

ITALGAS: CONSOLIDATED RESULTS AS OF 31 MARCH 2022 APPROVED

Milan, 2 May 2022 - The Italgas' Board of Directors, which met today chaired by Benedetta Navarra, has approved the consolidated results as of 31 March 2022 (unaudited).

Key figures

Consolidated economic and financial highlights:

- Total revenues: € 354.0 million (+6.2%)
- Gross operating margin (EBITDA): € 250.0 million (+6.7%)
- Operating profit (EBIT): € 141.9 million (+9.2%)
- Adjusted net profit attributable to the Group: € 88.9 million (+9.5%)
- Technical investments: € 179.5 million
- Cash flow from operating activities: € 198.8 million
- Net financial debt: € 4,954.7 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 4,888.1 million

ESG – key indicators, Scope 1 and Scope 2 and energy consumption:

- 26.4 10³ tCO₂e Scope 1 and 2 (+8.6%)
- 20,745 km of network inspected (+49.7%)
- Fugitive emissions/km investigated: 44.80 Sm³/km (-17.9%)
- Net energy consumption: 208.3 TJ (-7.2%)

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 1,899
- Number of active meters: 7.75 million
- Gas distribution network: around 74,473 Km

The performance of the Italgas Group confirms the constant growth trend that started with its return to the stock exchange in November 2016: the first quarter of 2022 also had positive results in all the main economic and financial indicators and ESG targets established in the 2021-2027 Strategic Plan, which are gradually being achieved.

Moreover, the integration of sustainability and economic performance targets enables the Group to contribute with its investment choices to the energy transition process defined by the EU, and to help ensure the implementation of the Italian National Recovery and Resilience Plan.

In the period, € 179.5 million in investments were made (€ 206.7 million in the first quarter of 2021). These investments are devoted primarily to the digital transformation of assets and processes, the natural gas distribution in Sardinia and the repurposing of the networks to enable them to distribute renewable gases (biomethane immediately and, in the medium term, green hydrogen and synthetic methane).

In the first three months of 2022, 128 km of new pipes were laid; in Sardinia the construction of new fully digital networks continued, reaching a total extension of approximately 903 km out of a total to be built of approximately 1,100 km and 6 new LNG storage and regasification plants were commissioned.

The requirements related to net investments for the first quarter of 2022 were covered by the positive cash flow from operating activities, equal to € 198.8 million.

The net financial position as at 31 March 2022 was € 4,954.7 million (€ 4,980.0 million as at 31 December 2021). The net financial position amounted to € 4,888.1 million (€ 4,910.0 million as of 31 December 2021), net of financial liabilities pursuant to IFRS 16 of € 66.6 million (€ 70.0 million as of 31 December 2021).

The EBITDA for the first quarter of 2022 amounted to € 250.0 million (+6.7% compared to 31 March 2021) and adjusted net profit attributable to the Group was € 88.9 million (+9.5% compared to 31 March 2021).

As is known, on 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF), and on 10 December 2021 a purchase contract was signed for a price of € 733 million, in the context of the public tender called by the Greek government for privatisation of the distribution operator DEPA Infrastructure S.A. The acquisition of DEPA Infrastructure S.A., which should come to a close during the first half of 2022, will allow the Group to further strengthen its leadership in the European gas sector, entering a market that offers significant growth opportunities and for which it will be able to make its well-known distribution network development and digitisation capacities available to support the country's energy transition process.

Paolo Gallo, CEO of Italgas, commented:

Due to the positive results for the first quarter 2022, we have been able to start the new mandate fully in line with the previous ones, focusing on the constant growth of all the main economic indicators. This result was even more significant in light of a socio-economic context impacted by the sharp rise in prices on the energy market, whose effects were worsened further by the Russia-Ukraine conflict under way.

More specifically, we recorded an increase of 6.7% in EBITDA, which reached € 250 million, and an adjusted net profit that came to € 89 million, up +9.5% compared to the same period of last year. We are continuing to invest in the digital transformation of our assets and processes and in training our people in order to enable the network to become the main driver of the energy transition by receiving and distributing the incremental amounts of renewable gas such as biomethane, green hydrogen and synthetic methane.

In Sardinia, the extension of our digital native network is continuing and has breathed life back into the island's energy development. A virtuous model which we will soon be developing also in Greece, on a larger scale, working alongside the government in decarbonising the economy and consumption.

Digitization, sustainability and efficiency have been confirmed as the main drivers of our day-to-day work to continue contributing to the energy transition, which now also moves through the achievement of the RePowerEU targets for the diversification of sources of supply.

Italgas group structure as of 31 March 2022

The structure of the Italgas Group as at 31 March 2022 changed compared to that existing as at 31 December 2021, due to the purchase by Italgas S.p.A. Of a minority stake in Picarro Inc., measured at fair value, and due to the reclassification of the equity components of Gaxa S.p.A. to “*assets held for sale*” following the signing of a binding agreement for the sale of a majority stake to Edison.

