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Q1 2022 Hera SpA Earnings Call

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## PRESENTATION

### Operator

Good morning, and welcome to Hera Group's Q1 2022 Financial Results Presentation. My name is Zack and I am your operator for the event. (Operator Instructions)

I'd now like to give the floor to the Executive Chairman of Hera Group, Tomaso Tommasi di Vignano. Thank you, and have a good conference.

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### **Tomaso Tommasi di Vignano** *Hera S.p.A. - Executive Chairman & Group President*

Good afternoon, everyone. We are back to business as usual, since some time has passed since we had quarterly presentations before without any constraints. So thank you for being here. We have just concluded our Board meeting with an excellent session, including the introduction and welcome of our new CEO, who was appointed today. I'm referring to Mr. Orazio Iacono, who was appointed an hour ago.

Let's move on to the performance in Q1. You have seen the figures in our press statement, and these results are -- results were pleased with given the context in Q1, which was extraordinarily difficult due to entirely external factors, the ones that of course everyone is going through. I think there's no need to mention them because the problems we face are having an impact on the entire market.

These external events have had a visible effect on energy prices and they have also increased inflation. And the government on an almost daily basis is forced to adjust those figures up to 6% to 7% in the month of May, which is also something you can see in our graphs. With an always high volatility rate, which stands at about EUR 98 per megawatt hour throughout the quarter, which is 4x higher compared to the levels we had over the past 2 years.

Even the price of electricity went along the same dynamics of the gas prices with an even higher level of volatility, with a price, which is up to almost EUR 600 per megawatt hour. The average price throughout the quarter stood at EUR 250 per megawatt hour, which is 4x the average price over the past 2 years. Now this was an introduction that I had to make, although because the dimensions of the phenomenon require that.

Although we are quite pleased to see that the major impact still was an obstacle in terms of us achieving the goals we had outlined during the business plan. Besides Mr. Moroni, we also have Mr. Fabbri with us today, who is in-charge of the market for the entire company. He will be illustrating some specific aspects, given the fact that the theme is pertaining to energy were certainly the most important part of our work and therefore, Mr. Fabbri will give us a hand in giving us an overview regarding the sector.

Our management policies had to deal with all of the negative effects we faced in this phase, which requires no further comment besides the fact this is an extraordinary negative context. But despite that, we're pleased to note that we have continued to post a growth in our results. As you can see in the second slide here, you'll notice that turnover in Q1 was up 128% compared to Q1 in 2021. This was obviously driven by commodity prices, which I referred to earlier, and which had an especially significant impact, especially over the first 3 months of the year, which, of course, are the coldest of the year, which means that these months are typically marked by intense consumption of gas.

EBITDA grew by EUR 12 million compared to the same quarter last year, up to EUR 374 million over the period. This is a positive growth, which is consistent with the growth we saw in Q1 last year. And it was driven by a number of different drivers, which had emerged, albeit

in an easier context even during Q4 last year. And we'll be seeing which drivers allowed us to obtain a positive result even in Q1 of this year.

And I think these figures also show how effective our management of the market has been as we'll be hearing, which was, of course, focused on managing the fluctuations we'd be seeing for commodity prices, which is, of course, again Mr. Fabbri will be explaining later on.

EBITDA, therefore, is marked by a positive result, with a plus 3% compared to last year. The EBITDA result is slightly less obvious. We closed the quarter at EUR 220 million, which is in line pretty much with Q1 last year, where we used to spend EUR 223 million compared to [2020] this year with a very modest difference, of course.

We also have to consider that we had more amortizations compared to the delta perimeter, given the acquisitions we made after Q1 in 2021. We also had increased provisions for bad debt, given the increase in commodity prices. All in all, this was a good impact, even in terms of EBIT. And even when it comes to our financial and tax management, figures are pretty much in line with the same results of the same items we had in the same period last year.

