

The following table provides a breakdown by business area, with separate mention of capital grants:

Total investments (mn€)	Dec 20	Dec 19	Abs. change	% change
Gas area	135.3	138.3	(3.0)	(2.2)%
Electricity area	47.7	43.4	4.3	+9.9%
Integrated water cycle area	166.2	175.8	(9.6)	(5.5)%
Waste management area	68.3	81.8	(13.5)	(16.5)%
Other services area	11.1	16.0	(4.9)	(30.6)%
Headquarters	77.9	78.2	(0.3)	(0.4)%
Total gross operating investments	506.4	533.5	(27.1)	(5.1)%
Capital grants	24.8	24.5	0.3	+1.2%
of which FoNi (New Investments Fund)	13.6	13.4	0.2	+1.5%
Total net operating investments	481.7	509.0	(27.3)	(5.4)%
Financial investments	46.9	0.2	46.7	+100.0%
Total net investments	528.5	509.2	19.3	+3.8%

Including capital grants, the Group's operating investments came to 506.4 million euro, down 27.1 million euro compared to the previous year, and mainly involved interventions on plants, networks and infrastructures, in addition to regulatory upgrading involving above all gas distribution, with a large-scale metre substitution, and the purification and sewerage areas.

Remarks on investments in each single area are included in the analysis by business area.

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall, investments in structures decreased by 0.3 million euro compared to the previous year, with a reduction in the vehicle fleet and increased interventions on the Group's IT systems.

1.04.02 Financial structure and adjusted net debt

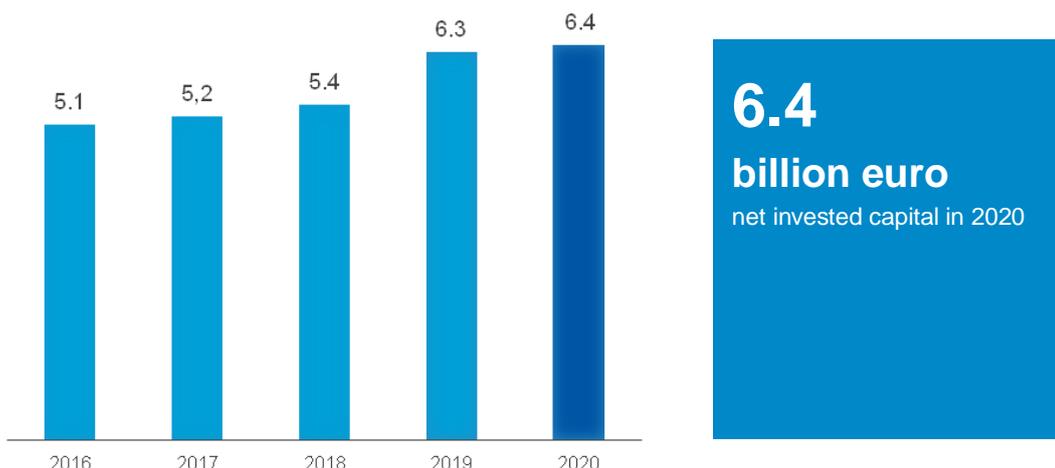
What follows is an analysis of trends in the Group's net invested capital and sources of financing at 31 December 2020.

Invested capital and sources of financing (mn€)	Dec 20	% inc.	Dec 19	% inc.	Abs. change	% change
Net non-current assets	6,983.6	+109.4%	6,846.3	+108.9%	137.3	+2.0%
Net working capital	53.6	+0.8%	87.0	+1.4%	(33.4)	(38.4)%
(Provisions)	(654.9)	(10.2)%	(649.1)	(10.3)%	(5.8)	(0.9)%
Net invested capital	6,382.3	+100.0%	6,284.2	+100.0%	98.1	+1.6%
Equity	(3,155.3)	+49.4%	(3,010.0)	+47.9%	(145.3)	(4.8)%
Long-term borrowings	(3,617.1)	+56.7%	(3,383.4)	+53.8%	(233.7)	(6.9)%
Net current financial debt	390.1	(6.1)%	109.2	(1.7)%	280.9	+257.2%
Net debt	(3,227.0)	+50.6%	(3,274.2)	+52.1%	47.2	+1.4%
Total sources of financing	(6,382.3)	(100.0)%	(6,284.2)	+100.0%	(98.1)	(1.6)%

