

## ITALGAS: CONSOLIDATED RESULTS AS AT 30 JUNE 2022 APPROVED

Milan, 25 July 2022 - Italgas' Board of Directors, chaired by Benedetta Navarra, met today and approved the consolidated results for the first half of 2022.

### Key figures

Consolidated economic and financial highlights:

- Total revenues: € 707.4 million (+6.3%)
- Gross operating margin (EBITDA): € 513.3 million (+4.9%)
- Operating profit (EBIT): € 296.0 million (+5.9%)
- Adjusted net profit attributable to the Group: € 188.3 million (+6.9%)
- Technical investments: € 374.4 million
- Cash flow from operating activities: € 459.5 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 5,033.4 million
- Net financial debt: € 5,094.4 million

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

- Net energy consumption: 301.5 TJ (-14.0%)
- 54.7 10<sup>3</sup> tCO<sub>2</sub> eq Scope 1 and 2 (-21.3%)
- 47,667 km of network inspected (+35.4%)
- Fugitive emissions/km investigated: 49.02 Sm<sup>3</sup>/km (-43.7%)

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 1,899
- Number of active meters: 7.75 million
- Gas distribution network: around 74,788 Km

The results of the Italgas Group for the first half of 2022 confirm the resilience of the business model, with a steady growth of all the main economic and financial indicators and the Group's ability to match development with sustainability targets which were further revised upwards in the 2022-2028 Strategic Plan presented to the financial community on 15 June 2022.

An effort that confirms the Company's commitment to providing an active contribution both to the energy transition process, whose urgency was increased by the targets set by the European Commission in REPowerEU, and to implementing the National Recovery and Resilience Plan.

In the period, € 374.4 million in investments were made, 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, hydrogen and synthetic methane).

In the first half of 2022, 230 km of new pipes were laid. In Sardinia, the creation of new fully digital networks continued, reaching a total length of 909 km out of a total to be developed of around 1,100 km. In addition, in the first half of 2022, 11 new GNL storage and regasification plants were commissioned, for a total of 64 plants serving the basins under concession.

The financing requirements related to net investments for the first half of 2022 were amply covered by the cash flow from operating activities, equal to € 459.5 million.

The net financial position as at 30 June 2022 was € 5,094.4 million (€ 4,980.0 million as at 31 December 2021). The net financial position amounted to € 5,033.4 million (€ 4,910.0 million as at 31 December 2021), net of financial liabilities pursuant to IFRS 16 of € 61.0 million (€ 70.0 million as at 31 December 2021).

The EBITDA for the first half of 2022 amounted to € 513.3 million (+4.9% compared to 30 June 2021) and adjusted net profit attributable to the Group was € 188.3 million (+6.9% compared to 30 June 2021).

In the context of the public tender called by the Greek government for privatisation of the gas distribution operator DEPA Infrastructure S.A, Italgas is waiting to finalize the acquisition of 100% of the Company.

**Paolo Gallo, CEO of Italgas, commented:**

*The results of the first half of 2022 provide additional confirmation of the soundness of a Group capable of continuing to grow without interruption, despite a scenario featuring increasingly complex economic-social and geopolitical conditions.*

*We have reached the first turning point of the year recording growth in all economic indicators: the EBITDA grows by 4.9%, surpassing € 513 million and the adjusted Net Profit at +6.9% came to approximately € 188 million. Investments, exceeding € 370 million, have been used to digitally transform the network, which is increasingly smart, widespread and flexible, serving the energy transition and the decarbonisation of consumption.*

*In Sardinia, we are continuing with our commitment to complete distribution of natural gas in the areas under concession. The smart network, which covers approximately 1,500 kilometres, is now the most cutting edge network in the country, both because it is already capable of accommodating renewable gases such as biomethane and hydrogen, and because procurement is guaranteed solely through liquefied natural gas.*

*Technological innovation is confirmed as the main driver that allowed us to anticipate this change, transform our operations and improve service in terms of quality and efficiency while, at the same time, achieving ever-increasing sustainability targets, significantly contributing to the achievement of the REPowerEU targets.*

### **Italgas group structure as at 30 June 2022**

Italgas Group structure as at 30 June 2022 changed compared to that as at 31 December 2021 mainly due to the sale of a majority stake in Gaxa to Edison.

### **Economic and financial highlights**

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting operating costs from earnings), EBIT (operating income before taxes, calculated by subtracting operating costs, amortisation, depreciation and impairment from earnings) and Net financial debt (calculated as the sum of short- and long-term financial debt and financial liabilities pursuant to IFRS 16, net of cash and cash equivalents).

