

# Y 2023 Earnings Call

## Company Participants

- Cristian Fabbri, Executive Chairman
- Massimo Vai, Group Manager of Administration, Finance and Control
- Orazio Iacono, Chief Executive Officer

## Other Participants

- Emanuele Oggioni, Kepler Cheuvreux
- Javier Suarez, Mediobanca
- Roberto Letizia, Equita SIM

## Presentation

### Cristian Fabbri {BIO 20821433 <GO>}

Good afternoon, everybody. We are here to present the 2023 results that the Board of Directors approved a few hours ago. And these were record results in terms of value creation.

We are here with our CEO, Orazio Iacono; and our CFO, Massimo Vai, and with our Investor Relator, Mr. Jens Hansen.

Let me begin by illustrating the main results for the year. As far as turnover is concerned, we had a 26% reduction, which is related for the most part to energy. It allowed us to reduce the trading activities, which were a main part of last year, and therefore we normalized the revenues from supply. As far as we're concerned, the reduction in energy prices is a positive element, of course, and as we'll be seeing later, the results, especially in the energy sector, are pretty much independent from the energy price trends.

As far as EBITDA is concerned, we've seen a EUR200 million growth, the highest ever growth as far as our group is concerned, which is equal to 15%. This growth also happens in EBITDA, with EUR110 million growth equal to 18%, which means we have a higher growth as far as EBIT is concerned.

Now, what are the main drivers? And, of course, we'll be going into a business-by-business breakdown later. But, here, we decided to separate the last resort markets, especially the Salvaguardia market, which as you may remember, we were awarded at the end of 2022 for a two-year period, covering 2023 and 2024. And then we have the contribution coming in from eco-efficiency. And this is where the super eco bonus comes in. And, all in all, the contribution here was equal to EUR110 million.

We then have an organic growth worth EUR65 million. And the contribution from M&A is worth EUR25 million. Therefore, if we consider organic growth and M&A, we stand at a 7% average growth compared to an overall growth of 15% as far as EBITDA is concerned. Now, the growth on EBITDA translates into a growth in value. You may remember our business plan, which we covered together a few weeks ago. We had said that the growth of value was one of the pillars that the business plan was based on. And you can see the effects here on the year-end of 2023.

You can see that ROI is up by 190 basis points from 7.9% to 9.8%, increasing our results even compared to 2021. EPS is up by 17.1%, which gives us a total shareholder value for 2023, which is above 22%.

Now, in the column in the middle graph, the column on the far right, you may remember that last year we introduced a view which is a little bit different in terms of accounting and management due to the effects of our storage. Last year, those numbers were affected by the gas storage effects, whereas this year the figure which had a minus sign in front of it last year is now back to being positive, therefore we certainly have improved our profit by EUR60 million and EBITDA up by EUR90 million.

We were mentioning value creation, although value creation has to be sustainable, and, in this case, you'll notice that on all axes, beginning with carbon-neutrality, circular economy and resilience and innovation, we are growing compared to the targets we had defined for 2027, and they are in line with the targets that we had set. Everything is improving, including shared value creation. The CSV EBITDA is worth EUR106 million with a CSV EBITDA, which is up by 16%, which goes to show that if we remove the contribution from the Salvaguardia markets, the rest of the growth was in fact shared value growth.

Let me now give the floor to our CFO, who will be mentioning the cash flow trends.

**Massimo Vai** {BIO 19010369 <GO>}

Good afternoon, everybody.

We have a couple of slides to comment the evolution of the cash flow generation and the structure of the group's debt. Beginning with the first slide, in 2023, the group generated an overall level of cash, which we used to reduce the debt, equal to EUR422 million, which is the last column on the graph on the left-hand side. Now, the cash flow generated for the operating cash flow equal to EUR940 million, which was EUR604 million in September.

We then had the management of the net working capital worth EUR604 million, and this allowed us to manage both the maintenance CapEx worth EUR519 million, and the development CapEx worth EUR260 million, which gives us an overall value worth EUR779 million, compared to the 2022 figure, which was slightly below EUR690 million, with a EUR100 million growth as far as the group's CapEx is concerned. And then downstream, we had the dividend distribution in June and financing the M&A

transactions in 2023, which gives us a benefit of a debt reduction equal to EUR422 million.

