on - the figure is not shown in this chart, but let me just give you an indication - our EBITDA is going to be higher than €400mn, after deducting completely ISAB Energy from our business portfolio. This is for the EBITDA margin projections.

Talking about CAPEX, I will go back very quickly to what we did last year compared to the guidance at €237mn versus €175mn: again we accelerated our investments in the Renewables, by acquiring Gebeleisis, Hrabrovo and the O&M transaction, which is the main reason why.

Well, looking forward to what is going to happen in 2014, we are just telling you €90mn, mainly composed by the investment to be made by TotalErg to reshape the network. And we have here lower CAPEX in Renewables, just because we anticipated most of them in 2013, while CAPEX in the Power & Gas business unit are strictly under control, as we are selling ISAB Energy to LUKOIL.

And as for our net financial position, it is going to go down by €300mn, so ending at €800mn by considering the sale of ISAB Energy and the exit from the CIP6 convention. Here, we are also forecasting something more than €100mn in terms of cash flow from operation, and we have already included the non-recurring portion of the dividend proposed to the General Shareholder Meeting: then, the final net financial position is going to be €800mn.

Having said that, let me just remind you that in this year so far we have not shared with you our business plan, but we are working very hard on it. We think we posted very good results; the Group has finalized very important steps in its transformation, in its reshaping of the portfolio. And now, we are working on the new business plan also considering the high level of liquidity we have in our hands. And I think in any case, we should be in a position to share with you anything soon after we close the deal relating to ISAB Energy, that is going to affect our portfolio in a very important way. So let me tell you that we are going to show and share something with you in late fall this year.

I guess I have finished, and now we are ready to take your questions. Thanks a lot.

## Questions & Answers

**Operator:**

This is the Chorus Call conference operator. We will now begin the questions and answers session. The first question is from Luca Orsini of One Investments. Please go ahead.

**Luca Orsini:**

Good afternoon. Just a couple of questions, all on the guidance. Can you just tell us, what are the underlying KPIs for both the Renewables and the Power generation implicit in your guidance? On the Renewables, what kind of load factor are you putting in? And on the electrical side, which input and which output prices are you embedding in this guidance?

**Luca Bettonte:**

About the Renewables load factor, as I told you in particular the last quarter of 2013 was very bad from a wind perspective. I think that the load factor is going to be higher than the one we posted this year, because we think we would be in a position to improve the performance of the assets we acquired from Gaz de France, in terms of availability under wind conditions: we are not talking simply about technical availability, but availability when the wind is blowing. So if we compare the scenario in terms of wind amount in 2013 and the improvement we are expecting to have from this activities, the load factor we are forecasting is going to be a bit higher than the load factor we had in 2013. And you should also consider that we are going to have a full contribution from Topolog and Palazzo San Gervasio, so 70 megawatts more installed, compared to 2013.

**Luca Orsini:**

If we annualize the effect of these new plants which are now working, what kind of impact does the change of perimeter have in percentage terms?

**Paolo Merli:**

Luca, I will try to answer your question. Starting from the load factor, in 2013, the actual load factor for the full year was 22% in Italy.

**Luca Orsini:**

Yes.

**Paolo Merli:**

Let us say that our asset base should run on a normalized basis assuming normal wind conditions near 2,000 hours per year, which means 23.5% of load factor, 1.0%-1.5% more than the 22% reported in 2013. But given the size of the asset base, you can easily workout the additional revenues linked to this 1.0%-1.5%.

On the O&M activities, we are trying to extend the operational maintenance - today focused just on the ERG Wind assets, i.e. the assets acquired from GDF - also (and in a

progressive way) to the other assets. We have some figures in mind, but they are so preliminary that we prefer to keep them in our mind and to present them in occasion of the new business plan by the end of the year. However, we are talking about sizeable figures, because the operation and maintenance activities today cover roughly half of the portfolio.

**Luca Orsini:**

Yes, okay. And is there anything you can share with us about your plans of expanding and investing...and the financial resources available? Is there anything you can share with us?

**Luca Bettonte:**

Today?

**Luca Orsini:**

Yes.

**Luca Bettonte:**

As I just told you, we are working on that, the position of the Group already achieved today is very strong in terms of cash generation. All our businesses are cash-positive, and we have in front of us the new business plan that is quite important for the Group. As you know, the business plan we shared with you in 2012 covered 2012, 2013 and 2014, the three years and now we are focusing in finalizing at our best this year, i.e. 2014. And you should not forget the relevance of the transaction we are carrying on - I am referring to the ISAB Energy transaction. And then we have to work hard in order to identify a path forward (from an industrial view point) where to invest again our financial resources. As you can easily see, we know what we have to do in Renewables: we have to go abroad. While on the other portion of the asset of the Group - mainly represented by cash - we have to think carefully, in order to keep on playing a quite important industrial role going forward, in any kind of business we are going to be active.

**Luca Orsini:**

Good. Thank you very much.

**Paolo Merli:**

Thank you, Luca.