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

## Reclassified income statement

(€ million)

Financial Year		First half			
2021		2021	2022	Abs. change	Change %
1,294.5	Gas distribution regulated revenues	642.2	639.2	(3.0)	(0.5)
1,200.1	of which distribution revenues	595.5	591.4	(4.1)	(0.7)
94.4	of which Other distribution revenues	46.7	47.8	1.1	2.4
76.3	Other revenues	23.2	68.2	45.0	-
1,370.8	Total revenues (*)	665.4	707.4	42.0	6.3
(361.9)	Operating costs	(176.3)	(194.1)	(17.8)	10.1
1,008.9	EBITDA	489.1	513.3	24.2	4.9
(425.7)	Amortisation, depreciation and impairment	(209.7)	(217.3)	(7.6)	3.6
583.2	EBIT	279.4	296.0	16.6	5.9
(60.4)	Net financial expense	(31.8)	(26.3)	5.5	(17.3)
(6.4)	of which special items	(6.4)	-	6.4	-
(54.0)	Adjusted net financial expense	(25.4)	(26.3)	(0.9)	3.5
2.5	Net income from equity investments	1.1	3.2	2.1	-
525.3	Gross profit	248.7	272.9	24.2	9.7
531.7	Adjusted gross profit	255.1	272.9	17.8	7.0
(141.9)	Income taxes	(68.7)	(75.1)	(6.4)	9.3
1.5	taxation related to special items	1.5	-	(1.5)	-
(143.4)	Adjusted income taxes	(70.2)	(75.1)	(4.9)	7.0
383.4	Net profit	180.0	197.8	17.8	9.9
362.8	Net profit attributable to the Group	171.2	188.3	17.1	10.0
20.6	Net profit attributable to minority shareholders	8.8	9.5	0.7	7.5
388.3	Adjusted net profit	184.9	197.8	12.9	7.0
367.7	Adjusted net profit attributable to the Group	176.1	188.3	12.2	6.9
20.6	Adjusted net profit attributable to minority interests	8.8	9.5	0.7	7.5

(\*) 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" (€ 343.3 and € 373.6 million respectively in the first half of 2022 and 2021), connection contributions (€ 9.5 and € 9.6 million respectively in the first half of 2022 and 2021) and other residual components (0.5 and 0.2 respectively in the first half of 2022 and 2021).

The **total revenues** of the first half of 2022 amount to € 707.4 million, up by € 42.0 million compared to the corresponding period of 2021 (+6.3%), and refer to natural gas distribution regulated revenues (€ 639.2 million) and other revenues (€ 68.2 million).

**Gas distribution regulated revenues** decreased by € 3.0 million compared to the same period of 2021 due to a decrease in distribution revenues (€ -4.1 million) partially offset by an increase in other regulated gas distribution revenues (€ 1.1 million).

The decrease in **distribution revenues** (€ 4.1 million), mainly attributable to the effect of the reduction in WACC set out in Resolution no. 614/2021/R/com (€ -27.2 million), as well as the change in the X-factor (€ -4.2 million) pursuant to Resolution no. 570/2019/R/gas, was partially offset by the increase in the reference RAB (€ 14.9 million), the effect of the

deflator (€ 2.9 million) and the contribution of the new Sardinian networks (€ 5.9 million). There were also greater tariff adjustments than in the same period of 2021 (€ 2.3 million).

The increase in **other gas distribution regulated revenues** (€ 1.1 million) is mainly linked to greater incentives for leak detection (€ 6.2 million) and revenues from gas supply interruption activities due to arrears (€ 0.7 million), offset by the effect of the lesser contribution pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, relating to the replacement of traditional meters with smart ones (€ 1.1 million as at 30 June 2022 and € 6.1 million as at 30 June 2021) and by lower customer services revenues (€ -0.9 million).

**Other revenues** amounted to € 68.2 million as at 30 June 2022. The increase of € 45.0 million on the same period of 2021 is mainly linked to the increased activities in energy efficiency (€ 39.1 million), in revenues deriving from the sale of natural gas and LPG in Sardinia (€ 1.9 million), and from capital gains on sales of assets (€ 2.7 million).

**Operating costs** as at 30 June 2022 amounted to € 194.1 million, up by € 17.8 million compared to the first half of 2021, mainly due to higher net external costs for i) other activities relating to energy efficiency (€ 31.4 million) and ii) the sale of natural gas and other gases in Sardinia (€ 1.5 million), partially offset by lower iii) net external gas distribution costs (€ -10.5 million), iv) concession charges (€ -0.3 million) and v) other costs and allocations to provisions for risks (€ -3.4 million).

The **EBITDA** achieved as at 30 June 2022 totalled € 513.3 million, up by € 24.2 million (+4.9%) compared to the same period of 2021.

**Amortisation, depreciation and impairment** (€ 217.3 million) increased by € 7.6 million compared to the first half of 2021 (+3.6%), mainly due to the investments made in the previous year.

The **EBIT** achieved as at 30 June 2022 totalled € 296.0 million, up by € 16.6 million (+5.9%) compared to the EBIT of same period of 2021 (€ 279.4 million).