Now, if we look at the last quarter, we can notice that the EUR300 million, which increased the cash flow of the company were entirely transferred to the reduction of debt, given that the release of cash flow and the net working capital allowed us to fully finance the investments we made in October, November, and December 2023, which is a great result, which amplifies the cash flow generation in the second part of the year, which is consistent with the progressive reduction of the energy commodity price reduction, namely electricity and gas, which in the first month of 2023, you may remember, had a high level, and which are quite different from what we saw in the second half of the year, and even what we're seeing in this part of the year following a thermal season, which was quite mild compared to expectations.

All of this gives us an index, as you can see on the right-hand graph, which is a reduction in the net debt-to-EBITDA ratio. We had a peak, which we had reached in Q3 2022, or 3.6x. We then began a determined and very swift reduction, which on the 30th of June in 2023, had brought us down to 3x, which is our benchmark. And then we further decreased in September 2.9x, and at year-end, we stood at an excellent 2.56x, which gives us a target which is even lower compared to the target we had given ourselves in 2021, when we still weren't seeing the volatility that we had seen and were able to manage over the past 18 months.

And then, in 2024, we'll see how this indicator will continue to stay at around the target that, as far as we're concerned, is a standard for a sound financial policy that can support the group's industrial growth.

Now, if we move to the following slide, in a nutshell, let me just remind you of the fact that our cost of debt in the medium and long-term has gone up compared to 2022, but only by 0.3%, which is simply linked to the fact that during 2023, as I'm sure you remember, in April, we admitted a sustainable link bond worth EUR600 million at 4.5% and that had a slight impact on our medium to long-term debt.

Obviously, during the year, 2023, we also had to turn to higher rates from bank loans in the very short-term, but they allowed us to deal with the cash needs we had to continue managing the company based on our industrial planning, but also as a way of having that reserve margin, which allowed us to have efficiencies and it allowed us to maintain the commitments we had made in the business plan, which in turn allowed us to obtain the results that the Executive Chairman illustrated in the very first slide.

Overall, therefore, we had a very good result and our exposure to a rate risk, since currently we still haven't seen a reduction in interest rates, which have been expected by the European Central Bank, although the medium to long-term curve is already decreasing, although it still stands at levels which are higher compared to two years ago. Again, our exposure to a variable rate is only equal to 4%, since 96% of our debt has a fixed rate.

We also have to add to that, that in a normalization scenario, and having eliminated the bank debt, since at the same time, we gave ourselves some committed credit lines, which have a flexibility of those lines we are using, we won't be having any emission needs during 2024. Therefore, the trend as far as debt is concerned is quite under control, and we are improving it on a daily basis to over-perform.

Let me conclude by making a brief comment on the right-hand side of the slide. We have our ratings as far as Standard & Poor's and Moody's are concerned. And if we look at the Standard & Poor's indicator, our rating level hasn't changed over the past 18 months, despite the volatility we saw and despite the impacts that the Executive Chairman was mentioning earlier. Regardless of that, we are compared to those Italian utilities which are 100% regulated and which therefore aren't exposed to risk, which testifies, I think, to the credibility, the trust, the confidence, and our cautious approach to risk management, which is something that our group has had for the past 20 years.

I'll leave it at that and I'll hand it over to the Chairman for the following slides.

### **Cristian Fabbri** {BIO 20821433 <GO>}

Well, let's go into the various businesses now, beginning with energy supply. You'll see how with a constant growth that we've been seeing since 2020. 2023 had extraordinary growth, equal roughly EUR180 million as far as EBITDA is concerned.

What I'd like to mention, in this curve, which we've already mentioned to some of you, is that despite the scenario, both when prices were going up and when prices are decreasing like now, the group continues to grow in this area. We have a EUR25 million contribution from energy efficiency and VAS. The pure commodities gives us a EUR158 million contribution, roughly EUR90 million of which stem from the Salvaguardia contribution, which is the difference compared to last year, and this is the effect of the tender we were awarded in the '23 and '24 two-year period.