Economic and financial highlights

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting from net profit income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment), EBIT (operating income, calculated by subtracting from net profit income taxes, net income from equity investments and net financial expense) and net financial debt (calculated as the sum of short and long-term financial debt, net of cash and cash equivalents and current financial assets).

The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS - IFRS.

Reclassified income statement

(€ million)	First quarter		Abs. change	Change %
	2021	2022		
Gas distribution regulated revenue	321.0	318.3	(2.7)	(0.8)
<i>of which distribution revenue</i>	298.0	296.3	(1.7)	(0.6)
<i>of which Other distribution revenue</i>	23.0	22.0	(1.0)	(4.3)
Other revenues	12.3	35.7	23.4	190.2
Total revenues (*)	333.3	354.0	20.7	6.2
Operating costs	(98.9)	(104.0)	(5.1)	5.2
EBITDA	234.4	250.0	15.6	6.7
Amortisation, depreciation and impairment	(104.5)	(108.1)	(3.6)	3.4
EBIT	129.9	141.9	12.0	9.2
Net financial expense	(20.0)	(14.0)	6.0	(30.0)
<i>of which special items</i>	(6.4)	-	6.4	-
Adjusted net financial expense	(13.6)	(14.0)	(0.4)	2.9
Net income from equity investments	0.6	0.3	(0.3)	(50.0)
Gross profit	110.5	128.2	17.7	16.0
Adjusted gross profit	116.9	128.2	11.3	9.7
Income taxes	(29.5)	(34.5)	(5.0)	16.9
<i>taxation related to special items</i>	1.5	-	(1.5)	-
Adjusted income taxes	(31.0)	(34.5)	(3.5)	11.3
Net profit	81.0	93.7	12.7	15.7
Net profit attributable to the Group	76.3	88.9	12.6	16.5
Net profit attributable to minority shareholders	4.7	4.8	0.1	2.1
Adjusted net profit	85.9	93.7	7.8	9.1
Adjusted net profit attributable to the Group	81.2	88.9	7.7	9.5
Adjusted net profit attributable to minority interests	4.7	4.8	0.1	2.1

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 165.2 and € 185.0 million respectively in the first quarter of 2022 and 2021), connection contributions (€ 4.7 and € 4.8 million respectively in the first quarter of 2022 and 2021) and other residual components (€ 0.1 and € 0.3 million respectively in the first quarter of 2022 and 2021).

The **total revenues** of the first quarter of 2022 amount to € 354.0 million, up by € 20.7 million compared to the corresponding period of 2021 (+6.2%) and refer to natural gas distribution regulated revenues (€ 318.3 million) and other revenues (€ 35.7 million).

Gas distribution regulated revenue decreased by € 2.7 million compared to the first quarter of 2021, due to the decrease in distribution revenue (€ 1.7 million) and in other distribution revenue (€ 1.0 million).

The decrease in **distribution revenue** (€ 1.7 million), mainly attributable to the effect of the reduction in WACC set out in Resolution no. 614/2021/R/com to 5.6% (€ -13.6 million), as well as for the effect of the variation of the X-factor (€ -2.1 million) attributable to Resolution no. 570/2019/R/gas, was partially offset by the increase in the specific RAB (€ 7.6 million), the effect of the deflator (€ 1.5 million) and the contribution of the new Sardinian networks (€ 2.5 million). There were also greater price adjustments than in the same period of 2021 (€ 2.3 million).

The reduction of **other distribution revenues** (€ 1.0 million) is mainly linked to the lesser contribution pursuant to Article 57 of ARERA Resolution no. 367/14, as subsequently amended

and supplemented, relative to the replacement of traditional meters with electronic ones (€ 0.7 million as at 31 March 2022 and € 3.3 million as at 31 March 2021), an effect partly offset by greater incentives for leak detection (€ 1.7 million).

Other revenues amounted to € 35.7 million as of 31 March 2022. The increase of € 23.4 million on the same period of 2021 is essentially linked to the increased activities in energy efficiency (€ 17.2 million), in revenues deriving from the sale of natural gas and LPG in Sardinia (€ 2.9 million), and from capital gains on sales of assets (€ 2.7 million).

Operating costs as at 31 March 2022 amounted to € 104.0 million, up by € 5.1 million compared to the first quarter of 2021, mainly due to higher net external costs for energy efficiency and the sale of natural gas and other gases in Sardinia (€ 16.7 million), partially offset by lower: i) net costs linked to Energy Efficiency Certificates (€ 0.4 million), ii) concession charges (€ 0.4 million), iii) net external costs (€ 7.3 million) related to gas distribution and iv) other costs and provisions (€ 3.5 million).

Amortisation, depreciation and impairment (€ 108.1 million) increased by € 3.6 million compared to the first quarter of 2021 (+3.4%), mainly due to the investments made in the previous year.

The **EBIT** achieved as of 31 March 2022 totalled € 141.9 million, up by € 12.0 million (+9.2%) compared to the EBIT of same period of 2021 (€ 129.9 million).

