



ERG S.p.A.
“Fourth Quarter and 2010 Results”
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MODERATORS:

ALESSANDRO GARRONE, GROUP CEO

PAOLO MERLI, CORPORATE FINANCE, CONTROL & INVESTOR RELATIONS

Operator:

Good afternoon. This is the Chorus Call Conference operator. Welcome, and thank you for joining the ERG Fourth Quarter and Full Year 2010 Results Presentation 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. Alessandro Garrone, CEO of ERG. Please go ahead, sir.

Alessandro Garrone:

Thank you. Good afternoon ladies and gentlemen. Welcome to this ERG fourth quarter and full year 2010 results. I am here with Luca Bettonte, our General Manager and Paolo Merli, Head of Corporate Finance, Control and Investor Relations.

As of this quarter, I am glad to say that Paolo, as Director in charge of both Business Control and Investors Relations for the Group, will comment on results. It's also worth reminding you that the adjusted results here presented include both the 51% stake in ISAB (the refinery in Sicily) and the 51% of TotalErg, which became effective on October the 1st, 2010.

Before going to the results, I'd like to say that 2010 has been a very tough year due to the general crisis. But, as you will hear at the end of the presentation, I think we have really done big steps ahead in our company, in restructuring the Group and with new operations, following as always our multi-energy strategy.

So, now let me start with the first slide on the key financials for Q4 2010 and the full year 2010. The Q4 adjusted EBITDA at replacement cost came in at €92 million compared to the €21 million over the same period last year. The year-on-year growth was mainly driven by a strong performance of the power business, thanks to full contribution of the new plant CCGT and ISAB Energy - both running at half capacity last year - and significant contribution from renewables which fully benefited from the recent acquired assets, the 100 megawatt in Puglia e Molise.

Refining and marketing results, even though better than last year, were still weak in absolute terms, in particular as for refining. For the fourth quarter at replacement cost we had a net loss of €7 million, better year-on-year due to the increase in operating results, partially absorbed by higher depreciations and taxes.

The full year adjusted EBITDA at replacement cost was €305 million compared to the €92 million last year. Growth was mainly driven again by good results in both power and renewables, while the refining and marketing sector was near flat year-on-year, due (also in that case) to the refining margins.

The full year at replacement cost: we had a net loss of €20 million improved by €60 million compared to the last year, when we had a loss of €80 million. Yesterday the Board of Directors proposed a dividend of €0.4 per share in line with last year; the implied yield for the shareholder is a 4% yield.

We look now at our balance sheet and net financial position, that closed at €723 million at December end compared to €662 million at 2009 year end, and versus €1,299 million at September 2010.

If you consider the net financial position adjusted with the 51% cash in ISAB balance sheet and with 51% of TotalErg net debt, this net financial position adjusted was €1,082 million compared to the €586 million at the beginning of the year. If you consider the reported situation the leverage increased from 26% at 2009 to 28% at the end of the year. If we consider the leverage on an adjusted basis, it went from 23% to 36% at the end of the year.

And now I will hand over to Paolo, who will take you through the fourth quarter results. Thank you.

Paolo Merli:

Thanks Alessandro and good afternoon everybody. I like to remind that as of this quarter adjusted operating results will include 51% of TotalErg (which became effective on October 1st), and since the beginning of the year adjusted results are also including ISAB S.r.l., our joint venture with Lukoil.

Now let's start looking at the summary of Group operating results. The quarter closed with €92 million, more than four times compared to €21 million last year, with all business divisions up. For the sake of continuity, we will keep commenting coastal refining and integrated downstream separately.

Coastal refining was slightly better compared to 2009, thanks to efficiency improvements in a still very tough scenario. Better results in fourth quarter are mainly driven by scenario recovery, in relative terms, from the extremely depressed level in the fourth quarter 2009.

Integrated downstream shows a performance of our marketing activities in line with previous year, while Inland Refineries reported poor results due to weak margins and the upset at Sarpom, which I remind occurred at the end of September.

Power and gas posted a very good result, with €68 million compared to €20 million last year. This was due to higher volumes, given the full operativity of new CCGT from April and IGCC from May, which was fully back on stream since the incident occurred on October 2008.

