

## Call on New Business Plan to 2024

### Company Participants

- Stefano Venier, Chief Executive Officer
- Tomaso Tommasi Di Vignano, Executive Chairman
- Unidentified Speaker

### Other Participants

- Emanuele Oggioni
- Enrico Bartoli
- Javier Suarez
- Roberto Ranieri

### Presentation

#### Operator

Good morning. This is the Chorus Call operator. Welcome to Hera Group's Presentation of the Business Plan to 2024. Following the initial presentation, there will be a Q&A session.

Now I'd like to give the floor to Mr. Tomaso Tommasi Di Vignano, Hera Group's Executive Chairman. You have the floor, sir.

#### **Tomaso Tommasi Di Vignano** {BIO 1449180 <GO>}

Good afternoon, everybody. As usual we have just completed our Board meeting and hopefully you have already received your press release of the decisions we've made. And in the meantime since I'm not feeling in top shape, I did want to share a few remarks on the results before I give the floor to my colleagues, specifically to the CEO before I leave you.

I wanted to share these thoughts with you because quite frankly, we are satisfied with what we were able to achieve, both in terms of our initial forecast figures and also in terms of our targets to 2024, also taking into account the difficulties we faced last year, which may have brought about some doubts as to the feasibility of our projects. The thing is things went quite well, we were able to withstand the effects of the health and emergency quite well and adequately and therefore, we were able to work on our business plan that will allow us to continue in the growth process we had over the past 18 years. I won't go into the details of the plan because it's only fair that it is illustrated by my colleagues, I'm a little tired too.

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And therefore, let me just say that the three main points that we would like to bring your attention to, also given our performance in 2020, is that we expect to have an impact brought about by our investments in the new business plan, which is well above what we had in the previous installments of the business plan. We also updated our future forecast as far as EBITDA is concerned, the numbers of which will be illustrated by my colleagues. That of course is expressed also very positively by our ability to be able to update shareholder remuneration in the business plan, which will be happening constantly throughout the business plan years.

And with the figures that will be reliable, as they were during a very difficult 2020. We'll be having a growth policy. Even when it comes to our dividend policy, we expect to be fully in line with our commitments and our plans. These are the messages we wanted to convey. And I'm sure that they're more than enough to illustrate how satisfied we are and given the fact that over the past two or three days, our stock performed very positively on the market. This is also very comforting also, given the choices we made even bravely, which focus on maintaining our position and even dealing with the future with even more commitment.

Thank you very much. And I'll now leave the floor to Stefano Venier and the other colleagues who will be taking the floor. Thank you.

### **Stefano Venier** {BIO 17107208 <GO>}

Thank you very much, Mr.Chairman. Good afternoon from my part as well. Let me begin with the presentation that we have drafted for you.

Obviously, I think it's only fair to begin with the forecast figures that refer to 2020 that we worked on in the more recent days on Page 1 of the presentation. As far as EBITDA is concerned, we're expected to close at EUR1.118 billion with a growth equal to EUR33 million compared to year-end 2019. So it is a positive growth. A growth we were able to achieve over the various quarters throughout the year. You may recall that in September, we had a growth equal to EUR20 million year-on-year, which will be up to EUR33 million by year-end.

Now how did we achieve the growth? Well, first of all, by reabsorbing a few negatives that the general pandemic brought about on some of our businesses that amount stands at roughly EUR43 million to EUR45 million, some EUR7 million of which are also linked to the thermal season, the mild year compared to 2019. Then we have EUR35 million, which are the net effects of the COVID pandemic and the -- our figures, we came up with by looking at a number of indicators. And as at 31 December, the consumption of electricity and the production of urban waste in our territories shrunk by some -- by roughly 6% as far as real estate.

And the request for services, those services contracted by 9%. Q4 was a little better as far as these indicators are concerned, especially in December, there was a bounce back compared to the previous year by 2% or 3% as far as these drivers are concerned.

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There was also a major recovery in plastic recycling. On average Aliplast, our subsidiary had a growth in orders equal to 9% in Q4, which allowed it to offset the yearly contraction down to only 3%. We'll be seeing this more in detail in the financial explanation. The earnings we made 1% above 2019 figures in terms of our clients compliance with making payments by the deadline, which shows that the difficulties in the business sector did exist, but despite that our retail customers did comply with deadlines in terms of payments.

There were also other minor variables, which contributed to bringing about that negative impact I mentioned. We offset that with EUR33 million worth of organic growth during the year, especially in the energy sector and in our supply activities and less so on networks, for the most part in energy. And as far as M&A is concerned, we have plus EUR44 million, which is the contribution stemming from Ascopiave on the one hand, which accounts for roughly EUR40 million and some EUR6 million stemming from the Pistoia Ambiente transaction. So EUR1.118 billion is a good result I think, which is EUR10 million above what we expected halfway through the year, that was the projection we had for 2020.

In terms of some further elements, this allows us to focus on the financial side of things. We had a refinancing with a EUR500 million bond initiated in November with a very interesting fixed rate, which will allow us to have an average cost of debt in 2021, which will be well below 3%. It will stand around at 2.9% with a significant improvement compared to the 3.2% we had in 2020.

The other good news came about from the tenders for the new services concessions. You may remember that in 2020, we began the new management for the upcoming 15 years in Ravenna and Cesena. The envelopes were opened for the Modena tender in which we are the new temporary concessionaires. And we also have the water concession tender in Rimini and when the envelopes were opened, we were also successful vis-a-vis the other competitor involved in the tender.

We also had excellent results in terms of quality from a financial standpoint. We expect to have a net financial position, which will stand at EUR3.25 billion, which will allow us to improve by some EUR25 million compared to year-end 2019, which goes to show that the company was able to generate a positive cash flow without reducing our investments, which will continue to stand at EUR540 million, which is in line with the EUR550 million we invested in 2019. And also in the same year we had a 5% increase in the dividend we paid to our shareholders. So despite these two indicators, the good performance we had in terms of positive cash flow generation and in terms of managing our working capital allowed us to conclude with a net financial position, which is lower compared to last year with a net debt to EBITDA ratio equal to 2.9x, which is significantly better than the 3x we had in 2019.

And therefore, we were able to recover a leverage level, which we hope to reach over the next two years, instead we were able to obtain that in the first year already. And therefore, we were able to offset the effects of the major transaction we concluded with Ascopiave. Based on these results on Page 2, we can go over the main figures, but what I wanted to underscore is that 2020 was also a year during which we continue to fine-tune and realize

things, both operationally and in terms of our actions and in terms of reporting on our activities along the guidelines that we have been using for a few years already.