Adjusted net financial expense as at 31 March 2022 amounted to € 14.0 million, up by € 0.4 million on the same period of the previous year. The special items in the first quarter of 2021 had included the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021.

Net income from equity investments as at 31 March 2022 amounted to € 0.3 million and refer to the contribution of equity investments valued using the equity method.

Income taxes came to € 34.5 million, up € 5.0 million compared to the same value of the previous year, essentially as a consequence of the higher period taxable income.

The **net profit attributable to the Group** was € 88.9 million; the **adjusted net profit attributable to the Group** increased by 9.5% compared to the first quarter of 2021 (31 March 2021: € 81.2 million).

Reconciliation of EBIT and the reported net profit with adjusted EBIT and adjusted net profit

The first quarter of 2022 showed now income components classified under special items. As at 31 March 2021, that component had regarded increased costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021, net of related taxes (€ 1.5 million). The effect on adjusted net profit of the first quarter 2021 was € 4.9 million in terms of lower expenses.

Reclassified Statement of Financial Position

The reclassified statement of financial position for Italgas as of 31 March 2022 compared with that as of 31 December 2021 is summarised below:

(€ million)	31.12.2021	31.03.2022	Abs. change
Fixed capital (*)	7,106.2	6,957.2	(149.0)
Property, plant and equipment	372.1	363.9	(8.2)
Intangible assets	6,938.1	6,778.2	(159.9)
Equity investments	35.1	48.8	13.7
Financial receivables and securities instrumental to operations	2.8	3.0	0.2
Net payables for investments	(241.9)	(236.7)	5.2
Net working capital	109.7	113.3	3.6
Provisions for employee benefits	(95.6)	(93.5)	2.1
Assets held for sale and directly related liabilities	2.2	230.4	228.2
NET INVESTED CAPITAL	7,122.5	7,207.4	84.9
Shareholders' equity	2,142.5	2,252.7	110.2
- attributable to the Italgas Group	1,891.4	1,996.4	105.0
- attributable to minority shareholders	251.1	256.3	5.2
Net financial debt	4,980.0	4,954.7	(25.3)
HEDGING	7,122.5	7,207.4	84.9

(*) Net of the effects deriving from the application of IFRS 15.

The **net invested capital** at 31 March 2022 amounted to € 7,207.4 million and consists of the items outlined below.

It is noted that i) on 31 March 2022 a binding agreement was signed through which Italgas will transfer control of the affiliate Gaxa, ii) on 11 April 2022, the Council of State rejected Italgas' appeal regarding the concession to another operator of the Naples 1 ATEM distribution service.

The **fixed capital** (€ 6,957.2 million) decreased by € 149.0 million compared to 31 December 2021, mainly due to the reduction in tangible and intangible assets due to the reclassification to "assets held for sale" of the items relating to the concessions in the municipalities of Naples 1 ATEM and to the affiliate Gaxa, net of increases for investments and decreases for amortisation and depreciation, partially offset by the increase in equity investments and the decrease in net payables related to investments.

Equity investments (€ 48.8 million) increased by € 13.7 million, mainly due to the acquisition of a minority share in the capital of Picarro Inc.

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2021	372.1	6,732.0	206.1	7,310.2
Investments	3.1	165.5	10.9	179.5
- of which IFRS 16	2.0	-	-	2.0
Amortisation, depreciation and impairment	(9.7)	(88.2)	(10.2)	(108.1)
- of which D&A pursuant to IFRS 16	(5.7)	-	-	(5.7)
Contributions received	-	(2.5)	-	(2.5)
Disposals and sales	(0.5)	(0.9)	(0.1)	(1.5)
Other changes	(1.1)	(229.9)	(4.5)	(235.5)
Balance at 31 March 2022	363.9	6,576.0	202.2	7,142.1

Consolidated **net working capital** at 31 March 2022 amounts to € 113.3 million and is broken down as follows:

(€ million)	31.12.2021	31.03.2022	Abs. change
Trade receivables	388.6	362.8	(25.8)
Inventories	105.3	113.1	7.8
Tax receivables	71.6	57.1	(14.5)
Accruals and deferrals from regulated activities	115.8	116.5	0.7
Other assets	186.4	242.9	56.5
Trade payables	(300.9)	(352.3)	(51.4)
Provisions for risks and charges	(159.5)	(154.0)	5.5
Deferred tax liabilities	(50.8)	(48.6)	2.2
Tax payables	(12.1)	(33.7)	(21.6)
Other liabilities	(234.7)	(190.5)	44.2
	109.7	113.3	3.6

Compared to 31 December 2021, net working capital rose by € 3.6 million, due to: i) lower trade receivables (€ 25.8 million) mainly as a result of the reduction in receivables due from sales companies partially offset by higher receivables related to the "Super/Ecobonus" (€ 9.5 million) ; ii) an increase in inventories (€ 7.8 million); iii) a decrease in net tax items (€ 33.9 million; includes the effect of accrued tax credits relating to the "Super/Ecobonus" for € 3.2 million); iv) an increase in accruals and deferrals from regulated activities (€ 0.7 million); v) an increase in other assets (€ 56.5 million), mainly relating to additional components of distribution billing¹ and the fair value of the IRS derivative; vi) the increase in trade payables (€ 51.4 million) relating to the balance due to CSEA for equalisation; vii) a reduction in provisions for risks and charges (€ 5.5 million); and viii) a decrease in other liabilities for the period (€ 44.2 million), mainly due to the billing of additional components of distribution.

