# PRESENTATION OF THE NEW **BUSINESS PLAN TO 2029**

## HERA GROUP

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# CORPORATE PARTECIPANTS

- **Cristian Fabbri** - Executive Chairman of the Hera Group
- **Orazio Iacono** - Chief Executive Officer of the Hera Group
- **Jens Klint Hansen** - Head of Investor relations of the Hera Group

# CONFERENCE CALL PARTECIPANTS

- *Operator*
- *Javier Suarez,* Mediobanca - Analyst
- *Emanuele Oggioni*, Kepler Cheuvreux - Analyst
- *Roberto Letizia*, Equita SIM - Analyst
- *Davide Candela*, Intesa SanPaolo Equity Research - Analyst
- *Francesco Sala,* Banca Akros - Analyst

# PRESENTATION

### *Cristian Fabbri - Executive Chairman of the Hera Group*

Good afternoon, everybody. We are here to illustrate our business plan today.
As usual, let's begin by giving you our best possible forecast regarding 2025 results with an EBITDA, which stands above €1,530,000, with a net profit, which stands above €460,000, up 4% compared to last year, and with a net debt to EBITDA ratio, which is lower than 2.6 times. This is a very positive result for us, allowing us to be stable as far as debt is concerned compared to the previous year with a further growth in profit, despite the fact that, as you can see on the graph on the right-hand side, we had a sharp dip in temporary opportunities, which, as far as net profit is concerned, have been entirely offset by organic growth. Over the past six years, temporary opportunities have given us an accumulated EBITDA contribution a contribution worth €900 million, a major contribution, which allowed us to grow rapidly.
That is something that we are now offsetting by keeping our growth while standing at considerable net profit levels.
We still have a slight dip of the contribution from temporary opportunities that will be observed next year, but we're quite satisfied with this overview of the 2025 result

Now, moving on to the business plan more specifically. We can begin by basically confirming our multi-business model, a model which is supported by economies of scale. As you know, when it comes to all of the main businesses, we are now among the market leaders in terms of size. This allows us to have business-specific synergies, but it also allows us to create synergies in our activities portfolio.

This is a model which allows us to transfer innovation and ideas us from one business to the other. Ideas which begin on a specific business and which are then transposed to other businesses. But it also allows us to transfer the cash flow generated by some businesses to others as a way of creating opportunities or to secure the cash generated.

The fact that we're a multi-business model also allows us to have a number of growth drivers. It also allows us to see these opportunities in the various markets we operate in. Plus, we can have a higher customer loyalty rate by working on our service portfolios that we offer to our customers. But we also leverage on the investments we can make in our customer management system that, of course, benefits quality, given the fact that thanks to synergies, our costs are lower.

Now, moving on to the strategy we have defined for each single business.
We can begin with the sector's macro trends. Now, summarizing everything in one slide is a little complicated, although we did try to extract the main elements, both when it comes to macro trends, but also when it comes to our strategy for the various macro titles, the macro items, beginning with water.

As you know, in the water business, we face extreme weather events, from floods to extreme rain to droughts. We live in a context in which European regulations and how they are transposed in Italian legislation is marked by an increase in restrictions when it comes to purification, with a specific focus on lowering pollutants.
Therefore, this sector requires investments. Of course, we also have to face a very relevant infrastructure gap in the sector.
Of course, in the past, our assets were able to benefit from major investments, meaning that currently they are perfectly adequate, but we have to continue to allow them to evolve by continuing to be in line with these trends which amplify their impact, and will do so, especially in the future.
That's why we are working to increase the availability and procurement of water.
We are working to reduce leakages in our water distribution activities, and we're also working to improve all of our activities when it comes to sewage. Keep in mind that our sewage systems date back to many years ago in some locations, whereas the newer parts of the sewage systems were designed also based on rainfall levels.

And in the past, these extreme events used to happen every 15 to 20 years, whereas nowadays, it tend to happen every year.
Even in this sector, we have worked on improving our infrastructure. We are also boosting and reusing water. As we do this, as we invest in this direction, we also use innovation and digitization to maximize our impacts and to obtain efficiency on the entire system.

Moving on to energy. If we look at the evolution of trends, even on a 15-year span to 2040, what we see is that final energy consumption will be reduced by 20%, an increasingly large of final consumption will be driven by electricity.

Gas, both due to global warming and due to efficiency and the trend we're seeing will be reduced. But in 15 years' time, we will still be facing a situation in which a third of the final consumption will be supported by gas and a further one-third by electricity.
Basically, we are facing a major demand for energy efficiency, for decarbonization of consumption and infrastructure, which needs to be capable of dealing with the energy transition. Now, what is our strategy? When it comes to gas, we will continue to make sure our networks are efficient. We will continue to invest to make sure that they are up to par so that they can be ready to manage green gasses, which are another new element in our networks, which will help decarbonization.
When it comes to the electricity grids, we will be increasing our hosting capacity. During the business plan period, it will be up 30%. With all of these investments, we will also be working to continue to improve efficiency in managing our infrastructure.

When it comes to sales and our activities to support renewable energies, even here we have a clear strategy.
Namely, we want to continue to help our customers in their decarbonization path through offers regarding energy efficiency and regarding the development of renewables linked to consumption centres with a focus on customers and consumption centres, which means to have proximity-driven plants.
What this means is that despite being owned by us, with a long-term contract, we can supply energy directly to one or two major industrial customers. We are also going to implement CRM. When it comes to customer loyalty, we have a good service level, but our goal is to continue to improve services to customers, both when it comes to our physical networks, but we also want to improve our relations and marketing through the support of our artificial intelligence.
I think we're already using and we want to continue doing throughout the business plan years.

Moving on to the waste business. You are well aware of the situation regarding infrastructure in Italy, and you also know that European directives are becoming increasingly stringent when it comes to the circular economy to boost reusing primary and secondary materials.
This, of course, gives us plenty of opportunities to expand along with the very fragmented sector. Our strategy is very straightforward. We want to expand our plant capacity so that we can expand our ability to treat waste in our plants.
We want to continue to increase our intermediation activities on waste.
Plus, we also want to explore new circular economy potentials, along with continuing to improve our global waste management services, the ones we offer to our customers by increasing our activities portfolio and also expanding our customer base.

Moving on to our strategic priorities, the ones that we want to focus on.
There is a certain degree of continuity in our activities. We have a very strong focus on value creation. We want to make sure that our growth isn't purely based on volume as we also want to increase profitability.
At the same time, we also want to continue with our hedging model, allowing us to sterilize the impact of all external macros, such as inflation, the cost of money, the fluctuation in energy prices, which due to how the business is made and due to our choices we try to fully hedge.
Our multi-business model is very helpful in this regard because as I were saying earlier, we have different drivers leading to growth, and therefore we can allocate a lower risk when it to the execution of the drivers.
Although in the past, I think it's safe to say that we never had any major negative surprises on execution. Sustainability is also a theme which has always been a part of us, not as a cost, but as a further opportunity to create value.
Because in this regard, we want to take advantage of all of the new constraints and targets set by the European Union so we can find the right space between obligations and incentives allowing us to work in different sectors and supporting customers to find a room for profitability in the development of our assets and in the things we want to do, which means that we will continue with these strategic priorities and we will continue to allow our business to evolve and grow.

Now, let's take a look at what we intend to do when it comes to the three main pillars in our strategic priorities, beginning with value creation.

On the left-hand side, we have the internal part of the company, on the right-hand side of the slide, you can see the effects in terms of total shareholders' return.