And I am pleased to remind you of the fact that at the end of last year, we received an important recognition from the Dow Jones Sustainability Index, which recognizes us as industry leaders worldwide from this point of view with a score, which is outstanding also compared to other industrial sectors. We also improved our evaluation in terms of the CDP rating. Let me just mention that we will be applying science-based target objectives, the well below 2 degrees target. And even here, well ahead of all of the other operators in the sector when it comes to achieving this target.

We are -- we continue to be on the cutting-edge when it comes to the circular economy. And a reporting of the 2020 figures will be in line with the GRI guidelines and also with the TCFD guidelines when it comes to sustainability themes and especially when it comes to decarbonization.

Now moving on to the actual business plan itself, Page 3. Let me just give you two pages of an introduction before we focus on our figures and our projections. I think the element which characterizes 2021 is the launch or the definition rather of next generation EU, in other words, the European Union's plan, which is divided into the green deal and just transitioned and the evolution towards the new digital age. I think these three components are something that we find entirely consistent with the things that we were already doing in terms of measuring shared value.

And from this point of view, it was quite simple to realize and draft much of our business plan consistently with the EU's vision, since these were the very same visions that we were already measuring ourselves in terms of building our shared value. So from this point of view, the fact that these themes are in line with what we do, allows us to converge fully in a very integrated way between the goal of our activities and the strategies we're pursuing. And in this -- for this point of view, we're also helped by the guidelines that the regulators are working on, especially when it comes to promoting virtuous behavior, both in terms of implementation and innovation and in terms of the sustainable management of resources. And therefore to implement the circular economy model in waste and water, but to a certain degree, also in the energy sector. These common elements also go hand-in-hand with a number of opportunities. In terms of developing the implementation of our CapEx, but it's also an opportunity to increase efficiency and to become more competitive in tenders, which is what we'll be seeing on Page 4.

Now moving on to Page 5 in the presentation. All of this translates into a CapEx plan, which is based on a very solid financial position, as I was able to illustrate earlier, much stronger than what we thought when we were drafting the business plan. And this allows us to renew our energies and our investments. Previously, we expected to invest some EUR3 billion. Now we're -- we stand at EUR3.2 billion, which is a 40% increase compared to the average investments made over the past five years. So there was a change in the pace we had. Previously, we would invest EUR450 million per year, with this business plan on average we'll be investing EUR620 million to EUR630 million per year. These investments will be spread out. 2/3 of the investments will be on maintenance. It's not specifically maintenance, it's just the evolution of the infrastructure we have. And a further

EUR750 million will be devoted to the organic development of our businesses to increasing our capacity and to increase our territorial presence in certain businesses.

And if we look at the business by business breakdown specifically, slightly less than 2/3 will be focused on networks, not only to renew our networks, but also to increase the invested capital in these businesses. Roughly EUR340 million will be devoted to energy and that includes all of the activities linked to value-added services, which also require a certain degree of investment besides our commercial development. And then waste will receive a major boost in terms of investments, close to EUR700 million. Therefore, systematically each year, we will be investing some EUR120 million to EUR140 million in the business.

This will be connected to a few activities in terms of repowering some important units in our asset base, as we'll be seeing soon. This revitalization in terms of investments will obviously translate into a boost on the group's organic growth, which as you can see on Page 6, we expect to have. We expect to reach EUR1.3 billion in 2024, which is a further growth compared to the target we've given ourselves last year for 2023. This EUR215 million growth, since it is measured compared to 2019, also takes into account all of the negative effects we had throughout 2020, but it also takes into account certain effects and variations that we expect in our businesses, both from a regulatory standpoint, and then I'll explain what they are, and in terms of the business more in general.

Obviously, the part referring to organic growth is the largest one with a growth worth EUR145 million with roughly 50% of that growth stemming from the efficiencies we expect to have in terms of costs, also given the sizable investments we'll be making, whereas some EUR30 million are confirmed to be the synergies and the value extractions that we expect to have from the Ascopiave deal. The rest is top-line growth, partly connected to the larger investments, but also to the further development of our commercial activities. As usual, a component of the growth will be the one stemming from M&A, which is a part of our story, and if we look to the past, if we look to the past five years, and if we look to the business plan we illustrated to the market at the end of 2015, already then, we thought we would be achieving EUR100 million from M&A transactions. We've achieved EUR106 million and even for the upcoming five years, also given the high fragmentation of the market, which continues to exist, we think that there will be further opportunities in our businesses worth some EUR80 million.

If we then distribute the growth over the various businesses, as you can see, networks will contribute with some EUR50 million. In this sector of course, I have to underline the fact that this EUR52 million also absorb, besides developing in terms of the growth, the investments and the efficiencies that we will be making. They also reabsorbed and offset some negatives. The tariff review, which happened in 2020, took away some EUR12 million on a like-for-like basis on a yearly basis, which will continue to happen and even grow in the remaining years of the business plan. But like in 2019 and 2020, we will recover on tariffs and the water cycle, that's something we benefited from in the past three or four years.

And then we have the effects of the tenders beginning with the tender in Rimini. As always, in the very first years, tenders do take something away and then they -- we recover

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over the years. And as in the case of Rimini, we expect to recover in the upcoming 19 years, which is the length of the concession, but upfront of course, the discount does have an immediate impact. When it comes to the energy sector, the growth we expect to achieve is equal to EUR97 million, which of course includes EUR40 million, which is the contribution of the Ascopiave deal. The remaining amount is linked to organic growth -- organic development, excuse me.

Even here, we did have to deal with a few dynamics such as the evolution of the last markets of last instance, which we expect to have a contraction equal to EUR20 million throughout the business plan years. Then we have the evolution of the capacity market, which will be fully applied in 2022 and 2023, that too will take away EUR20 million to EUR30 million compared to the results we obtained in 2019.

But despite that as you can see, our boost and our growth is a major one. And then in the waste sector, we expect a growth worth EUR56 million, stemming from the major investment plan, which as I said, will allow us to broaden and renew our asset base. And we'll also develop our commercial activities, which is what we did in recent years also. Even in this case, we will be reabsorbing, we will be offsetting the expired incentives on a few of our waste energy plants. Even here, the effects of the tenders for the concessions of the waste collection services, which began at Ravenna and Cesena, and they will be shortly happening in Modena. Even in this case, the tenders do have a slight cost to bear that we have decided to deal with. Also given the fact that the concessions will then last for the next 15 years. So this is just a general picture.

And moving on to Page 7, we can start going into the details of our strategic vision and we can go into the contributions and the components of the three different businesses when it comes to the years we're looking at. Now we decided to come up with the acronym, which is growth. Each of the letters of the word growth has a meaning and it is immediately connected to the medium to long-term trends that a utility like Hera in Italy must take into account when it comes to compliance and opportunity.