Now, the remaining part is linked in a balanced way, both to the growth of the customer base. As you can see on the right-hand side, we've had an increase of roughly 300,000 customers, especially in electricity, but also in terms of the recovering of the shaping costs, which in 2022 had affected our results partially, and therefore we were able to recover those costs by renewing the contracts and transferring part of those costs to our customers.

And then, of course, at the end of last year especially, these costs were back to normal, which means that our margins were up and we reduced costs. As we mentioned on previous occasions, this is an ongoing business, an ongoing activity that can give us a clear picture of the contributions stemming from it in 2023 along with what Massimo showed us earlier, which was linked to the reduction of EUR600 million to the CCN, and the growth of these results brought the ROI in the energy sector back to 26%, 27%, which is in line with the normal, if not slightly better, performances that this business used to have before the cash absorption that we had last year.

Now I'll give the floor to our CEO, Orazio Iacono, who will be illustrating the waste and networks businesses.

**Orazio Iacono** {BIO 22805001 <GO>}

Thank you, Cristian, and good afternoon. Well, the waste business contribution to the group's EBITDA is equal to almost 25%, and we're quite pleased to mention this because the waste business is strategic for the margin evolution, which is guaranteed to the group.

Thanks to the group's leadership on the Italian waste market, as you can see in the graph on the left-hand side, the waste business has been experiencing a very positive market trend. As you can see from the growth track record, even this year, we were able to use our leadership and our ability to use company's increasingly sustainable and circular solutions, which is something that we and few others can offer.

The waste EBITDA is now up to EUR353 million. This also includes the collection business. In the collection business, we were able to almost bring back down to zero, the startup cost of the new 15-year collection contracts with the same services and margins and the growth and treatment is intact. This is consistent with what we saw in the business plan and the waste sector is continuing to grow.

In the middle graph, you'll see that if we sum up the delta perimeter with the organic growth, we come up with a EUR30 million growth, which is entirely structural, which means that almost EUR30 million, which have more than offset the one-off fiscal benefits, which were the tax credits we have for energy consumption, which is worth EUR30 million, which have benefited the 2022 results, which means that this is a positive overall result because it is net of the inflation impact on costs, which we as you can imagine, we had in 2023.

Now, what are the factors which contributed to this growth? Earlier, I was mentioning the change in perimeter, which takes into account the ACR at Adjani[ph] company which became a part of our multi-utility last year, which brought about a significant contribution since it allowed us to enter the land remediation sector and the global waste management sector in a broader way, allowing us to further enhance our leadership.

That was a beautiful transaction, which is performing very well and with a very long backlog, in fact, which continues to become longer. The other theme I'd like to mention is our ability to develop waste volumes, also thanks to the development of the capacity of our asset base, which as you remember, has some 100 different plants.

In 2023, we launched the new line number two in Trieste. And as we had mentioned in the business plan, we also added 8,000 hours to the Modena waste energy plant. All of this allowed us to develop our presence even more in the special markets, the

industrial markets. We're also increasing our activity as brokers, even towards foreign countries, which is giving us some very good results.

Over the years, we were able to achieve a very good level of skills, allowing us to reach out to territories which don't belong to our traditional area, which don't have the presence of plants. And this has also allowed us to strengthen our leadership on the market with a 360-degree approach, which is the slogan we've given ourselves, as you can see from the slide.

Let me move on to the slide on networks. We are extremely pleased with the performances that we obtained in the networks business in 2023. As you know, 2022 and 2023 were years during which we were able to absorb the increase in costs by maintaining our results stable for the most part, as you can see from the graph on the left-hand side of the presentation, and despite the regulatory news, our networks were able to do very well with an increase in investments.

We had an increase in RAB, especially in the water cycle. The second point, which always has to be considered, is our capacity to extract efficiencies as a way of offsetting the effects of inflation. And thirdly, the investments we made allowed us to increase the resilience of our networks, which were able to fully withstand the emergency we had in 2023, without ever interrupting our services and without any negative impacts on the results we posted.

