

# PRESENTATION OF FINANCIAL RESULTS Q1 2026

**HERA GROUP**

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# CORPORATE PARTECIPANTS

- Cristian Fabbri - Executive Chairman
- Orazio Iacono - Chief Executive Officer
- Massimo Vai - Chief Financial Officer
- Jens Klint Hansen - Head of Investor Relations

# CONFERENCE CALL PARTECIPANTS

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

# PRESENTATION

## *Operator*

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Good afternoon and thank you for joining us. Welcome to the Group's financial results for Q1 2026. And the floor now goes to the Chairman, Mr Cristian Fabbri.

## *Cristian Fabbri - Executive Chairman*

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Good afternoon. This morning we have approved the figures for the quarter. We are here to share our results with you. As usual, to see what are the highlights from the management perspective, which can also be useful to you to understand the company's performance over the quarter and to see what the main drivers are. We can begin with a look at our structural growth. As you know, over the past 3 years, we have been working to continue to allow for the company to grow organically and structurally, which we've done significantly. You can see the results here, besides our temporary opportunities, of course. And you can note that beginning in 2024 and all the way up to 2026, we had a structural growth worth roughly 9% on average. Now, this growth element has allowed us to never go back over the years, which is what we'll be seeing in a while regarding our profit, to be in line with what we had defined in our business plan.

The growth in this result is also the outcome of what we have worked on in recent years with our structural growth, with our investments. And in this regard, between operational investments and M&A transactions, we've invested all in all €380 million. And as you can see, the net debt-to-EBITDA ratio has remained in line with what we had at year-end 2025 with a comfortable ability to reach further opportunities.

Now let's go into the details to see what led to these results of the quarter. As you can see, the quarter has quite a few more items compared to what we usually show you.

So let's begin immediately with the fact that most of the smaller contribution coming from Temporary Opportunities, which is missing in 2026 compared to 2025, where €33 million is something that we took into account in the first quarter.

This, of course, has a lot to do with the reduction in margins, especially linked to the gas last resort markets, which of course have an impact.

To that we also have to add the lack of two one-offs, one is negative, one is positive. The negative one is one which was positive last year, which is a non-recurring item linked to all of the tariff recognition we received for electricity and gas distribution for the most part. And a small chunk on water, which had given us a positive non-recurrent contribution because of it related to elements pertaining to previous years, which aren't recurrent this year.

But then we also have some other positive items which have almost offset entirely this reduction. Now we can see the real structural growth in the businesses.

As you can see, energy, it continues to grow with +24M€. Networks, besides those tariff one-offs, continues to contribute with €11 million, which is linked to the structural growth that we are continuing to work on with the growth of the RAB over the years. And waste, too, despite the complex moment in time, continues to offer positive results, which are on the rise compared to 2025.

Now, in the P&L, let's see what the various dynamics were in the various business lines. We'll be focusing on EBITDA with a business-by-business breakdown. But then, after EBITDA, we have an increase in provisions worth roughly €5 million, which is linked to the increase in the investments we've done over the period. An increase which is offset by the reduction in D&A, which is worth roughly €6 million. This is linked for the most part to temporary opportunities.

As you know, temporary opportunities have a significant impact on EBITDA.

But part of that value is consumed by D&A, and therefore, that is also something that we have to remove when we look at the figures since they are no longer needed in the first quarter.

EBIT is up by a couple million euros, and we have a level of financial costs which is pretty much in line with last year, one more million, but it's pretty stable.

In terms of taxes, we are more or less in line. We have already included the increase of the IRAP tax in the Bills Decree. And if we also take away minorities, it leads us to a net profit worth €155 million.

As far as provisions are concerned, we are working towards normalization. Also, given the effect of the removal of some D&A linked to the last resort markets.

When it comes to financial costs, which had given us a fairly large contribution last year, taking all of that in mind, we have results we've seen in net profit.

We also have the €33 million of the last resort markets, which are negative. The result at the end of the period is slightly above the one we had last year because we had a positive contribution worth €11 million for an insurance reimbursement for a plant that had been damaged in late 2024. We have refurbished the plant, and therefore the insurance company has reimbursed us for the damage we had, and this had an impact on Q1 this year. Then we have a growth in the margin linked to our trading and value-added services worth €24 million.

