

## 1.04.02 Financial structure and adjusted net debt

What follows is an analysis of trends in the Group's net invested capital and sources of financing at 31 December 2023.

Invested capital and sources of financing (mn€)	Dec 23	% inc.	Dec 22	% inc.	Abs. change	% change
Net non-current assets*	8,119.2	+107.1%	7,522.3	+94.5%	596.9	+7.9%
Net working capital*	166.0	+2.2%	1,096.0	+13.8%	(930.0)	(84.9)%
(Provisions)	(705.9)	(9.3)%	(657.6)	(8.3)%	(48.3)	(7.3)%
<b>Net invested capital*</b>	<b>7,579.3</b>	<b>+100.0%</b>	<b>7,960.7</b>	<b>+100.0%</b>	<b>(381.4)</b>	<b>(4.8)%</b>
Equity*	(3,751.6)	+49.5%	(3,710.9)	+46.6%	(40.7)	(1.1)%
Long-term borrowings	(4,315.4)	+56.9%	(5,598.5)	+70.3%	1,283.1	+22.9%
Net current financial debt	487.7	(6.4)%	1,348.7	(16.9)%	(861.0)	(63.8)%
Net financial debt	(3,827.7)	+50.5%	(4,249.8)	+53.4%	422.1	+9.9%
<b>Total sources of financing*</b>	<b>(7,579.3)</b>	<b>(100.0)%</b>	<b>(7,960.7)</b>	<b>+100.0%</b>	<b>381.4</b>	<b>+4.8%</b>

\* adjusted results, as indicated in the section on Alternative performance measures (APMs)

Net working capital\* amounted to 166 million euro at the end of 2023, down compared to 1,096 million euro at the end of 2022. This change was affected by the fair value of commodity derivatives, which increased by 233.4 million euro compared to the previous year, with a corresponding impact on equity for hedging contracts recognised as cash flow hedges and, to a lesser extent, on the income statement for the year for trading derivatives. The changes in net working capital that led to a corresponding impact in net financial debt were mainly due to:

**166 million euro**  
Net working capital\*

- the fall in energy commodity prices compared to 2022, which resulted in a lower cash absorption of net working capital;
- the lower value of gas storage, both in terms of prices and volumes, which at 31 December 2023 amounted to 114.6 million euro, compared to 561.5 million euro at 31 December 2022, showing a 446.9 million euro reduction;
- the increase in trade receivables of the company Hera Servizi Energia Srl, due to the rise, in December, of turnover for works incentivised by tax bonuses, coinciding with the deadline for benefitting from the 110% super-bonus incentives;
- the decrease in VAT position coming to 78.2 million euro (due to a 61.1 million euro payable at 31 December 2023, and a 17.1 million euro receivable at 31 December 2022).

As concerns the value of trade receivables, there were no critical issues on the performance of collections, which in some market segments were better than the previous year thanks to the continuous and careful control of credit management processes including during the acquisition of contracts (origination management).

In 2023, provisions amounted to 705.9 million euro, up from 657.6 million euro at the end of the previous year. This result is mainly the consequence of provisions for the period and adjustments to the post-mortem provisions for landfills and restoration of third-party assets, which more than offset releases for utilisation.

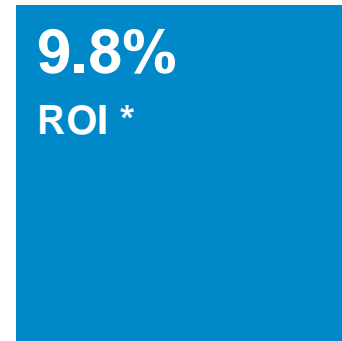
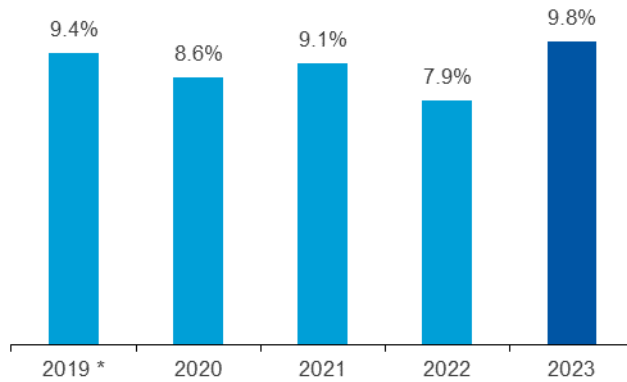
**705.9 million euro**  
Provisions

Equity\* rose from 3,710.9 million euro in 2022 to 3,751.6 million euro in 2023, increasing the Group's solidity thanks to the positive net result from operations in 2023, amounting to 417.0 million euro, and the change in minority interests, which more than offset the reduction in cash flow hedge reserves, dividend payments and changes in treasury shares.