**Adjusted net financial expense<sup>1</sup>** as at 30 June 2022 amounted to € 26.3 million, up by € 0.9 million on the same period of the previous year. The increase is mainly attributable

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<sup>1</sup>Italgas' management assesses Group performance on the basis of alternative performance indicators not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

to the increase in average gross financial debt, partially offset by the lower average cost of debt.

The special items in the first half of 2021 included the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021.

**Net income from equity investments** as at 30 June 2022 came to € 3.2 million, of which € 2.7 million refers to the capital gain on the sale of the controlling stake in Gaxa.

**Income taxes** for the first half of 2022 amounted to € 75.1 million, with a tax rate of 27.5%.

**Net profit** achieved in the first half of 2022 amounted to € 197.8 million, up by € 17.8 million (9.9%), compared to the first half of 2021.

The **net profit attributable to the Group** was € 188.3 million (+10.0% compared to the first half of 2021); the **adjusted net profit attributable to the Group** increased by 6.9% compared to the first half of 2021.

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

The first half of 2022 showed no income components classified under special items. As at 30 June 2021, that component 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 half 2021 was € 4.9 million in terms of lower expenses.

## Reclassified Statement of Financial Position

The reclassified statement of financial position for Italgas as at 30 June 2022 compared with that as at 31 December 2021 is summarised below:

(€ million)	31.12.2021	30.06.2022	Abs. change
<b>Fixed capital (*)</b>	<b>7,106.2</b>	<b>7,004.8</b>	<b>(101.4)</b>
Property, plant and equipment	372.1	366.1	(6.0)
Intangible assets	6,938.1	6,846.0	(92.1)
Equity investments	35.1	43.4	8.3
Financial receivables and securities instrumental to operations	2.8	2.3	(0.5)
Net payables related to investments	(241.9)	(253.0)	(11.1)
<b>Net working capital</b>	<b>109.7</b>	<b>60.8</b>	<b>(48.9)</b>
<b>Provisions for employee benefits</b>	<b>(95.6)</b>	<b>(85.0)</b>	<b>10.6</b>
<b>Assets held for sale and directly related liabilities</b>	<b>2.2</b>	<b>235.1</b>	<b>232.9</b>
<b>NET INVESTED CAPITAL</b>	<b>7,122.5</b>	<b>7,215.7</b>	<b>93.2</b>
Shareholders' equity	2,142.5	2,121.3	(21.2)
- attributable to the Italgas Group	1,891.4	1,874.7	(16.7)
- attributable to minority shareholders	251.1	246.6	(4.5)
Net financial debt (***)	4,980.0	5,094.4	114.4
<b>HEDGING</b>	<b>7,122.5</b>	<b>7,215.7</b>	<b>93.2</b>

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

The **net invested capital** at 30 June 2022 amounted to € 7,215.7 million and was made up of the items commented below.

The **fixed capital** (€ 7,004.8 million) decreased by € 101.4 million compared to 31 December 2021, primarily due to the reduction in tangible and intangible fixed assets, partially offset by the increase in equity investments and the reduction in net payables related to investments.

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
<b>Balance at 31 December 2021</b>	<b>372.1</b>	<b>6,732.0</b>	<b>206.1</b>	<b>7,310.2</b>
Investments	9.0	344.0	21.4	374.4
- of which IFRS 16	6.2	-	-	6.2
Amortisation, depreciation and impairment	(19.8)	(177.1)	(20.4)	(217.3)
- of which D&A pursuant to IFRS 16	(11.5)	-	-	(11.5)
Newly consolidated companies	6.0	-	-	6.0
Contributions received	-	(11.7)	-	(11.7)
Disposals and sales	(1.0)	(7.8)	(5.0)	(13.8)
Restated assets held for sale	(0.1)	(235.0)	-	(235.1)
Other changes	(0.1)	(1.2)	0.7	(0.6)
<b>Balance at 30 June 2022</b>	<b>366.1</b>	<b>6,643.2</b>	<b>202.8</b>	<b>7,212.1</b>

**Intangible fixed assets** (€ 6,846.0 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12. The decrease was mainly due to the effects of

the deconsolidation of Gaxa and the reclassification to “assets held for sale” of the items relating to the concessions in the Municipalities of Naples 1 ATEM.

**Tangible fixed assets** (€ 366.1 million), which mainly related to industrial and commercial buildings and equipment, recorded a decrease of € 6.0 million, mainly due to the effect of depreciation of € 19.8 million (of which € 11.5 million linked to the right of use pursuant to IFRS 16) as well as disposals and sales of € 1.1 million, partially offset by investments of € 9.0 million (of which € 6.2 million linked to the application of IFRS 16) and due to the first consolidation of Immogas for € 6.0 million.

**Equity investments** (€ 43.4 million) increased by € 8.3 million, mainly due to the acquisition of a minority share in the capital of Picarro Inc., net of the operation relating to Valdarno, valued at 31 December 2021 using the equity method.