All elements here contributed positively. In the trading world, we have had some positive results given the turbulence on the market. Value added services are continuing to give us good results. And even on the commodity side of things, we had good results, also linked to a different accounting among quarters compared to last year. And let me hand it over to the CEO for Waste.

### *Orazio Iacono - Chief Executive Officer*

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Thank you, Cristian. Good afternoon.

Let me begin by saying that we're doing very well. In recent years, we have always confirmed that the Waste business has never stopped growing, and we want to continue in this direction. And even in Q1 this year, the waste business had a positive EBITDA performance compared to last year. And this is something that we especially appreciate if we consider two elements.

First of all, the fact that in 2025 we were still benefiting from the contribution of the old hedging contracts. Second, in Q1, we had a temporary stop in the landfill in which we had to conduct some environmental tests. And the landfill is back to its full capacity and it is fully operational.

This was entirely offset by the growth we had in all of our waste activities, both in the regulated part of the business, including the collection of urban waste, and in the liberalized part of the market, which includes treatment, recovery, remediation and we're also starting to see a small contribution, although it will grow over the year, stemming from the recent acquisitions we concluded in the month of March.

As far as all of our activities are concerned, beginning with collection, as you know, we were re-awarded concessions in the Emilia-Romagna. We are working at full capacity in treatment, and that of course includes remediation and recovery.

In that part of the business, we have to underscore how resilient the business is, also compared to a global scenario which is having an impact on the treatment capacity of players throughout Europe, as Cristian was saying, whereas we, given the significant undercapacity we have in Italy in terms of plants, and also thanks to the broad offer we have to treat, recover, and remediate, our structural trend is on the rise with a substantial stability in volumes and an increase in margins.

I think that our business capacity, our ability to offset the one-off element I was mentioning earlier and the fact that the old hedging contracts expired, both of which happened in Q1, and also given the market context we operate in, all of that shows how sound we are, how solid we are, even compared to our European peers.

And let me just focus lastly on M&A. That column refers to the 2 transactions we completed in Q1 this year, the acquisition of Sostelia Group and SEA.

These are 2 industrial players which we can add to our industrial portfolio, as we did with Aliplast and ACR Reggiani, both of which continue to be very satisfactory from the economic standpoint. We want to do the same with these two more recent transactions, including by extracting synergies in a very determined way, which is what we did in the past and which is what we intend to do even with the two more recent transactions in the months to come. So even when it comes to M&A, let me just underline some Italian market's specificity compared to the European market.

The Italian market, as you know, is highly fragmented, and therefore we can use this lever to grow externally to underpin our results, also given the fact that we have major financial flexibility, which means we can finance these operations without worsening our financial profile.

Moving on to networks. Networks continue to be a key business.

They are a regulated business with a low risk profile or hedge from inflation, from interest rates, and from the fluctuation in demand.

Here we are pretty much in line with the results we had obtained in Q1 last year, which is something we appreciate very much because, as Cristian was saying earlier, Q1 2025 benefited from a one-off contribution worth €13 million stemming from the authority's recognition of some operational costs that had been accounted for in 2025, including settlements pertaining to previous years 2020-2025.

So even here, you can see that, that extraordinary effect, which was a one-off, was entirely offset thanks to the contribution of all of the network businesses, which grew for the most part thanks to the development CapEx on the regulated asset base, as we've constantly shown in our business plans over the years.

Our investments have grown up to almost 20%, in line with our business plan on 3 strategic axes. We want to be ready for the transition, beginning with the energy transition, of course. Secondly, we always focus our attention on efficiency and quality.

This is something we always do with a major focus on innovation and with a major use of artificial intelligence as a way of making sure networks become smarter so that we can better deal with the global challenges we'll be facing over the next few years.

As you can see, the biggest contribution comes from water. As you can see, the biggest contribution comes from water, which absorbs the largest chunk of our development CapEx. We want our network to be more resilient to extreme climate events. We want to improve them. And by doing so, we want to take advantage of all the premium potentials that we typically are able to achieve as we've seen in recent years.