Now despite the difficulties I mentioned as a way of exercising them, difficulties, which had an impact on all of our suppliers, we were still able to fully execute our investment plans with some slight delays such as for example, in the construction services and our general services sector, which was somewhat unexpected, which had an impact on our pace rather than on the targets we achieved. And therefore, we continue to work with our acquisitions and tender management as a way of responding to the managers of our tender process.

Also I'd like to mention the fact that we're also working on the targets we have, which are linked to our business plan and which are very much related to the portfolio of the current activities. When it comes to waste, for instance, we are almost fully done with the revamping of the Trieste waste-to-energy plant and the Ravenna waste-to-energy plant, which also a waste-to-energy plant, although it is specifically focused on industrial waste.

I think referring to it as a revamping is reductive to a certain extent. It was an old plant, and it was almost entirely refurbished. It was a one-of-a-kind plant. And therefore, we decided to refurbish it so that we could continue operating it in the best possible way.

As far as the debt is concerned, we're doing quite well. Our net debt-to-EBITDA ratio stands at 2.8x, which means that it is well within the policies that we have mentioned time and time again. As you know, our goal is to stay below 3x. Of course, the increase of energy prices has had an impact on the working capital. We've also had higher requests for monthly installments for our invoices, which is something that we granted to some 140,000 clients. These results give us -- some good results even when it comes to the underlying figures, as Mr. Moroni will be explaining later and they go to show how resilient the company is.

And it is, of course, a way with which we have been facing the perfect storm, the one that we're all experiencing. And hopefully, this perfect storm won't last too long because it is very challenging indeed. We are continuing with our business as usual and with a high level of confidence, we're continuing to focus on our growth plan, and we are continuing to recognize the EUR 0.12 dividend as we had announced and which we will be paying next June.

As far as EBITDA is concerned, we stand at EUR 374 million with a EUR 12 million growth, and this is something we appreciate even more. We take into account the negative effects, which have been offset following the WACC review by ARERA, which happened in 2021 besides all the other difficult conditions on the overall market because it had a EUR 5.5 million impact.

Now the result of this EBITDA growth stems from a number of different drivers, as I mentioned earlier, namely -- and as you can see on the graph, we have EUR 9.1 million, which stems from our circular economy activities. EUR 6.6 million of which refer to condominiums to increase energy efficiency and for the facade bonuses, which were managed extremely well by one of our companies. EUR 1.4 million referred to some of the commercial effect offerings and the integrations to our portfolio as a way of broadening our offer of value-added services, whereas the remaining EUR 1.1 million stems from the excellent performance by the Aliplast company, which is a part of our

Waste segment and which benefited from the increase in the recycled plastic prices.

We were also able to further expand our markets and work on efficiencies for a further EUR 4.2 million, with a further 104,000 customers in the energy market with an expansion of our market share having been awarded 3 out of the 9 areas for the Maggior Tutela market from the previous dominant player. We also had an increase on our industrial waste volumes equal to 3% and further cost efficiencies and higher premiums and new connections in our network businesses, which is also something we'll be focusing on later.

As I mentioned earlier, we also saw the contribution from the M&A transactions, especially in the Waste sector, which contributed to our growth with a further EUR 4.3 million, which you are already aware of. Along with that, we also had another transaction in the energy sector with the acquisition of a company along the Adriatic Coast, the company is called Ecogas, which is a part of the package we have presented last year. And therefore, with the closing of the year, that company is now very much a part of our perimeter.

As you'll be hearing from the reports, we'll be sharing with you in a few minutes, we were able to have positive results with all of our actions. And the most positive thing, I think, was our ability to be able to be consistent in our business despite the very sensitive period we're going through. I think we were able to be quite successful.

And we have Mr. Fabbri with us for the very first time, and he was a main player in these activities. He's the CEO of our Sales and Trading Company. I'd like to give the floor to him so that he can give us some details. And take into account that we're also close to the beginning of the review of our business plan or of our project, rather, excuse me, which should be happening soon. And therefore, I think that during our next conference call, we will be able to update you as far as the target to the end of the year concerned.

