1.03.04

Analysis of net cash (net borrowings)

A solid financial position

An analysis of net financial debt is shown in the following table:

mn€		Dec 19	Ascopiave transaction	Dec 19 adjusted	Dec 18
a	**Cash and cash equivalents**	**364.0**	**18.1**	**345.9**	**535.5**
b	**Other current financial receivables**	**70.1**	**16.4**	**53.7**	**37.3**
	Current bank debt	(111.5)	-	(111.5)	(70.3)
	Current part of bank borrowings	(63.1)	-	(63.1)	(451.5)
	Other current financial liabilities (excluding put option)	(130.9)	-	(130.9)	(76.1)
	Current lease payments	(19.4)	(1.1)	(18.3)	(1.7)
c	**Current financial debt**	**(324.9)**	**-**	**(323.8)**	**(599.6)**
d=a+b+c	**Net current financial debt**	**109.2**	**-**	**75.8**	**(26.8)**
	Non-current bank debt and bonds issued	(2,869.1)	(54.0)	(2,815.1)	(2,644.3)
	Other non-current financial liabilities (excluding put option)	(20.2)	(7.0)	(13.2)	(20.7)
	Non-current lease payments	(76.1)	(2.5)	(73.6)	(12.2)
e	**Non-current financial debt**	**(2,965.4)**	**-**	**(2,901.9)**	**(2,677.2)**
f	**Non-current financial receivables**	**135.3**	**-**	**135.3**	**118.4**
g=d+e+f	**Net financial debt excluding sales option**	**(2,720.9)**	**-**	**(2,690.8)**	**(2,585.6)**
	Nominal amount - fair value put option	(396.6)	(396.6)	-	-
	Net financial debt with adjusted sale option (adj put option net debt)	**(3,117.5)**	**-**	**(2,690.8)**	**(2,585.6)**
	Amount of future dividends - fair value put option	(156.7)	(156.7)	-	-
	Adjusted net debt	**(3,274.2)**	**-**	**(2,690.8)**	**(2,585.6)**

The overall amount of adjusted net financial debt, excluding the Ascopiave transaction, came to 2,690.8 million euro, with an increase coming to roughly 105.2 million euro over the previous year.

The Group’s financial structure shows current debt coming to 323.8 million euro, of which 63.1 million euro in medium-term bank loans reaching maturity within the year, 130.9 million euro in debts towards other lenders, 111.5 million euro in debts towards banks referring to passive interest on financing coming to 49.6 million euro, and usage of current credit lines coming to roughly 61.9 million euro.
The amount of “Non-current bank debt and bonds issued” increased over the previous year, above all due to the liability management operation carried out in July, which led a 500 million euro green bond to be issued, at the same time repurchasing part of the bonds maturing in 2021, for a total of 40 million euro, and in 2024, for a total of 171 million euro.
Also note increases with respect to 2018 in current and non-current liabilities for leasing, which were mainly affected by the application of international accounting standard Ifrs 16 on operating leases, amounting to 81.6 million euro.

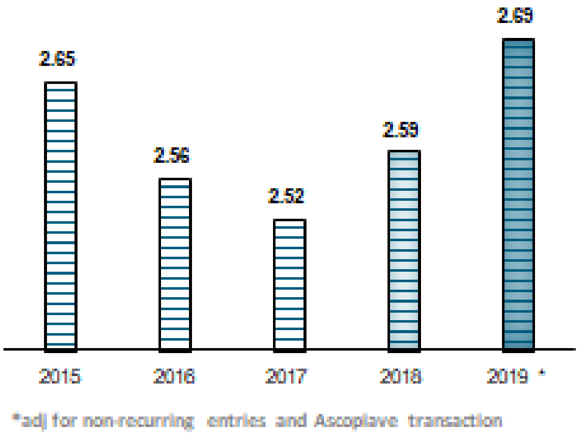
At 30 June 2019, medium- and long-term debt was largely made up of bonds issued on the European market and listed on the Luxembourg Stock Exchange (77.9% of the total), with repayment at maturity.