The contribution of our energy networks is also positive, specifically gas and electricity. We are investing in this field as well with electronic meters. Thanks to our smart grids, we will be able to intercept and allow for our networks to evolve in line with the evolution of the context, beginning with electrification. And therefore, our regulated network businesses, which had already grown significantly in the past few quarters, have been able to confirm their positive results, which confirms the ability we have had in being efficient in the investments we've been making, which will continue in line with the business plan which we illustrated at the beginning of the year.

Thank you for your attention, and I'll give the floor to Massimo Vai now.

## Massimo Vai - Chief Financial Officer

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Good afternoon, everybody. As usual, I'll be illustrating the two slides that summarize the first quarter's financial performance.

This slide gives you an overview of the group's growth, beginning with an operational cash flow generated in the quarter worth €315 million, to which we have to take into account a slight change in net working capital.

The use of provisions was slightly lower compared to what we had seen in the same period last year. Then of course, the lion's share refers to the CapEx component which for both maintenance and development, it's worth almost €240 million compared to the €190 million we had last year, which means that there has been a sharp increase.

As foreseen by our business plan this year, which envisages more development CapEx.

We talked about financial stability a number of times already. And compared to last year, as you can see, our financial flexibility hasn't changed despite having absorbed the impact of the outflow generated by the 2 operations which changed our perimeter this quarter, which absorbed €142 million. And therefore, the change in debt, thanks to the cash we generated over the period, was equal to roughly half of those expenses, which means that half of that has already been financed in the first quarter of the year.

And we can move on to the right-hand side. As you know, this graph shows our growth opportunities and how good we are at defending ourselves.

We're still at a very positive level, 2.6x, which is in line with the figures we had at the end of 2025. And it's slightly up compared to the value we had in Q1 last year, although it's quite distant from the threshold we have given ourselves, the ceiling we've given ourselves, which is 3x. So cash generation in this 1Q has been very good and our financial flexibility has been also very good.

Slide 14 gives you our positioning in terms of the rating agencies which follow our concerns, Standard Poor's and Moody's. Compared to their most recent update, there have been no amendments, therefore our rating is stable for both of them.

In the central portion of the screen, you can see the interest rates. 90% of our debt has a fixed interest rate, 10% a variable. Compared to December, we have slightly increased the variable portion of the debt. We're looking at a number of banking lines with a variable interest rates.

As you know, the cost of debt is in line with the growth of the tax rate curve, and therefore, what we have envisaged is that over the business plan years, as we replace expiring bonds with new bonds, we will have a progressive worsening of the cost of our debt.

And therefore, our goal, our challenge is to slow the increase in interest rates as much as possible without altering our risk profile in terms of the volatility of interest rates.

And in fact, as you can see on the graph on the right-hand side, we have been able to keep the average cost of debt stable at the same levels we had in Q1 last year, slightly up compared to what we had 2 years ago. So even from this point of view, we have a very good result, which is comforting, and it will continue to inspire us as we contain the cost of debt to support the projections of the business plan all the way down to the bottom line.

Thank you very much, back to Cristian.

*Cristian Fabbri - Executive Chairman*

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Thanks Massimo. Let me just summarize the presentation.

We rushed through the presentation as usual to give you time for some Q&A.

These results are very positive as far as we're concerned. Even in Q1 this year, we are able to confirm the results we had— the goals we had given ourselves.

Namely how we want to continue to have positive effects on the bottom line of our P&L.

Even in terms of EBITDA, we were slightly positive, in line with last year. Despite having replaced €33 million in temporary opportunities, we were able to offset those with a good structural growth.

So this is the commitment we faced in our business plan, and we are continuing to work with plenty of determination. And I think that the results underpin our commitment.

Our results are very good. In Q1, we covered all organic investments and half M&A.

In Q1, We covered 1/4 of the goals we've given ourselves in the business plan, which means we are ahead of schedule compared to the timeline we gave ourselves in the business plan, which is good. And then, of course, cash flows covered 50% of the expenses linked to the 2 acquisitions, and this, of course, has a positive reverberation on our results.