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**Cristian Fabbri Hera S.p.A. - Group Market Manager & CEO of HERA COMM S.p.A.**

Thank you, and good afternoon on my part. Let me refer to the energy sector, which over the quarter contributed with EUR 152.4 million. This was a contribution to the group's results, with a growth equal to EUR 1.8 million compared to last year and with a 41% contribution to the group's results over the quarter. Of course, Q1 also had the effects of the normalization of our plants, especially [LFC] which in 2021 has had an extraordinary contribution, whereas this year, we're down to more normal contributions also linked to the thermoelectric plants, which have a different rate compared to previous years, which means that we have a 5.6% decrease, which was more than offset, as the Chairman was saying, in the eco efficiency sector. Namely the sector, which includes energy efficiency for condominiums, super ecobonus, public administration and industrial customers.

We have a marked difference compared to last year, which takes into account the fact that our activities grew significantly over 2021. And therefore, we've had a difference between Q1, which is in line with the more stable activities, more average activities compared to Q1 last year in which things were picking up.

Moving on to the supply sector, namely sales and trading, which can be summarized in the growth equal to EUR 800,000. Now the first element I'd like to focus on is that with a turnover growth equal to EUR 3 billion, which refers to the growth in commodities, our policies for risk management, which, of course, dates back to a context in which prices were 4x less compared to the ones we're seeing, allow us to have a positive (technical difficulty). Of course, account for a broader growth beyond the number itself because, of course, this extreme scenario has had an impact on costs or the prices, think of our shipping activities. We buy energy and gas with a flat profile, we resell them with the modulated profile. And of course, this has a cost, and it has proportions vis-a-vis the price. And therefore, we have increased costs from this point of view, costs which couldn't be recovered on the margins since our contracts have been signed for quite some time. And therefore, the company had to withstand them.

But they were more than offset by the growth activities we have in this sector, typically, and which are focused on 3 axis. On the one hand, we have a growth on the last instance markets and all of our tender activities, for instance, we have a growth on the traditional market with a liberalized market customers and all in all these 2 sectors have led to a 12-month growth equal to 100,000 customers. But we're also quite pleased with the added-value services we've been able to offer with a major increase in our photovoltaic activities on retail customers with a positive growth contribution. So all in all, we can end our Q1 figures in a very operational way and with results of the sector, which are in line with the figures we had last year, and with a slight improvement in fact.

In Q1, we also worked to manage these price levels by intervening by -- tried to work on reducing risks and taking advantage of opportunities with new offers. And we had to, of course, focus on the dilemma our customers face that is without having a fixed price or a variable price, hoping that prices will decrease over time, meaning that we came up with offers, allowing customers to choose which volumes to set at a fixed price and which at a variable price. So they can have tailor-made solutions, which on the industrial level is quite interesting.

We have changed a number of contractual conditions. We intervened on fixed price industrial customers, trying to lock the volumes with a fixed price, applying spot prices on incremental volumes, which means that we had to be very dynamic on our offers. And then, of course, also we had the net effect on the so-called shelf contracts for the smaller customers, who don't have access to tailor-made offers. Nonetheless, we were able to focus on sourcing, taking advantage of the market volatility which, on a day-to-day basis has a EUR 10 to EUR 15 volatility for gas and EUR 20 to EUR 30 volatility for electricity. Therefore, we tried to focus on the below average prices so that we could have an adequate level of sourcing.

Now these are the activities that we had, given the very extreme scenario we faced, but we also try to focus on our usual access such as customer relations, for instance. In Q2, we will be going live with the very first segment of customers, who will be served by a new CRM service, which will be replacing the one we used for the past 20 years and which give us some very good results. I think of the fact that this system started when we had 1 million customers, and now we're standing at 3.5 million customers, and therefore, we decided to replace it with the Salesforce -- the Salesforce platform, which is the best of breed in the segment. And therefore, this year, we'll be starting with this change in our CRM platform, which will be improving our services with better commercial offers for our customers, and it will be fully implemented in 2023.