**3.8 billion euro**  
Equity\*

Adjusted return on net invested capital (ROI\*) settled at 9.8% in 2023, up compared to 2022 ROI, which came to 7.9%, due to the increased result from operations (Ebit) and a fall in net invested capital (NIC), caused by the positive impact of the changes in net working capital\*.

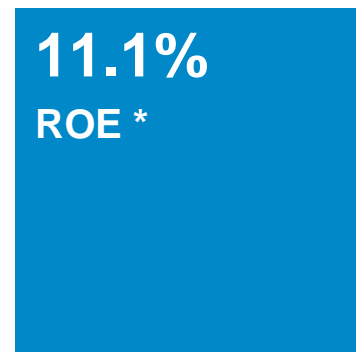
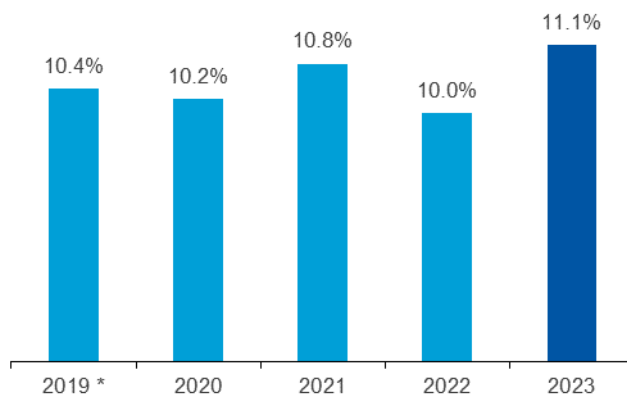
**ROI\* (%)**



\* adjusted for non-recurring entries and the Ascopiave transaction

The results of management led to a return on equity (ROE) coming to 11.1%, up from the amount seen in 2022. This increase was due to the rise in profits for the period, which was greater than the growth in equity.

**ROE\* (%)**



\* adjusted for non-recurring entries and the Ascopiave transaction

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

mn€		31 Dec 23	31 Dec 22
A	Cash holdings	1,332.8	1,942.4
B	Cash equivalents	-	-
C	Other current financial assets	90.9	77.7
<b>D</b>	<b>Liquidity (A+B+C)</b>	<b>1,423.7</b>	<b>2,020.1</b>
E	Current financial debt	(411.9)	(563.0)
F	Current portion of non-current financial debt	(524.1)	(108.4)
<b>G</b>	<b>Current financial indebtedness (E+F)</b>	<b>(936.0)</b>	<b>(671.4)</b>
<b>JH</b>	<b>Net current financial indebtedness (G+D)</b>	<b>487.7</b>	<b>1,348.7</b>
I	Non-current financial debt	(703.9)	(1,997.0)
J	Debt instruments	(3,391.2)	(3,197.3)
K	Non-current trade and other payables	-	-
<b>L</b>	<b>Non-current financial indebtedness (I+J+K)</b>	<b>(4,095.1)</b>	<b>(5,194.3)</b>
<b>M</b>	<b>Total financial indebtedness (H+L)</b>	<b>(3,607.4)</b>	<b>(3,845.6)</b>
	Non-current financial receivables	162.8	151.8
	<b>Net financial debt (excluding put option)</b>	<b>(3,444.6)</b>	<b>(3,693.8)</b>
	Nominal amount - fair value put option	(337.2)	(475.9)
	<b>Net financial debt with adjusted put option</b>	<b>(3,781.8)</b>	<b>(4,169.7)</b>
	Portion of future dividends - fair value put option	(45.9)	(80.1)
	<b>Net financial debt (Net debt)</b>	<b>(3,827.7)</b>	<b>(4,249.8)</b>

Total net financial debt amounted to 3,827.7 million euro, down by approximately 422.1 million euro compared to the previous year, thanks to the positive performance of net working capital.