Group solidity increases

The higher amount of net invested capital (NIC) compared to 31 December 2019 is related to an increase in net non-current assets, mainly due to investments made during 2020. In particular, note the acquisition of a 4.9% shareholding in Ascopiave Spa, which reinforced the partnership launched in December 2019, and Hera Comm Spa's acquisition of 90% of the company Wolmann Spa, involved in creating solar panels.

NET INVESTED CAPITAL (BN€)



53.6 million euro net working capital

The decrease in net working capital seen in 2020 is mainly due to the good performance of trade receivables, thanks to a continuous and careful control of credit management processes. The impact of the health emergency was not significant; for further details, see paragraph 1.08 “Covid-19 emergency management”.

654.9 million euro provisions

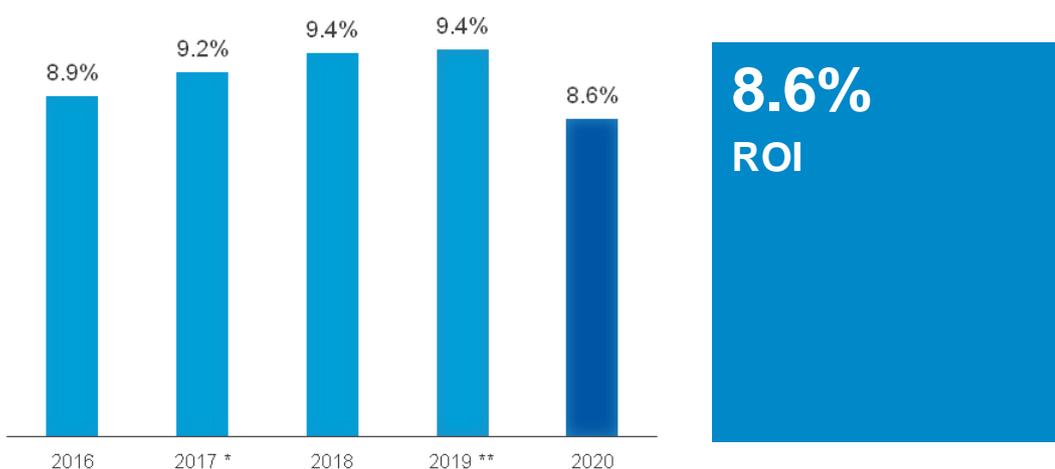
The change in provisions compared with the previous year is a consequence of period-specific provisions and post-mortem landfill provision adjustments and reinstatements of third-party assets, which offset expenses for usage. For details on changes in provisions, see the information contained in paragraph 2.02.05 “Commentary notes to the financial statements”.

3.2 billion euro equity

Equity reinforced the Group’s solidity thanks to the positive net result achieved by management in 2020, coming to 322.8 million euro, partially offset by the impact coming from dividend payment, movement in treasury shares and a drop in minority interests .

Return on net invested capital (ROI) settled at 8.6% in 2020, as compared to adjusted ROI for 2019, which came to 9.4%, adjusted for the operating and financial impact of the Ascopiave transaction.

ROI (%)