We're also working on efficiencies. And over the upcoming months, we'll be continuing to increase efficiencies on the Northeastern part of the country. Already last year, we started rationalizing our activities with one of the target companies we acquired. We'll be merging with 4 other companies. And therefore, we will be continuing with the targets we had set out in our business plan.

And finally, as the Chairman was saying, in M&A, we are continuing to work, which is what we did in 2021. We're continuing in 2022. And in the energy sector, we recently completed a transaction of a small 30,000-customer company, and we're looking to other possibilities on the market. Thank you.

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#### Unidentified Company Representative

Good morning. Good afternoon, everybody, also on my side. I will continue giving you an update on our EBITDA. Moving on to the Networks business. EBITDA is up by 3.6% compared to Q1 2021, and we are now up to roughly EUR 135 million. This is an especially positive result, as we said earlier, also because it fully offsets the lower WACC as the Chairman was mentioning earlier.

Now in order to achieve this result, we had the support from all growth and efficiency drivers, beginning with organic growth, as you can see on the graph, which contributed with roughly EUR 4 million, which for the most part refers to the excellent results in district heating. We took advantage of the cold winter and with higher volumes, therefore, with EUR 3 million to our growth. Then of course, we have the increase of requests for new connections and third-party activities, which had an impact on all of the networks in our portfolio.

The second driver here is efficiencies, of course, and the optimization that we've worked on the full array of our offers. We've had contributions from all of the tariff system, and therefore the contribution to growth from efficiencies was equal to almost EUR 5 million. We had the update on our cap setting for CapEx and OpEx in gas and electricity. We also had better results in the predictive maintenance sector, allowing us to reduce costs for damage on our networks. We were able to improve the management of our parameters for tariff systems that have the greater profitability, which together with all the other things I mentioned led to the almost EUR 5 million growth.

Now let's focus on efficiencies, which was accompanied over the years by an investment plan on upgrading our networks, allowed us to have a greater competitive advantage over time, which still continues to be well above the standard set by authority. And as you can see in Q1 this year, the premiums and rewards we were able to obtain in the gas and water sectors contributed to a further growth equal to EUR 1.2 million, that was a quality premium.

Moving on to waste treatment on Page 7. In this sector, we had the best results compared to all of the other businesses in our portfolio. EBITDA is up by almost 21%, with a plus EUR 10.5 million compared to Q1 last year. This result doesn't include the contribution of the 2 waste-to-energy plants -- the President, the Chairman mentioned, which are currently being revamped. And of course, these good results came about despite the extreme scenario we're seeing. This had an impact in our waste treatment. Of course, we have to deal with higher energy prices and the cost of raw materials and this partially reduced profitability. But all these negative effects were more than offset by the production of electricity from waste, which benefited from the non-incentivized part. It was able to benefit from the current market prices, and therefore, the net effect, which contributed to the growth of our results was equal to roughly EUR 5 million net.

And as the Chairman was mentioning, Aliplast continue to work 24/7 at full capacity and it was able to benefit from the increase in the cost of virgin plastic materials, which made Aliplast's offer even more appealing, which was very much appreciated and therefore, its contribution to growth was equal plus EUR 1.1 million.

Moving on to our commercial activities, our market expansion. We were able to achieve new customers. Also given the lower competitiveness of our foreign competitors, they were pretty much driven from the market by the increase in logistics costs and therefore, for our Italian customers exporting their goods became more costly compared to the past, which means that we concluded the quarter with an almost 3% increase of market volumes. And also thanks to the treatment prices that we've seen in Q1, we were able to increase our contribution to some EUR 2 million, and it contributed to our growth. M&A, of course, also has to be considered. It was mentioned a number of times by the Chairman, M&A accounts for EUR 4 million growth.