With a view to rebalancing its net working capital, the Group continued, on a routine basis during the year, to reschedule trade payables, by means of letters of credit, totalling 404.6 million euro (506.3 million euro in the previous year). At the end of the financial year, the amount of outstanding transactions amounted to 187.9 million euro (192 million euro at the end of the previous year). By means of these transactions, the Group optimised its payment terms, while keeping the same amount recorded under trade payables, since this is part of its typical working capital management. Note, in fact, that the Group has trade payables, with different payment terms, based on the contractual agreements defined with the individual counterparties of the various businesses in which it operates, ranging from 7 days to 60 days from the date of invoice issuance.

The financial structure showed total current indebtedness coming to 936 million euro, up 264.6 million euro compared to the previous year.

Current financial debt amounted to 411.9 million euro, down by 151.1 million euro, mainly due to the lower impact of payables related to the daily fair value adjustment of commodity derivatives. The amount recorded at December 2023 includes payables to banks coming to 92.6 million euro, referring to utilisations of account lines coming to roughly 20.7 million euro and accruals for interest on loans amounting to 71.9 million euro. In addition, 154.1 million euro in financial payables were recorded, related to the gas settlement for the provisional adjustment session that occurred in 2023. For more details, see Note 19, "Financial liabilities", in Section 2.02.04, "Equity and financial structure", of the consolidated financial statements.

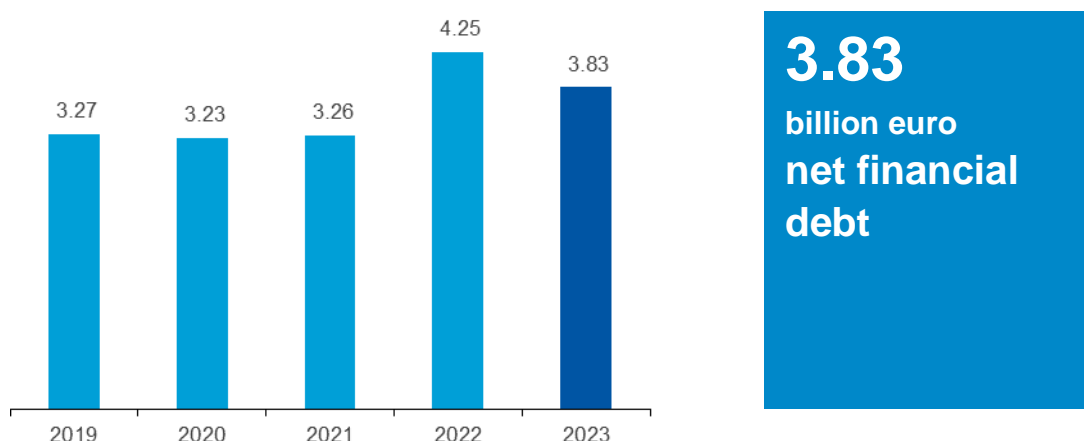
The current portion of non-current financial debt came to 524.1 million euro, up 415.7 million euro, and included 438 million euro in bonds maturing in 2024 (149.8 million euro Aflac Bond and 288.3 million euro residual Green Bond). This also included 24.5 million euro in current payables for leasing contracts.

Non-current financial debt decreased by 1,099.2 million euro compared to the previous year, due to the repayment of 750 million euro in loans and the classification in the non-current portion, with subsequent early repayment, of a 500 million euro bridge loan taken out in 2022. This figure includes a new 600 million euro sustainable bond issue (Sustainability-Linked Bond), which was finalised in April 2023, and also decreased due to the reclassification of 438 million euro of maturing bonds to short-term debt. Note that, in order to guarantee any extraordinary liquidity needs, a 450 million euro sustainable revolving line with a duration of five years was in any case stipulated with a primary pool of banks, as was a 460 million euro credit line with a duration of sixteen years and a three-year availability period, with the EIB. These new lines were not yet used at 31 December 2023.