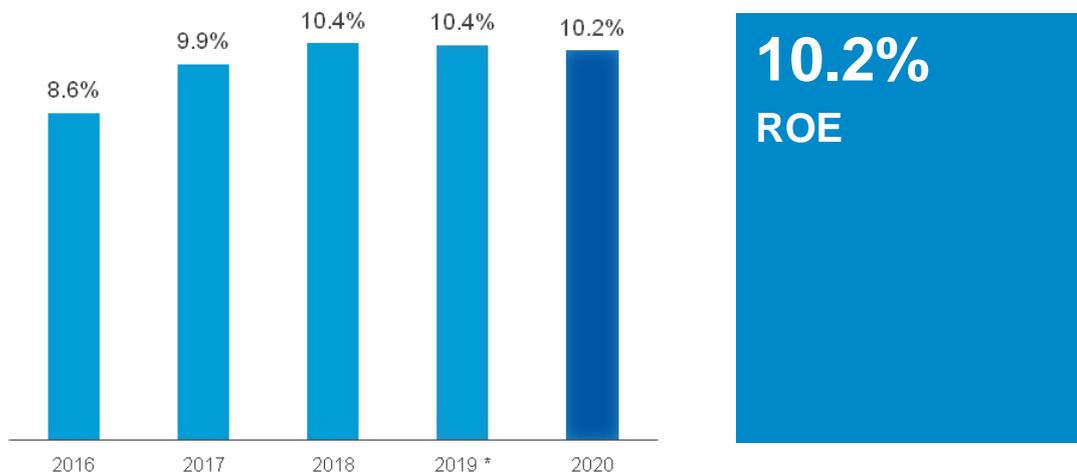


* adjusted for non-recurring entries

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

Return on equity (ROE) stood at 10.2%, essentially in line with the figure seen in 2019.

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 20	31 Dec 19	31 Dec 19 adjusted	
a	Cash and cash equivalents	987.1	364.0	345.9
b	Other current financial receivables	32.8	70.1	53.7
	Current bank debt	(188.6)	(111.5)	(111.5)
	Current part of bank borrowings	(307.1)	(63.1)	(63.1)
	Other current financial liabilities	(114.0)	(130.9)	(130.9)
	Current lease payments	(20.1)	(19.4)	(18.3)
c	Current financial debt	(629.8)	(324.9)	(323.8)
d=a+b+c	Net current financial debt	390.1	109.2	75.8
	Non-current bank debt and bonds issued	(3,047.3)	(2,815.1)	(2,815.1)
	Other non-current financial liabilities (excluding put option)	(27.7)	(20.2)	(13.2)
	Non-current lease payments	(73.5)	(76.1)	(73.6)
e	Non-current financial debt	(3,148.5)	(2,911.4)	(2,901.9)
f=d+e	Net financial position	(2,758.4)	(2,802.2)	(2,826.1)
g	Non-current financial receivables	140.8	135.3	135.3
h=f+g	Net financial debt (excluding put option)	(2,617.6)	(2,666.9)	(2,690.8)
	Nominal amount - fair value put option	(456.4)	(450.6)	
	Net financial debt with adjusted put option (Net debt adj put option)	(3,074.0)	(3,117.5)	(2,690.8)
	Portion of future dividends - fair value put option	(153.0)	(156.7)	
	Net financial debt (Net debt)	(3,227.0)	(3,274.2)	(2,690.8)

The overall amount of adjusted net financial debt came to 3,227.0 million euro, 47.2 million euro decrease compared to the previous year. The adjusted figures referring to 31 December 2019 reflect the adjustments made during 2019 to guarantee a better comparison as regards the Ascopiave partnership transaction. For further details on this matter, see the consolidated financial statements at 31 December 2019.

The Group's financial structure shows current debt coming to 629.8 million euro, of which 307.1 million euro are related to the current portion of debt, which includes 249.9 million euro linked to the bond maturing on 4 October 2021, as well as 58.8 million euro related to the portion of medium-term bank loans reaching maturity within the year. The portion of current debt owed to other financial institutions amounts to 114.0 million euro, while the 188.6 million euro due to banks includes 49.6 million euro in interest payable on loans and approximately 139 million euro in current lines of credit.

The current portion of operating leases amounts to 20.1 million euro, while the non-current portion comes to 73.5 million euro, both essentially in line with the amount recorded in 2019.