Note that the Company has finalised factoring agreements with financial counterparties on the basis of which the Company's receivables can be factored without recourse. As at 31 March 2022, receivables were factored for a total of € 144.7 million relating to: i) trade receivables relating to distribution for € 108.8 million, falling due on 31 March 2022 and ii) receivables from CSEA for a total of € 35.9 million.

¹ The change, in particular, regards the "Bonus gas" component aimed at reducing the expense incurred for the supply of natural gas by households in economic or physical hardship, which will be reimbursed by ARERA on the basis of current regulations.

Net financial debt

(€ million)	31.12.2021	31.03.2022	Abs. change
Financial and bond debt	6,376.9	6,207.7	(169.2)
Short-term financial debt (*)	571.6	405.5	(166.1)
Long-term financial debt	5,735.3	5,735.6	0.3
Finance lease payables - IFRS 16	70.0	66.6	(3.4)
Financial receivables and cash and cash equivalents	(1,396.9)	(1,253.0)	143.9
Cash and cash equivalents	(1,391.8)	(1,231.0)	160.8
Financial receivables	(5.0)	(21.9)	(16.9)
Securities not instrumental to operations	(0.1)	(0.1)	-
Net financial debt	4,980.0	4,954.7	(25.3)
Finance lease payables - IFRS 16	70.0	66.6	(3.4)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,910.0	4,888.1	(21.9)

(*) These include the short-term portions of long-term financial debt.

Net financial debt as at 31 March 2022 amounted to € 4,954.7 million, down by € 25.3 million compared to 31 December 2021. Excluding the effects deriving from the application of IFRS 16, (€ 66.6 million), the net financial debt came to € 4,888.1 million (€ 4,910.0 million at the end of 2021).

Under net financial debt, the item financial receivables recorded the effect of the loans disbursed by Italgas S.p.A. to Gaxa, whose balance sheet components were reclassified as at 31 March 2022 under Assets held for sale and directly related liabilities.

Gross financial and bond debt as of 31 March 2022, amounting to € 6,207.7 million (€ 6,376.9 million as of 31 December 2021), relates to bonds (€ 4,459.4 million), loan agreements concerning European Investment Bank (EIB) funding (€ 828.3 million), liabilities pursuant to IFRS 16 (€ 66.6 million) and bank loans (€ 853.4 million).

Cash, amounting to € 1,231.0 million, down by € 160.8 million compared to 31 December 2021, is held in current accounts immediately available with leading banks.

The breakdown of gross financial debt by type of interest rate as at 31 March 2022 is as follows:

(€ million)	31.12.2021	%	31.03.2022	%
Fixed rate	5,910.9	92.7	5,742.1	92.5
Floating rate	466.0	7.3	465.6	7.5
Gross financial debt	6,376.9	100.0	6,207.7	100.0

Fixed-rate financial liabilities amounted to € 5,742.1 million and mainly refer to bonds (€ 4,459.4 million), EIB loans (€ 712.7 million), bank loans (€ 503.4 million) and financial liabilities pursuant to IFRS 16 (€ 66.6 million).

Fixed-rate financial liabilities decreased by € 168.8 million with respect to 31 December 2021, mainly due to the redemption of bonds maturing in January 2022.

As at 31 March 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for nominal € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 31 March 2022, these commitments were respected.

Reclassified Statement of Cash Flows

(€ million)	First quarter	
	2021	2022
Net profit	81.0	93.7
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	102.9	109.9
- Net capital losses (capital gains) on asset sales and eliminations	0.4	(1.9)
- Interest and income taxes	49.5	49.9
Change in working capital due to operating activities	94.5	(37.8)
Dividends, interest and income taxes collected (paid)	(19.3)	(15.0)
Cash flow from operations (*)	309.0	198.8
Technical investments	(202.9)	(175.0)
Other changes related to investments activities	4.8	(5.1)
Divestments and other changes	11.5	4.7
Free cash flow before M&A transactions	122.4	23.4
Acquisition of business units, plant and financial assets	(1.6)	(13.4)
Free cash flow	120.8	10.0
Change in short- and long-term financial debt and financial receivables	110.8	(165.7)
Reimbursements of financial liabilities for leased assets	(3.2)	(5.3)
Capital contribution from third parties	0.0	0.2
Net cash flow for the year	228.4	(160.8)

(*) Net of the effects deriving from the application of IFRS 15.