Both myself and the CEO have been confirmed for a further 3 years, which means we have to achieve the goals we set out of the business plan, which we had no doubts on, of course. And of course, our commitment towards you is even more reliable now.

Let me give you the floor for some Q&A, for any questions you may have. We are available for any doubts you'd like to share with us.

# QUESTIONS AND ANSWERS

*Operator*

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

*Javier Suarez, Mediobanca - Analyst*

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Good afternoon, everybody, and thank you for giving us the opportunity.

My first question is more related to the context. In my discussions with clients, there seems to be a stronger concern regarding the supply business in Italy and also linked to stronger competition in which companies are having a hard time in holding on to their profitability levels. So the question to you is, do you think that the market interprets things correctly? Are you seeing a context on the supply market which is especially competitive? And if so, How is the company reacting? What will it do to continue to hold on to the current profitability levels and to hold on to customers through various services? How will you convince customers to shift to the liberalized market as soon as possible?

Second question, your leverage at 2.6 times is pretty low, and what I'd like to know from company management is an update on realistically what the company could do on bolt-on acquisitions. And what could the identity of that acquisition be? The market may be changing rapidly, and there may be new opportunities compared to the past. So conceptually speaking, what does the company feel about a possible virtuous cycle for M&A leverage?

Third question. In the presentation, you refer to a still normalizing level of provision. And from your point of view, what should the normalized level of provision be in 2026 and 2027 to understand when this normalization process should stabilize itself?

And then a final question on taxation. You mentioned that you incorporated the impact of IRAP. Where do you think taxation will stand in 2026 and 2027 for the group?

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

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Thank you, Javier, for your questions.

Well, the question regarding the competitive context in energy. Well, we've said a number of times that competition is on the rise. It's nothing new because ever since the market opened up, competition has been increasing. The number of players has been increasing. It's nothing new, and the context we're in is one marked by constant growth when it comes to competition, and it's something we're seeing.

In recent years, we've seen some new and stronger players who want to have a say in the market. And of course, they're going about their business. Of course, none of the other players want to step back, and therefore, from this point of view, the market is demanding. What we're seeing currently isn't something we're concerned with, especially when it comes to margins. We feel that margins can stay in line with the ones we've always had. So from this point of view, there's nothing we're especially concerned with.

Of course, we have to— constantly do more in terms of marketing, in terms of our commercial approach. The fact that we've always had a churn rate which is lower than the market average is a value as far as we're concerned. It's certainly linked to the things we've done in the past. It's linked to how we manage our customers. But I think it also has a few structural elements. The fact that we are a multi-business. The way we acquire our customers, which we achieve for the most part through physical channels, and that leads to a higher customer loyalty, more so than what we would have if we had used virtual channels. If you use virtual channels, you can conquer clients faster, but you can lose them. Just as fast. So we're always working, we're always working on new offers. We are increasing our activities on channels. We'll see what will happen in terms of the new government decree to limit calls coming in from call centers. And we'll see what impact that will have on outbound phone calls from our call center.

As far as the STG is concerned, we're in line with our track record. The increase in prices is something which helps somewhat. And it seems to me the customers are less afraid than they used to be during the energy crisis in 2022 and 2023.

It is true that prices have gone up significantly in March, but if we look at the quarter's average, the price is lower compared to what it used to be last year. Over this quarter. Because we tend to forget that in January and February 2025, we had some high costs of energy, which then decreased over the year.

But when it comes to the quarter's average, they are above the ones we have in this quarter. In this year. And if we see things in the future, if you consider today's forwards and prices, we're looking at an average growth between electricity and gas worth roughly 15%. So— We're not looking at something which is especially worrisome for the future. So that was related to your first question.

You were mentioning the use of the financial lever and some bolt on acquisitions. Well, we were off to a good start this year.

The work we carried out in 2025 allowed us to complete 2 acquisitions worth €340 million in the month of March. They are not bold, but given the acquisition level we had, bold needs to be really something. But as we always say, we constantly look over the opportunities out there. Our M&A department always complains because they say we want them to work too much on assessments and evaluations. So we're looking at a number of different files. For the time being, there isn't anything which is extraordinarily big. You would know if there were some major transactions in the pipeline.