G stands for green, that means that we are committed in a number of actions, allowing us to work towards carbon neutrality. We are committed to achieving science-based targets that is a major component, which go well beyond 2024, which is the final year of this business plan looking to 2030, which as you know, is a part of the targets we have given ourselves. And this business plan was also shaped on those targets too. These targets have been renewed, they've been updated and we'll be seeing them at the end of the presentation.

The second major item, which, of course has a lot to do with resources and infrastructure is -- are resilience and regeneration. And that of course has to do with the water business, but not only, it is also linked to the issue of the circular economy as far as regeneration is concerned. And resilience, of course is very important, that's something we're committed to. And resilience isn't just something which refers to the infrastructure or the organization of our business model, it is a reactive form of resilience when it comes to dealing with sudden climate changes or sudden problems such as the pandemic, but also a way of wanting to adapt when it comes to the evolution of our infrastructure, and that requires investments of course, so that we can adapt progressively to the changes happening over

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the next 10 to 30 years. O stands for opportunities because in this case, there are and there will continue to be major opportunities. And I too will be talking about the topic of hydrogen for instance, with a view to giving value to our assets and infrastructures. Then we have opportunities such as waste to hydrogen sector that we are exploring to develop.

Then we have W, welfare, shared value, and T stands for technology. Even here, we invented an acronym, IoTility, which is a utility based on IoT technology, which we have decided to interpret and to apply, not just over the past two years, but we'll continue to do so in the years included in the business plan. Very briefly when it comes to hydrogen and the way we interpret it, let me share my ideas, which could contribute to a very lively debate on this topic. What I'm saying is that we can look to hydrogen with the awareness that we are looking to the medium to long-term scenario. We are looking to a perspective, which in a broader sense is linked to the theme of green gas, as hydrogen is a green gas, much like biomethane. And they are part of the same strategy as far as we're concerned. And this is true from a number of different points of view, especially for multi-utility like ours and given our characteristics.

As you can see on Page 8, we have divided our different activities and our focus on the hydrogen opportunity in a number of different contexts. We have regulation on the one hand. We need to be aware of the fact that there is a complicated path forward, which has to be completed before hydrogen can be used within the systems, which currently manage alternative gases. The themes as to how you manage metering third-party access, how we can manage the quality standards when it comes to the hydrogen being pumped into the networks. And these are all topics, which over the upcoming months and years will have to be further clarified and built so that we can create a context within which these opportunities can be effectively used and completed.

Moving on to the more business side of things. For a company like ours with over EUR1.5 billion invested in gas networks and a further EURO.5 billion invested in cogeneration activities for district heating for instance. For a company like ours, therefore it's important to safeguard these assets, making them compatible with the so-called blended hydrogen gas. This type of asset readiness requires further tests and experiments and it requires us to focus on the more sensitive context to focus on the assessments required so that we can be ready when the day comes for such an opportunity to exist nationwide. I won't go into the details, but of course, I can give you these details if you are curious later on.

The second axis I'd like to focus on is turning all of this into an opportunity by exploiting the traits we have in our assets so that we can take the opportunity to produce or use hydrogen. In stockpiling for instance, green power to gas has this goal in mind. It is a project that we are working on with one of our production sites. And the goal there is to turn the exceeding amounts of renewables and electricity into hydrogen or into same gas or CH<sub>4</sub>, a green natural gas that can be used in our networks. And then we have waste to hydrogen, which is the use of the component of renewable energy, which now no longer incentivized, produced by our waste energy plant, so that we can produce green hydrogen, which can be used in specific productions. And in this sense, we are defining a protocol with an international operator in the petrochemical sector.

Moving on to the business solutions. In other words, which kinds of services we can offer. 15 years ago, we began the co-gen and value-added services for our industrial partners. Similarly, we do see other opportunities by focusing on green gas hydrogen as one of the opportunities that can complement the services portfolio we already have and then we have community solutions. This is a label that we are giving to solutions focused on local public transportation or fuel cells or carbon neutral neighborhoods in the cities. Then of course, we have the R&D side of things, technology, CO2 capture, because by capturing CO2, we can find the sources and the molecules so that we can come up with green CH4 from hydrogen and electrolysis, which I won't go into, which are very well known and which are the foundations for competitive hydrogen.

So these are the various parts of a strategy that we're working on. Some things will happen more in the short-term, others in the long-term. But they do give you the flavor of the way in which we are looking to this topic. And we have doing so for quite some time now and the way in which we can take advantage from being a multi-utility and a multi-business with assets and with a presence on markets in which these opportunities can turn into a business.

Before going into the various businesses, I wanted to mention that this business plan was very natural to draft. And it is as I said, very much in line with the next generation EU guidelines. If we look at the EUR3.2 billion of investment, as you can see on Page 9, over 60% is a perfect fit with the digital age plan and with the green deal, both in terms of carbon neutrality and in terms of resilience. It was a perfect match for us. And it's no surprise because these frameworks, these targets are very consistent with the UN targets, which we embraced already four years ago and therefore, it was only natural for us to match next generation EU and the same applies to the EBITDA generation, which, as you can see goes in that very same direction. I don't want to bore you with the very long list of how we can come up with EUR970 million in resilience. Let me just say that, that figure includes EUR560 million of investments in the water sector to renew our networks and to extend the water networks to improve our resilience in the water service and I could continue with a very long list of items, which are very much consistent with the European Union's guidelines. And with the ones included in the draft recovery plan that Italy is working on.

Moving on to the business by business breakdown now. And beginning with networks, we have expected growth of equal to EUR52 million stemming from water and gas distribution, especially. Electricity distribution and district heating are more stable. There are a number of items here in terms of efficiencies and resilience, which you can see in the middle part of the slide and EUR2.1 billion are the investments we expect to make in the sector. EUR1 billion in water alone, which will allow us to increase this businesses RAB by roughly EUR320 million, going up from EUR1.5 billion to EUR1.9 billion.

EUR 700 million, including a small component on gas tenders is what we expect from gas distribution, where we expect to go from EUR1.1 billion RAB to EUR1.25 billion in RAB. Then we also have the goal of reducing our footprint with initiatives such as the reuse of water, which last year was equal to 4% with a grand total of 9% as a way of allowing us to reduce our water footprint. And we also have the progressive evolution towards renewable -- using renewable energies for district heating. We also have the commitment



of reducing our water footprint by 17% by 2024 compared to a 7% we were already able to achieve in 2020. Now within these items, keep in mind that we have EUR25 million in efficiencies within the sector, which also bring about an improvement in efficiencies for each point of supply managed by each of our employees worth 6%.