Change in net financial debt

(€ million)	First quarter	
	2021	2022
Free cash flow before M&A transactions	122.4	23.4
Change due to equity investments, business units and assets	(1.6)	3.5
Change in finance lease payables	(1.9)	(1.9)
Capital contribution from third parties	0.0	0.2
Change in net financial debt	118.9	25.3

The cash flow from operating activities as at 31 March 2022 amounted to € 198.8 million, a decrease of € 110.2 million on the same period of the previous year. In view of the flow from net investments, totalling € 175.4 million, the company generated a free cash flow before M&A transactions of € 23.4 million. As of 31 March 2022, the cash outflow from M&A transactions amounted to € 13.4 million, bringing the free cash flow to € 10.0 million.

Key operating figures

Investments

Technical investments were made in the first quarter of 2022 for a total of € 179.5 million, down by 13.2% compared to the same period of 2021 (€ 206.7 million), of which € 2.0 million due to the adoption of IFRS 16.

(€ million)	First quarter		Abs. change	Change %
	2021	2022		
Distribution	171.7	159.9	(11.8)	(6.9)
Network maintenance and development	140.9	149.8	8.9	6.3
- of which digitisation	29.5	41.1	11.6	39.3
New networks	30.8	10.1	(20.7)	(67.2)
- of which Sardinia	25.7	7.7	(18.0)	(70.0)
Metering	18.4	10.8	(7.6)	(41.3)
Other investments	16.6	8.8	(7.8)	(47.0)
- of which Real Estate	6.2	2.3	(3.9)	(62.9)
- of which ICT	8.5	5.3	(3.2)	(37.6)
- of which the effect of IFRS 16	1.6	2.0	0.4	25.0
	206.7	179.5	(27.2)	(13.2)

Distribution investments (€ 159.9 million, -6.9% on the first quarter of 2021) were driven by network development, maintenance and repurposing initiatives, which were more than offset by decreased construction of new networks, due to the gradual completion of the project of natural gas distribution in Sardinia. In this region, during the first three months of 2022, an additional 6 km of new network was constructed, bringing the total installed networks to 903 km. In addition, 6 LNG storage plants were installed, for a total of 56 plants in service as at 31 March 2022.

Investments in digitisation (€ 41.1 million, +39.3% compared to the first quarter of 2021) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.

Metering investments (€ 10.8 million, -41.3% compared to the first quarter of 2021) were down, as the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended has been reached. Specifically, in the first three months of 2022, the Company installed 117 thousand new meters, of which 35 thousand to replace traditional G4/G6 meters, 78 thousand for the repair of digital meters with anomalies and 4 thousand to replace large-calibre meters. At 31 March 2022², a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (92.1% of the total number of meters and practically all active meters).

²Also taking into account the affiliates, over which Italgas does not exercise control, 122 thousand new meters were installed during the period, bringing the total number of smart meters installed as at 31 March 2022 to approximately 8.0 million (91.4% of the total number of meters and practically all active meters).

Key operating figures – Italgas Group

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.604	7.596	(0.008)	(0.1)
Installed meters (millions)	8.563	8.570	0.007	0.1
Municipalities with gas distribution concessions (no.)	1,837.0	1,838.0	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,761.0	1,771.0	10.0	0.6
Distribution network (kilometres)	72,503.1	72,576.0	72.9	0.1
Gas distributed (million cubic metres) **	3,540.9	3,835.0	294.1	8.3

* The data relating to 2022 include the effect of the sale of the service stations of ATEM Milan 1 to another operator, winner of the tender.

** The data refers to the first quarter.

Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.757	7.749	(0.008)	(0.1)
Installed meters (millions)	8.733	8.740	0.007	0.1
Municipalities with gas distribution concessions (no.)	1,898.0	1,899.0	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,822.0	1,832.0	10.0	0.5
Distribution network (kilometres)	74,396.6	74,473.1	76.5	0.1
Gas distributed (million cubic metres) **	3,643.0	3,953.3	310.3	8.5

* The data relating to 2022 include the effect of the sale of the service stations of ATEM Milan 1 to another operator, winner of the tender.

** The data refers to the first quarter.

Sustainability - the path to decarbonisation

The Sustainability Plan and Strategic Plan

The net-zero target by 2050, set by the European Union as part of the Green Deal, has made it urgent for the individual Member States to decarbonise consumptions and reduce the carbon footprint of all manufacturing activities to zero. Gas distribution networks will play a key role in the energy transition towards meeting that target, thanks to their widespread nature, flexibility and penetration. In this scenario, infrastructure digitisation is the enabler that allows the entire distribution network to be digital, smart and flexible, as well as able to receive and manage different gases, such as biomethane, green hydrogen and synthetic natural gases.

The Italgas Group plays a key role in the decarbonisation process of Italy's Country system, by means of the main pillars of its Strategic Plan to 2027:

- infrastructure digitisation, for smart and dynamic management of the network for the distribution of a mixture of gases, increasingly characterised by the presence of renewable gases and zero-carbon gases, to increase its efficiency and improve its safety, to guarantee the quality of the service, enable predictive maintenance and more effective control of the operating parameters and operations under any conditions;
- boosting of the circular economy, in particular by providing a stimulus to the biomethane sector;
- testing and implementation of technologies that will make new renewable gases available in the distribution networks;
- diversification of the business portfolio, extending digital management of the infrastructure to the water sector and accelerating energy efficiency measures in the civil sector.