The same can be said for waste, because we made a huge effort to secure our communities. And now with 2024 the year of networks has begun, we were on the defensive side in 2023, this year we'll be able to capitalize on all of the efforts we've made so far. The increase of WACC has now been recognized, you may remember that we talked about this in January with 110 basis points, and we also recognized inflation both on costs and on investments.

So, I think it's safe to say that with these results we are more than able to confirm the targets we had in mind with the business plan, and these are results that we're very pleased with. Over to Cristian.

### **Cristian Fabbri** {BIO 20821433 <GO>}

Well, we have reached the end of our presentation. Before opening the floor to your questions, let me just make a few concluding comments. We decided to give you a brief overview to leave some time for questions, in fact. In a nutshell, we reached year-end with the biggest growth ever, equal to EUR200 million in terms of EBITDA. We are now up to almost EUR1.5 million in overall EBITDA.

As far as the net debt to EBITDA ratio is concerned, the cash generation, we reduced the debt by EUR400 million. The net debt to EBITDA ratio stands at 2.56x with a large level of financial flexibility, allowing us to grow further and to look at any possible interesting opportunities.

We had a 17% EPS growth. This, again, is one of the highest growths ever in our history. And as we had mentioned, this growth allowed us to increase our proposed dividend. Today, the Board of Directors formalized this proposal for the shareholders' meeting equal to -- EURO.14 per dividend with a plus 12% increase year-on-year, and the year has only just begun, and as of July 1, we will also have to manage a major increase in our customer base, given the end of the Maggior Tutela market that we will be starting to deal with as of July 1. And we will be beginning with this new and major business opportunity that we built on in the past.

So, this was a quick overview, and at this point, I'll open the floor for any questions to go into any details you'd like to cover.

## Questions And Answers

### Operator

(Question And Answer)

Good afternoon, Mr.Fabbri. Our first question is from Javier Suarez, Mediobanca.

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

Thank you, and good afternoon, everybody. I have a few questions for you. The first refers to the 2023 results. The general provisions level was higher than expected. Can you help us understand why you have these higher provisions in Q4 2023? What is the rationale behind that choice? And what should we expect for 2024 and onwards? That was my first question.

The second question is on the company's cash flow generation in 2024. I would like to understand what the evolution of the working capital absorption should be in 2024. Can you give us some visibility on that? That would be very much appreciated.

And my third question is I'd like to understand, and going back to the Chairman's most recent comment, what are your recent views on the Group's extra profitability? This is a group of customers that was given to Hera with the end of the regulated electricity markets, what are the managerial levers you can implement beginning July 1, and which dynamics we should expect that would allow Hera to extract additional profitability from this new customer base? Thank you.

### **A - Cristian Fabbri** {BIO 20821433 <GO>}

Thank you, Javier. Thank you for your questions. Let me begin with the revisions for 2023. We reached year end by concluding all of the super bonus activities and with a certain degree of cautiousness that made us increase our provisions with the end of the eco bonus, which was concluded a very intense way at the end of the year.

And now, we'll be seeing over the next few months if we were too cautious or if we were consistent. For the time being we're quite pleased with what we're seeing. We

have also made some further provisions linked to the last resort markets, not so much because we're seeing a higher risk in 2023, but given the overall context for 2024, we chose to be conservative or cautious as a way of avoiding any possible surprise we may have were the situation to worsen.

Of course, these two items I mentioned won't be there in 2024. And we'll also be seeing significant benefits from the reduction in the energy prices and that effect will reduce our general depreciation. For the time being, we haven't seen any worsening in the unpaid ratio.

As far as cash generation for 2024 is concerned, before I give the floor to my colleagues, as far as the Maggior Tutela market is concerned, well, we'll be getting these new customers coming July 1, in those territories which are currently covered by us, you may remember that two-thirds of these customers belong to territories which the Group already covers, where we already have our structures, and that's where we're ready.