Now before I give the -- I move on to the following themes beyond EBITDA, I have to mention that the diversification of our business and our cautious policies in all of our businesses allowed our results to be so resilient. Energy, which is the most exposed part of our business, as Mr. Fabbri was mentioning, our policies proved to be solid in networks. So of course, we had the tariff system which guaranteed the full guarantee of our returns. And please take into account that the tariff system is inflated, which is a very positive element given the current context with high inflation rates.

And when it comes to waste treatment, the activities and the positioning of our market allowed us to more than offset the scenarios in negative impacts. I think these are the elements which all in all account for the group's low-risk profile.

On Page 9, and moving on to the figures beyond EBITDA. The first graph shows the 30 basis point of reduction in terms of debt compared to the same period last year. This improvement was brought about by a liability management transaction, which we did last year, with the sustainability linked bond emission worth roughly EUR 500 million with a long duration till 2024. These resources were used to recall bonds we had previously with higher costs, and this allowed us already this year to benefit from a decrease in the financial costs. Even when it comes to the tax rate, as the Chairman was saying, we have excellent results compared to the previous year for the most part, due to the effects in environmental and technological transformation elements, which allow us to take advantage of some tax benefits in our amortization.

But the best possible summary of our financial and tax results in this first quarter are summed up by ROI and ROE, which aren't significantly different from the same values we had last year, which goes to show that we were able to preserve our profitability despite the scenario. But at the same time, we're seeing some high levels of the cost of capital, which has been both invested and as far as equity is concerned, which goes to show how we were able to create value.

And now I'd like to give the floor to Mr. Moroni for the financial dynamics.

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**Luca Moroni Hera S.p.A. - Group Manager of Administration, Finance & Control**

Thank you, and good afternoon. We closed Q1 with the debt level, which grew. This is something we had already imagined and we were able to manage it. Now we closed Q1 with a financial position, which compared to rolling EBITDA continues to have a resilience in some of those level, which I think speaks for itself with figures. We stand at 2.8x net-debt-to-EBITDA, which is a guarantee of the flexibility we would require to be able to operate in the next few quarters.

As far as the cash flow is concerned, you can see the results on the graph on Page 10. We had operating cash flows equal to EUR 273 million. And 2 things I think deserve being explained beginning with CapEx, which didn't slow down. In fact, it grew 10% compared to Q1 last year. Despite any possible delays related to the external scenario, which didn't happen and which allowed us to go along with our usual business and investments.

And then of course, we have the working capital dynamics. It isn't typical for us to see the working capital absorption that we can see here, although we have some underlying rationale we have to take into account, which were already partly explained or envisaged the last few times that we had organized conference calls with you.

Out of the EUR 300 million here, a EUR 100 million refer to tax credits for the businesses and condominiums, who had some slight delays in terms of ceding their bonuses to companies, also given the government decrees, which slowed down in the way in which these credits could be managed. And therefore, that is an extremely temporary effect. The remaining EUR 200 million is linked to the commercial working capital dynamics, half of this figure refers to the installment plans that we granted our customers and the installment payment has been happening in a timely fashion by our customers, which also show that our customer base is very solid.

Our unpaid ratio continues to be at the same levels we've traditionally had, and therefore, these dynamics are linked to the current time frame. Of course, the remaining part of the EUR 100 million are linked to the volumes and prices as far as commodity scenario we've been seeing in recent months. So we are very much in control of things with a variation as far as debt is concerned, which we expected and are capable of managing.

At this point, I'll hand the floor to the Chairman for some conclusions.

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**Tommaso Tommasi di Vignano Hera S.p.A. - Executive Chairman & Group President**

Well, I think the comments you've heard today confirm our growth plan. Although, of course, we have had some conditioning due to external factors. But despite these factors, our results compared with the extremely positive results we had in 2021, and you may remember that last year, things were quite fruitful because EBITDA had grown by EUR 100 million in 1 year. And those figures are figures that we're still seeing the effects of and therefore, already being able to compare figures in Q1 2022 compared to Q1 2021 goes to show how healthy the company is despite the external factors. These are all elements which show how sound the company is.