Renewable business as well was strongly up year-on-year, doubled (€18 million against €9 million), and this benefited from the acquisition made in July, which contributed more or less €9 million during the quarter.

For the full year we had more or less similar business strength, much stronger results from power, thanks to higher volumes, in a context of solid local scenarios for the merchant plant CCGT and good CIP6 prices for ISAB Energy.

Renewable was up again on a full year basis, thanks to the contribution of new assets since July 23rd, while refining and marketing was broadly flat year-on-year, better marketing offset by poorer refining.

Since this quarter, we introduced a chart representing the P&L on a pro forma basis, which I think gives an easier understanding of our accounts, starting from the quarter and from EBITDA €92 million (the number I have just commented), then €62 million of depreciation during the quarter, considerably up compared to the €52 million last year. The increase was due to the new investments in power, the CCGT and in renewables (for the acquisition made in July). EBIT: €30 million compared to minus 32 last year. Below EBIT level, we had €7 million of net financial income: higher net financial position on average, offset by lower interest rates.

Net income from equity investments, the minority participation: we have a couple of million euro against €2 million loss last year, coming to a pre-tax of €26 million compared to minus €42 million.

Then very high taxes in the quarter, €23 million, mainly due to two factors: first the weight of the Regional Tax (the so called IRAP), and the other one was a tax write-off of about €8 million during the year, but fully charged in the quarter. And then we had €10 million of minorities, which are the results of the solid EBIT contribution of ISAB Energy.

In terms of replacement cost net profit, we had minus €7 million compared to minus €27 last year in the quarter.

Commenting now the full year adjusted key figures: €305 million, €220 million depreciation strongly up again year-on-year (€37 million more, as a result of the investments in power and renewables).

Net financial expenses were much higher than last year, as a result of higher average net financial position, coupled with a positive contribution from FOREX exchange differences in 2009.

Going down again, high taxes mainly for the reason I have already mentioned for the quarter, and minority interest (you can see: €36 million as a result of solid contribution from ISAB Energy). This led altogether to minus €20 million for the full year on a replacement cost basis, compared to minus €80 million last year.

Then you have here the bridge to the net profit reported (all details are available on our published documents on website). Anyway, I will just quickly comment the minus €22 million, because it is the mix of several effects, some positive, some negatives. On the positive side, we have the capital gain on TotalErg: about €62 million (I am commenting already net of tax all the items). Then we have some extraordinary costs related to the integration of TotalErg, and also to extraordinary costs we sustained to carry on the deal (about €23 million); then we had provisions against the remediation at Priolo site, about

€18 million. On the negative side, the most important effect is the wind asset write-off for about €28 million related to ex EnerTAD assets. That will lead altogether to minus €22 million.

Let's now look at the segment-by-segment, starting from refining and marketing. I've already said that, for the sake of continuity, we will keep commenting separately coastal refining and integrated downstream, starting from coastal refining.

The quarter closed with minus €3 million EBITDA compared to minus €21 million last year. The operating results, even if still weak in absolute terms, were significantly better than the same period last year, when I remind the scenario was very, very tough.

The improvement in the quarter on a year-on-year basis was also the result of severe cost cutting of fixed costs, which is a trend that we have already seen over the first nine months of the year. In fact looking at the full year, we had €31 million compared to €43 million loss in 2009. So, with similar results even if in the context of a still weak scenario, as we will see later looking at the EMC benchmark. And I remind last year we had important benefits from inventory de-stocking effects.

Moving forward to Slide 9, there you have the main operating inputs of our coastal refining division starting from margins: during the quarter, they were \$2.44 per barrel, slightly up compared to last year, and slightly up also in terms of euro per barrel. The volume of 1.9 million tons was more than 30% compared to last year, when I remind the second train of ISAB Energy was shut or still shut, therefore lowering feedstock produced by the refinery for the ISAB Energy plant.

EMC was \$0.6 per barrel compared to minus 1 last year, which was one of the toughest quarter over the last few years in the refining business. The premium on EMC was \$1.9 per barrel, less than last year, but this difference has to be seen as a consequence of positive effects last year coming from de-stocking.