The challenges contained in the Sustainability Plan and the ESG criteria, an integral part of the 2021-2027 Strategic Plan, have led the Italgas Group to identify specific new targets in terms of energy efficiency and the cutting of emissions in order to meet the decarbonisation targets set by the European Union.

The sustainability targets set for 2027 aim to reduce CO₂ emissions and energy consumption, putting the Italgas Group ahead of the EU targets for 2030: thanks to the digital transformation of the network and innovative technologies – from CRDS (Cavity Ring-Down Spectroscopy), a cutting-edge technology in the gas network monitoring field, designed and developed by US company Picarro Inc., of which Italgas has recently become a shareholder, to Seaside's know-how – Italgas estimates that by 2027 it will have reduced its climate-altering emissions (Scope 1 and Scope 2) by 30%, and its energy consumption by 25%, both compared to 2020 levels³.

³ With the same scope, excluding any changes following M&As and ATEM (Minimum Territorial Area) tenders.

The Italgas Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to various initiatives developed in synergy with the company Seaside, aimed at industrial and civil energy efficiency, training activities on energy efficiency for its employees, and the fine-tuning of a predictive maintenance plan on the gas networks.

With regard to civil consumption, the restructuring of several important company offices already completed, already under way or planned by 2027, will help further reduce the demand for energy and, as a result, related emissions.

Lastly, net industrial electrical consumption is also expected to be cut significantly in as early as 2022, due to the commissioning of cogeneration plants and turbo-expanders that will be installed at the main city gates, which will enable the use of self-generated electricity.

Energy consumption

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles. For years, Italgas has monitored its consumption with the aim of reducing its environmental impact over time according to a continuous improvement process in line with the objectives identified in its 2021-2027 Strategic Plan.

Net energy consumption (TJ)	First quarter		Change Abs.	Change %
	2021	2022		
Fuel energy consumption for industrial use	146.0	135.2	(10.8)	(7.4)
Fuel energy consumption for civil use	19.3	17.6	(1.7)	(8.8)
Fuel energy consumption for vehicles	35.5	33.0	(2.5)	(7.0)
Net electricity consumption for industrial use	14.5	13.5	(1.0)	(6.9)
Net electricity consumption for civil use	9.1	8.9	(0.2)	(2.2)
Thermal energy consumption for civil use	0.1	0.1	-	-
	224.5	208.3	(16.2)	(7.2)

The first quarter of 2022 was characterised by a decrease in net consumption of total energy, of 16.2 TJ (-7.2%).

Fuel energy consumption for industrial use recorded a decrease for the first three months of 2022 (-7.4%, from 146.0 TJ to 135.2 TJ), despite the increase in the volume of gas distributed (+8.3%). That result was also achieved due to efficiency measures, such as the installation of additional optimisation systems at the reduction and measurement collection plants (IPRM) with preheating and optimised regulation of plants, which allowed for operations under conditions of greater efficiency. In fact, specific consumption for the preheating process (natural gas consumed for preheating/gas injected into the network per thousand) decreased across the entire Group, from 1.24 to 1.16, or by -6.5%.

In relation to fuel energy consumption for civil use, in the first three months of 2022, there was a decrease of 8.8% compared to the same period of the previous year (from 19.3 TJ to 17.6 TJ), concurrent with a decrease in electricity consumption (from 9.1 TJ to 8.9 TJ, -2.2%). Those

decreases are correlated to the ongoing process of optimising and renewing the real estate assets, in addition their management based on the continuous monitoring of the main parameters of the offices and their consumption (also by digitising the monitoring and regulation processes), with the resulting improvement in energy performance.

The Group's industrial electricity consumption decreased by 6.9% (from 14.5 TJ to 13.5 TJ), mainly attributable to Italgas Acqua.

Lastly, fuel energy consumption for vehicles decreased by 2.5 TJ (-7.0% compared to the same period of 2021), slightly higher than the reduction in mileage of the Group's car fleet (-6.0%). Those changes are mainly the result of the optimisation of the car fleet and also of the introduction of high-tech solutions, such as online quotations, which resulted in a reduction in travel by operating personnel.

Greenhouse gas emission

Scope 1 and Scope 2 ⁴ (thousand tCO ₂ eq)	First quarter		Change Abs.	Change %
	2021	2022		
Fugitive gas emissions (Scope 1)	13.1	16.1	3.0	22.9
Emissions from gas consumption for industrial use (Scope 1)	8.3	7.6	(0.7)	(8.4)
Emissions from gas consumption for civil use (Scope 1)	1.1	1.0	(0.1)	(9.1)
Emissions from fuel consumption for vehicles (Scope 1)	1.7	1.6	(0.1)	(5.9)
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.1	0.1	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	24.3	26.4	2.1	8.6

The change in total emissions (+8.6%) is primarily linked to the increase in fugitive emissions of the Italgas Group (+22.9%). That increase is attributable to the emission detection approach which, in the first quarter, focused on the analysis of areas with greater expected leaks. That increase was partially offset by increased operating efficiency with shorter leaks identification and elimination times. In addition to the above focus, compliance with the 2022 investigation plan has led to an increase in the amount of network inspected using CRDS technology, from 13,861 kilometres in the first three months of 2021 to 20,745 kilometres in the same period of 2022 (+49.7%).