Again, the context is a difficult one. But despite the difficult context, we haven't stopped a thing. This is the message I'd like to convey to you. And that refers to Q1. And this, of course, also has very much to do with the usual operations for the company, even despite the change we had with Mr. Venier not being our CEO anymore.

Again, I think we have the capabilities and the means to continue to operate as we've always done. This is a slide that you've got accustomed to. And it shows how we have always been able to be on track with our forecast. Of course, these are all things which stem from the work we've done in recent years. And despite the difficult context, we continue to have very ambitious project as shown in our business plan. I think we can continue to strive towards the results we have forecasted with our usual leadership and with our business as usual approach, we are more than confident that we'll be able to achieve the results, we will be determined to achieving them.

And of course, we'll be achieving these results based on our growth, but also based on the track record we have, which our management has proven to be capable of achieving. This is the best possible guarantee we can offer the market. I'll leave it at that.

As you can see from these last graphs here, even compared to 1 year -- our business plan last year, the results of this quarter allow us to achieve 40% of the 5-year growth, we have promised, although we are only -- we've only used up 25% of the time available to achieve the entire amount of our business plan targets.

We will continue to work and more of the general external context to change, we will be capable of reaching those targets beforehand. But if that won't happen, again, we will -- we are confident that we will be able to achieve those targets as we have always done in the past.



Let me give you the floor at this point without any further comments. Let me just say that, as Mr. Hansen was saying, we are very much on track with achieving the results we've set out for ourselves. I'll leave you the chance to ask some questions.

## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Our first question is by Javier Suarez, Mediobanca.

### **Javier Suarez Hernandez Mediobanca - Banca di credito finanziario S.p.A., Research Division - Co-Head of European Equity Research**

I have 3 questions for you. The first is on working capital absorption. The CFO explained the impacts, which explain the EUR 300 million working capital absorption during Q1. And I was wondering whether or not the guidance, you had given for the full year 2021 number, with a working capital absorption equal to EUR 200 million for 2022. Is this guidance still applicable with the dynamics we're seeing on the market? And with the installments you've offered your customers, is your guidance continues to be equal to EUR 200 million in terms of working capital absorption by year-end? Is that still balanced? So that was my first question.

The first question is something I was pleased with the stability of your supply business. It shows how effective your policies have been. I saw a different dynamic in gas vis-a-vis electricity. So can you help us understand how your hedging strategy works on electricity and on gas and how it contributed to the stability you achieved? And if, given the current context, you will be envisaging any changes in your strategy moving forward?

The third question for the Chairman. It's a broader question. You said it at the end of your presentation forgot to insist, there was a change -- a major change in management. And you are the guarantee that there will be continuity that the company began a number of years ago, will you confirm that your 5-year business plan will continue to be focused on without any kind of rolling change given the change you've had in management?

### **Unidentified Company Representative**

Now Javier, let me answer your first question. As far as the EUR 200 million, which was our forecast for the time being, there are no elements leading us to believe that things may differ. Obviously, as you have read yourselves, a decree was approved by the government, which envisages payment and installments for consumptions in May and June. We still don't have all the elements available to assess what kind of impact this decree may have.

Let me explain. We still don't know whether or not these installments will include any kind of interest rate, if there will be any upfront payment targets or not. And therefore, we'll still have to wait and see until we have all the information available to assess the impact. Of course, of the EUR 300 million I mentioned, roughly EUR 100 million should be deflated given the [concession] of the fiscal credits, of course, with the seasonality thing another amount will be reduced, and we'll have to wait and see which affects the government's decision. We'll end up covering the normal dynamics, which refer to our working capital. Plus we'll have to see the price dynamics from now to year-end. And we'll have to see what effect that will have on gas stocks within year-end.