For the full year, again you can see that the scenario was still tough: \$0.33 EMC compared to \$0.63 per barrel in 2009. Again the premium on EMC was about \$1.8 per barrel in the full year, pretty in line with the one we had during the quarter.

Moving to integrated downstream, here again I remind that adjusted EBITDA for the integrated downstream includes since October 51% of TotalErg, and 100% of ERG Oil Sicilia, the company born from the carve out of ERG Petroli when we had the transaction with Total.

So, adjusted replacement cost EBITDA is €15 million: €20 million coming from marketing and minus 5 from inland refining. So marketing was pretty in line with last year, while refining was much less: I repeat again, last year we had some positive effects coming from de-stocking, in this quarter we had the upset at Sarpom, which hurt our results during the period.

Investments were €21 million against €16 million, but on this I will comment later on. Again, here you have a sort of discontinuity, because as of this quarter we are presenting the market share of TotalErg, which is about 12%, while ERG Oil Sicilia has got a market share of about 15% in the region and 1% on a national basis. So if you adjust the numbers, you can easily see that our adjusted market share is about the same of previous quarter, more than 7%.

Moving to inland refining, here you have just a picture of the main operating data. You can see poor refining margins in the quarter, offset very hard by the incident at Sarpom; we can say more or less the same for the year, when margins were \$2 per barrel pretty in line with last year.

As far as volumes are concerned, we continue to have about 2.5 million tons per year, our capacity - even with a different asset - is more or less the same on a yearly basis.

Let's move now to power, starting with ISAB Energy. We have here very solid results: €44 million of adjusted EBITDA during the quarter, almost 4 times compared to €12 million last year. For the full year, the contribution was €167 million compared to €66 million last year. CIP6 tariff was 95 against 91. So two effects: prices - slightly better scenario - but moreover I would say volumes were up more than 50%, as the second train was up and running since last May, while it was shut for full year in 2009. I'll just remind the Italian GAAP is lower than replacement cost EBITDA, following the phase out of incentive since the end of 2008.

Let's move to power and gas, where we have our merchant plant, the CCGT plant which I remind came fully up and running since April 2010, so benefiting most of the year. Replacement cost EBITDA during the quarter was €24 million, about three times more than last year, the results of higher volume, which was 743GWh, compared to 337 last year. This effect is even bigger for the full year, when production was almost 3 terawatt hour against the 685GWh in 2009. So the contribution for the full year was €87 million compared to a loss of €11 million in 2009, when I remind we were working still with old plants.

The quarter enjoyed €18 per megawatt hour zonal price premium in Sicily, which is one of the driver of the higher profitability of the plant.

Coming to renewables, here EBITDA in the quarter was double: €18 million compared to €9 million last year. It was mainly the results of the production, which was 168GWh during the quarter, compared to 110 last year, out of which about 34 - slightly lower than last year - came from France.

After depreciation, the company was in positive in terms of replacement cost operating profits: €8 million, compared to €1 million last year. All in all, for the same reason and trends I commented on the quarter, the year closed with an EBIT of €5 million back to positive compared to the minus €4 million in 2009.

Let's quickly comment Investments. Maybe it's more appropriate to comment the full year investments: we had €270 million of CapEx, compared to €407 million last year, almost 50% decline as a result of the phase out of CapEx for re-powering and for the reconstruction of ISAB Energy, as well as lower investments for other assets in power and gas. In renewables, we have exactly the same figure year-on-year, while in the quarter the number was lower than the last year: we invested €36 million against €61 million last year.

I remind that this figure - €89 million - is lower than the guidance we gave at the beginning of the year, and repeated also over the recent webcast: this reflects a postponement in the authorization process of Greneville, the 20 megawatts wind farm we are planning to build in France.

Let's move now to cash flow. Coherently in view of P&L on an adjusted basis, also the cash flow is given here on an adjusted basis, including the cash flow coming from our JVs, with Lukoil and Total..