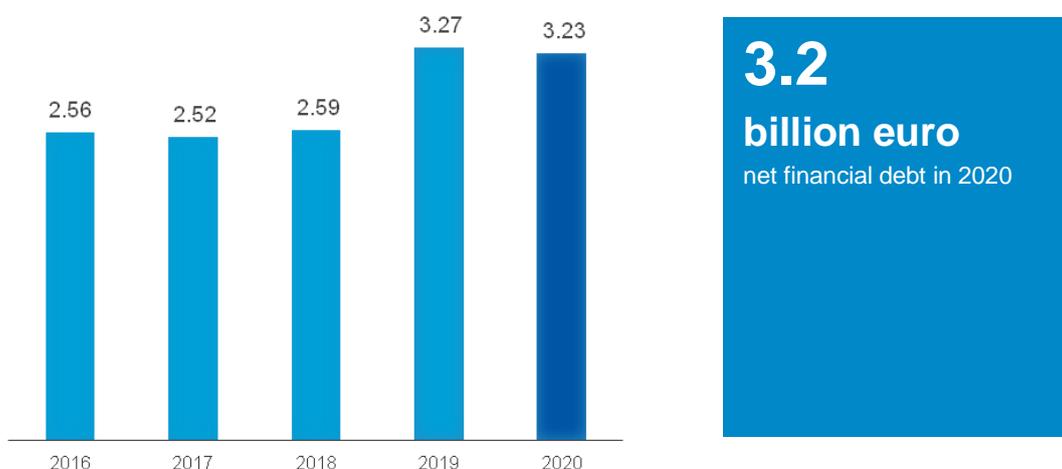
The amount relating to "non-current bank debt and bonds issued" increased compared to the previous year, due to the issuance of a 500 million euro bond maturing in ten years, as described in paragraph 1.3 "Main events occurred". This increase was offset by the restatement of the bond maturing in 2021, amounting to 249.9 million euro, under current debt, as mentioned above.

As a result of the bond issuance, carried out to take advantage of the favourable market scenario, cash and cash equivalents increased from 364.0 million euro in 2019 to 987.1 million euro at 31 December 2020.

At 31 December 2020, 80.3% of medium- and long-term debt was consisted in bonds with repayment at maturity, 79% of which was listed on European markets. Total debt showed an average time to maturity of over six years, with 63.8% maturing after over five years.

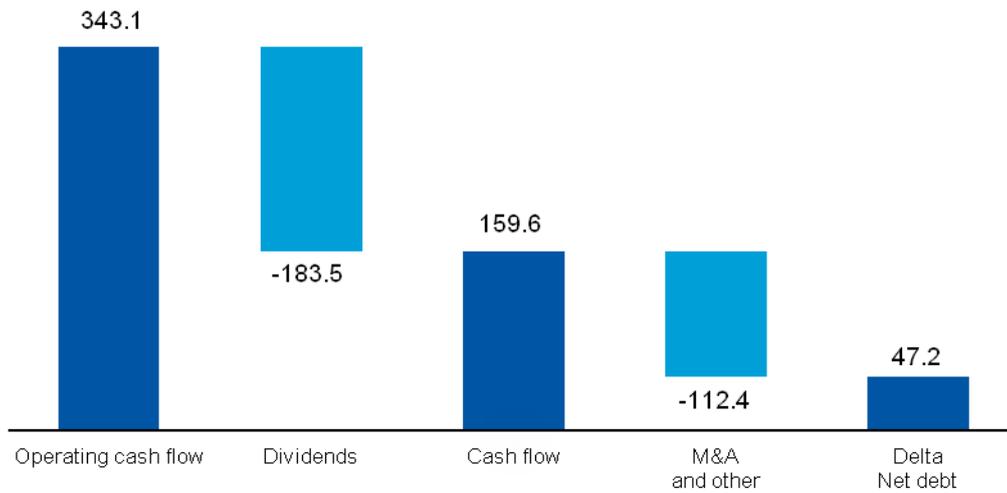


NET FINANCIAL DEBT (BN€)