Starting with inside the company, you can note that our goal is to continue to have a 400 basis points spread. The difference between our ROI and the sector is WAC with a structural ROI growth.
In 2024, we had an 8.8% ROI, which is the structural ROI net of the temporary opportunities contribution. We want to have growth, a structure of profitability, and a 25% growth in net invested capital, which means that these are the two leverage we wanted to use to increase profitability. If we then look at the effects on total shareholders' return, structurally speaking, If you consider the structural EPS, we have a 6% growth and a yield on dividend per share, which is above 4% on average throughout the business plan, which means that we are confirming a double-digit TSR.

Moving on to the topic of resilience. You are familiar with our approach to hedging, linked to the external macros which may have an impact on our business.
We want to have full control on the business. We don't want to be exposed to any volatility We want to be coming inside the company from the outside. We want to produce how exposed we are.
As an example, I can cite the hedging on commodities, especially energy, which, as you has proven to be very effective, even in times in which prices went up in a major way.

When it comes to long-term risks linked to climate change, we have been working for quite some time on improving our assets and networks resilience, and we will continue doing so because this helps us, on the one hand, to improve the overall profitability, and on the other, it reduces any potential impact there may from any extreme events on our businesses, which gives us a double advantage in the future.

If we turn to the topic of sustainability, we confirm that we will continue working on three macro axes decarbonization, which means that we are confirming our path towards net zero in 2050.
And even here our goal is to work together with customers to extract value both for ourselves and for them throughout this process. 1.3 billion of our investment plan, which accounts for 5.5 billion totally, will be invested to improve this axis. 2 billion will be used to implement all of our goals linked to the circular economy, whereas 2.6 billion will be focused on improving the resilience of our assets.

I kept innovation as the last topic. Innovation, when it comes to strategic levers, is underlying in all businesses.
When it comes to innovation, we work in a number of different directions.
On the one hand, we want to innovate our assets. Think of the frontier activities we're working on when it comes to carbon fibre or rigid plastics. We are basically opening up new business opportunities and growing volumes on that part of the market.
But we're also working on cutting-edge initiatives such as hydrogen. In this case, our investment is almost entirely financed by National Recovery Resilience Plan funding.
Next year, two of our plants will be up and running if we then focus on technology.
In this case, this is a very broad world, of course, because, we can use both traditional technology to improve the digitization of our assets and networks, which leads to us having two effects. On the one hand, we can better control our activities remotely by increasing the efficiency and effectiveness on our networks.
But we also want to be able to acquire data sets that can help us evolve the business with prediction-based models.

Along with these applications, which use more traditional technologies, but which we apply to make our business more digital.
We also have innovation regarding certain types of equipment. We have patented our gas meter, which has safety features linked to earthquakes or a cut in gas in households.
It is able to detect gas leakages in the household to guarantee the safety of those who use gas. But we also have valves which we use on our gas networks, which can be used remotely, allowing us to intercept gas leakages increasingly swiftly to improve safety, but also to reduce methane gas emissions.
Then we also have devices that can help us measure climate change and rainfall levels to detect any possible landslides or land movements, which in the long run can lead to damage. Even in this field, we are investing so that our networks can be equipped with these types of devices and equipment.

Finally, artificial intelligence can support our business.
In our networks, for instance, we use digitization and AI to create the digital twins of our networks, allowing us to better manage our flows, but also to identify damage and focus on predictive maintenance, to reduce leakages, allowing us to increase efficiency, but so that we can also allocate capital in a more effective way, as we could do with our investments to renew our infrastructure. But we also have process applications, which we already use in certain areas, specifically the market. We will have to push in this direction to support both our predictive models through machine learning, but also to use automation that we are going to implement increasingly throughout the business plan years so we can have pieces of our process which aren't supported by AI,

but which are built with these agents so that we can further optimize our activities and be increasingly efficient and effective so we can use our resources to improve performances or for investments.

Moving on to our capital allocation strategy, our investments. We have a clear strategy, beginning with three priorities which act in synergy between themselves. We allocate most of our development to our core businesses with a the goal of increasing our investments to accelerate growth on core businesses.
The current investment plan, which is up compared to last year, compared to the previous five-year period, now envisages an at a level which is 40% higher, generally speaking.

We also have the goal of keeping a balanced business portfolio because as we explained earlier, this gives us a certain number of advantages and stability and predictability over time, which allows us to continue to be resilient and profitable in our business.
But it also allows us to maintain a good level of financial flexibility so that we can take advantage of any opportunities which are not included in the current business plan.

I was mentioning the fact that our investment plan is worth 5,5 billion, which includes 0.5 billion, which is covered by financing, which don't have to be repaid.
This goes to 2.5 to maintain our infrastructure and the remaining amount to develop further our infrastructure. 2.6 billion is included in organic development.
And in a business plan, we also have an M&A contribution, especially in the waste sector and in energy.  The 60% of our investments will go to regulated businesses.

In this context, let's take a look at the evolution of the profitability of each individual business, taking into account that for the regulated businesses, we have included the evolution of the regulatory WAC, beginning with 2024 and a reduction we've seen in 2025 of the main businesses, which, as you can see, stand at around 6% to recognize WAC.
But we are also working on the liberalized businesses, especially when it comes to the treatment of industrial waste and waste more in general, which will increase this profitability based on our commercial development and on the new plans that we will be building, moving up from 11% to 13.6%.
Whereas for energy supply, structurally in 2024, we had a 20% profitability, and we wish to confirm that profitability even in the future business scenario with a profitability level that we feel is already at a good level and which we want to maintain.

Let's move to the development brought about by the investment allocation on each individual business.
As you can see, the structural growth of each business is in line in the business plan period so that at the end of the business plan, we will have an EBITDA contribution, which is very balanced between the three business areas.

Moving on to a closer look at how we can generate and then allocate our cash flows.
In this slide, you can see the various dynamics per business, beginning with waste.
A business with a free cash flow equal to 1. 6 billion over the business plan period.
After networking capital and maintenance capital we have a free cash flow of worth 0.8 before our development investments.
In this case, we consider both the organic growth and the M&A contribution we've included in the business plan so that we will then be reinvesting the entire cash flow generated because this is the business that we have plenty of investment opportunities in with a good profitability.

Energy. In this case, we generate 2.3 billion in operating cash flow.
Maintenance investment, in this case, is limited to 600 million with a free cash flow worth 1.7 billion all in all.
We mainly focus on sales to customers, We have development investment, which is very limited, and even the investment on renewables, along with the models we always mentioned earlier, which means that we have 1.2 in cash flow that can be reallocated, partly to support our dividend policy and partly to grow in networks which absorb more cash from what they generate.
Therefore, the operating cash flow of the networks is in line with that of the energy sector.
This is a very capital-intensive business, and therefore, the free cash flow stands at €900 million with a reinvestment on development worth 1.4 billion, which leads to the growth of RAB, which means that we will be using the cash flows and we will be securitizing them in the businesses, the regulated businesses which have major visibility for the future.
Not that we have any concerns for the others, but also because they are linked to our hedging policies and we will continue to grow in this regard.
But obviously, when it comes to maintaining a balanced portfolio, we are working to make sure that our networks grow even quicker than they would on a standalone basis.