So in 2009, we closed with a net financial position on adjusted basis of €586 million, 1,082 at the end of 2010. Let's comment each item bringing this rise in net financial position: €158 million of cash flow, €50 million of working capital positive, while €278 million of CapEx, as we have just commented. We had the acquisition of wind assets in July: this change in scope of consolidation brought about €280 million. I like to remind that about €250 million was related to the assets, while the remaining €30 million is a market-to-market higher asset effect, so it's an accounting effect. €74 million gain is a change in scope of consolidation coming from TotalErg, €81 million were the dividend paid during 2010 (€60 million related to the €0.4 per share paid by ERG), while €21 million is the amount paid to minority shareholders of ISAB Energy.

These items altogether brought to €1,082 million, which anyway is lower than the guidance of €1.1-1.2 billion we gave in the occasion of last conference call. Here there is also the bridge to the reported net financial position, reducing the €1,082 million by the cash in ISAB S.r.l balance sheet and the net financial position based on our share of TotalErg.

The latter is about €404 million, it means that TotalErg has a net debt of about €800 million. Leverage of the company moved up from 23% to 36%, which is still a very good level coherent with our business, which is made up of lots of project financing, accounting for about €800 million out of our total net debt.

Thank you very much for your attention. Now back to Alessandro.

Alessandro Garrone:

Thank you Paolo. Just the last two slides on the guidance for 2011 and some strategic moves that we have done during 2010.

As far as 2011 guidance is concerned, compared to the results of 2010, we see an improvement in the refining and marketing business due to the performance in marketing, because in 2011 we will start benefiting from the synergies of TotalErg, even if we still see a challenging refining environment, with margins slightly recovering. Of course in this guidance I am not considering the Libyan situation, which we have to see how fast will be solved.

We see also that in the refining and marketing we will have lower volumes in 2011 because of the shutdown of the South Plant of the ISAB Refinery in Q1 (we are now in the shutdown period), and of course - with the exercise of the 11% of the PUT after the closing of the exercise - we will have less volumes in that business.

As far as power and gas sector is concerned, compared to last year, we see a little bit lower result, because even if the contribution of the CCGT will be for the full year (but we expect a bit lower margin, due to a reducing of the Sicilian premium in the price), the ISAB Energy production is expected at 3.7 terawatt hour, because we will have a scheduled maintenance shutdown in October of this year.

With reference to renewables, you see much better results compared to 2010: we have a contribution for the full year from the new assets acquired in 2010, the start-up of Ginestra and Fossa del Lupo during the year. We still see constraints on the national grid for the maintenance work done by Terna, but less than before.

And last, going briefly through the main 2010 achievements, you can see we had a lot of achievements, which represent an important step-forward in our strategy. In the power sector, again the assets are all fully on stream: the completion of the CCGT and the reconstruction of ISAB Energy are both great achievements for the Group, and they will give us good results for the future.

Now we are focusing on efficiency and reliability of those plants: we had already good results on the effort we have done on the modulation of the CCGT in order to get the best profitability from this plant.

TotalErg became effective on October 1: we expect important synergies deriving from this joint venture, from the integration of the companies. I can say that, as of today, the integration is going very well.

Renewables: the assets we have acquired are performing very well. So we expect them to add cash flow and of course critical mass to our business. We continue to work in order to expand our capacity both in Italy and abroad, in line with our strategy.

ERG launched at the end of last year a tender offer on ERG Renew. We reached 94.6% of shares, and of course de-listing of the company will take place in the next month. So we will gain more flexibility in order to reach easily our targets, and to re-organize the company.

As far as coastal refining is concerned, with the exercise of the 11% of the PUT option on ISAB, ERG is going ahead on the re-balancing of the portfolio, reducing exposure on the refining sector. But on the same time, we had exactly the same governance on the business, and I think the value for the shareholder from this operation is very high.

I think all these moves, together with a necessary restructuring of the company's parts of the Group, the organization and also all the systems of the Group (for instance, we have done an outsourcing of the IT System) are providing the Group with a better strategic and operating positioning for the years to come.

So thanks for your attention, and now we are ready to take your questions.

Questions & Answers

Operator:

Excuse me. This is the Chorus Call conference operator. We will now begin the questions and answers session. The first question is from Roberto Ranieri of Banca IMI. Please go ahead sir.