We have already prepared an offer that we are advertising for those customers coming from the Maggior Tutela market. In the other parts of the country, we're already activating those structures needed to manage those customers. And what we'll be doing is that already on July 1, we will start offering further services to these customers, and we'll be making fixed-price offers to them, taking into account the major reduction in prices to guarantee these customers the protection that they thought they had with the Maggior Tutela market.

So, again, we'll be making these fixed price offers and other insurances linked to medical expenses or possible job loss. So, we're focusing on this customer target, which is very interested in being hedged from risks. So, these are the activities that we've begun working on. Some customers are already contacting us despite not even having the names of customers yet, we have set up a toll-free number.

So, we're already starting with our commercial activities. So, this is what we have been preparing so far. Our target is to reach July 1, even mid-June, in fact, once we'll have the names of these customers, so that by then we can start all of these different activities besides welcoming these customers, of course, into their new supply company.

And maybe you want to answer the question on the 2024 cash flow, Massimo?

**A - Massimo Vai** {BIO 19010369 <GO>}

Now as far as our projections for 2024 are concerned, well, we are certainly going through a fairly long period of normalization as far as energy commodity prices are concerned. This of course has a positive impact as far as we're concerned on cash absorption.

What we're seeing in the results of these first few months is certainly a positive effect. Now the most important part of the absorption of cash or the release of cash when it



comes to working capital are linked to prices, and therefore the normalization of prices with other conditions, which remain the same will free up some cash.

The storage, without any huge hike in prices or different policies. Although, we don't expect any tensions on the 2024 storage season, that will require further cash absorption. And the third component, which is important and which goes back to what the Chairman was saying referring to certain provisions, refers to the management of fiscal credits linked to the super bonus, which was an opportunity for the Group, which implies that since we had an absorption of working capital in 2023, linked to the credits that we had held on to and which we then partly gave to banks, but which we are keeping for the most part, and we'll be starting to use those in 2024 to compensate our tax capacity.

And given these same other conditions that will lead us to release the part of the cash flow which is linked to managing the net working capital. Of course, we're only at the end of March, and we'll be continuing to manage the new conditions we'll be seeing in the upcoming months. 1.1 million new customers will have an impact on the working capital, but we feel that for the end of the year, everything should be manageable if the prices will continue to stay on these levels. So, we have a positive outlook compared to the figures we showed you in chart five.

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

But just to be 100% sure that I understood what you said, compared to the general increase in provisions in Q4, is it safe to say that most of this general increase in provision is a non-cash item, or is there a part, a significant part, which is cash-related?

**A - Massimo Vai** {BIO 19010369 <GO>}

No, it's not a cash item. These are provisions for risks, and earlier I gave you a reasonable answer, I think, but if your question is what we expect for this total sum for 2024. Well, the things I mentioned earlier show that we expect a significant reduction in these items, because some of the elements that we considered will no longer be there, others will improve, and since we were very conservative, we certainly hope that our caution will be a good thing, as usual.

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

Thank you.

**Operator**

Our next question is by Emanuele Oggioni, Kepler Cheuvreux.

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

Good afternoon, everybody. Thank you for your presentation, and congratulations for the results. I also have a few questions. The first refers to 2023. There was a tax rate which was slightly below expectations. What is the guidance for 2024 linked to

the tax side of things? Can you give us some further details on fiscal credits that Hera has held on to for the super bonus, which I'm sure is worth several hundred million euros. And what use do you expect to make of those credits? To reduce the taxes or to use them in any other way, maybe? That was my first question.

Second question is on the electricity sector. What are the growth drivers for the business for 2024? We are aware of the fact that you were awarded some tenders which give you benefits already in 2023, which will continue in the two lots in the Salvaguardia market. You continue to have positive effects for 2024.

For the micro enterprises, the benefits will continue all the way up to 2027. So, what is the year-on-year variation in the energy supply linked to electricity for 2024, if possible. And, in your press release, similarly, you mentioned that when it comes to the water business, you had a price cap compared to the tariff increase, which didn't allow you to fully cover the costs which were driven up by inflation or the energy prices, but which, beginning in 2024, as you mentioned in your press release, are costs that can partially be recovered. What do you expect in terms of tariff increase here? And what do you expect in terms of the growth in EBITDA? Will this be above what we saw in 2023 compared to 2022? Thank you.