And therefore, we still have some elements which aren't entirely clear. But again, for the time being, we have no element which leads us to say that, that figure will be different in any way.

So let me answer your second question on hedging. Let me just simplify things by dividing our sales activities into 2 macro categories. We have fixed prices on the one hand and the variable prices on the other. The fixed prices, of course, are more complex to manage. Although they are quite simple from another point of view. Whenever we deal with large customers or large numbers of smaller customers, at the same time, we buy the same part on the forward markets with the same formula, which means that we try to have a timely compensation of sales and acquisitions. Of course, this is hedging on a mass level, so to speak, because of course, the products that allow us to have a specific quota for the individual customers is something we have closely (technical difficulty) into account, and it is very effective.



For variable cost customers, we have the national price or GTF price, which is a natural hedging on the spot market. And in this case, hedging is simple and risks are very little indeed.

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**Tomaso Tommasi di Vignano Hera S.p.A. - Executive Chairman & Group President**

I want to thank you for your question, which was very kind. I know that time is a factor, but I myself are subject to time. And in order to deal with the risks, I am here despite having a broken leg just to reassure you that we will continue to work in line with our plans. And I also wanted to have other managers together with me today. And I also want to thank Mr. Venier for all of his work. I talked to him this morning. And he is, of course, still very fond of the company.

I think my presence, the presence of other managers here go to show that there are no risks of any changes. As the Founder of the company, I would refuse to deal with any changes or risks. And therefore, rest assured that as long as I'm here, I will defend both the past and the future. Of course, no longer present in the overall scheme of things, I would have to make my decision. I think that is the only thing a manager can do. And this would be the best possible way of doing it.

I am lucky enough to be joined and supported by top level managers, some of whom I introduced today and others who I will be introducing in the future, just to give you an idea of how solid our team is. Thank you for your question, and I think I gave you a very full answer. Thank you for being very clear. It was an important question.

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**Operator**

Our next question is by Emanuele Oggioni.

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**Emanuele Oggioni Kepler Cheuvreux, Research Division - Equity Research Analyst**

I have a follow-up question on Javier's question on energy supply. Just to have a better understanding of the risks in the future in the upcoming quarters maybe and for 2023 even, the risk linked to lower margins, which we haven't seen so far. And I'd like to congratulate you for the way you've been managing the energy supply side of things, especially for gas. And I was wondering if you see a potential risk linked to procurement costs in the next few quarters and even in 2023?

The second question is related to the super bonus for the energy efficiency of buildings. Recently, we've been reading of political frictions within the government. We've read some parties oppose this measure, which I think is working very well. And as far as your company is concerned, not so much for 2022, but for 2023 and 2024. I'd like to see what risk, if any, you see vis-a-vis your business plan forecast, were this measure to be suppressed or were this measure to be worsened, which is something some political parties would like to do to change to modify this super bonus? And I'll leave it at that for the time being.

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**Luca Moroni Hera S.p.A. - Group Manager of Administration, Finance & Control**

Well let me answer as far as our procurement forecasts are concerned. Obviously, we have to consider the availability of gas for Italy. Of course, we are considering a scenario which the gas will be available. Otherwise things will be far more complex and they would require a solution as a system, which means that for the time being, we're working on our usual sourcing activities.

We have already started buying gas with a view to Q4 2022 and for 2023, of course, to cover sales at a fixed price. But also when it comes to the electricity sector, as you know, the electricity business is very much linked to gas, that a large part of electricity is produced by gas. Therefore, we have already started working on covering this sector.

Of course things needs to be done is to include the acquisition for the (inaudible). We're slightly delayed, but we have been even more delayed in previous years. The entire market is continuing to understand the market dynamics even for storage.