Roberto Ranieri:

Good afternoon gentlemen. A few questions please. The first one is about renewable power: there is a new decree about the change of green certificate price and now the gap is 78% of the difference between the 180 euro per megawatt hour and the average price. So my question is: is there any impact on the renewable power for ERG Renew and ERG as well? The second question is about the tender offer on ERG Renew: can you give us an update and in addition to that, could you also give us some few features on the strategies that you Alessandro were talking about the increase of capacity and ventures in Italy and abroad. Can you give us some colour about "abroad": where exactly? In some press releases you were talking about the agreement with LUKOIL. So can you please give us also some more colour on this kind of agreement? My third question is about the maintenance shutdown in the coastal refining, my question is basically about the production target for 2011: will this maintenance shutdown have any impact on the product yield? And lastly, will there be any impact on margins from ISAB Energy, because I suppose you will run by using gasoil in that maintenance period? Thank you very much.

Alessandro Garrone:

Thank you. The first question was about the Ministerial Decree: we have seen it yesterday, and of course we are still going through it, really trying to understand it completely. As we understand so far, for the wind farms that are already in operation or that will come in operation within 2012, the GSE will keep the obligation to withdraw the unsold green certificates within one year at a price equal to 78% of €180 less the

national average electricity price, the so-called PUN, of the previous year. And that will last till 2015. Then after 2015, the green certificate scheme will be changed into a new mechanism system, based on feed-in tariff. Of course we have to better understand what will happen after 2015, but we think that the idea and the system will not change a lot the pricing compared to the actual system. So this kind of incentive - the 78% reduction on the actual system - is from an industrial point of view not completely satisfactory, but I think that the next decree will probably consider the industrial situation and the industrial willing of some operators, so this business in Italy will become much more stable in terms of tariff and with good profitability. So we are not completely positive and satisfied with that decree, but positive for the future. Of course it is quite complicated, I could go more inside all the mechanism, but I think we have still to wait a little bit, in order to have the situation clearer.

About the tender offer on ERG Renew, the situation is that as we have communicated on the 18th of February: the tender on ERG Renew concluded and ERG reached 94.64% of share capital in Renew, with 62% share tendered to the offer. So we didn't reach the 95%: if we had reached the 95% we could go ahead with the squeeze out of the remaining shares. Now, we have to follow another process, but of course we have communicated that we intend to de-list the company. Now, the next step is that Consob has to define the sell-out price. I really think that the sell-out price will be in line with the IPO price, which I remember was €0.97 per share, also considering that with this new decree - so with the 78% on the price - the scenario is a little bit lower than the scenario we have put in our plan, when we have decided the price for the IPO. So I do not see any reason why Consob should decide a price higher than the €0.97. In terms of timing, we think that the process could end in May this year. So, it takes a little bit more, but not much more. Paolo will answer your third question.

Paolo Merli:

The third question was about the ISAB Refinery shutdown, and the impact on ISAB Energy. I confirm that the South Plant of the refinery is shut since the end of January, and is going to be shut till mid March. No impact on ISAB Energy, which continues to be fed by the refinery, even though during the quarter there has been some slowdown of the plant, but all in all we should expect a Q1 production for ISAB Energy slightly lower than the one seen in last quarter 2010.

Roberto Ranieri:

Okay. Thank you, Paolo. Thank you, Alessandro.

Paolo Merli:

Thank you.

Alessandro Garrone:

Thank you.

Operator:

The next question is from Paolo Citi of Intermonte. Please go ahead sir.

Paolo Citi:

Good afternoon everyone, a few questions please. First of all, regarding the ongoing Libyan crisis, I would like to have your view, first of all on the impact in terms of margins in the Med generally speaking. And secondly in particular on your supply of crudes: what could be the impact in the short term on your refinery? The second question is on the power generation: first of all on ISAB Energy, running at full capacity in the second half last year, again an EBITDA of roughly €90 million. For this year we will have a stoppage: is it possible to have a rough idea of what the IFRS EBITDA for 2011 could be, taking into account also the fact that the incentive is 'linearized', so is it possible to have a rough indication of the EBITDA? And then, on power generation regarding Nuce Nord: you mentioned slightly lower margins this year compared to last year, but at the same time we will have a slightly higher load factor. So, is it possible to see a similar EBITDA for full year compared to last year, taking into account these two issues? My final question regards the CapEx for 2011: is it possible to have rough indications? Thanks.