Moving on to the energy business. We have a bigger growth, a growth worth EUR98 million approximately, a part of which is obviously linked to the Ascopiave deal, 30 years - - EUR3 million are in the synergies and another important factor in organic growth is the value-added services, which will achieve EUR13 million in 2024. You may remember that this -- that in 2020, they will be at around EUR2 million to EUR3 million, this is a major growth that goes well beyond our expectations in fact.

As far as our investment plan is concerned, we expect to invest roughly EUR330 million, 50% will be development and the remaining 50% will be maintenance. Even here, you remember all the things that we want to do in terms of achieving carbon neutrality, even nudging our customers progressively to use renewable energy sources in their gas and electricity consumption. In the case of gas of course, we obviously will proceed with compensation actions on CO2 emissions.

We expect to achieve efficiencies worth EUR17 million linked to synergies worth EUR30 million. And one indicator I'd like to mention is our cost to serve. In 2019, it was equal to EUR26 per customer and in nominal terms we expect it to go down to EUR24 per customer, which is a significant result given the dynamics we're working with and given the constant increase of the contact supply companies have with our customers.

As far as waste is concerned, Page 12, we were able to post a good degree of organic growth, which goes along with a significant investment plan, which as you can see is close to EUR700 million. Almost EUR300 million of that amount is going to development. We have some renewal plans. We are renewing our waste to energy plant for industrial waste, which is based in Ravenna.

We're also working to renew one of the lines in the Trieste waste energy plant and we're working on a number of other projects. In another waste energy plant, we will be doubling our biomethane capacity -- production capacity with two new units, one in Emilia-Romagna and one in the Marche region.

We're also working as far as M&A is concerned to further consolidate the players in the industrial waste sector, which is a fragmented market with a number of very interesting niche players, which would be a perfect match with our strategy, which as you know is increasingly focused on recovering raw materials. The last significant component of which is the further broadening of Aliplast activities in plastic recycling. We expect to increase this unit's capacity by 80%, moving from roughly 85 tons in 2020 to roughly 140,000 to 150,000 tons in 2024.

Partly by building a new plant with Maire Tecnimont technology in Modena as a way of achieving the advanced selection of polymers in polypropylene and other plastics, plus we'll be focusing on the downstream with the production of end products. And in this

case, we will be increasing our recycling percentages, which are well above the target set by the EU for 2030.

I've already discussed the waste hydrogen, so I won't be going into that.

Moving on to the financial side of things. As in the past, the operating cash flow generated by this business plan will be able to fully cover the ambitious CapEx plan, plus our dividend policy. The only change as far as debt is concerned will be linked to external growth. Of course, with our EBITDA growth up to EUR1.3 billion, which will allow us to have a net debt to EBITDA ratio go to 2.8x at the end of the business plan with the balance sheet flexibility that we will need to be able to look into any possible further opportunities for external growth and from this point of view, we expect the earnings per share to grow with a CAGR equal to 1.5%.

The cost of debt is projected to further decrease 2.9% is what we expect in 2021, and that should go down to 2.6%, because in 2024, we have two reimbursements worth EUR500 million of bonds or financing, which have an average cost, which is well above these figures, allowing us to further reduce our average cost of debt by a further 30 basis points. And as far as the tax rate is concerned, we expect it to be stably at 27%.

Finally, as a way of concluding, let me just share two or three remarks. The first allows us to come full circle with value creation, with shared value creation. In this case, we expect it to go up to 50% of our overall EBITDA, up to EUR650 million and here you have an idea, a flavor of the various components that will be contributing to achieving that goal. We have realigned the reference framework, which is what we do every three years when it comes to measuring shared value, which is certified as of last year.

We have three elements we focus on, that of achieving carbon neutrality to regenerate resources and close a circle. Thirdly, to work on innovation and resilience. When it comes on return on equity and return on investments, those values are well above our average cost of capital. And as I was saying, these targets are matched with the long-term projections, which we have defined to 2030 to have a 10-year target that we're going to look to, which is something we already started doing last year, which as you can see on this page, includes some of our most important components, beginning from the top. 80% recycled plastic is something we're doing with the target of achieving 150% increase by 2030. We want to go above 75% packaging recycling, we now stand at 72%.

So in a sense, that is a target we expect to achieve before 2030. Thanks to our investments in water infrastructure, we expect to reduce water losses by 10%. We want to continue focusing on the reuse of cleaned wastewater, which is what is already being done in Texas, in California and Singapore. The same drop of water is used 10x. Why should it only be used once in Italy? And as far as reducing our water footprint, we want to reduce it by 25%, which is I think mandatory, not just for us, but for all industrial sectors and for all citizens in fact.

We want to double our biomethane production by 2030 with 30 million cubic meters and we want to double our -- or reduce our group's energy footprint by using 100%

renewable energy and that can free up resources to be allocated for other activities.

Last but not least, in the top left corner, we want to reduce emissions by 33%, scope 1, 2 and 3, which is consistent with what's defined by the science-based targets and we will be applying to that so that we can be considered to be a company committed to achieving the targets that can allow us to be -- to stand well below 2 degrees compared to the COP 21 targets. Having said all this, we feel that this business plan is that we are confirming the trends and the targets we have given ourselves over the past years.

I think that it offers a visible and credible perspective when it comes to achieving our results. It also shows major benefits on a number of different fronts, beginning with the hydrogen sector, which gives value to the multi-utility approach that we have and which we have been working on over the past 20 years, and we will be doing this with a challenging investment plan with an increase in our dividend for our shareholders, which at 2024 will be at EURO.125 per share, beginning with the EURO.10, we paid for 2019 with a major growth, therefore, a growth which will not have an impact much like the investment plan, it won't have an impact on the soundness of our company. We will continue to be in line with the medium-term targets we have given ourselves on our financial situation and on our assets, but it will also allow us to continue looking on the opportunities linked to external growth.

We are committed, we are determined and we are consistent with the unavoidable trends, as far as our decade is concerned both when it comes to dealing with climate change and when it comes to managing resources responsibly. That's it, as far as I'm concerned.

And at this point, I'd like to give you the floor for any questions you may have.

## Questions And Answers

### Operator

(Question And Answer)

This is the Chorus Call operator. We will now begin our Q&A session. The first question is by Javier Suarez, Mediobanca.