But having said that, we will continue with our desire to create value. The challenge we face is to work quickly but to work well. That's the goal we have. And of course, we never want to ignore the fact that things have to be done well, which means that when we look to acquire a company, there needs to be an industrial fit, and we need to be able to create value.

Moving on to the question of the normalization of provisions.

Well, of course, with the normalization of the last resort markets, of course, it will depend on the evolution of prices in the future and the evolution of our customer base in the hypothesis we would not have significant contributions from the last resort markets that as you know, every 2 years tenders are held for those markets, and therefore, we will have to assess our interest in that market on a case-by-case basis.

We have already covered the impact stemming from the increase of the IRAP tax linked to the Bills Decree. We've already covered some €2 million. We're all working in that direction with some fiscal optimization. And we're trying to obtain a tax rate which would be similar to the one we had last year.

So that's the direction we're working in and looking forward for the rest of the year as well. So this is an element that we should be able to hold on to even for 2027. That would be logical. So, we're working to optimize things. We're looking to take advantage of any opportunity and optimization opportunities. Thank you.

## *Operator*

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The next question is by Emanuele Oggioni, Kepler Cheuvreux.

## *Emanuele Oggioni, Kepler Cheuvreux - Analyst*

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Thank you and good afternoon, everybody. Thank you for the presentation.

I have a few questions for you. The first is on the expected growth for the remaining part of the year. If you consider that the context in Q1 was a little bit more challenging year-on-year, more so compared to the next quarters, because there were some positive one-offs last on the regulated business. And then we had higher prices, which had an impact on waste-to-energy plants. Whereas it could be positive for Waste in the coming months. And then in your slides, I noticed that you only had a €2 million contribution for M&A in Waste. I didn't see any other M&A transaction with the other businesses. You had mentioned an M&A contribution of some €20 million during the year, which means that the remaining €18 million will come from other transactions in the months to come.

That would lead us to think that the next quarters in the year may have a bigger growth compared to what we saw in your report, without going into the adjustments and the temporary opportunities. In the following quarters, there will be an acceleration compared to Q1. So I'd like to know what you think of these remarks.

The second question, also regarding acquisitions, without mentioning any names and with the caution it deserves. The press mentioned some possible transactions in the energy supply business which would be interesting to some players, including Hera. The press mentioned a number of companies which have up to 1 million customers or half a million customers. So, on the energy supply market, there are some significant opportunities when it comes to the amount of customers available.

And of course, I'm sure you're always looking at the possibility to grow externally even when it comes to energy supply. Also as far as energy supply is concerned, I noticed that in Q4 2025, or maybe was it after the first 6 months of the year, there had been a decrease in customers, electricity. But whereas in Q1 2026 you confirmed your 2.5 million customer number, which means that one of the drivers may be a migration and speeding up with the migration of customers from the STG market to the liberalized market, and that may lead to an overall improvement in profitability per customer.

## *Cristian Fabbri - Executive Chairman*

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Thank you, Emanuele. Let me begin from your last comment.

As I mentioned, we're working to acquire customers. We want to hold on to the customers we have. Customers may come and go, although in Q1, we were pretty busy to try to offset the customers leaving with new acquisitions. Then, of course, if you compare quarters, there may be some slight differences, although that goes back to what I was saying earlier.

As far as the total number of customers is concerned, the switch between STG and the liberalized market, you don't really see them because we have included all of those figures. You don't really see them, although of course that is something which helps our margins. And we're continuing to work as expected and in line with our forecasts when we made our bid in the tender. So we are still pleased with the choices and we'll continue to work on them. And then in March 2027, the period will reach its end, which means that we have pretty much completed the entire journey. We only have one year left. We're almost there.