Alessandro Garrone:

Yeah, okay. In terms of the Libya effect on margins and on our supply: of course, at the moment margins are very tough and negative, due to the ramp up on the oil price, not followed by products of course, especially in the Mediterranean area products, where Libya was one of the client of products because they are importers of gasoline and diesel, and that put a stress on the product prices, especially gasoline (the gasoline price went down a lot). So if you look at the EMC margins trend, exactly when the Libya crisis started they went down rapidly. Now we are seeing EMC margins at level of minus 4, which is really particular. So of course, it depends on how the Libya situation will go on, and in the short-term I think we have to challenge with this kind of margins. Fortunately our coastal refinery is not working now, so up to middle of March we have to see what it is going to happen.

Looking at our operations, we do not expect any major disruption on oil supply, considering that 10% of our slate in recent time was Libyan crude, but we can easily find other sources of supply. In terms of products, there again we do not have any big problem: 10% of our total production was sold to Libya. Of course, we have other channels. We can find other clients, as we are actually doing. The problem could be the price, as one of the big client in the Mediterranean area is not buying at the moment. Even if we are already seeing some positive signals coming from Libya, because of course sooner or later they will need to sell and to buy all products. This is the situation in general for Libya. As far as the power generation is concerned, Paolo would want to answer.

Paolo Merli:

Yeah, the second question was about ISAB Energy and its contribution to 2011 EBITDA, if I got it well. We gave a guidance of 3.7 terawatt-hour for the full year, against the 3.3 in 2010, but in terms of economics we are expecting more or less similar result cause of the higher cost associated with the general shutdown of the Train 2 - which is expected to take place in the fourth quarter - and also the lower efficiency with stop-and-go during

the shutdown. More or less, we are expecting similar results. The guidance we gave for the power with slightly lower EBITDA - as Alessandro said at the beginning of his speech - was based on assumption of lower zonal price premium in Sicily, which is of course an assumption. So far the premium in Sicily was still good, even though lower than in the first part of 2010, when I remind our CCGT and one train of ISAB Energy were out of the market.

Alessandro Garrone:

Yeah in terms of CapEx...

Paolo Merli:

Yeah in terms of CapEx of course we are setting the business plans, so we can't give you precise guidance. But more or less, I would say the CapEx to be importantly down in 2011 compared to 2010: less than €200 million is our preliminary figure, out of which more or less 50% in the refining and marketing business (where we have some important investments in TotalErg, to integrate the two realities and to restyle service stations, even if it is a soft restyling), while the other half is in the Energy business, mainly related to renewables, as we practically completed our investments in the Thermoelectric segment.

Paolo Citi:

Thank you very much.

Alessandro Garrone:

Thank you.

Operator:

The next question is from Domenico Ghilotti of Equita. Please go ahead sir.

Domenico Ghilotti:

Good afternoon. My first question is on the environmental provision you made: can you elaborate a little bit more on this? The second question: is there any update on the closing of the PUT option? And the third question on your fixed costs reduction in your refining business, which was quite strong in 2010: I wonder if there is any additional room say for savings going forward.

Alessandro Garrone:

Yes. On the environmental matter, of course ERG does not consider itself responsible for the pollution in the Rada di Augusta, the area where we have the assets. But there is an initiative coming from the Minister of Environment and absolutely we have declared that we want to collaborate: of course we have all our asset there, so we would like to find the right solution that will allow to solve completely the environmental problems on the Priolo site. So that's why we are working on an agreement, a transaction with the Ministry and of course together with the other companies that have assets there in site. So we have accounted a provision of about €25 million, which is the quota we consider we have to pay, if we will reach the transaction with the Ministry. We see that as a

positive agreement, because of course in the future it's normal we have to clear up the area: if we have an agreement with the Ministry, it means that in terms of future authorization of new investments etcetera we won't have any problem compared to the actual situation. That's why we are positive.

Domenico Ghilotti:

And what could be the timing for the decision to be taken by the Minister, and what could be the timing for your decision?

Alessandro Garrone:

Of course there can be different timing considering the different assets. But at least one part of the decision will be taken by (I hope) the first half of this year, or at least before the year-end.