**Net working capital** as at 30 June 2022 amounts to € 60.8 million and is broken down as follows:

(€ million)	31.12.2021	30.06.2022	Abs. change
Trade receivables	388.6	172.9	(215.7)
Inventories	105.3	116.0	10.7
Tax receivables	71.6	84.3	12.7
Accruals and deferrals from regulated activities	115.8	105.6	(10.2)
Other assets	186.4	261.8	75.4
Trade payables	(300.9)	(238.6)	62.3
Provisions for risks and charges	(159.5)	(142.2)	17.3
Deferred tax liabilities	(50.8)	(48.4)	2.4
Tax payables	(12.1)	(31.8)	(19.7)
Other liabilities	(234.7)	(218.8)	15.9
	109.7	60.8	(48.9)

Compared to 31 December 2021, net working capital fell by € 48.9 million due to: i) lower trade receivables (€ -215.7 million), mainly linked to the reduction of receivables due from the sales companies linked to the seasonality of the billing period, partially offset by higher receivables relating to the “Super/Ecobonus” (€ 18.1 million); ii) an increase in inventories (€ 10.7 million) predominantly in relation to gas meters; iii) an increase in net tax liabilities (€ -4.6 million) due to the change in taxation during the period, net of tax receivables accrued in relation to the “Super/Ecobonus”; iv) a decrease in accruals and deferrals from regulated activities (€ -10.2 million) due to collections relating to the contribution for meters pursuant to Article 57 of ARERA Resolution no. 367/14 as amended; v) an increase in other assets (€ 75.4 million) mainly relating to the accessory billing components of distribution and the fair value of the IRS derivative; vi) a decrease in trade payables (€ 62.3 million) relating to the reduction in payables to suppliers and in the equalisation balance due to CSEA; vii) a decrease in provisions for risks and charges (€ 17.3 million), mainly linked to the reduction of the land remediation provision

(€ 4.6 million), the provision for legal risks (€ 4.4 million) and the use of the provision for risks for operational restoration of metering instruments (€ 5.6 million); viii) a decrease in other liabilities for the period (€ 15.9 million), mainly due to the decrease in payables relating to ancillary components of distribution and payables due to Municipalities.

The Company has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. Specifically, receivables were factored for a total of € 175.4 million relating to: i) trade receivables relating to distribution for € 45.6 million, falling due on 30 June 2022 and ii) receivables from CSEA for a total of € 129.8 million (of which € 68.5 million relating to the gas bonus accrued in the period March-April 2022). Moreover, VAT receivables were factored for a total of € 3.8 million, as well as public grants accrued for natural gas distribution in Sardinia for € 5.7 million.

Receivables were also sold pursuant to the tax bonus regulations, to a leading financial counterparty, linked to: i) ecobonus receivables of € 3.0 million and ii) superbonus receivables of € 11.0 million.

#### Net financial debt

(€ million)	31.12.2021	30.06.2022	Abs. change
<b>Financial and bond debt</b>	<b>6,376.9</b>	<b>6,441.2</b>	<b>64.3</b>
Short-term financial debt (*)	571.6	426.4	(145.2)
Long-term financial debt	5,735.3	5,953.8	218.5
Finance lease payables - IFRS 16	70.0	61.0	(9.0)
<b>Financial receivables and cash and cash equivalents</b>	<b>(1,396.9)</b>	<b>(1,346.8)</b>	<b>50.1</b>
Cash and cash equivalents	(1,391.8)	(1,341.7)	50.1
Financial receivables	(5.0)	(5.0)	-
Securities not instrumental to operations	(0.1)	(0.1)	-
<b>Net financial debt (**)</b>	<b>4,980.0</b>	<b>5,094.4</b>	<b>114.4</b>
Finance lease payables - IFRS 16	70.0	61.0	(9.0)
<b>Net financial debt (excluding the effects pursuant to IFRS 16)</b>	<b>4,910.0</b>	<b>5,033.4</b>	<b>123.4</b>

**Net financial debt** as at 30 June 2022 amounted to € 5,094.4 million, up by € 114.4 million compared to 31 December 2021. Excluding the effects deriving from the application of IFRS 16, (€ 61.0 million), the net financial debt came to € 5,033.4 million (€ 4,910.0 million at the end of 2021).

**Financial and bond debt** as at 30 June 2022, amounting to € 6,441.2 million (€ 6,376.9 million as at 31 December 2021), relates to bonds (€ 4,464.9 million), loan agreements concerning European Investment Bank (EIB) funding (€ 807.5 million), liabilities pursuant to IFRS 16 (€ 61.0 million) and bank loans (€ 1,107.8 million).

**Cash**, amounting to € 1,341.70 million, down by € 50.1 million compared to 31 December 2021, is held in current accounts immediately available with leading banks.