Now, we saw the overview with a business-by-business breakdown. We can now look at the group cash flows. We'll begin with the 6.2 in operating cash flow.
Then after having allocated all of the maintenance investments, we will have a free cash flow worth 3.5 billion. 1.4 billion will be used for dividends, 2.5 billion will be used for development CapEx and for M&A and 300 million will be the debt that we will be consolidating for M&A with an overall debt level which will be up 700 million, which is in line with what we had forecast, which is what we were talking about in the previous business plan with a financial leverage level which stands at 2. 6 times, which is consistent with the level that we expect to have at the end of 2025, which still guarantees a certain degree of financial flexibility for any further opportunities, both in terms of M&A, which still aren't obvious, but which do tend to come up with a certain degree of frequency, which will be focused on the main businesses with a very careful focus on prices.
So as to not elude multiples, but also for any extra investments which may be authorized over the next 12 months, which would then be re-included in next year's business plan when we review it. This means that we have room for new initiatives and for further growth compared to what we have inserted.

We can now move on to the bottom line, the overall effects.
Now, if we consider With the growth of structural profit, you'll notice that CAGR stands at 6%, which is also linked to the major initiatives we're working on.
Keep in mind that we only consider the structural part because as usual, we don't include any contributions from temporary opportunities which aren't included in the development of the business plan.
We basically only look at the structural evolution of our business.

The good results we obtained in 2025 and the increase in our targets we expect to obtain in the business plan, along with the financial flexibility that we will have for the entire business plan period, allows us to be confident and to increase our commitment for future dividends As you know, we guarantee a floor when it comes to our dividend policy, Eurocent per share. Last year, we're expecting to have a level worth 17 cents, whereas at the end of this business plan period, we'll be up to 19 cents. In June, we will be paying dividends for the 2025 results, and that will go up to some 7% compared to what we had paid in 2024. Even in this case, we will continue to increase our profit and our overall dividend levels.

We now have a few slides to focus on the industrial evolution of our main businesses, beginning with energy, before I give the floor to Orazio.
In energy, beginning with our main asset, our customers, and In the business plan, we are confirming the evolution of our customer base, the one we expected. Based on that evolution, we will be maintaining a portfolio level equal to 4.5 customers, even at the end of the business plan period.
In this case, we begin with 4.6 million customers as in the last year, with a significant 1 million customer growth. Here we're still seeing a certain degree of a churn on SDG.
The temporary opportunities, of course, are linked to some supply points which won't be expected in the future. They will be here, that we have a small contribution from our commercial activities and a contribution from the M&A activities that we expect to have in this sector.

One of the challenges that we have proven to be able to meet is the sale of value-added services that we've included throughout the supply chain, all the way from retail to the major industrial players with a portfolio of solutions that can be either one-off or recurrent and which we are offering to our customers with a good feedback from them.
This is one of the assets we can use along with other levers which allow us to increase the value of our customer asset.

Let's now move on to the dynamics we're seeing financially. If we begin with 2024 and the EBITDA deriving from energy supply, it was a very consistent.
This was an EBITDA, which, of course, also included the contribution of temporary opportunities worth some €180 million.
As we're saying, temporary opportunities will be completely removed throughout the business plan period.
Therefore, the adjusted figures for 2024 were at around 495 million compared to an adjusted level in 2023 when we had €3.6 million customers, which stood at 380 million euros.

So that at the end of the business In the period, we will be at €607 million euros in terms of EBITDA with a 4% structural growth, which begins on the evolution of the commodity margin, especially linked to a reduction in overall margins, linked to the normalization of certain trading margins and others linked to structured customers we have, which during the energy crisis were very satisfactory. Although with the normalization of prices and market oscillation, these will be reduced. Also, given the effects of competition, We also have a major contribution from the free market, also linked to the transformation of STG customers. Plus, we also expect to obtain a good contribution from customers thanks to our value-added services.

Currently, they represent 7% of our customer base, and we expect that percentage to grow to 17% at the end of the business plan period. Plus, we also have activity regarding public lighting points, and we also have a contribution from M&A, which brings us to the grand total of 607.

Again, we have a number of drivers that can support this structural growth of ours. Even when it comes to generation, we expect to have a positive contribution here, given the investments we're making on renewables with a close focus on securing cash flows with sales directly to customers, which means that we can build plants and then give them the plants or through assets we own, which will then supply energy to customers that we have already identified and signed contracts with.

Let me now hand it over to our CEO for an overview on networks and waste.

## *Orazio Iacono - Chief Executive Officer of the Hera Group*

Thank you, Cristian. Good afternoon.
We are here to give you a briefing on our future activities. Let me begin with Waste.
Waste has an exciting story. We are leaders on the market. We have planned a number of actions that will allow us to have even greater returns to our shareholders with new solutions and new paths ahead.

The waste treatment market is worth some 80 million tons per year, both for urban and industrial waste, we are the largest Italian player with a 10% market share.
We are fully integrated. The fact that we are leaders, despite only having 10% of the market share, shows how fragmented the market is.
There is a significant shortage in capacity, and we wish to consolidate our presence, even in mediation activities, even with foreign countries.
We want to focus on treating the material with the highest value added in our plans, but we also want to have increasingly a large visibility on flows and on prices for the main European markets.

Now, this slide shows you how we are implementing our strategy. We want to continue expanding in our core segments, including treatment, recycling, and soil remediation.
We expect to significantly expand our B2B activities, which will be accompanied by a significant return on invested capital, thanks to greater efficiency, economies of scale, consolidation, and expanding our intermediation activities.

This growth will be supported by four levers. The first driver is the organic development of our asset capacity. The second driver is the development of partnerships is with foreign players. The third driver is the development of external lines, and the fourth is an increasingly visible contribution to the increase of margins stemming from our global waste management services.

Now, let's focus on the individual businesses. Starting with treatment, we hold a 10% market share, which means that We have plenty of room for growth.
In this case, we are working to expand our assets. We have invested on the fourth land of Padua, which is the largest investment on waste energy plans in Italy.
This is an investment worth €130 million.

We also have the waste energy plant in Montale, Tuscany, which is the new element of this business plan. We are now managing that plant and we will continue to invest in to improve its efficiency and its profitability.

We are developing infrastructure on treatment, including waste energy plans.
This will allow us to increase our treatment capacity by 800,000 tons per year.
To that, we also have to add a further expansion worth 400,000 tons per year That will stem from our intermediation activity.
This is something we're doing to meet the demands from our customers and partners, including ENI and Fincantieri.

In 2026, as you already saw, we have already started using the lever through external lines. We will be becoming a leader in water treatment. In this waste segment, we are seeing a significant growth in demand, beginning with our industrial partners, and it will continue to grow due to due reasons.
First of all, the increasingly stringent directives and legislation, plus the water shortage, which will continue to increase. Therefore, we will have to invest to save water, to reuse water, and to treat it. This is yet another element which is important and strategic, which we are adding to our vertical integration plan, which is what we did also with the ACR company for soil remediation, which, as you know, is continuing to give us some very satisfying results.

Moving on to recycling. In this case, we leaders with a 20% market share.
This is a market with macro trends which are supported by the PPWR and SUP directives, which are increasing the demand for recycled plastic throughout the industry for packaging, for food and beverage, for home personal care.
In this sector, we want to increase our asset base for low-density plastic.
We also want to develop a new plant for rigid plastic. Plus, we want to make sure that our carbon fibre plant continues to work, with which we're creating a new market.

So besides the increase of our productive capacity to intercept this increase in demand, we're also working on diversifying products while still maintaining a foothold in the high quality sector, which makes us attractive to our customers. Our customers continue to be the very top customers.
So we will continue to focus very much on our European customers, which are more keen on a very careful circular management of waste.
In Europe, in fact, we're the second player in terms of turnover amongst the multi-polymer integrated players. As far as this business is concerned, let me also add that we expect to grow externally by using our branch in Poland. Also, thanks to new projects that will allow us to intercept the increase in demand for recycled plastic in that country.