### Q - Javier Suarez {BIO 1700016 <GO>}

Good afternoon and Happy New Year, everybody. I have a few questions for you. First, if I compare this business plan to the previous one, there's a great deal of continuity. But when you look at the breakdown of the growth, it is continuous, but energy is more focused on energy supply and the waste business and a little less compared to the previous business plan on the networks business. The CEO explained some of the reasons behind that shift, but I'd like to hear a few more details as to why there will be a lower degree of growth in the networks business compared to the previous business plan and it continues to be a major focus of investments.

My second question is on the supply business, which should be a major source of growth for the company. What are the company's assumptions regarding market liberalization and the expansion of the client base in electricity and gas and how that is linked to profitability? What dynamics did you include in your business plan?

The third question refers to the options on the safeguard service, the FUI service, last instance market. Hera was awarded a lower amount of concessions in the less resource market and in the safeguarded market. What dynamics are you observing in these services? And which dynamics do you include in the business plan?

Another question is on the growth of net income. Page 13, you refer to a 1.5% growth in EPS. Can you give us the amount of shares you're considering in 2024? Is it the same amount you had in 2019 and why is the bottom line growth lower compared to the growth in EBITDA?

And then a final question on the scenario. What is your view on the recovery fund? What do you think will be the real impact of the recovery fund on a company like Hera? Of course, Hera is a very solid company, very interested in the recovery fund. What would be the real impact of the recovery fund on your business model.

And a very last question. I noticed the reduction in the contributions stemming from the gas tenders. Can you give us the more recent view referring to the gas tenders speeding up or not during the business plan years?

## A - Unidentified Speaker

Beginning with your first question, there is a reduction in the growth in the networks business in the previous business plan that was worth roughly EUR70 million. In this case; in this business plan, that growth is down to EUR52 million. That is due partly to the full application of the tariff reviews at the end of last year. When we presented the previous business plan last January, we had just received communication on the tariff review. We had made an estimate, which was above what we had initially forecasted, not just due to the review on the allowed return on our recognized OpEx, but also referring to the inflation dynamics.

Presently, we continue to see an inflation equal to zero if not negative and for the upcoming years we had a more cautious scenario for the business plan years. And as you know, if you reduce inflation, you also reduce the profitability of the business in terms of EBITDA. So this is the first component, which accounts for at least EUR10 million.

The second component is that in the previous business plan, we still didn't have the effects of the tenders in the water sector, for instance. And in 2020, we completed the Rimini tender. And since that is a tender that you can have awarded based on a discount and recognized revenues that will have an impact of some EUR5 million per year. And that was included in the business plan; that was embedded in the business plan.

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Moving onto other details, other minor details. We have another effect I was referring to. Over the past 4 or 5 years, we had significant growth in water tariffs, which recovered certain previous dynamics referring to the cap on tariff increases. That recovery is not over, and therefore, the growth in 2024, from that point of view, will add very little compared to the previous years. This is it in a nutshell. Then you have the effects of the white certificates that you're aware of, which did change in the 2 different scenarios. And last but not least, we also have the effects of the evolution. You, yourself, mentioned the gas tenders that also had a minor effect. So basically that explains the EUR20 million difference compared to the previous business plan.

Second part of your question, the safeguarding market, the Salvaguardia market. In the more recent tender, we were awarded a smaller number of catchment areas. But a few weeks earlier, we had acquired a much larger group of catchment areas in the gas last instance and default markets, which means that in 2021, the contribution of the last instance markets stands at EUR35 million, EUR40 million, which is the figure we expected.

What do we expect for the upcoming years? Well, we expect to see more competition because this Salvaguardia market tender went in a certain way also due to the pricing policy, which was more aggressive as far as NOL is concerned. That, of course, reduced the amount of the pie available and it will continue to be smaller in the future. So in this business plan, we embedded a contraction compared to 2019 worth some EUR20 million.

When it comes to our expansion policy, we have no intention of stopping. Our goal is to reach to 4 million customers. That also includes the opportunity to add a further 500,000 customers from the liberalization process of the Maggior Tutela market. It is a reasonable number. We want to go above 3.5 million customers plus the EUR0.5 million from the liberalization of the Maggior Tutela market. As far as the market goes, we're seeing a little bit more competition with an increase in the churn rate, which is lower compared to average as far as we're concerned. However, this kind of competition allows us to speed up when it comes to making the acquisition of new customers.

Although, as far as margins are concerned, we are not seeing any major variations compared to some of the forecast we had in the past. So it's more dynamic without being a cause of major erosion of margins. We're still working very hard in this market. But of course, there are some things which are very important for us, such as the spreading of added value services such as, for instance, insurances against failures within households, within homes, maintenance for boilers or heating systems, the sale of HVAC devices, installing PV panels. And in fact, we made an acquisition at the end of last year. We made the acquisition of an operator who works throughout the country called Wallman [ph] in that sector in photovoltaic.

You also had a question on net income and on the number of shares -- of underlying shares, when it comes to making the calculation of the net income. Part of the shares, of course, are linked to M&A. Currently, we have 1.47 billion outstanding shares. Net of our own shares; and in this case, we counted 1.52 billion shares that is the underlying figure. So with the equal number of shares, EPS will be slightly above EUR0.22 I mentioned.

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What has an impact on those dynamics for EPS or compared to EBITDA or EBIT? Of course, when it comes to EBIT, you have the impact of the larger investments we made. In other words, a major portion of growth is supported by these investments, and therefore, we have amortization and additional CapEx. On the other hand, we also have the evolution of the last instance markets, which removes some financial income that we used to benefit from in previous years. And then the tax rate, for this year, we expect to have something even better compared to 27%, whereas for the next years, we expect to stay at 27% to 27.5% as I mentioned.

Then you had another question on the scenario and the real impact of the recovery fund that we expect. Let me just repeat a concept that I had already mentioned on another occasion. The recovery fund may be an opportunity for us to speed up some investments or to make an investment, which wouldn't be economically sustainable at present. But as far as profitability is concerned, I expect a very modest contribution if anything at all because the regulator will be excluding some of the incentives from the RAB. Whereas where we can receive incentives with very interesting rates then, of course, we will recognize the remuneration compared to the cost of capital for those investments.

So honestly, if I look at things from the point of view of the P&L, I don't expect any major benefits. Although of course, if we can speed up certain investments that will allow the system to be more resilient, it will allow us to complete certain initiatives that could allow us to speed up the carbon neutrality process. Although these are more intangible assets compared to the P&L are actual economic figures. Those are the underlying logics I think. But again, if we will have additional resources to make further investments compared to what we have in mind, well, then we will certainly speed up the transition process I was referring to. But of course, we also have the indirect effects of the recovery fund such as revitalizing the economy more in general. And since we offer services to businesses and to the territory, of course, we may expect to see a positive contribution from the development of economic activities, generally speaking. But of course, we haven't embedded those effects in the business plan since they are difficult to assess at present, but of course that may well be another possible contribution.