As far as acquisitions are concerned, well, the real question you should ask to the companies you mentioned is if they know they're for sale. The article mentioned us without having interviewed us, which means they probably mentioned players on the market without asking them. These may be mere hypotheses. They may be reasonable, but for the time being, we haven't seen any files. As we've said a number of times, we look at opportunities closely and then we decide, also based on the qualities of the companies being sold, their size, and the price. Because now more than ever, I think it's safe to say that customers aren't all the same. Some portfolios are more interesting than others. If you have a portfolio with a 40% or 50% churn rate, that means they aren't even portfolios. That would mean simply buying a commercial package. That would be an entirely different approach. So we always look at things very carefully. There's nothing there linked to what you were asking, but we're always focused, as I also mentioned when answering Javier's question.

Now, your question on moving parts. Well, this year there are plenty of moving parts. You were mentioning M&A. We're looking at the numbers you mentioned, more or less, with the targets we acquired in March. And we're working to offset things and to stay committed.

We want to continue growing during the year. We were successful. Achieving good results in Q1. We'll continue working over the next few quarters so that by the end of the year, we can fulfil the commitments that we described when presenting business plan. And I think that covers all of your questions. Thank you.

### *Operator*

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The next question is by Francesco Sala from Banca Akros.

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

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Good afternoon and thank you for your presentation and for giving us this opportunity. I have a few questions, especially in the waste sector. I saw the negative contribution of the waste-to-energy plant in Q1. Is it merely linked to prices or are there some moving parts?

The second question is, given the increase in the price of raw materials, especially chemicals in recent weeks, what is the outlook for treatment? Will you be seeing some benefits? Have you seen some benefits already, or do you think that you'll be seeing some benefits in the remaining part of the year?

And the final question on waste also. Can you give us an update, some details on your geothermal project in Ferrara? Will you continue to focus on this technology and also on the supply business?

A focus on the gas supply, there seems to be more competition. Are there any differences compared to the electricity supply business? And what should we expect in the medium term? Thank you.

### *Cristian Fabbri - Executive Chairman*

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I'll begin from your last questions before I hand it over to Orazio for the waste questions. When it comes to competition, well, competition in gas has always been less compared to electricity, whereas now the two markets are more aligned. So what you're seeing is a realignment of something which was very different in the past with lower competition. So we're moving towards a more standard, more normalized competitive pressure in the two services.

As far as your question on the geothermal project in Ferrara, yes, we do have a project there. We took advantage of the National Recovery and Resilience Plan financing in the sector. In district heating, we are the players who obtained the biggest chunk of financing in Ferrara. Our district heating network covers roughly one-third of the city's needs. It is already fed by geothermal source and by the waste energy plant. That accounts for some 85% currently.

So we took advantage of the Recovery and Resilience Plan funds to dig 2 new wells for hot water in Ferrara. In Ferrara, the temperature of that water is almost equal to 90 degrees Celsius at 2,000-kilometer depth. It's very favourable compared to other territories. So we've already tapped into that source, so we're enhancing it. So all of the district heating in Ferrara is fed by non-fossil fuels.

So it's geothermal and from the waste energy plant, and that allows us to enhance the distribution network by further developing the market. This gives us an advantage economically speaking. It's also an advantage in terms of how we are accepted environmentally.

And then in Bologna and Forlì, we have waste energy plants which had only been partially used in terms of the heat they generated for district heating. But we already have some other district heating networks in the city, which means we don't have to latch new customers into the network. So we're using the National Recovery and Resilience Funds to cover a large chunk of the investments that we'll be making to connect these customers. These were projects that we already assessed in the past before the National Recovery and Resilience funding was made available. And since these funds are available, and therefore these projects now have a better marginal profitability.

Orazio, over to you for waste.

### *Orazio Iacono - Chief Executive Officer*

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Thank you, Cristian. As far as the energy delta on the waste-to-energy plant is concerned, which is -€4 million, and over the next few months the impact will be reduced on the results, meaning that it will be diluted compared to the results.

So those numbers will decrease linked to the fact that there will be an increase in the PUN. Now, as for company, as per company policy, I'm sure we'll be seeing an improvement in the energy prices that we're seeing today. These are, of course, linked to technical issues that you're familiar with. And as you know, whenever we set every year, we always set 80% to 90%. We always have a 10% to 15% flexibility for our plants, and that will allow us to have an even more diluted effect during the year. So things are looking quite good.