Domenico Ghilotti:

Okay.

Alessandro Garrone:

In terms of the update on the PUT of 11%: we should close the PUT - which means the transfer of the shares and payment of the, as I said, of €205 million plus inventory - roughly by the end of this quarter/beginning of the second quarter of 2011. So we are close to that. In terms of refining costs, considering our share of fixed costs in the refinery, we had a reduction of roughly 18% year-on-year. We had €114 million costs the 51% of the refinery, compared to the €139 million fixed cost of 2009. This was really an excellent achievement for ISAB Refinery, due to this Sprint project that is giving already good results. We expect that this trend will continue, of course not at the same extent, because 18% of reduction is already a good part of the target. But we still see some reduction in 2011-2012.

Domenico Ghilotti:

If possible, I have a follow-up on a different issue. On the buyback, you ask for the authorization: are you interested, are you willing to use this authorization during 2011?

Alessandro Garrone:

No, I mean the buyback normally expires and so when we have the shareholders' meeting, we ask to have this option again, but we have no plan on that, it's just to have the flexibility in the future to manage our liquidity but, as always, nothing special, nothing different and no idea to special buybacks.

Domenico Ghilotti:

Okay. Thank you.

Alessandro Garrone:

Thank you.

Operator:

The next question is from Roberto Mascarello of Kepler. Please go ahead sir.

Roberto Mascarello:

Yes, good afternoon. The question is on the dividend cash out you posted in Q4, 2010: I appreciate that the €21 million payment to ISAB Energy minorities implies a change in its dividend policy. Could you please expand on it? Thank you.

Paolo Merli:

Roberto, it was not a change in dividend policy. Last year we paid €0.4 per share as usual over the last few years. The €21 million were dividend, they were the 49% dividend paid by ISAB Energy to International Power Mitsui, which is the minority shareholder in ISAB Energy. So the other 20 million....

Roberto Mascarello:

No, I meant the change in the dividend policy of ISAB Energy, not in your dividend policy...

Paolo Merli:

Ah no, no, no...

Roberto Mascarello:

ISAB Energy is distributing dividends, while in the past...

Paolo Merli:

I got it, but no, no change in dividend policy. The fact is that, after the completion of reconstruction following the incident on October 2008, the financing banks gave the green light to distribute dividends, which were locked-up when the plant wasn't fully up and running.

Roberto Mascarello:

Thank you.

Alessandro Garrone:

At a normal policy, also for ISAB Energy when we can distribute cash to the shareholders, we will do it. So, as soon as the banks agree, we distribute dividends.

Roberto Mascarello:

Okay. Thank you.

Operator:

The next question is from Roberto Ranieri of Banca IMI. Please go ahead sir.

Roberto Ranieri:

Yes, thank you. Two more questions, please. The first one is about 2010 net debt: is this value including some temporary effect, some excise taxes to be cashed in, in the next

few weeks or in the first quarter? My second question is about the TotalErg joint venture, about its synergies: can you remind us the target you have for 2011 and 2012? Thank you.

Paolo Merli:

About the net debt, at the end of 2010 as usual we have some increase due to exercise duties at the end of the year as we made some early payment to the government, but there were other positive effects offsetting those items at 2010 year-end. So we think it could be seen as a proxy of a normalized net debt.

Roberto Ranieri:

Okay. Thanks.

Alessandro Garrone:

Yeah on the TotalErg synergies: as I said, the beginning of the joint venture seems very positive. The integration of the assets and the management are going ahead, so at the moment I can confirm the synergies we have communicated: we expect in a couple of years we will reach roughly €40 million in terms of EBITDA, of course for the 100% of TotalErg, which means €20 million for our share.

Roberto Ranieri:

Thank you.

Alessandro Garrone:

Thank you.

Operator:

Mr. Garrone, gentlemen, there are no more questions registered at this time.

Alessandro Garrone:

Okay. So thank you for the attention to everybody, the next webcast will be for the first quarter of 2011 and of course we hope - not only for our business, but for all the world - that the Libyan situation will be solved quickly. Thank you. Bye-bye.

Paolo Merli:

Bye-bye.