The breakdown of debt by type of interest rate as at 30 June 2022 is as follows:

(€ million)	31.12.2021	%	30.06.2022	%
Fixed rate	5,910.9	92.7	5,727.6	88.9
Floating rate	466.0	7.3	713.6	11.1
<b>Gross financial debt</b>	<b>6,376.9</b>	<b>100.0</b>	<b>6,441.2</b>	<b>100.0</b>

Fixed-rate financial liabilities amounted to € 5,727.6 million and mainly refer to bonds (€ 4,464.9 million), EIB loans (€ 695.9 million), bank loans (€ 505.8 million) and financial liabilities pursuant to IFRS 16 (€ 61.0 million).

Fixed-rate financial liabilities decreased by € 183.3 million compared to 31 December 2021, mainly due to the redemption of bonds maturing in January 2022 in the amount of € 112.3 million and repayment of capital of EIB loans for € 20.6 million.

Floating-rate financial liabilities increased by € 247.6 million compared to 31 December 2021, following the signing in May 2022 of a new floating-rate term loan for a total of € 250 million.

As at 30 June 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 undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 30 June 2022, these commitments were respected.

## Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow<sup>2</sup>, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First half	
	2021	2022
<b>Net profit</b>	<b>180.0</b>	<b>197.7</b>
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	208.3	218.8
- Net capital losses (capital gains) on asset sales and eliminations	0.8	2.4
- Interest and income taxes	100.5	104.5
Change in working capital due to operating activities	216.3	25.0
Dividends, interest and income taxes collected (paid)	(156.2)	(88.9)
<b>Cash flow from operations (*)</b>	<b>549.7</b>	<b>459.5</b>
Technical investments	(409.4)	(356.5)
Other changes related to investment activities	(12.2)	12.4
Divestments and other changes	11.5	24.7
<b>Free cash flow before M&amp;A transactions</b>	<b>139.6</b>	<b>140.1</b>
Companies included in the scope of consolidation	(2.3)	-
<i>of which:</i>		
-price paid for equity	(2.3)	-
Acquisition of business units and plants	(1.7)	(22.5)
<b>Free cash flow</b>	<b>135.6</b>	<b>117.6</b>
Change in short- and long-term financial debt and financial receivables	113.6	82.5
Reimbursements of financial liabilities for leased assets	(8.8)	(16.1)
Capital contribution from third parties	-	0.3
Equity cash flow	(219.4)	(234.3)
<b>Net cash flow for the year</b>	<b>21.0</b>	<b>(50.0)</b>

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

## Change in net financial debt

(€ million)	First half	
	2021	2022
<b>Free cash flow before M&amp;A transactions</b>	<b>139.6</b>	<b>140.1</b>
Change due to acquisitions of equity investments, business units and assets	(4.0)	(22.5)
Increase in finance lease payables	(2.2)	(7.1)
Equity cash flow	(219.4)	(234.3)
Capital contribution from third parties	-	0.3
Other changes (Difference between interest accounted for and paid)	15.7	9.1
<b>Change in net financial debt</b>	<b>(70.3)</b>	<b>(114.4)</b>

<sup>2</sup> The free cash flow alternatively represents: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

The cash flow from operations in the first half of 2022 amounted to € 459.5 million and made it possible to fully finance the flow from net investments, totalling € 319.4 million, generating a free cash flow before M&A transactions of € 140.1 million. As at 30 June 2022, the cash outflow from M&A transactions amounted to € 22.5 million, bringing the free cash flow to € 117.6 million.

Taking into account payment of the dividend for € 234.3 million, net financial debt increased by € 114.4 million.

## Key operating figures

### Investments

In the first half of 2022 technical investments amounting to € 374.4 million were made (of which € 6.2 million due to the application of IFRS 16), down by 10.9% compared to the first half of 2021 (€ 420.4 million).

(€ million)

Financial Year		First half		Abs. change	Change %
		2021	2022		
2021					
718.3	<b>Distribution</b>	347.9	331.0	(16.9)	(4.9)
604.4	Network maintenance and development	301.6	307.8	6.2	2.1
146.7	- of which digitisation	67.8	88.3	20.5	30.2
113.9	New networks	46.3	23.2	(23.1)	(49.9)
95.0	- of which Sardinia	36.5	17.2	(19.3)	(52.9)
76.5	<b>Metering</b>	37.1	23.4	(13.7)	(36.9)
70.3	<b>Other investments</b>	35.4	20.0	(15.4)	(43.5)
24.0	- of which Real Estate	17.5	3.7	(13.8)	(78.9)
27.5	- of which ICT	14.2	10.1	(4.1)	(28.9)
14.9	- of which due to the effect of IFRS 16	3.7	6.2	2.5	67.6
865.1		420.4	374.4	(46.0)	(10.9)

**Distribution investments** (€ 331.0 million, -4.9% on the first half of 2021), which recorded the installation of an additional 230 km of pipeline, were driven by network development, maintenance and repurposing initiatives. The decrease on the same period of 2021 was due to lower development of new networks, mainly due to the gradual completion of the methanisation project in Sardinia. In this region, during the first six months of 2022, an additional 12 km of new network was constructed, bringing the total installed networks to 909 km. In addition, in the first half of 2022, 11 LNG storage plants were installed, for a total of 64 plants in service as at 30 June 2022.