A decrease occurred in cash holdings, which were down from 1,942.4 million euro in 2022 to 1,332.8 million euro at 31 December 2023, as a result of the cash flow from operations and the liability management transactions carried out on debt.

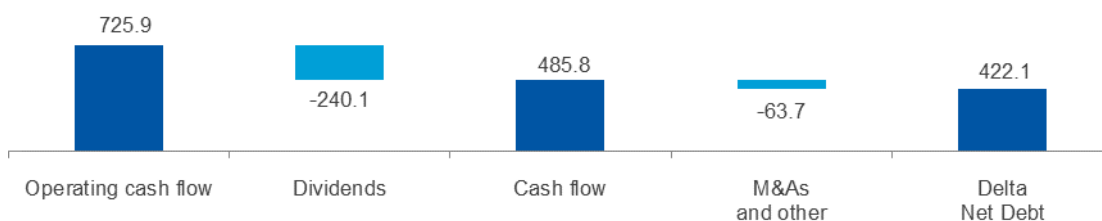
At 31 December 2023, 83% of medium- and long-term debt consisted of bonds with repayment at maturity. Total medium- and long-term debt, 96% of which is fixed-rate, had an average residual maturity coming to approximately five years and two months, with 46.3% of debt maturing after five years.

**NET FINANCIAL DEBT (NET DEBT)** (bn€)



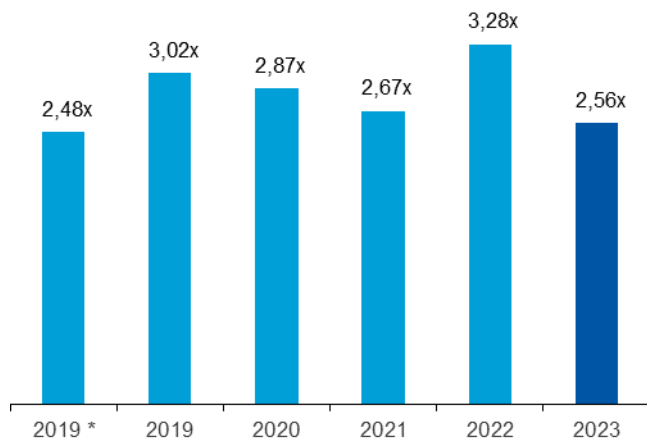
Core business operations generated positive operating cash flows amounting to 725.9 million euro, which fully financed dividend payments and contributed to financing all shareholding acquisitions, including the acquisition of 60% of A.C.R. Spa, operating in the waste management sector, 60% of the Rimini-based company F.Ili Franchini Srl, operating in the technological plants and renewable energy sector, and 36.8% of Asco TLC Spa, a company providing ICT services, later merged into Acantho Spa.

**CASH FLOW** (mn€)



The Net debt/Ebitda\* ratio for 2023 fell to 2.56x, as against 3.28 in 2022, returning to the level seen prior to the crisis in energy markets.

**NET DEBT / EBITDA\* (X)**

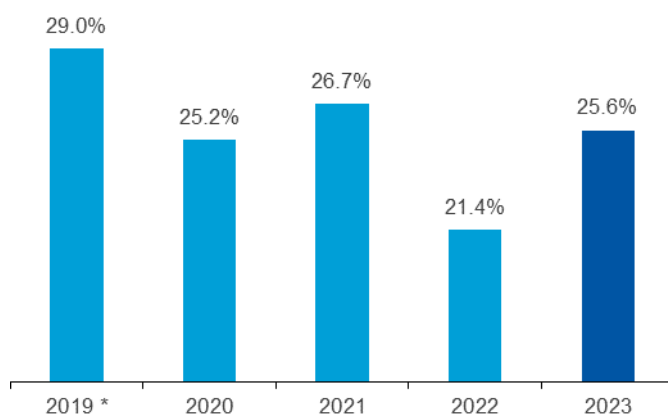


**2.56x**  
**Net debt / Ebitda\***

\* adjusted for non-recurring entries and the Ascopiave transaction

The FFO\*/Net debt ratio settled at 25.6%, confirming the Group's financial solidity and its ability to meet its financial obligations.

**FFO\* / NET DEBT (%)**



**25.6%**  
**FFO\*/ Net debt**

\* adjusted for non-recurring entries and the Ascopiave transaction