In the past some years, we started making -- buying early in the year. Other years, we started buying in July. And therefore, this year, given the complex scenario, we may see some slight delays. But of course, if -- or when the gas will be available for the country, we'll be able to manage our sector. A large part of the gas is at a variable price, and it will, of course, have to be used to supply gas in the (inaudible) markets, of course, we'll have to be making the acquisitions back to back with sales.

**Tomaso Tommasi di Vignano Hera S.p.A. - Executive Chairman & Group President**

Let me answer the question regarding the condominium business and the opportunities linked to the super bonus. Let me begin by specifying that this business grew following the publication of our business plan, which means that our business plan has a very limited figure compared to the -- which is more linked to the useful energy efficiency policies that our group has always had. Therefore, the activities linked to the boom in this business is an upside. And as a multi-business, we are capable of managing our portfolio in a very efficient way, and we're continuing to generate value.

As far as the government decrees, which are being studied and which we've read about in the news are the ones that have already been implemented. Of course, they have brought about a certain slowdown. Although these slowdowns for the time being are set within the business continuity scenario. Without any problems, we've been able to manage all the new rules set up by the government in a normal way, also because compared to more fragile players, so we've been able to set up a very solid process, as recognized by Italy's financial institutes. We've been recognized as being very efficient.

Of course, whether there be new rules for this specific business, there may be further slowdowns or reductions in the business. But again, for the time being, we don't see an imminent risk from this point of view. Of course, will be (technical difficulty) come into effect. Yes, we can hear you very well.

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**Emanuele Oggioni Kepler Cheuvreux, Research Division - Equity Research Analyst**

I have another question on waste. Specifically, with the various simplification decrees, we favor investments in infrastructure in Italy, waste-to-biogas or waste-to-energy plants, do you think this can speed up investments even as far as Hera is concerned? And specifically for biogas plants and with the energy plants despite the fact that for the latter, construction does require quite a long time frame. But in any case, do you see new capacity or excess capacity of new projects coming on compared to the ones you've envisaged in your business plan?

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**Tomaso Tommasi di Vignano Hera S.p.A. - Executive Chairman & Group President**

As I was mentioning earlier, what I can say is that, I'm quite confident our presence in the sector and the fact that we have very many different types of technologies in our waste portfolio, makes us very expert in the use of these technologies. And therefore, we often have the possibility of entering into joint ventures with other operators as well as having the possibility of having plenty of opportunities as a company.

Each of these segments, which are a part of the business -- Waste business portfolio allow us to be pioneers, leaders and very innovative. As far as biomethane concerned, which is something which is very trendy nowadays, is something that we've been using for the past 3 years now. Our first plant was built 3 years ago. So we will continue to grow with all of the available drivers.

And as I was mentioning in my previous answer, you will be seeing some very tangible responses, some tangible projects, which will be made visible both in our commercial initiatives in the Waste sector and in our new assets. And I was mentioning earlier, we're strengthening the asset base we have, with the revamping or refurbishing of our plants. We're close to giving you some news regarding the strengthening of our asset base because, of course, M&A in the waste treatment sector was something that went quite well last year, but we're already working on some news for 2022.

So we are working on supporting our asset base, not just through revamping activities but also with new initiatives, which may not be huge, but they exist on the list. You may remember the Aliplast acquisition, when we made that acquisition, some considered it to be something marginal. But the truth is that things went quite differently, which means that we are happy to find some niche solutions, which should then end up being a lot more successful than what many thought they would have been initially.

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**Operator**

And we have no further questions for the time being. (Operator Instructions)

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**Tomaso Tommasi di Vignano Hera S.p.A. - Executive Chairman & Group President**

Very well then. Thank you. And in the near future, of course, we will be introducing our new CEO. But of course, the industrial projects and the team that will be managing all of our industrial projects is sitting here around the table with me. We'll continue to work as hard as we've always done so that we can achieve our projects. Thank you very much indeed.

[Statements in English on this transcript were spoken by an interpreter present on the live call.]

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