**Investments in digitisation** (€ 88.3 million, +30.2% compared to the first half 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** (€ 23.4 million, -36.9% compared to the first half of 2021) were impacted by the upcoming completion of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. Specifically, in the first six months of 2022, the Company installed 275 thousand new meters, of which 62 thousand to replace traditional G4/G6 meters, 206 thousand for the repair of digital meters with anomalies and

7 thousand to replace large-calibre meters. At 30 June 2022<sup>3</sup>, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (92.2% of the total number of meters and practically all active meters).

## Summary of the key operating figures

### Key operating figures – Italgas Group

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.604	<b>7.591</b>	(0.013)	(0.2)
Installed meters (millions)	8.563	<b>8.577</b>	0.014	0.2
Municipalities with gas distribution concessions (no.)	1,837.0	<b>1,838.0</b>	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,761.0	<b>1,776.0</b>	15.0	0.9
Distribution network (kilometres)	72,503.1	<b>72,889.0</b>	385.9	0.5
Gas distributed (million cubic metres) **	5,087.1	<b>4,973.0</b>	(114.1)	(2.2)

\* The figure for 2022 includes the effects of the sale of the re-delivery points in the Milan 1 ATEM to another operator, winner of the tender.

\*\* The figure refers to the first half of the year.

### Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.757	<b>7.745</b>	(0.012)	(0.2)
Installed meters (millions)	8.733	<b>8.747</b>	0.014	0.2
Municipalities with gas distribution concessions (no.)	1,898.0	<b>1,899.0</b>	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,822.0	<b>1,837.0</b>	15.0	0.8
Distribution network (kilometres)	74,396.6	<b>74,788.0</b>	391.4	0.5
Gas distributed (million cubic metres) **	5,253.2	<b>5,139.2</b>	(114.0)	(2.2)

\* The figure for 2022 includes the effects of the sale of the re-delivery points in the Milan 1 ATEM to another operator, winner of the tender.

\*\* The figure refers to the first half of the year.

<sup>3</sup> Also taking into account the affiliates, over which Italgas does not exercise control, 287 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 30 June 2022 to approximately 8.0 million (91.4% of the total number of meters and practically all active meters).

## **Sustainability - the path to decarbonisation**

### **Sustainability Plan linchpin and founding element of the Strategic Plan**

The net-zero target by 2050, set by the European Union as part of the Green Deal, and the additional boosts to the fight against climate change, the reduction of greenhouse gas emissions and the differentiation of energy sources – brought about by the European Commission's REPowerEU plan and, prior to this, the Fit for 55 package of economic and social reforms and regulations – confront individual Member States with the urgency to act in this direction. On the path to energy transition, gas distribution networks play a key role due to their widespread nature, provided they are digital, smart and flexible. In this scenario, infrastructure digitisation is the enabler that allows the entire distribution network to receive and manage different, renewables gases, such as biomethane, green hydrogen and synthetic natural gases.

In this context, the Italgas Group has decided to play a leading role in the decarbonisation of the economy and consumption, through strategic decisions that have in fact anticipated the approach of national and EU institutions, embodied in Fit for 55 and REPowerEU. Confirming this vision, the new 2022-2028 Strategic Plan defines a series of investments to promote:

- the digital transformation of infrastructure, to enable the networks to effectively receive and manage gas mixes that increasingly feature renewable and zero-carbon gases, further increase the safety and resilience of infrastructure, also with a view to adapting it to climate risks, guarantee service quality and enable the large-scale introduction of predictive maintenance, more effective control of the operating parameters and operations under any condition;
- boosting the circular economy and the biomethane sector in particular, considering Italy's potential production, and the growth process outlined by the REPowerEU targets, which identify biomethane and hydrogen as potential substitutes for 50% of Russian gas. In this sense, investments are aimed at making the biomethane production plant connections to the distribution network easier and less expensive, introducing reverse-flow technology to the transport network and developing hydrogen-ready plants and components;
- the diversification of the business portfolio, growing the energy efficiency and water sector businesses, extending digital management of networks to these.

Once again, the challenges set out in the Sustainability Plan and the ESG criteria adopted by the Group, which are not only an integral part of the development strategies, but also a founding element and linchpin of many actions, have led to a revision of the specific targets

in the new 2022-2028 Strategic Plan, in terms of further emissions reduction and energy efficiency, in line with the short- and long-term climate targets established by the European Union.