Finally, the third axis is soil remediation. Even here, we have a good leadership which is growing very much thanks to the synergies that we were able to extract by integrating the ACR company I mentioned earlier, and which will continue to support the growth of soil remediation as a business and the increase in the volumes of soil treated. Recently, in fact, the European Union has launched a strategy to regenerate soil with a goal to neutralize soil degradation by 2050. Environmental remediation is an essential tool to implement this strategy. The Ministry for the Environment has identified a number of sites which are in the national interest. Thirteen thousand such sites have already been mapped for a total remediation value are worth €5 billion in terms of turnover. We wish to intercept this growth potential by supporting activities through a major development of our plants, not just through organic growth, but also through M&A transactions.

I'm sure you're aware of the Gerotto acquisition, which allows us to have robots and machines allowing us to more efficient.
To that, we also have to add the organic investments we're making, such as our new soil washing plant. This is the strategy that we expect to implement to increase our market share by leveraging on our leadership. We'll see now how the strategy will create value.

Other In the slide here, you can see the economic contribution of the strategy mentioned. We have a structural growth with an 8% EBITDA growth.
If you compare that figure to 2024, which benefited from profits stemming from the sale of energy based on contracts with energy prices which still hadn't been normalized.
As you can see, the first column is worth some 35 million.
This growth is supported by a number of drivers, and it is also supported by the major investments Cristian mentioned, which are included in this business plan. If we only count development CapEx, for this business, we're talking about €800 million.
Our target EBITDA at the end of the business plan period is equal to €481 million, which is supported by a major increase in volumes.
I'm referring to the special waste volumes, which, of course, drive the growth, and they will go up to 4.6 million tons with an almost 7% progression.

We also have an increase in the recycled plastic volume equal to almost 150%. We also have the volumes generated by remediation. As you can see from the graph, growth is also supported by an external growth, which was breached, 50% of which was breached by Sostelia transaction, which was closed two days ago.
We will continue to use this lever whenever the targets we appreciate have become available, targets from which we can then extract value.
When it comes to waste, this business plan is increasing our growth targets. It is marked by a limited risk profile because as you can see from the slide here, we are diversified with plenty of drivers. Therefore, these goals are supported by our competitive advantage, which are solid in a market which, as I was mentioning earlier, is still very short.

Moving on to networks. To us, networks are essential in our portfolio.
Over the upcoming five-year period, when it comes to networks, we will be working on four axes. We've already said, including the energy transition that our chairman already mentioned. We'll be focusing on efficiency, we'll be focusing on resilience, and all of this will be done through an intense use of innovation so that we can increase advanced levels of efficiency and security with a very broad use of artificial intelligence.
Now, in order to be more efficient, this strategy is also based on what we refer to as the extended model. In other words, we want to use our decision centres on our various territories, including customers and authorities, with the goal of creating development and value in a very visible amount of time. Now, the strategy that I announced will lead to a growth in all regulated businesses with a special contribution stemming from water.
The first column in the graph, which is worth over 50% of the entire growth. Our water business, of course, is the queen of our networks.
Also, if you take into account the macro trends we mentioned earlier, these assets are strategic because the context we operate is marked by increasing water shortages.

We also have a very high demand from the industry. The water will be increasingly less available due to climate change, and therefore, our strategy is based on an approach that can allow us to develop an industrial model, an extended model, a circular model, which is efficient, safe, and innovative. This strategy requires a major amount of investments, which underpin the growth of our EBITDA with an increase in our RAB worth €700 million.
We are convinced that this growth will continue even beyond 2029, and it will be accompanied by a constant increase in efficiency that we have grown used to so that we can continue guaranteeing the premiums from the regulator.

The second column in the graph shows the contribution of gas networks, which is worth 35 million. Even here, this is supported by a RAB increase worth 300 million.
Even here, we have an extended sustainable, efficient, and innovative model.
Nowadays, electricity produced by the gas molecule is still much larger than the electricity produced through electrons, and it will continue to be this way for many years.
In Italy, on the distribution networks, electrons will match gas molecules only beginning in 2030. That's why we need to have networks which are safe, adaptable to the energy transition so that they can host green gasses.
In a nutshell, this is a sector which still requires plenty of CapEx. As we wait for the Totex, which we expect to have beginning 2028 for the gas networks, but already since 2025, we will continue to cover operative costs all the way up to 2027.
This is something that Arera has guaranteed to the major players in the sector. This is a plus that we can benefit from following the TAR ruling pertaining to the 570 law for 2019.

Moving on to electricity distribution. In this case, we have a smaller contribution, obviously, also given the size of our business compared to others.
Over the past three years in electricity, we have invested very well and very much, all the way to 170 million per pod compared to a market average of 100.
We are solid, we're efficient, we are able to meet the increased demand for electrification.
The business plan envisages a similar type of investment, which is required by the electrification of consumption phenomenon and by distributed generation.
Besides investments, We also have major contributions from the regulator, which has already introduced the Totex system in 2024, and which recently also confirmed the WAC for the regulatory period. As far as this business is concerned. Let me also mention the contribution stemming from M&A, which we expect to be 20 million, which is external growth.
Even this business plan confirms the fact that we to continue consolidating the sector, which is still extremely fragmented, beginning with the water sector. If we look to the highlights on the graph, the growth stems from efficiency, not just investments. We also want to reduce losses. We will be using up to 15% of the water resources that we manage.

That's water reuse. We also will be using technology for the implementation of our predictive maintenance model to the entire group network so that we can be efficient at very high levels for all of the group's assets.

Then finally, as a way to safeguard our investment which is worth 1.5 billion on our gas taxes. They also think it's worth mentioning that we are the very first in the sector to have experimented gas distribution with a 10% hydrogen blend, which has been recognized by the Ministry for the Environment and Safety, which means that our network is pretty much ready to host green gasses. And therefore, regardless of how quickly these gasses will develop, we are already leading, thanks to our asset readiness project, which means that our network will be ready to take in these green gasses.

Moving on to the final slide. We've already seen what the growth drivers are. This is the CapEx plan, which is worth 170% of the cash flow generated by the business itself.
We expect to reinvest even the liberalized part of the portfolio.
As Cristian said earlier, this will allow us to concentrate 60% of the group's CapEx on that works, thereby promoting an increase of up to 30%, all the way up to €4.7 billion.
You can see the distribution of the RAB AI businesses, most of it is in water, which will be up to 2. 6 billion, which is plus 700 million.
The regulated return that we have factored in is shown at the bottom of the slide, and you'll see that the figures are stable for all of the years, also given the recent data decision.

As you can see, we have a very resilient asset base vis-a-vis the macro variable component. They continue to be at the very core of our business with very high value, with good returns, and with a low risk profile, and with a positive impact on the economic and financial profile of the entire group. Thank you very much. I will give the floor back to the chairman for some conclusions.

## *Cristian Fabbri - Executive Chairman of the Hera Group*

We went over 2025 results, which are solid, which will allow us to continue on our structural growth path and to reduce the growth stemming from temporary opportunities.
Our financial leverage profile is one marked by a debt to EBITDA ratio equal to 2.6 times, but at the beginning and at the end of the business plan, the structural TSR stands at around 10%. We have a new dividend policy, and we also have the financial flexibility to look at any new and possible opportunities which still haven't been identified in there, which haven't been included in the new business plan.