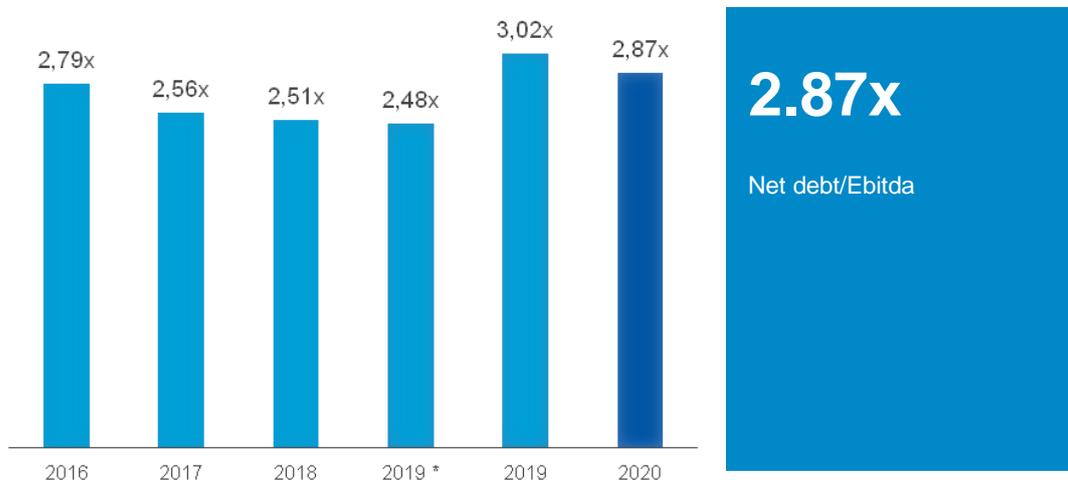
Net financial debt fell by 47.2 million euro, going from 3,274.2 million euro in 2019 to 3,227.0 million euro in 2020.

CASH FLOW (MLN/EURO)



The Group's characteristic management generated positive operating cash flows coming to 343.1 million euro, which entirely financed dividend payments and shareholding acquisitions, in particular 4.9% of Ascopiave Spa and 90% of Wolmann Spa, by Hera Spa and Hera Comm Spa respectively.

NET DEBT/EBITDA (X)

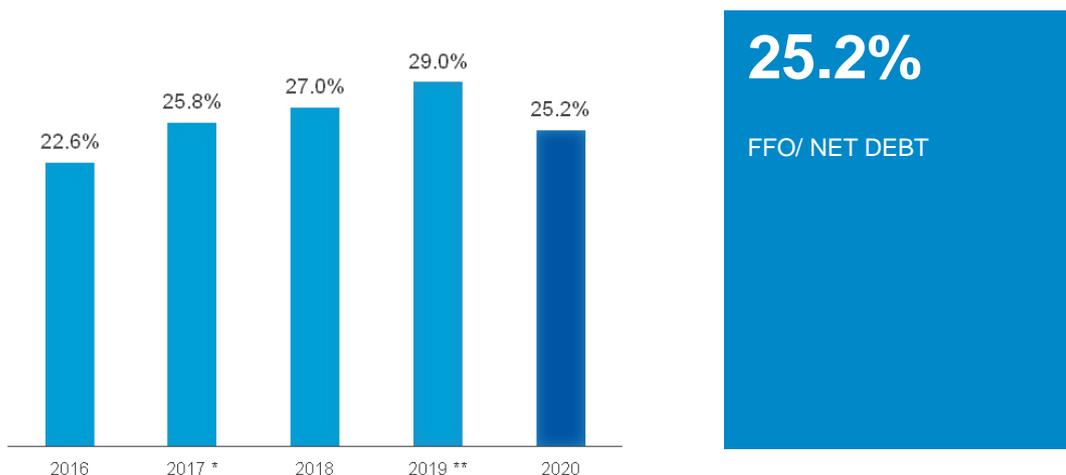


* adjusted for non-recurring entries and the Ascopiave transaction

The Net debt/Ebitda ratio for 2020 increased slightly, coming to 2.87, as compared to the 2.48 del 2019 ratio as adjusted to account for operating and financial impact of the Ascopiave transaction. The figure for 2020 does not reflect the financial adjustment linked to the Ascopiave transaction, which on the contrary had been carried out on the figure for 2019, in order to ensure that it was comparable with the previous year. As of the current year, the fair value of the put options granted to monitory shareholders is therefore included in the amount of "Net debt".



FFO/NET DEBT (%)



* adjusted for non-recurring entries

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

The Funds from operations (FFO)/Net debt ratio settled at 25.2%, confirming the Group's financial solidity and its ability to meet its financial obligations, thanks to the positive trend in operating cash flow.