The sustainability targets set for 2028 aim to reduce CO<sub>2</sub> emissions and energy consumption, putting the Group ahead of the EU targets set 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 the know-how of its subsidiary Seaside – Italgas estimates that by 2028 it will have reduced its greenhouse gas emissions (Scope 1 and Scope 2) by 34%, and its energy consumption by 27%, both compared to 2020 levels<sup>4</sup>. Furthermore, the Italgas Group has set its targets in line with the main timelines defined by the Green Deal: -42% in greenhouse gas emissions and -33% in energy consumption by 2030 (with the same baseline and scope as defined for the previous targets) and a “Net Zero Carbon Target” by 2050, based on the above initiatives and carbon removal activities.

Lastly, the Group defined a target also for Scope 3 (supply chain) greenhouse gas emissions, planning a 30% reduction by 2028 and a 33% reduction by 2030 compared to 2020<sup>4, 5</sup> through increased engagement with its suppliers. Also for Scope 3 emissions, the Group set itself a “Net Zero Carbon Target” to 2050.

The Italgas Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to various initiatives developed 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 2028, will help further reduce the energy demand 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.

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<sup>4</sup> With the same scope, excluding any changes following M&As, including Depa Infrastructure and ATEM (Minimum Territorial Area) tenders.

<sup>5</sup> 2020 baseline of 183,300 tCO<sub>2</sub>eq updated following the methodological review to include the specific emission factors of Group suppliers.

## 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 2022-2028 Strategic Plan.

Net energy consumption (TJ)	First half		Change Abs.	Change %
	2021	2022		
Fuel energy consumption for industrial use	207.2	<b>172.6</b>	(34.6)	(16.7)
Fuel energy consumption for civil use	26.2	<b>22.5</b>	(3.7)	(14.1)
Fuel energy consumption for vehicles	71.3	<b>62.9</b>	(8.4)	(11.8)
Net electricity consumption for industrial use	28.5	<b>26.8</b>	(1.7)	(6.0)
Net electricity consumption for civil use	17.2	<b>16.5</b>	(0.7)	(4.1)
Thermal energy consumption for civil use	0.2	<b>0.2</b>	-	-
	<b>350.5</b>	<b>301.5</b>	<b>(49.0)</b>	<b>(14.0)</b>

The first half of 2022 was characterised by a decrease in net consumption of total energy, of 49.0 TJ (-14.0%) compared to the first half of 2021.

Fuel energy consumption for industrial use recorded a decrease for the first six months of 2022 (-16.7%, from 207.2 TJ to 172.6 TJ), against a slight decrease in the volume of gas distributed (-2.2%). That result was achieved due to the continuing efficiency measures, such as the replacement of boilers and the installation of optimisation systems at the reduction and measurement collection plants (IPRMs) with preheating, as well as optimised regulation of the plants, also due to the digitisation of the monitoring and regulation processes, which allowed for operations under conditions of greater efficiency. In fact, the specific consumption for the preheating process (natural gas consumed for preheating/gas injected into the network per thousand) decreased across the entire Group<sup>6</sup>, from 1.26 to 1.12, or -11.1%.

In relation to fuel energy consumption for civil use, in the first six months of 2022, there was a decrease of 14.1% compared to the same period of the previous year (from 26.2 TJ to 22.5 TJ), concurrent with a decrease in electricity consumption (from 17.2 TJ to 16.5 TJ, -4.1%). 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.

<sup>6</sup>Referring to Italgas Reti and Toscana Energia.

The Group's industrial electricity consumption decreased by 6.0% (from 28.5 TJ to 26.8 TJ), mainly attributable to plant efficiency improvements in the management of water distribution.

Lastly, fuel energy consumption for vehicles decreased by 8.4 TJ (-11.8% compared to the same period of 2021), slightly more than the reduction in mileage of the Group's car fleet (-10.4%). Those changes are mainly the result of the optimisation of the car fleet and the introduction of high-tech solutions, such as online quotations, which resulted in a reduction in travel by operating personnel.

### Greenhouse gas emissions

The Italgas Group's main greenhouse gas emission contribution is from fugitive emissions of natural gas from distribution networks, distributed gas preheating processes in the decompression systems and the use of cars in the corporate fleet.

Scope 1 and Scope 2 <sup>7</sup> (thousand tCO <sub>2</sub> eq)	First half		Change Abs	Change %
	2021	2022		
Fugitive gas emissions (Scope 1)	52.9	<b>40.5</b>	(12.4)	(23.4)
Emissions from gas consumption for industrial use (Scope 1)	11.7	<b>9.8</b>	(1.9)	(16.2)
Emissions from gas consumption for civil use (Scope 1)	1.5	<b>1.3</b>	(0.2)	(13.3)
Emissions from fuel consumption for vehicles (Scope 1)	3.3	<b>3.0</b>	(0.3)	(9.1)
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.1	<b>0.1</b>	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	<b>69.5</b>	<b>54.7</b>	<b>(14.8)</b>	<b>(21.3)</b>

The reduction of total emissions of 21.3% in the first half of 2022 compared to the first half of 2021 is mainly linked to the reduction in fugitive emissions<sup>8</sup> of the Italgas Group (-23.4%). That decrease, also attributable to the emission detection approach which, in the first half of the year, focused on the analysis of areas with greater expected leaks, was driven by greater operating efficiency in the reduction of the time required to locate and eliminate leaks. 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 35,193 kilometres in the first six months of 2021 to 47,667 kilometres in the same period of 2022 (+35.4%).