This is our business plan in a nutshell. We invested one hour of your time on illustrating it, and now we can open the floor for any questions or comments.

# QUESTIONS AND ANSWERS

*Operator*

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

*Javier Suarez, Mediobanca - Analyst*

I have three groups of questions. The first is on the financial structure of the company. Slide 15 shows that There is still opportunity for growth for the company.
You've included these possibilities for M&A, but which you define as visible. But in 2029, Netdata EBITDA will still stand at 2.6 times, which is a major difference compared to other players in the sector. That is the maximum acceptable leverage for the company as you define it.

Besides the strategy of having an optional balance sheet, which I agree with, but where are these opportunities? Are they in your reference business or your reference territory? Are these opportunities there, which means that you continue to have this major financial flexibility. Where do you see these opportunities? Is it still in the waste business or in your reference territory? Is it in the supply business where you may look into some targeted acquisitions? Where are you seeing these opportunities for M&A, or are you seeing other types of opportunities with this balance sheet, which have nothing to do with the acquisitions or in your reference businesses or your local territories, just to understand how you build the business plan.

The second question is on the supply sector. The business plan is based on It's an assumption on what will be happening beginning in 2027 with the electricity customers you acquired. At one point, it will be going to the liberalized market. This will mean that there will be an increase in the profitability of these same customers.
Is it safe to say that your business plan envisages a speeding up of the bottom line in the second part of the year, especially linked to the supply business with this dynamic? Or what other dynamics should we be looking at in the supply business?

The next group of questions is on a strategic update regarding the recent acquisition you made of Sostelia. What is the strategic reasoning behind the acquisition which operates in the water treatment sector and how the acquisition of this company It can be good in terms of extracting synergies and increasing the efficiency of your business.

What about the AIMAG transaction? Do you still have an opportunity to take control of it? Finally, what are the assumptions regarding the renewal of the electricity concessions?

### *Cristian Fabbri - Executive Chairman of the Hera Group*

Now, beginning with the financial structure.
Now, clearly, when it comes to the organic investments, we still have further room to increase organic investments in the related sectors because as I was saying, we have the opportunities in all phases of the water cycle, beginning with the availability of water and securitizing the availability of water.
In the plan, we've also envisaged a number of initiatives to increase the amount available, which connects various procurement sources so we can create a more resilient structure, which in turns guarantees the availability for all parts of the network so that we can have an in-pool procurement for the local networks.
We have to invest on water distribution in a in a major way so that we can reduce network leakages. In terms of linear leakages, and linear leakages measure the quality of the network because leakages in percentage don't take into account the density of customers. In other words, how many kilometres of networks we have for each for customers. Whereas when we measure linear leakages, What we see is that we are less than half of the Italian average. We're in line with the European average, and we still continue to invest.

When it comes to the sewage and purification system, we have a certain number of territories in which we are reviewing the sewage systems to take into account the greater intensity of rainfall, especially in those areas in which we have mixed systems, which means that not only do they serve our water customers, sewage systems, but they also collect a rainfall, which means that we have to redesign and redefine a system which in some places dates back to the Middle Ages, which means that we have plenty of space for further investments, all the way up to purification.
Even here, the very stringent legislation which go beyond the business plan period, which still requires plenty of investments.
Again, we have plenty of space for organic investments, which we are speeding up, but we can still do more.
Also, when it comes to networks, Orazio mentioned our electricity networks in which we are We're working on enhancing the network, and we have plenty of room to do that.
When it comes to gas distribution, we currently have the need to invest in renewing our infrastructure. In 2040, this infrastructure will still continue to cover 30% of our end customers' needs. Obviously, therefore, the infrastructure needs to be kept efficient, safe, and it needs to be enhanced technologically. In this sector, we still have plenty of room for a major organic investment.

When it comes to growth through external lines, well, the sectors that we have the most files on is waste.
Just recently, we completed the acquisition of the Sostelia Company. The whole process will be completed by the end of March, and its contribution covers already 20% of what we've included in the business plan.
But again, we have plenty of files that we're looking at. The challenge here is to find a target which has the right price vis-a-vis the value we give to that target and what our expectations are regarding that business. And again, there are plenty of files. We are very selective, but there is a lot of excitement.

And similarly, when it comes to energy supply and energy efficiency, we are striving for consolidation in a sector with plenty of players.
And it is a sector with challenges which Because even there, something seems to be changing, although very slowly and less intensely. So these are all the elements that we're looking at closely.
The size of these transactions may be smaller or larger. But that's the direction that we are continuing to head in. Again, going back to the Sostelia example, the Sostelia transaction is one that has many value creation opportunities from many different points of view, beginning with the water treatment business. The water can be polluted either by the industry or by the integrated cycle. In this context, we will be facing increasingly stringent legislation requiring major investments. That is a sector which will require very high levels of management capabilities, which means that in this case, we can create synergies both in the waste sector and in the integrated water cycle.
This is a strategy we have, and this is the visibility we're sharing with you in terms of how we're looking at the files we have.
Also, given the fact that the sectors we operate in are still very fragmented and with plenty of opportunities for further consolidation.
Again, in the waste business, we are the market leaders and we only have a 10% market share. That is proof of the fact that there is plenty of space for further consolidation.

When it comes to energy supply, we see a variety of different types of phenomena which intersect and which have different ways of developing throughout the business plan period. We're seeing a normalization on margins in certain customer segments. That will lead to an overall reduction of the margin.
Then we have the evolution of the margin with some Customers moving to the liberalized market, which is linked to the market margins. Many customers are already preferring initiatives and solutions which are focused on decarbonization, or they're also looking at fixed prices given the major external uncertainties, and those aren't guaranteed to SDG customers. We're waiting for 2028 when that shift will happen.

Then we have the normalization of the last resort market, which will continue throughout 2026. That's not really as a negative trend. Then we have a progressive growth stemming from production and decarbonization service for customers. These are the macro trends and moving parts we're seeing regarding the margin drivers in energy supply.

We also have other items which seem to be moving, linked to adjustments in margins and other fine-tuning, linked to the settlement in the sector, which we will continue to work on throughout the business plan period.

Moving on to AIMAG. Currently, the public shareholders are trying to understand what needs to be done to deal with all the open questions regarding the company's future. Basically, they're brainstorming to try to find a solution and give a future to the company. Regarding all of that, we will simply have to see with the timeline and the way to operate will be in the future. Now, the reasons which led to the agreement last year are still very reasonable. We just have to find the right way forward, which is satisfactory and fully compliant.

As far as the renewal of concessions is concerned, we are in a condition of continuity everywhere because there are no conditions for tenders anywhere, even as far as the electricity is concerned. We have included remunerated investments included in the RAB, given the effect of the renewal of concessions. We're waiting to see what the regulatory news will be. Basically, we're in a condition of continuity, also taking into account the fact that organizing a tender requires plenty of time.
To this date, we have renewed all concessions, either in the waste sector or in the waste collection, wherever there have been tenders, because based on our skills and on the experience, we have our over 10-year experience, we were reconfirmed in the management of those services.

Orazio wanted to add something regarding the industrial value of Sostelia.

### *Orazio Iacono - Chief Executive Officer of the Hera Group*

Okay, Hello, Javier. You were asking us why we made that acquisition.
Well, first of all, because it allow us to tap into Sostelia's technical lo-how, they are the only ones on the market, as far as we're concerned, who can design, build, and manage civilian and industrial water treatment assets. That is related to the cost-efficiency efforts we're making. We are looking to subcontractors. We're working with industrial players, and therefore we're able to use their very high-level industrial know-how with a tailor-made service.