**A - Massimo Vai** {BIO 19010369 <GO>}

Let me begin with the first question. As far as the tax rate is concerned, obviously 2023, the values of 2023 is also due to the optimization activities that we worked on, as usual, to maximize our potential to optimize the Group's overall tax rate.

As far as the guidance for 2024 is concerned, currently we have a slightly higher level because we work on optimizing things on a month-by-month basis whenever opportunities arise. For instance, we are studying the possibility of taking advantage of the Industry 5.0 initiatives, if applicable, to our sectors.

As far as the fiscal credits are concerned, let me just go back to the impact to the fiscal impact concept. We're talking about excises and fiscal credits, of course, as I mentioned earlier. Our strategy is to interact with the banking sector to give them a part of the credit, but to hold on to a significant part of those fiscal credits. So that we can offset our outflows beginning in 2024 in a significant way, which means that we're looking at compensations that are well above EUR200 million for the next four years.

This won't have an impact on the tax rate, although it will have an impact on our financial management as an optimization because that extra 10% isn't something that we are passing on to the banking sector, we're holding on to it. So, basically, we transformed that change in the banking context that had slowed down in buying fiscal credits. Whatever it did, it did it at higher cost compared to the past. So, we've turned that into an opportunity to give value to the Group's major tax capacity. So, this is the general picture when it comes to the fiscal credits linked to the 110% bonus. Thank you.

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**A - Cristian Fabbri** {BIO 20821433 <GO>}

Now, as far as your question on the water sector is concerned, well, the figures are fairly simple. You have an increase in FOI in OpEx from EUR2.4 million to EUR2.8 million and the deflector as far as CapEx is concerned from EUR4.5 million to EUR9.5 million. So, we have to consider the year 2023 as established by the authority, which means that ultimately we will stand at above EUR45 million in terms of EBITDA, EUR48 million to be more accurate both for OpEx and CapEx for both of the years.

**A - Orazio Iacono** {BIO 22805001 <GO>}

Thank you for your questions, Emanuele, and let me answer the question on electricity. You were asking about the beginning of this year. We had the contribution from the Salvaguardia market, we were awarded the tender for two years, 2023 and '24. The prices have been defined and therefore, it's just a matter of understanding what volumes there will be.

But again, the tender covers the year 2024 as well, so that is the main element as far as the tenders are concerned. If we broaden the scenario and go beyond electricity, as you remember, at the end of 2023, we also -- were also worried the last resort market for gas. We had the last resort market and the gas default market. We covered the market for the latter and therefore, for the time being, we are very much in line with our past performances for the last resort markets.

And as we were saying in the business plan presentation, another significant element of 2024 will be our ability to continue growing from the development of the market. We're going to continue to improve our shaping costs, because if the scenario will continue as they are currently performed, we won't have any costs. But we're also working on renewing contracts, and that would allow us to recover those shaping costs a little more than what we had in the past, typically with a contribution to the margins.

But then we would also have this positive effect on growth that will be partly offset by the investment we made on the Maggior Tutela customers, meaning that a part of that growth will be used to make that investment on the Maggior Tutela customers. So this is a more detailed scenario. Hopefully that answers your question. Otherwise, let us know.

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

That was very clear. Thank you very much.

**Operator**

The next question is by Roberto Letizia, Equita SIM.

**Q - Roberto Letizia** {BIO 22503967 <GO>}

Good afternoon, and I hope you can hear me. I have some follow-up questions regarding the 110% bonus fiscal credits. Now, the compensation for the use of credits for other fiscal matters, has it already been done already for 2023? Will it cover the remaining three years? Or did you use factoring in 2023? Or if you used factoring in this year, and given the very good results, that may be a tool that absorbs financial burdens.

And, therefore, I'd like to understand if you won't have factoring in 2024, and if you will be using that fiscal credit and if we'll be seeing benefits therefrom. Was this the approach you used to manage 2023 and 2024? And can you give us the final value of the energy savings contribution that you mentioned in recent months?