There will be a lower impact in the next few months due to that reason.

As far as chemical products are concerned, as Cristian was saying earlier, we are seeing some slight increases, although we have a leadership position, plus we are able to use the lack of plants in Italy and with our market position we are able to deal with these slight increases in prices, transferring them to our customers.

### *Cristian Fabbri - Executive Chairman*

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Yes, from a broader point of view, along with the increase in the prices of chemicals, we'll also be seeing an increase in the price of plastic, which is good for us.

### *Orazio Iacono - Chief Executive Officer*

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Yes, of course, if we look at the more general picture, given the current scenario, we do have an advantage linked to our plastic recovery business. The virgin plastic coming from Asia, Africa is being delayed, and therefore the request for recycled plastic products is on the rise. There's a growing demand given the context we've been seeing since February 28th.

And that's something that we are taking advantage of, both in terms of volumes and in terms of prices.

Plus, since we are talking about waste, if we consider the context we're experiencing, as far as prices are concerned, of course, we're Italian, we operate in the Italian market but as we know, Italy exports plenty of waste abroad. We are present on that market with our trading unit, and even there prices are on the rise due to the fact that transportation costs are on the rise as well. Therefore, treatment prices are stably high. And as I was saying during the presentation of the Waste business, this is also leading to an increase in margins, which we're taking advantage of.

### *Operator*

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

*Daide Candela, Intesa SanPaolo - Analyst*

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Good afternoon and thank you for the presentation. I too have 3 questions for you. The first one refers to temporary opportunities. If you look at the business plan, you have some €180 million which have to be offset to 2029. And if we look at the performances in 2024, 2025, we're basically at 80% of that process? Will this process be concluded in Q2 and Q3, or will you be expecting some tails further ahead to the end of 2026 and even early 2027?

My second question is just a, a request for further clarification of the numbers in the quarter. Power generation, you posted 12 million which is much higher compared to the trend we've seen over the past 2 or 3 years. Where does that stem from? Is it linked to what you're referring to earlier, commodities activities? Is there a more structural element that we should look to?

And then my final question, which is linked to power generation, but in a broader sense, Over the past 2 years, you took a first step into renewables with a 370-megawatt plan to 2029. These new disruptions on the energy market and the financial flexibility you have, may that lead you to speeding things up in that business segment? On a standalone basis or just as a way of reducing risks, as a way of hedging yourselves on energy supply? Thank you.

*Cristian Fabbri - Executive Chairman*

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Let me begin with your first question on temporary opportunities. Well, the math you did is right. It's correct in Q1. We covered half of what we'll be doing over the entire year. Most of it will be for the first part of the year. We'll also be seeing something at the end of the year. We've already covered 50%, and then in 2027, we haven't expected anything else. So 2026 is the last year in which we will be offsetting that decline with structural growth. It was a great opportunity which we took advantage of.

We sped up the company's growth we sped up profitability creation. We generated cash, which we're investing in structural businesses.

And as we were taking advantage of those opportunities, we committed to never going back, which is a commitment that we are still working to uphold.

And then let me answer your second and third questions together. On power generation, we're doing something extra, but the big spike compared to last year is the contribution from the insurance reimbursement we got. One of our plants had suffered due to a fire.

It was a cogeneration plant. Which falls in the PowerGen field.

We're doing something better all in all, so we're doing well, and we'll— we hope to improve by the end of the year, although 11 million of growth isn't the number we'll be seeing.

On renewables, We are continuing to work. As you know, we are on two axes. On the one hand, we want to increase customer loyalty by helping them produce energy. We help them to set up their plants and to manage them even. And we are also working for ourselves. We are building plants to feed our sites. We're also building some plants on the market. The accelerator that we all hoped for is being delayed. For the most part, we're working on greenfield projects, which we start building from scratch. Whatever you buy initiatives or projects from others, of course, you have to give away part of the profit. Therefore, we want to continue in the direction we've already defined, and we want to continue to develop our activities in this context but we want to make sure that we get a limited number of plants exposed to the market.