This is a very high competitive advantage for us because, again, they are the only company which is fully integrated in designing, building, and managing. They are a full-service company.

As Cristian was saying, this gives us a further competitive advantage stemming from the synergies stemming from our industrial customer portfolio, simply by Matching our databases, which means that we can sell services to Sostelia customers, the ones we already offer to our industrial customers, and vice versa. Our industrial customers will be able to take advantage of Sostelia services. This is the cross-selling approach, which will certainly give us major synergies, similarly to what the ACR company has given us in the remediation sector.
This is a vertical integration which I'm sure will lead to a major growth in margins.

### *Javier Suarez, Mediobanca - Analyst*

That's very interesting. Thank you.

### *Operator*

The next question is by Emanuele Oggioni, Kepler Cheuvreux.

### *Emanuele Oggioni, Kepler Cheuvreux - Analyst*

Good afternoon and thank you - I also have a few questions for you. The first is on the retail business.
The 4.5 million customers at the end of the business plan are the same number you had in the previous business plan, except it moved a year forward.
Although the EBITDA of the previous business plan to 2028 was at around 586 million euros EBITDA, whereas in 2029, it is above 600 million. Based on what you've already commented, Basically, in the business plan period, you don't expect a general competitive pressure or a reduction in customer margins.
Something which other players mentioned in previous conference calls and in previous quarters, although not in a very transparent way.
And there was the risk of further competitive pressure thanks to incoming players and the move of customers from one company to another.

But based on your numbers, it would seem that given the same number of customers, you have a better mix and you're improving the absolute value of EBITDA throughout the business plan period. That was my first question on retail.

The second question is on waste Then I have a third question of networks.

But second question on waste. Even here we're seeing a growth in CapEx from 1.1 billion in the previous business plan to 1.2 billion, which means that you have an extra €100 million in terms of CapEx with an EBITDA which is flat for the most part because at the end of the previous business plan, it stood at €470 million EBITDA, whereas in 2029, we stand at €480 million.
In your excellent slide on the return on invested capital, waste treatment and waste collection have returns which in line, if not slightly above the ones you had in 2028, which was the previous target, the previous business plan target to 2028.

So apparently, on the one hand, there was a higher return on invested capital, but on the other, in 2029, the EBITDA appeared to be flat compared to the previous business plan version. Compared to a higher CapEx.

Then a third question on water. The concept here is similar to what I already said for waste. Even here, we have an increase in CapEx, although the RAB stays flat. It's a rounded figure for €2.6 billion at the end of the business plan period, which is what it was in the previous business plan. It also has a flat EBITDA, roughly at around €360 million in the old business plan for 2028, and it's similar in the new business plan.
If I remember correctly, this can be partly explained by the different consolidation perimeter. In the previous business plan, you included IMAG, which had a major share in networks and water, whereas now IMAG is no longer considered. Basically, there's a different perimeter you're considering when it's actually a different mix.

Then one final question, For the short term, for 2026, can you give us some moving parts? I know you don't share figures, numbers, or But I just wanted to know what the main moving parts are in terms of EBITDA by division compared to 2025.
Then can you give us an update on the net profit year-on-year? Is it in in line with the business plan trend equal to 6% or not? Thank you.

*Cristian Fabbri - Executive Chairman of the Hera Group*

Thank you for the questions. Let me try to answer all your questions.
Let us compare this business plan with the old one.

Now, energy supply, there is competition. In the past, our growth targets and our growth results allow us to grow our customer base consistently, whereas this year, we considered a solution which was in line with what we had last year, meaning that our customer base is stable. That's the challenge we face. Now, why is the overall business contribution up in this business plan compared to the last version of the business plan?

Well, two things. The two most important things are, first of all, that the goal we've given ourselves is linked to the increase in value-added services. We also expect to increase renewables with a few extra million with this model. I'm saying this because last year we were still seeing the last effects of the Super ECO bonus, and we had the need to basically reset all of our activities. So we were a lot more cautious in this regard.
And with a few initiatives, some of which have already been concluded, others are being concluded, we're seeing the opportunity of investing on energy efficiency with multi-year contracts, which then guarantee that we can manage the business.
We can also develop the business in public lighting, where we are increasing the public lighting points that we serve progressively.

Last year, our M&A per business did take the AIMAG profile into account in the mix with a higher percentage. That led to a lower contribution in terms of energy supply and a higher contribution in terms of that works, in terms of the impact on EBITDA, but also more in general on RAB.
Let me just try to go back to the numbers you mentioned.
Last year with AIMAG contribution, We had a RAB worth 4.5 billion. This year, our consolidated RAB is 4.7, which stems from having replaced the AIMAG RAB part with a new investment plan which implements the growth of the overall RAB on the total numbers. Regarding the EBITDA growth in networks, we have a visible growth compared to the figure we had seen last year, equal to €17 or €18 million euros with a lower M&A contribution. We can see that very clearly.

In the waste business, let me just say or something before I give the floor to Orazio.
As far as the business plan is concerned, we have a growth in the contribution to 2029 compared to 2028, generally speaking.
As far as investments are concerned, besides the fact that the numbers are a little bit We've rounded up or down. Over the five-year period, we're pretty much in line. I'm trying to find the right page.
You have asked a question that has entered on the Your questions are very specific on figures, so I'm trying to give you the right ones.
Last year on development CapEx and M&A, our investments This year we're worth 1.2 billion. This year we're a little higher than that, 1.4 billion. But compared to last year's figures, which are pretty much the same, we also have to consider that as far as development CapEx is concerned, we also included the M&A debt, which means that when we consider M&A, we have the value of the cash used, which is higher for an extra 150 to 160 million. And that justifies the difference you saw in terms of cash. These are the macro numbers on decimals.
And then, of course, the numbers were changed after the second dot, after the billion.

So it's a few dozen million which aren't anything major compared to the overall changes in the numbers.

If we then look to the final contribution, Orazio, I'm sure, will have mentioned the fact that we also have a small contribution linked to the sale of energy produced, which is lower than what we had expected in last year's scenario with a slightly lower contribution as far as this item is concerned.

### *Orazio Iacono - Chief Executive Officer of Hera Group*

Let me just add something on networks. And by the way, good afternoon, Emanuele.

As far as networks, in 2023, which is what the previous business plan was based on, we didn't have the electricity ROS, which then appeared in 2024, which adds to all the things Cristian was saying earlier.

Then we also have to consider that between 2023 and 2024, we also had the WAC update, we were with 80 to 90 bits for electricity and gas, and it was worth 130 bits for water.
We have the topic of the electricity ROS, which only arrived in 2024.
The beginning was slightly different.

As far as waste is concerned, there is a reference to the electricity margin, the electricity generated by which the energy plants, which is something that we have to take into account. We have made forecasts which are slightly more conservative for the next few years in this compared to the previous business plan.
If we then look at the structural CAGR in waste, it's basically 8%, which is one point more as we heard in last year's. Although the net numbers and the energy margin is the one which stems from the different the fixing values we use when we set the energy value, along with the hedging policies we implement every year.

### *Cristian Fabbri - Executive Chairman of the Hera Group*

We gave you a quick answer on these very specific numbers.
But then, of course, with the Jens' office, I'm sure you can get all the details.
As you know, the size of these phenomena we're talking about is worth a few million.
So with this quick answer, we just gave you the overall labour. But then I'm sure that Jens can give you all of the more accurate numbers. Thank you.