The total debt shows an average time to maturity of 7 years, with 61% maturing after more than five years.
The impact on the 2019 financial statements of the Ascopiave transaction, and its structure, are fully illustrated in paragraph 1.03.01, Hera – Ascopiave Partnership.
Since this transaction involved an exchange of assets having the same value, the effect on financial debt, coming to 583.4 million euro, mainly refers to debt for the sales option linked to the minority shareholding in EstEnergy Spa, amounting to

553.3 million euro, and the minority shareholding in Hera Comm Spa, which is included under "Non-current bank debt and bonds issued" and amounts to 54 million euro.

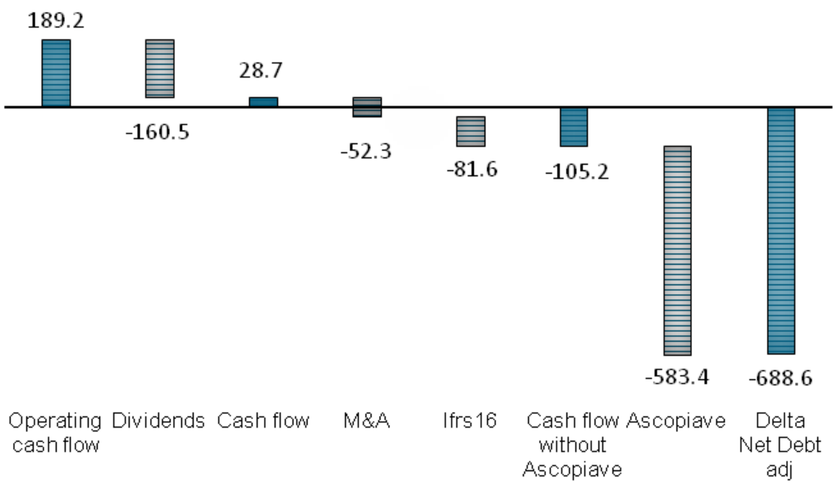
Adjusted net financial debt went from 2,585.6 million euro in 2018 to 2,690.8 million euro at the end of 2019.

Adjusted net financial debt (bn€)



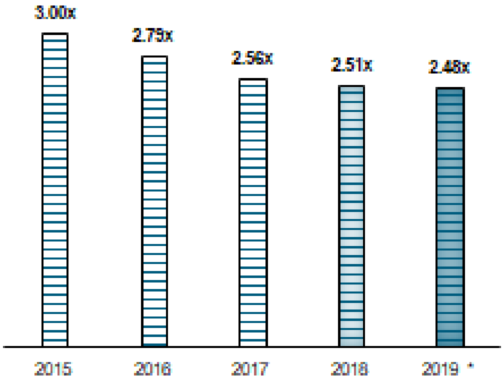
The Group's characteristic management generated positive operating cash flows coming to 189.2 million euro, which entirely financed dividend payments and part of the M&A transactions, in particular the acquisition of the shareholding of Pistoia Ambiente Srl.
Net financial debt increased mainly due to the recording at fair value of the sales option linked to Ascopiave Spa, coming to roughly 553.3 million euro, and the application of international accounting standard Ifrs 16 on operating leases, coming to 81.6 million euro.

Cash flow (mn€)



The Adjusted net debt/Ebitda ratio fell to 2.48, thanks to the positive operating and financial performance seen.

Adjusted net debt/Ebitda

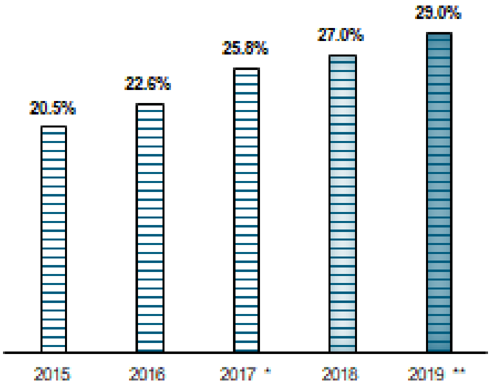


*adj for non-recurring entries and Ascopiave transaction

2.48x
Net debt/Ebitda

The same effect was seen in Funds from operations (Ffo)/ Adjusted net debt, which increased over the figure seen in 2018. This indicator as well, just as the previous one, benefitted from positive trends in operating flows, which rose more than proportionally compared to the growth in net debt, confirming the Group's financial solidity and its ability to meet its financial obligations.

Ffo/Adjusted Net debt (%)



* adj for non-recurring entries
**adj for non-recurring entries and Ascopiave transaction

29.0%
Ffo/Net debt