In the first quarter of 2022, a 17.9% decrease was recorded in emissions per kilometre inspected, from 54.60 Sm³/km in the first three months of 2021, to 44.80 Sm³/km in the same period of 2022. More generally, fugitive emissions amounted to 0.024% of total gas distributed (up 13.0% from the first three months of 2021).

Leveraging the experience of 2021, the Group is fine-tuning the development of a predictive network maintenance model which, by combining the physical characteristics of the networks (e.g. age, material and pressure) with the outcome of the processing of data obtained in the field

⁴ Scope 2 market-based.

via the intensive leak detection programme, will identify the areas potentially at risk of leakage and the related probability of emissions, with a view to predictive management and maintenance. This model is a valid tool for the preparation of the plans for network replacement and reclamation/clean-up work on overhead connections, thereby optimising performance and related costs.

As regards emissions from fuel consumption for vehicles, the parameter CO₂ emissions per km travelled remained more or less constant (155.0 gCO₂/km, -0.2% compared to the first quarter of the previous year).

Lastly, emissions from gas consumption for civil and industrial use are in line with the described changes in consumption, while those from electricity consumption remain very low, as a result of reduced consumption and the supply of electricity from certified renewable sources for almost all volumes.

Main events of the first quarter of 2022

Extraordinary transactions and area tenders

- On 31 March 2022, Italgas, Marguerite and Edison **signed a binding agreement**, under which Edison will acquire a majority share of Gaxa, a company 51.85%-owned by Italgas and 48.15%-owned by Marguerite, which markets and sells through networks natural gas, LPG and propane air for civil use in Sardinia. The new shareholding structure of Gaxa will be composed of Edison (70%), Italgas (15.56%) and Marguerite (14.44%). The partnership with a leading operator specialising in retail activities strengthens Gaxa's commercial presence and outlook for development, with positive impacts on the investment plan for Sardinia promoted by Italgas.

Capital transactions

- On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and carried out the execution of the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from reserves from retained earnings.

Legal and Regulatory Framework

- On 29 March 2022, the Council of State definitively rejected the appeal by the Municipality of Feltre and the other Municipalities which, after revoking the delegation of authority to the Contracting Authority, had opposed the award of the Belluno tender to Italgas Reti.
- With the ruling of 14 February 2022, the Regional Administrative Court of Lombardy upheld the appeal brought by Italgas Reti and annulled **Resolutions no. 163/2020/R/gas and no. 567/2020/R/gas** with which the Authority had annulled the premiums due by the company for safety recoveries concerning 21 distribution plants and for the reduction of natural gas leaks for the years 2016 and 2017. On 8 March 2022, with **Resolution no. 96/2022/C/gas**, the Authority announced its intention to file an appeal against the above-mentioned ruling of the Regional Administrative Court of Lombardy of 14 February 2022, stating that it should be challenged, as it is based on an erroneous interpretation of the relevant matters of fact and law.
- On 15 February 2022, the Council of State upheld the appeal brought by ARERA for the amendment of the first instance ruling, favourable to Italgas Reti, by which the Regional Administrative Court of Lombardy had annulled the following **Resolutions**:
 - **no. 98/2016/R/gas**, for the part relating to the recalculation of the company's reference tariffs for the years 2009-2014;

- **no. 99/2016/R/gas**, for the part relating to the determination of the company's final reference tariffs for 2015;
- **no. 177/2016/R/gas**, linked to the above, by which the Authority extended to additional elements the informational investigation launched by way of resolution no. 14/2013/R/gas on the investment data transmitted by companies, which influence the level of gas distribution tariffs;
- **no. 494/2018/R/gas**, limited to the forecasts relating to the non-recognition of the extra-remuneration (equal to 2% for a period of 8 years) of the investments made by the company, referring to the years 2009 and 2010.

Other events

- On 18 January 2022, Italgas signed an agreement with Buzzi Unicem, an international group focused on the production of cement, concrete and natural aggregates, for the conduct of a feasibility study relative to the development of Power-to-Gas plants in combination with CO2 (carbon) capture systems at the production plants of Buzzi Unicem, with a view to assuring greater environmental sustainability and support for the energy transition.
- On 1 February 2022, Italgas was included for the third year running in the **Sustainability Yearbook 2022**, the annual S&P Global publication that brings together experiences, success stories and best practices from world leading companies on sustainability matters. Italgas was included following the Corporate Sustainability Assessment (CSA) carried out in 2021. Italgas has also obtained "Gold Class Distinction" for its excellent sustainability performance. The Italgas share has also been confirmed on the **FTSE4Good Index Series**, which includes the best companies that stand out for the attention paid to sustainable economic development.
- On 2 March 2022, with an outlay of \$ 15 million, Italgas strengthened its partnership with **Picarro Inc.** through the acquisition of a minority **share** in the capital of the US technological start-up company and world leader in sensors applied to gas distribution network monitoring as well as technologies for sectors characterised by the need to have extremely sensitive detection, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry to identify impurities in the environments dedicated to semiconductor production.