*Emanuele Oggioni, Kepler Cheuvreux - Analyst*

Interesting, thank you very much. There was one final question on 2026.

*Cristian Fabbri - Executive Chairman of the Hera Group*

Well, as you know, We don't give any guidance. But what we're seeing in 2026 compared to 2025 is that we have a... We have a further normalization of the contribution linked to the last instance markets, which will be normalized from 2026 onward.
We have some contribution stemming from the tariff increase, which was a one-off in 2025, which allowed us to grow in 2025.
Then, of course, we're also seeing the evolution in organic growth, which is going in the opposite direction compared to the previous thing I mentioned.
There are a few elements that we're working on for 2026, and we're trying to do a good job on the dynamics we're seeing.

*Operator*

The next question is by Roberto Letizia, Equita SIM.

*Roberto Letizia, Equita SIM- Analyst*

Good afternoon. Thank you very much for the presentation.
I'd like to go back to the extra options, and I'd like to focus on the re-leverage.
As Javier was saying earlier, you have a net debt to EBITDA ratio equal to 2.6 times.
But I think for the company, given the current market conditions, can stand three times debt to EBITDA ratio, and you can even go above that temporarily, which means that you have, I'd say, €800 million without even going into any extra leverage you can use.
With reasonable multiples, I think that's worth up to 10% of EBITDA, potentially. But we're not seeing this in the business plan. I just wanted to understand. I just wanted to get an idea of how likely it is for you to spend that potential throughout the business plan period.
Why are we seeing all that amount?
We're only seeing 100 million, 20 million you've already spent, whereas the run rate we had in the previous years was a lot higher than that. You're not spending the debt potential your company has. We're not seeing this option to re-leverage in the business plan.
How likely is it that we will be seeing this in the business plan period? What may lead to you using that leverage and If we will not see any M&A, will you actually consider turning to the shareholder with a more generous dividend policy or buyback policy.

If we will not see any M&A, will you actually consider turning to the shareholder with a more generous dividend policy or buyback policy.

Then more specifically, referring to the contingencies you may have included in the business plan, we talked about the energy prices with a very reasonable scenario. There has been a decrease in STG customers. Regarding STG, why do you have this assumption that you will be losing customers?
If we consider the trend we saw in 2025, whereas you always said that you were very satisfied with the turnover these customers had on the market, which is better than your initial expectations. And it'll be part of those customers.
Then you We'll only move to the liberalized market.

Then specifically, how many megawatts in your solar development are destined to third parties?

That's a more technical question. Thank you very much.

## *Cristian Fabbri - Executive Chairman of the Hera Group*

Let me begin with your last question. The question on the megawatts going directly to customers. It's almost entirely for customers.
Some 200 out of the total, 370 megawatts are the ones that we will be financing with our own resources. The remaining part will be development we'll be doing together with customers, or we can just simply sell the initiative with a decarbonization approach and we'll consolidate the customer in the future. That's a summary in terms of size.
Most of those 200 megawatts are used to serve those customers who will have long term contracts for energy. We already have a number of contracts which are up and running, and they go hand in hand with the development of our plants.
Keep in mind that we are also developing some photovoltaic initiative with certain in customers with low soil consumption. We're trying to basically fine-tune the opportunities we're seeing locally.

Then you had a question on STG. We were forecasting a higher loss of customers.
Our forecasts are in line with the expectations that we had mentioned during 2025.
Please consider that these are expectations that also consider the next few years, what we're seeing now is that these customers have a churn rate which is lower compared to the market average. We are more than satisfied with the investment we've made and with the turn rate for the customers compared to the business plan hypothesis.

Then you had a question on how we will use our financial lever.
I tried to already answer the question on leverage. We're When I answered a question Javier made, let me be a little bit more explicit.

We certainly have room to grow even quicker when it comes to the organic part of the investment. That's certainly one way of using the cash we have available.
We did not include it in the business plan because we wanted to hold on to a certain degree of financial flexibility, but it is an option. If you consider that with this business plan, our level of investment compared to the previous business plan is €250 million higher. That's a lever we can still use.

We included an amount of M&A for the time being, the size of which is almost organic to us. What do I mean by that? It means that we have already completed 20 million of the 100 million we've included in the business plan I will continue to look at the targets to achieve that goal. We included this number because statistically, it's safe.
It's statistically guaranteed. This is a number that is feasible, which only depends on our ability to achieve goals. Instead of 100, we could have added an extra 100 M&A, but of course, it really depends on the size of the deals we feel are most interesting. And please consider that during 2025, we worked very intensely on a number of different files, which didn't have the right quality and price ratio, and therefore we didn't finalize those transactions, which goes to show that there are plenty of opportunities out there, but we just want to be very careful in choosing the right transactions. We don't want to grow in the short term without then extracting value, which is the ultimate goal we have. That's the challenge we face. Of course, we could have included something are being extra.
But these are numbers which obviously also depend on the possibility for them to be successful. They're also based on the opportunities.
Of course, if you're looking at more sizable transaction, of course, statistically, there's fewer of them.
That's the reason why we didn't include extra opportunities. But of course, we do have room to speed up our investments and our growth opportunities, even organically.

That's the approach we have with our business plan. We want to include initiatives which, technically, are visible and which are technically achievable in terms of our ability to execute them. Our investments are visible. The development of markets has to be visible and feasible. It's all part of the challenges we face from the industrial standpoint, and we have to be able to conclude them. But currently, adding an extra 1 billion for M&A doesn't only depend on our capacities. It also depends on the targets.
Whereas the number we've included, which is 100 million, is a number that we think is feasible, also based on our track record, as you yourself, Emanuele, were saying

### *Operator*

The next question is by Francesco Sala, Banca Akros.

### *Francesco Sala, Banca Akros- Analyst*

Good afternoon, and thank you for the presentation and for giving us this opportunity. I have a first question on the real retail market. Are there any significant differences between gas and electricity customers? If in the former, is the competitive pressure more limited?

The second question is the 2% inflation, the inflation that also needs to be applied to the RAB throughout the business plan period.

Then the third question is on the slight increase in the tax rate. What timeline does this have? Is it linked to the 0.4% origin?

My fourth question is, are there any short to medium term efficiency targets linked to the use of AI for the retail business? Thank you.

### *Cristian Fabbri Hera SpA - Executive Chairman of the Hera Group*

As far as the competitive pressure we're seeing on the markets, For gas and electricity customers, you should consider that currently our commercial structures operate with a dual fuel approach. It's the same pressure, basically.
We switched our portfolio from a mostly gas mix to a mostly electricity mix with the idea of capturing the value link to the consumption of end customers.
On the one hand, gas customers due to global warming will decrease their consumption in the medium to long term. Although you can't really appreciate these changes from one year to the Although in the long term, we did switch our portfolio and the STG tender allowed us to basically revert our customer mix.
From this point of view, the So from this point of view, we're seeing a slight increase in consumption in electricity customers compared to a long term decreasing gas consumption. That's why we reverted the mix.

And then you had a question on the impact of the tax rate, which is slightly up compared to what we had considered in the previous business plan, given the fact that some subsidies expired, but it's also due to the effect of the ERAP tax in certain Then we have the question on the overall inflation rate.