So, at the end of 2023, what was the overall contribution of this item which you will then have to offset with the growth activities this year? Thank you.

**A - Orazio Iacono** {BIO 22805001 <GO>}

I don't think, I understood your last question, Roberto.

**Q - Roberto Letizia** {BIO 22503967 <GO>}

I want to know the overall part pertaining to energy savings. Can you give us an official figure for year-end?

**A - Orazio Iacono** {BIO 22805001 <GO>}

Yes, we had some problems with your audio, so I hadn't understood. Well, I'll give Massimo the floor for the answer to your first question.

**A - Massimo Vai** {BIO 19010369 <GO>}

Well, as far as managing the compensations, well, this went along with how the fiscal credits were actually built. And there was a very high impact in the second part of the year. And already in 2023, we made some compensations, although the size can't be compared to what we have in mind beginning in 2024.

As you know, there's a lead time from whenever all of the documents are finalized and then sent to the Italian revenue service, where they're made available to the fiscal records. At that point, you can begin with your compensation activities.

So, basically, in 2023, we started managing part of this fiscal file. We gave part of that to the banks, and we compensated with our tax capacity for the other part that covers from 2024 onwards. As far as financing this type of investment is concerned, as we saw partly in the projection for the cash flow for 2023, we also started paying our suppliers. So that we could feed the financing of these activities in the second part of the year.

And in certain cases, we also ceded some factory parts that we are currently reducing to the bare minimum because we want to absorb them almost entirely with our cash generation structure. So even in this case, what we did was we

progressively managed the growth in investments. Part of that was funded by freeing up the net working capital stemming from the reduction of storage and the reduction of prices. The prices are continuing to decrease. That certainly helps us to manage this investment without having to use any other instrument.

And as we compensate them, the overall size of the credit will be reduced. And therefore, in a couple of years' time, we should be down to reasonable figures.

**A - Orazio Iacono** {BIO 22805001 <GO>}

Regarding the impact of the super-eco bonus. Well, all in all, in 2023, the contribution was equal to roughly EUR80 million or EUR90 million in terms of EBITDA. Obviously, it decreases by going down line to line, but as Massimo was saying, we had to sell certain credits, which increased our financial costs slightly. And therefore, part of this super-eco bonus activity will be disappearing during 2024.

I mentioned it's only going to be a part of it, because many of the initiatives that we worked on continue to have some effects in terms of lower tax deductions for 2024, meaning that we will have a carryover for a part of those activities. So, it isn't an item which will disappear. It will continue to exist. It will give us a contribution in 2024. It isn't quite like the one in 2023, although we'll still be seeing the effects in our figures. We will be seeing an improvement regarding the side pertaining to financial burdens.

We will no longer have the ability to cede the fiscal credits, although we did decide to hold on to some of those fiscal credits because they are very interesting and this will give us a benefit even for financial burdens. Of course, it's a complex topic. So, if I wasn't clear enough, please feel free to ask more questions.

**Operator**

Mr.Fabbri, there are no further questions at this point.

**A - Cristian Fabbri** {BIO 20821433 <GO>}

Very well then, if there are no further questions, I'd like to thank you for your time, for your attention. Of course Jens and Luca Cimatti are available for any other questions or comments. Thank you very much, all the very best, and we'll see you in May for the Q1 results.

But before we conclude, since many of the questions refer to 2024, in fact most of your questions refer to 2023 to try to understand what's going to be happening in 2024, well what we can say, and this is quite important, well we approved our business plan two months ago, 2024 began well, we don't have any criticalities, you may remember that in our business plan. We also gave you an idea of our profits, you saw that there was a progressive curve in the profits which began in 2023, and would continue constantly all the way up to 2024.

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So that's what we had mentioned a couple of months ago, that is our industrial plan, and we will continue with that growth stream that we have included in our business plan that is our commitment to you two months ago when we presented the business plan.

Very well, then, thank you very much. Goodbye, and all the very best.

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