So we're looking to provide energy locally so we can securitize marginalities and share those margins with customers in terms of the reduction of transportation costs and the system costs so we can have some good results. So, this is a project we have in mind. Of course, we weren't expecting to accelerate very much over just a 3-month period, but there's plenty on the market. We're looking at a number of things without any anxiety, though. We want to create value. We want to make sure that we continue to work on a daily basis on bidding and execution for these initiatives. And we'll be seeing something this year as well.

## *Operator*

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The next question is by Roberto Letizia, Equita SIM.

## *Roberto Letizia, Equita SIM- Analyst*

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Good afternoon. I have one quick question for you and a request for clarification on the production of electricity from waste energy plants, 90% of which is hedged. That's understood. But is that hedging towards third parties or is the hedging an internal transfer? Which means that energy would be available for the retail activities with a higher margin. Is there a value buffer anywhere? Is that energy to third parties, or is that energy that Hera uses and directs it towards the retail market?

### *Cristian Fabbri - Executive Chairman*

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Well, there's no real difference. It really depends on the moment in time.

Hedging is done at market conditions. If you want to have a base of megawatts of produced energy and the market quota is 100, they have to buy the same amount on the market at 100, that may be an opportunity, but it's not like if there's an extra margin above the hedging, because the hedging is conducted on the market in that given moment. What does change is the moment in which you hedge, although that is a choice you make. And since on the sales side of things we hedge what we buy, and as far as production, we always focus on the goals we have.

Can be internal hedging or external hedging what changes with BID ASK can be maybe 50 cents per megawatt per hour, it's just a few hundred euros. It's a pretty small number.

I do understand that I've pretty much covered it all, and I'm happy that our answers are in line with your expectations. Roberto, hopefully that answers your question.

### *Roberto Letizia, Equita SIM- Analyst*

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I couldn't understand if the energy is done internally and if you sell the energy on the retail, that 90%, and then retail has the waste energy plant production. So if, and if my retail prices are in line with the market, that hedging stays with me. Maybe I'm a little confused.

### *Cristian Fabbri - Executive Chairman*

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Well, the answer is very simple, in fact. Currently, we sell 1 megawatt per hour at a fixed price to our customer with delivery over the next 12 months. When our commercial unit signs a contract, at the same time they have set the acquisition and they set the sale margin. So you close the acquisition. If you close it with Herambiente, over the market, you don't have a real change. You don't have a real difference. What you're seeing is, well, if you bought the energy at a fixed price and you sell it at a variable price and the cost increases, you cash in a margin. Of course, that would be. But that's not our policy. We set a commercial model and it's done, basically. In a nutshell, that's what we do. Obviously, if you move the energy that you bought at a fixed price on an internal portfolio and you shift it to a variable price in the hope that prices can increase, well, of course you can do that, but that doesn't mean you have to be an electricity producer. You can go out and buy energy on the market at a fixed price and then put it in a variable price portfolio. The fact that you're a producer doesn't really change things.

That's a choice you can always have. But it's not something we're interested in. Had we done that in the past, we would have been hit considerably also given our size. So of course it can be a positive speculation. It can be negative as well. But then of course, you know, you can always make choices on the market and they can go well or bad. We do have some trading activities. They're pretty limited. But there is risks and opportunities, are things we all look at.

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*Roberto Letizia, Equita SIM- Analyst*

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No, I wasn't saying there was a mismatch between procurement and sales. So just to clarify things, how much of your fixed-term contracts are renegotiated this year? This way I can clarify my point better, if it is available data, if not I will ask the Investor team to tell me.

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*Cristian Fabbri - Executive Chairman*

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That would be around 10%. It's not like I can gain something, you know, in this part compared to the sales of the waste-to-energy, because the waste-to-energy on the market compared to waste energy power. Because the market would have the same price. So when I renegotiate with the customer, I would renegotiate based on the market's forward in that moment. This is something very detailed. If you have any other questions, you can ask Luca and Jens.

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*Operator*

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Mr. Fabbri, there are no further questions.

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*Cristian Fabbri - Executive Chairman*

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Great. Thank you very much for making yourselves available. And we'll be seeing you for the next quarter report, and we'll get back to work so we can share some great news with you next time. Thank you.