I can't remember exactly what our forecast for the evolution of the RAB is.
Well, Jens and Luca can send you the answer after the conference call.
I think it's similar But the indicator level used in the evolution of the RAB changes from the water sector to the gas sector. The updated approach is different depending on whether or not the year is even or odd. There's some technical issues, and therefore in the various businesses, the figures are never the same. Now, I can't remember what the decimals were, but I think it's safe to say that it's roughly 2% for the business plan period. That's the reference we used, generally speaking.

As far as the impact of AI is concerned on the market, what we're testing leads to a visible reduction in costs for those initiatives in which we implemented technology.
Think of CRM. We've been able to increase our contact million per month.
A good part of these contacts refers to online services, which lead to it's being sent in the written form with non-real-time tools. We've created some automated tools that can support us in showing our customers' missions.

I would rather not give you any numbers or the size, and I'd rather share numbers regarding market initiatives, of course. Things that we've already activated in the past in which have given us some obvious benefits in terms of results and efficiency. We have a number of initiatives in the portfolio for the future. But based on our experience, I think. What we've been doing so far is quite positive, and therefore that's the path we will continue to head in.

Then when it comes to networks, we have implemented some initiatives that have been giving us some good results. Something that neither I nor Orazio have mentioned is the fact that we have some new regulations on gas leakages from our networks.
Over the past few years, we started using AI tools to support our physical activities, both in our investment plans and in our operational costs to look for leakages on the local territories.
We machine learning to use past events, mixing them with the age of the networks and the concentration of the various distribution points. We to be able to overlap these numbers, allowing us to reduce costs and to cut the amount of gas leakages by almost 50%. Allowing us to obtain premiums, major premiums in the sector. In the future, we'll continue to use these tools even more.

We'll be allocating our investments based on the statistical probability of damage on the networks so that we can work on predictive maintenance, but also on the district organization of our networks.

And by using the data relating to increasingly small pieces of the network, we can also study consumption trends By analysing these trends with machine learning, say to analyse how much water is used in a specific territory, we can then identify leakages which are hidden, which aren't visible on the surface.
This is allowing us to drastically reduce the leakages on the network, which leads to premiums, of course, and which increases the system's resilience.

As far as predictive investments are concerned, it allows us to reduce OPEX regarding maintenance, which, of course, have an impact on our balance sheet.

## *Operator*

The next question is by Davide Candela, Banca Intesa Sanpaolo.

## *Davide Candela, Intesa SanPaolo Equity Research - Analyst*

Good afternoon. I have two questions.
One is on M&A. I think there's an echo because your microphone is on. Great, thank you I have a question on M&A. It's more on the concept rather than the impact. This year, you have implicit figures relating to multiples which are equal to seven times. Last year, the implicit EBITDA multiple was equal to six times. Why is that? Is it due to the different mix in your assumptions Or is it linked to the targets you see on the market? Do they require higher multiples? Or maybe was it the fact that last year's multiples were slightly lower. Just to have an idea of the rationale? Then a second question on the topic of capital allocation. You said that especially in water and waste, there It would be the opportunity to grow more.
There are some topics regarding visibility, but do you have any constraints in terms of waste or tariffs which don't allow you to do more despite the fact that you do have room to grow and also linked to capital allocation for your dividend policy.
In the final part of the business plan period, there's a higher growth compared to the beginning of the business plan period.
The feeling is that you want to remunerate your shareholders more because you have more flexibility.
Is that the reason or is it because you wanted to give a more balanced outlook regarding the evolution of the dividend?

## *Cristian Fabbri - Executive Chairman of the Hera Group*

Well, first of all, let me congratulate all of you because in 2 hours, you went into such detail as a very good numbers.

Now, let me begin with your question on the concept of value.
It's probably the same value, it's probably the same multiple. But maybe as we were rounding up or rounding down, we added or subtracted some 10 million, and that changed the multiple. Although I think it was actually visible on one of the slides. No, it isn't. But it's the same value, pretty much. But maybe we included the investments on M&A, but then post-acquisition, we then invest on the acquired company.
But in that case, they become organic development investments. But again, it's the same indicator, theoretically, compared to last year's.
Maybe the only changes are due to figures which have been either rounded up or rounded down. That's just a benchmark, of course. But then clearly, depending on the various mixes we're seeing in the sector, the numbers can change slightly, given the effect of the mix. But it's basically in line with what we saw in the past.

Moving on to your question on capital allocation. Well, for Waste, we included everything which is in an advanced authorisation phase or which has been fully authorized which means that we are confident that that can be added to the business plan.
What we didn't include is all of the initiatives which for the time being We still aren't 100% sure they will be authorized, which is a condition we require.

In the network sector, we are investing very much There is room for further investment. For the time being, the increase is limited, and this doesn't have an impact on the tariff constraints. It generate investments in working capital. It doesn't have an impact on future tariff.

We didn't do this. There could be a potential room to do that.
This is linked to a 40% increase in investments compared to their previous five-year period. Basically, we're increasing things.

Also, consider that we have €500 million in investments we make which are entirely financed by funds that we don't have to reimburse.
The largest portion of that is linked to the National Recovering Resilience Plan, but we also have other types of funds as well. Now, what is the advantage of these investments?
For the group, that means that in regulated sectors, we can optimize costs, which can be reduced due to the effects of these investments.

Take into account that some of these investments are aimed at reducing leakages in parts of the networks, and that lead to benefits in terms of operational improvements.
These investments also finance market activities.

For example, rigid plastics and carbon fibre, a part of those investments are covered by funds, which allows us to reduce our invested capital, but it also allows us to optimize the plant's yield.

For example, in hydrogen, we are developing the sector, we are creating expertise, and our invested capital is next to zero, which means that we are benefiting by an almost full coverage when it comes to investment.
So that's why we have a potential 500 million of works that are included in the business plan, which don't absorb any cash, which gives us further room to do so in the next business plans, and we'll be also focusing on a further increase of the RAB.
That was the answer for their capital allocation question.

Then you had a question on our dividend policy. Well, Our reasoning was linked to two things. On the one hand, we're confident regarding 2025 figures, despite the fact that they were a challenge given the major amount of temporary opportunities, but also we had a positive leverage. We had a positive debt to EBITDA ratio.
Starting from this point of view, the fact that we Then we also considered the fact that our targets are marked by better performance in the business plan period, and therefore we have an exclusively structural growth scenario.

Therefore, we decided to increase dividends even more in the final part of the business plan period, also taking into account our financial flexibility and the fact that we will already have digested All the things we'll be doing in the next couple of years, the reduction in temporary opportunities, the fact that the STG scenario will be stabilized, and therefore We will have some things which will go on top of the structural growth.
Therefore, thanks to all that, we will be increasing the dividends in the same way.
All of these things combined allow us to be very confident regarding the targets we'll be achieving. That's why we increased our dividend policy.

As you know, this is a commitment regarding the sense per share.
Over the past years, whenever our results improved, we always increased our dividend. I was looking at the past three-year period.
We had a growth in dividends which was well above 25% compared to the past.

With an outlook featuring a further 27% increase over the next four, five-year business plan period. We are working to make sure that our profits grow.
Three years ago when we presented the first business plan that Orazio and myself had drafted, we were very focused on creating value, profitability, and bringing the effects of the development on the top line all the way down to the bottom line. The track record we've achieved so far, I think, speaks for itself. The projection for the future is headed in the same direction.

If you need any further feedback, please get in touch with Jens' office and with Luca Cimatti. Of course, we are always available for any extra questions. Thank you very much for making yourselves available. Thank you for this two-hour discussion on our business plan. We will be going on our roadshow soon to meet with investors, and discuss with them.