Significant events after year end

Legal and Regulatory Framework

- On 5 April 2022, the Authority adopted **Resolutions 154/2022/R/gas** and **155/2022/R/gas** relating to the determination of the final reference tariffs for gas distribution and metering services for 2021, calculated based on the actual balance sheet figures for 2020, and the

recalculation of the reference tariffs for gas distribution and metering services for the years 2016 to 2020, respectively.

- With regard to the public session on the “Open tender procedure for the concession of the natural gas distribution service in the **Naples 1 - City of Naples and coastal plant ATEM**”, an ATEM that encompasses approximately 375 thousand re-delivery points, on 11 April 2022 the Council of State rejected the appeal filed by the subsidiary Italgas Reti against the award to another operator. At present we are waiting to know the reasons that led the Council of State to adopt the above judgment.
- On 15 April 2022, the Immogas S.r.l., company 100% owned by Toscana Energia S.p.A., was incorporated as a result of the non-proportional, asymmetrical patient spin-off of Valdarno S.r.l.

Business Outlook

As we all know, the so-called Coronavirus Emergency unfolded in Italy in February 2020, with the spread of infection and the necessary emergency measures taken by the Health and Government Authorities to contain the spread. The state of emergency declared at the time by the Italian government formally came to an end on 31 March 2022.

To date, the Company saw no significant negative impacts on its development or investment plans. By leveraging digitisation processes, during the emergency period, measures were implemented to ensure the continuity and effectiveness of worksite activities and interventions at customer premises, while operating in complete safety and in compliance with the terms set out in the company plans.

With reference to the customer base / sales company and their solvency, it is noted that the rules for user access to the gas distribution service are established by ARERA and are regulated in the Network Code. At present, the Company has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

With reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the limitations imposed during the period by the aforementioned health emergency, the Company has not found any evidence to date to suggest significant negative effects on FY 2022.

However, the Company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook in the periods to come, should the health emergency situation return to a critical state.

Italgas will therefore continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving service quality, streamlining processes and operating costs, whilst paying constant attention to development opportunities. With specific regard to investments, Italgas expects to continue to carry out its plan targeted primarily at the implementation of projects for network digitisation and repurposing and natural gas distribution in Sardinia, plus the normal maintenance and development of the networks managed. In that context, the initiatives to integrate operating activities in Greece following the closing of the acquisition of Depa Infrastructure S.A. expected during the first half of 2022 were significant.

Russia - Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials,

considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the ongoing conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, in March Italgas completed (and will update periodically) an initial survey of a significant portion of its suppliers. It emerged that none of the suppliers surveyed reported impacts with the Russian market, whilst only one supplier reported sub-supplies of Ukrainian origin for which it has implemented initiatives aimed at finding alternatives.

All the suppliers surveyed confirmed having put in place measures to prevent the effects of any cyber-attacks.

It should also be noted that most of the processes managed by the suppliers surveyed can be classed as energy intensive.

The survey confirmed, as already mentioned, the growing criticality of the supply of electronics and components linked to steel, both in terms of price and delivery times and availability.

With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) over 92% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 March 2022, of € 1,231.0 million, which, including in light of the existing investment plans and the operations planned over the next 12 months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service

are established by ARERA and regulated in the Network Code, which defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Italian Legislative Decree no. 25 of 15 February 2016, effective from 18 March 2016, which implemented European Directive 2013/50/EU of 22 October 2013 (new Transparency Directive), eliminated the obligation to publish the Interim Report on Operations, previously provided for by Art. 154-ter, subsection 5 of the Consolidated Law on Finance (CLF).

In accordance with the development of the reference regulatory framework and taking into account the needs of stakeholders, Italgas has chosen to voluntarily publish periodic financial information in addition to the Annual and Half-Year Financial Report.

This decision reflects the business policy of regular and transparent disclosure of the Group's financial performance to the market and investors.

The economic and financial information was drafted in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002.

Given their size, amounts of the relevant items are expressed in millions of euros to the first decimal place.

Conference call

At 4 p.m. today, a conference call will be held to present the results of the first quarter of 2022 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investors/Reports and Presentations" section of the website.

The manager responsible for preparing the accounting and corporate documents, Giovanni Mercante, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

Disclaimer

This press release contains forward-looking statements, specifically in the “Business Outlook” section, relating to: investment plans, financial structure evolution, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions and socio-political instability, the effects of the pandemic, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, action by competitors