**Operator:**

As a reminder, if you wish to register for a question, please press "\*" and "1" on your telephone. The next question is from Paolo Citi of Intermonte. Please go ahead.

**Paolo Citi:**

Hello, good afternoon. Just a few questions, first of all on ISAB Energy: you mentioned before that you are on time regarding the early termination of the CIP6 contract. Could you please give us some details on the next steps to finalize the deal? And I was wondering, if you are also discussing on the valuation of the asset with the GSE or if the value has been already set, and there is limited volatility on this figure? And the second question again on ISAB Energy: it is still quite difficult for me to understand the evolution

of the margin of this thermal plant on a quarterly basis, because if I remember correctly, the Authority introduced a new CEC indexation at the beginning of last year, and at the end we saw a second part of the year in terms of margin much stronger than in the first half. So I like to understand how that was possible. And if there is, for example, a time lag effect between the CEC indexation and spot gas prices in Italy. And what is the outlook in terms of CEC for the next two quarters before the consolidation of the asset? Thanks.

**Luca Bettonte:**

As for the transaction and the exit from the CIP6 convention we are on time; of course, we have first of all obtained the Antitrust clearance a couple of weeks ago, and then we are in a well advanced discussion with GSE. And let me tell you that we are about to receive a final confirmation from them, that the amount going to be recognized to us for the early termination is in the range of €500mn. And our expectation is to apply for such an early termination before the end of March. And then, if it is the case, I think the transaction should be closed by July 1 this year.

In terms of CEC or avoided cost of fuel as you know, the Regulator introduced a new way to determine this value by introducing the spot gas item and by substituting - more and more going forward in times from January 1, 2013, to the end of the year - this component with the other oil components. So you have to consider a mix of items, that led the Regulator to give an indication quite positive for 2013, within the range of €86/MWh - maybe Paolo will correct me if I am wrong - while in 2014 we are in the range of €70/MWh. This is what we are forecasting, due to the full link to the gas price versus the oil component of the formula. Then I just told you that going forward our EBITDA base at Group level should be higher than €400mn, because we are forecasting a lower performance of ISAB Energy in the first half of this year, due to this reduction in tariffs. I do not know, Paolo, if you want to add something more precisely.

**Paolo Merli:**

Paolo, just to elaborate a bit more on this. According to the decree (the Decreto del Fare), the indexation to oil has moved down progressively throughout 2013, because you remember right: it was 80% linked to oil in Q1, 70% in Q2 and 60% in the second half of 2013. The indexation will become fully linked to gas prices in 2014; so that is why in 2014 we expect a huge step-down for the fuel cost component. I remind, we said that was €92 in 2012, €87 in 2013 (the one our figures are based on), and the expectations for next year are in the area of €70/MWh, so less than €15-€16/MWh. If you multiplied this difference by the 4 terawatt hour of production on a full-year basis, you can understand the impact on the economics of ISAB Energy are going to be quite substantial. I hope to have answered your question.

**Paolo Citi:**

Yes, thanks. Thank you very much.

**Paolo Merli:**

Thank you.

**Operator:**

For any further questions, please press “\*” and “1.” The next question is from Nicolò Storer of Mediobanca. Please go ahead.

**Nicolò Storer:**

Yes, good afternoon gentlemen I have two questions. The first relates to ISAB Energy again: I was wondering if you could give us a flavor of the effects on working capital basically of the deconsolidation of ISAB Energy from the end of 2014. And the second question is related to the net financial position of ERG Renew: could you give us an indication of the value at the end of 2013? Thank you.

**Paolo Merli:**

On your first question let me say that we are not going to deconsolidate the company, because - after we buy the minority stakes from Gaz De France - we are going to sell a going concern to LUKOIL. So we keep the full control of this company, so no deconsolidation. It is important to say that after having paid Gaz de France for the minorities, after having sold or transferred the going concern to LUKOIL, we are going to cash the so-called “corrispettivo recuperi” (so the stop payment from GSE) and, net of taxes, we expect a positive impact on our net financial position in the region of €300mn, including the cash flow of the plant over the first half of the year. This is the box dotted in the last slide presented by the CEO: €300mn is the net impact on our balance sheet we expect from this transaction. Is this okay?

**Nicolò Storer:**

Yes. Thank you.

**Paolo Merli:**

Can you repeat me the second question?

**Nicolò Storer:**

Yes, it was related to the net financial position of ERG Renew.

**Paolo Merli:**

It is in the region of €1.3 billion.

**Nicolò Storer:**

At the end of 2013?

**Paolo Merli:**

Yes.

**Nicolò Storer:**

Okay, thank you.

**Operator:**

Gentlemen, there are no more questions registered at this time.

**Luca Bettonte:**

Okay. Thanks a lot for being here, thanks Paolo, we will speak to you later with the first quarter result in May.

**Paolo Merli:**

Thank you everybody.

**Luca Bettonte:**

Bye-bye.

**Paolo Merli:**

Bye-bye.