As far as the gas tenders are concerned, you are very much aware of the context. Things are moving ahead very slowly. We decided to include a part of that within the business plans, although they are mostly concentrated in the -- at the end of the business plan years, in 2024. Therefore, the tenders will be happening slower and more spread out over time as we've seen over the past 2 years. We're still waiting for the outcome of the Udine tender that we made a bid in. Now we have the perception that a couple of tenders in our territory may start in 2021, but things are a lot slower compared to what we imagined in the past. In effect, the financial themes included in this business plan are limited to EUR130 million, whereas the contribution stemming on the level of EBITDA is only worth a few million euros.

I think that covers all of your questions. And hopefully the answers were satisfactory. Thank you.

**Operator**

The next question is Enrico Bartoli, Stifel. Mr. Bartoli, you have the floor.

### **Q - Enrico Bartoli** {BIO 3699377 <GO>}

Good afternoon. I also have a few questions for you. Beginning with the waste sector. First of all, can you elaborate on what your view is on price evolution and on the volumes of special waste throughout the business plan years? You gave us some details on the project, which will be contributing to achieving the EUR43 million EBITDA and organic growth. Can you give us some further details? And can you also share your vision on the timing of the way in which the new projects will contribute to the growth of this division?

My next question is on energy. Can you give us some details on the evolution of margins, both in the gas and electricity? What are your assumptions to 2024? And can you give us the breakdown between the electricity and gas of the EUR403 million EBITDA that you are targeting?

Then on Page 17, I noticed that your assumption is the PUN price will be EUR61 per megawatt hour by 2024. What are your assumptions regarding this price? I imagine there will be a significant contribution when it comes to the price of CO2. Can you give us your view on that?

And then a final question. I imagine that you are discussing the new WACC regulation in gas and electricity with the authority, with a regulator. Can you give us some details as to what we can expect?

### **A - Unidentified Speaker**

As far as the waste sector is concerned, as far as prices go, we will be seeing a stabilization regarding the results in 2020. As we mentioned in the previous conference calls, we're seeing a stabilization for certain categories compared to 2019, whereas other categories will be stable compared to 2019.

In our analysis, in drafting this business plan, we see no reason to expect a dip, which didn't happen in 2020 either despite a drop in volumes, which inevitably happened, as I mentioned early on during the presentation. That goes for prices.

As far as volumes are concerned, of course, we're betting on a recovery in volumes. Not a hazard. It's not any kind of speculation. We're just expecting a progressive recovery. And like I said earlier when answering one of Javier's questions regarding what the consequences will be of the recovery fund. We're not expecting a growth of GDP equal to 3%; we're a lot more conservative. And that, of course, can also -- also goes for volumes. So we simply decided to make sure that the volumes dynamics is consistent with the information that we have available.

On the one hand, we have an increase on asset sale, we have an increase in plastic recycling, an increase in our biomethane production, an increase in our waste energy plants. And then we have a couple of landfills, which we are looking to build, which will be devoted to industrial waste.

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As far as the timeframe is concerned, the industrial waste treatment plant should be up and running or its revamped version will be up and running in 2022, Q4 that will have the revamped line and the Trieste waste energy plant will be up and running in early 2022. As far as biomethane, both of those plants are expected to be up and running at -- in early 2023, which is consistent with the expiration of the incentives, which is expected for late 2022. Then the investments to broaden the landfill that will be happening at the end of this year. So those are the projects.

As far as the supply side is concerned, the breakdown between electricity and gas and the EBITDA to 2024; EUR209 million referred to the gas margins for gas supply, EUR150 million is electricity supply margins, EUR27 million referred to cogen, and EUR13 million refers to power generation. Therefore, the MSD component, in this case, a capacity market in 2024 with a contraction worth EUR20 million compared to the figures we posted in 2019 and partly in 2020, as I mentioned earlier. As far as margins are concerned, as I was mentioning earlier when answering Javier's question, we're now seeing significant contractions. There is a turn towards erosion, but it will be in line with previous years.

Why did we expect EUR60 as the PUN price? We don't have an opinion as far as we're concerned. To us, the PUN price is a fairly marginal variable, because it only gives value to the electricity production component stemming from our waste energy plants. For the rest of the part, it's a pass-through. We don't devote especially detailed research to that. What we do is we look to the 2 or 3 more reliable sources; and based on their figures, we come up with an average of sorts so that we can come up with the more plausible scenario. We come up with -- we take into account the forecast of resin and 2 other similar sources and we position ourselves in the more likely position.

As far as the WACC is concerned in the regulated sectors, our view is that we're not expecting any significant changes. We wouldn't see the reasons for any significant changes. Our association is working on research, but what we're currently seeing is stability for the most part, which is in line with the idea introduced in 2012 and 2013 by the national authority as a way of giving the best possible visibility to the companies when it comes to making their investment plans. Thank you.

## Operator

The next question is by Roberto Ranieri, Intesa Sanpaolo.

## Q - Roberto Ranieri {BIO 2520577 <GO>}

Good afternoon, everybody. Happy new year, of course. I have a couple of questions for you. The first refers to the circular economy. Obviously, from your presentation, integrating your businesses does have a value to you. You said that this is a value which won't be developing immediately, not in this business plan at least. Well, there may be some positive impacts in the second part of the years of the business plan. Do you think you'll be able to develop technologies to develop biogas or hydrogen through the purification of water or from waste or other sources, and those may have an impact on your company's performance? And perhaps the more they become visible, the market --



the more the market will be able to appreciate and give value to them in the upcoming years.

My second question is a follow-up as far as the question on the recovery fund is concerned. Of course, the recovery fund won't have a major impact on profitability or do you think the access to these funds may have a positive impact on the cost of debt within the business plan years?

And a third question; on operational financials, when it comes to infrastructure, are you considering an increase in investment on digitization? That's something the recovery fund may support. In fact, we end up having a larger amount of depreciation. And once the amortization is concluded, do you think that would lead to a lower growth of D&A in recent years -- in the future years? Also as far as digitization is concerned, there shouldn't be something related to taxes and amortization, which would have to be paid earlier and then discounted later. So is -- do you have already included any such things regarding your tax rate? Have you thought of including these tax benefits? Final question on the guest tenders. In 2021, there will be a gas tender in Rimini. Do you expect to make a bid in that tender?

## A - Unidentified Speaker

As far as the circular economy is concerned, the green gas and beyond 2024, let me give you an example just to explain what items we could benefit from. Let me give you the example of waste to hydrogen. Some of our waste-to-energy plants are close to some major industrial petrochemical plants, refineries. Obviously, over the next 2 years, the green certificate contributions and renewable energies will expire. And therefore, that component of renewable energy, which is 50% of our WTE production will only be based on the PUN price, the EUR61 per megawatt hour plus EURO.4, EURO.5 stemming from the original certificate.

Now if I use that energy and since it is a constant source of energy, which is 8,000 hours per year, differently from the electricity produced by non-continuous renewable energies like wind power or solar power, I would be able to feed a hydrolysis unit on 8,000 hours per year. And therefore, I can produce hydrogen at a very low cost potentially. And I could also give better value and have a major premium on that electricity, which otherwise would only cost -- have a price of EUR60 per megawatt hour. Then of course, I would have the possibility of using green hydrogen, which would be something sought after and rewarding. So think of fertilizers, think of refinery production, which is hydrogen intensive. Well, we could use a part of that green hydrogen in those productive processes.

As you know, currently, gray hydrogen is valued at \$2.8 per kilo. So compared to the PUN price, it is a lot higher, and that is a way of extracting value. Another example we're working on. Within the largest purification plant we have, we have developed some bio fermentation processes for the sludges, which creates renewable energy, which can be used on a small hydrolysis plant and that can help allow us to produce hydrogen. We can also reuse the part of oxygen, which happens when you split the water molecule by the oxidization process when you treat the water. And water treatment also generates CO2,

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and that CO2 can be combined with the hydrogen stemming from water hydrolysis allowing me to produce green CH4.

By doing so, you can obtain efficiency in the same industrial sites and the result of that is that I can have green CH4 that can be sold and blended in the distribution networks. That is another project, it's an experimental one, of course, it has to come up with its economics, of course. That gives you the idea of the perfect circularity and the perfect integration within the infrastructure that can join gas distribution with water treatment, with the waste sector. So these are just two examples of projects that we are working on in a concrete way to find the right economic sustainability. Of course, it will require some incentives. That's perfectly clear, of course, and we're willing to do what the government intends to do.

As far as the recovery fund is concerned, of course, if you can have resources with a lower tax rate, of course, that will have an impact, but with a lower rate, of course, that will have an impact on the cost of debt, but I don't know what those sources will be. This business plan is something that we drafted by taking our resources into account. And if anything comes along to help, it'll be more than welcome.

On digitalization, we'll be investing EUR560 million and how does that break down? Well, the EUR160 million refers to new electronic meters, another EUR160 million are the renewal of the group's IT platforms. EUR40 million referred to TLC infrastructure to improve signal. EUR38 million referred to the digitalization of waste collection services. EUR8 million referred to cybersecurity solutions. So these are the main items, which together make up the EUR560 million.

Of course, as you were mentioning, these types of investments have amortization rates, which are lower compared to the ones of the gas networks, for instance. So these are investments, which have a larger impact on D&As.

As far as the Rimini tender is concerned, we're looking into it. Some of the characteristics of the tender are something we're confused by objectively. We're starting to study the situation. In general, this isn't one of the tenders we have included in our business plan. Although, we are interested in it, we want to look at it carefully. Also as a way of looking at the competition conditions, which are a little different compared to decree number 226.

**Q - Roberto Ranieri** {BIO 2520577 <GO>}

Just a quick follow-up. Going back to the investments on digitization. Is there a tax benefit? An opportunity to keep the tax rate low at 27%. Is that something you've included in the business plan?

**A - Unidentified Speaker**

Well, we have considered the possibility that the government will extend the current (inaudible) incentives. Of course, given the size of things and given the fact that there is a cap to the benefit and the possibility of using it, we will -- won't go beyond that cap unless the government decides that their policy on Industry 4.0 is strategic for the country and

they can either raise the cap or remove it altogether. At that point, we would have a benefit on our tax rate. Thank you.

## Operator

The next question is by Emanuele Oggioni with Banca Akros.

### Q - Emanuele Oggioni {BIO 20133627 <GO>}

Good morning and thank you for the presentation. I have a couple of questions for you. The first is a follow-up on the question on the network sector, specifically water. I did notice that there will be a very low organic growth in water compared to the investments made. It's lower compared to the target you had for 2023. Is that linked to the Rimini tender in any way and the fact that it has a lower profitability? Although the growth in water is low compared to the major investments you're making in the sector, so were you especially conservative in those forecasts? Or are there any other reasons behind that low growth? And something similar refers to the dip despite the EUR200 million of accumulated CapEx.

And I have a second question. What are the more interesting businesses? What is the forecast you have from that point of view? And then you have EUR150 million CapEx. What is the expected enterprise value?

### A - Unidentified Speaker

As far as the networks are concerned, water and electricity specifically, as I mentioned, in water, we had major growth up to 2019. You may remember that between 2016 and 2019, the business' profitability grew by EUR15 million per year, EUR45 million in 3 years. We had some major tariff recoveries to make and we achieved those, and now those are no longer there. But within the business, we are also seeing the effects of Rimini tender, which gives us major visibility of course, because once it will be -- once the concession will be given to us, it will last for 20 years. And of course, in 2023 and 2024, we'll be paying off the discount we offered.

So of course, that amount has a major impact on our figures. And we're also a little bit more conservative on premiums for the technical and commercial quality. Because as you know the mechanism works in the following way. The more you do a certain year, the higher the bar for the next years. So the incentives tend to decrease; and it's the same thing we're seeing in electricity. It is true we'll be investing EUR200 million, most of which will be to renew 2G meters. But it's also true that the premiums on the continuity of service will decrease yearly due to the resetting mechanism compared to your performance in previous years. And unfortunately that does end up limiting the profitability you can expect from the business with a constant perimeter. And we don't have any major shift in perimeter as we may have in other businesses, for instance.

As far as M&A is concerned, M&A continues to have the same priorities. We still have the room to further consolidate our presence locally. That's what we're working on and our main focus refers to the waste sector, especially industrial waste for recycling. Currently, we're looking at 2 or 3 opportunities. Our conversations with these targets are at an

advanced stage. And that's what we'll continue to focus on. And then, of course, we have the supply market, which was always an area to consolidate our presence with very specific territorial focus.

The market is still very highly fragmented. As you know, there are some 400 operators, and therefore, there continue to be some opportunities in that segment. Of course, that would require a different commitment financially. When it comes to companies, we would make cash payments and that's what the part of the investment you saw refers to. Whereas the territorial options I was mentioning, the couple of options I was looking at, in those cases, you would often have to have a cash and share transaction. So what we're considering in these operations is some EUR400 million compared to the EUR80 million EBITDA that we factored in. So we're looking at a multiple, which based on the business is worth 5 or 6x. Thank you.

## Operator

The next question is a follow-up by Roberto Ranieri, Intesa Sanpaolo.

### Q - Roberto Ranieri {BIO 2520577 <GO>}

Yes, a couple of quick questions. The first is on your management of working capital. Do you expect to optimize things? And are your actions to optimize complete? Do you have no further room to improve things or are you still conservative when it comes to the working capital? And therefore, can there be a possible upside and a possibility of reducing it in the next years.

Then a second follow-up question on energy. You mentioned EUR30 million worth of synergies in your presentation. I'm assuming that most synergies referred to the Ascopiave deal or the dual fuel offers you're going to make to your acquired customers from Ascopiave. And my question is, how many of these synergies have you already achieved so far? And what are the forecast for 2021 and 2022? And how many gas customers did you make the acquisition of from Ascopiave? And how many of those do you think will also become electricity customers? Thank you.

### A - Unidentified Speaker

Now as far as the working capital is concerned, as you can see in -- on Page 13 of the business plan compared to our 2019 results, we're expecting working capital and provisions worth EUR400 million. Part of that is linked to working capital, which if I remember correctly, is worth of EUR200 million roughly. Roughly EUR200 million refers to working capital. So the provision is worth EUR200 million and EUR200 million worth of working capital.

Why we'll be seeing more working capital compared to 2019? Well, by increasing our customer base from 3.3 million customers to 4 million customers we brought in our waste business, we'll have a little more working capital to manage. We don't expect any effects on debt. We're already at par 30 days for all business customers in line with the current legislation, so we'll be seeing, again, a broadening of the top line. Is it usable? Well, is it doable? Well, every year, we've given ourselves some better targets; and I think that these

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EUR200 million can be optimized a little bit. Of course, those are more subjective evaluations. These are the figures we have. This was the math we were able to do.

And then, of course, in the next couple of years, we'll be able to improve things on unpaid ratio by 10 or 15 basis points that will bring about a further EUR10 million or EUR15 million or if we can add 30 days to the time needed to pay a commodity that will also have a positive impact, or if we can find a way to optimize the mix between internal management and external management when it comes to gas sourcing, well, that too can bring about some benefit on the gas stock value at the end of the year. But these would be optimizations worth a few dozen million euros.

Then how many synergies out of the EUR30 million of the Ascopiave deal at the end of 2020 for top line and not costs? I think the figure is somewhere between EUR8 million and EUR10 million. So that's roughly 1/3 of the target we have given ourselves. And were we able to increase cross-selling, and if so, how much for gas customers and electricity? Honestly, that's a figure I don't have, but I can send it to you as we come up with the final figures for the year. Of course, it's a major potential and it's one of the reasons, which led us to making that deal. We had a customer base of 600,000 gas customers, 1/3 of those were dual fuel customers, so that potential is still there. And we want to achieve that potential maybe not a 100%, but we do expect to achieve that, the 30% or 40% that we have in our traditional customer base.

**Q - Roberto Ranieri** {BIO 2520577 <GO>}

So those are the assumptions you have on the business plan?

**A - Unidentified Speaker**

Exactly, but keep in mind that these EUR30 million worth of synergies don't just stem from the growth in our electricity customers. We also have the extension of value-added services on the territory. Last year, we had given ourselves a target worth EUR5 million or EUR6 million EBITDA on the VAS. And now that target is up to EUR13 million. The EUR3 million difference partly stems from the higher degree of penetration and the success we're having in our traditional territories. But it's also due to how we implement those better performances on the Ascopiave customer base. And that's just one component, but there are others too, not just the further margins linked to cross selling to our electricity customers.

**Operator**

(Operator Instructions) There's a follow-up question by Javier Suarez, Mediobanca.

**Q - Javier Suarez** {BIO 1700016 <GO>}

Two questions. As far as your dividend policy is concerned, you have extended the visibility on the dividend a further year. What is the rationale behind the dividend policy? Can you give us some details on your discussions with the shareholders?

And then going back to the cash flow generation, working capital absorption. Can you give us an update on what you are currently seeing on the market. Is there any reason for concern, because, of course, the third wave of COVID seems to be a little stronger than what we would have hoped for. The economic situation is tough. Do you need more provisioning or do you think that billing and the crisis management as far as your company is concerned is something that you are able to deal with?

## A - Unidentified Speaker

Well, let me begin by your second question. Well, as I mentioned, the forecast figures we have for the end of the year allowed us to improve the cash end of our credits by 1%, which means that we went from a percentage which was equal to 64% in 2019 on average to 65% or 65.5%. That's what we were able to see. During the last 3 weeks of the year, we had an improvement of the payment of bills by 2% or 3% more compared to the previous year. So if I were to tell you how we're doing in terms of credit management in recent weeks with the updated figures to the 52nd week of the calendar, well, we're not seeing a drop in credits. As I mentioned, we did have a slight growth in the request for companies to pay in monthly installments. Roughly 17% of the of our customers have asked for that. So we're talking about a few tens of millions of euros of further installments or installment requests.

If I then look at the unpaid ratio, the pre-COVID unpaid ratio was roughly 1% for the retail sector. That has gone up to 1.1%. Freelance workers went from 1.08% to 1.1%, so these are very small changes. Of course, these are our figures, our numbers, which are the outcome of a very active and reactive approach that we've had from the very beginning. So we've been monitoring these parameters on a weekly basis ever since mid-February, so we are able to assess the situation very closely. And as far as the working capital trends are concerned, again, in late December, we did not see any significant dips at all. As far as industrial activities are concerned, as I said in December, there was a slight recovery. As far as electricity consumption is concerned worth 3%, and a plus 2% in the production of urban waste, and 3% to 4% increase in the demand for plastic recycling. So these are 3 industrial parameters that we look to. So as things are, this third wave of COVID still hasn't had an impact.

As far as our business plan projections are concerned, of course, we are projecting a stabilization of these results in the years ahead. As far as your first question is concerned, I don't understand why it's a surprise. The growth of our dividend policy is in line with the growth of the company's economics. It's something that we've been doing for the past 5 or 6 years now. And therefore, it should be no surprise. Were it not for the fact that even in the more difficult years such as last year, certainly, especially and the early part of the year, but even on the second year with a continuing health emergency, there may have been doubts as to our ability to comply with our commitment. We remain committed because we have the possibility to remain committed and we're still extremely transparent compared to the commitments with our shareholders.

Thank you. Let me just take this opportunity to say goodbye if there are no further questions, and I hope to hear from you soon. And I do hope that what Stefano so brilliantly explained meets the expectations you had.

Thank you.

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