In the first half of 2022, a 43.7% reduction was recorded in emissions per kilometre inspected, from 87.00 Sm<sup>3</sup>/km in the first six months of 2021 to 49.02 Sm<sup>3</sup>/km in the same

<sup>7</sup> Scope 2 market-based.

<sup>8</sup> Thanks to the collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for the first half of 2022 already include the estimate of emissions from permeation, operational, due to maintenance on reduction units and emissions due to meter replacements (around 1.5% of total fugitive emissions).

period of 2022. More generally, fugitive emissions amounted to 0.047% of total gas distributed (down from the first six 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 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 CO<sub>2</sub> emissions per km travelled stands at 154.9 gCO<sub>2</sub>/km.

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 half of 2022**

### *Extraordinary transactions and area tenders*

- In the context of the public tender called by the Greek government for privatisation of the gas distribution operator DEPA Infrastructure S.A, on 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF); on 10 December 2021 a preliminary purchase and sale 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 conditions precedent for the effectiveness of the aforementioned contract have been almost fully met. The parties are implementing the preparatory activities for carrying out the operation.
- On 4 May 2022, the closing of the operation by which Edison acquired a majority stake in Gaxa, a company which markets and sells natural gas, LPG and propane air for civil use through networks in Sardinia, was finalised. The new shareholding structure of Gaxa is 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.

### *Innovation, digitisation of the corporate networks and processes*

In the first half of 2022, the digitisation process undertaken by the Group continued, in line with what had been previously planned, and was further developed by the 2022-2028 Business Plan, presented to the financial community on 15 June 2022.

The evolution of cybersecurity tools focused on gradually extending them to the area of operation technology (OT) as well as the enhanced structuring of cybersecurity, protection and prevention processes and services, extended to all Group companies.

Innovation, driven by the Digital Factory, the innovation factory for the transformation and digitisation of business processes, now involves all areas of the company: by way of example, solutions have been developed aimed at simplifying, automating and speeding up the employees' journeys and experience (HR area processes) and related to end-to-end supplier management (Procurement area processes). Agile rooms were also set up dedicated to the development of an innovative command and control system for the digitised gas network (DANA) and the complete digitisation of processes related to the management of investments and delivery of related activities (CAPEXFORCE). In continuity with what was started in 2021, new machine learning solutions have been developed, capable of expanding predictive maintenance to other assets in the digitised network, as well as optimising the use and set-up of those assets.

Based on the priorities and opportunities highlighted in prioritising the works, all work sites aimed at evolving and automating business processes in the operations, commercial and corporate areas were launched.

#### *Optimization of the debt structure*

Despite the current context of extreme volatility of the financial markets, on 23 May 2022 Italgas took out a floating-rate bank loan with a leading bank, linked to the achievement of ESG targets. The loan was for a total amount of € 250 million and for a duration of three years.

#### *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 of Directors 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 executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earnings reserves.

#### *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 CO<sub>2</sub> (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 stake 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 relating to the

concentration of dangerous atmospheric pollutants, and the electronics industry for the identification of impurities in the environments dedicated to semiconductor production.

- On 15 April 2022 the company Immogas S.r.l., was established, 100%-owned by Toscana Energia S.p.A., as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.

#### *Energy efficiency*

On 28 June 2022 the Authority approved **Resolution no. 292/2022/R/efr**, which determines, pursuant to **Resolution no. 270/2020/R/efr**, the contribution to tariffs to be paid to distributors that meet their energy saving targets as part of the EEC mechanism for the 2021 mandatory year, which began on 17 July 2021 and ended on 31 May 2022.

Taking account of the relevant parameters of quantity and price of the EEC traded on the market and through bilateral transactions, and the amount of certificates available to operators in relation to the targets of obliged parties, the contribution to tariffs is set at € 253.44/EEC (equal to the sum of the cap of € 250/EEC and the additional unitary contribution of € 3.44/EEC).

#### *Legal and Regulatory*

- The Authority appealed before the Council of State ruling no. 348/2022 of 14 February 2022, with which the Regional Administrative Court of Lombardy upheld the appeals brought by Italgas Reti to annul **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. The hearing on the merits was held on 12 July 2022 and the ruling is currently pending.
- On 29 March 2022, the Council of State definitively rejected the appeal of the Municipality of Feltre and other Municipalities which, after having revoked the delegation to the Contracting Authority, challenged the awarding of the Belluno tender to Italgas Reti.
- On 6 April 2022, the Regional Administrative Court of Lombardy upheld the interlocutory application filed by Italgas Reti to suspend the enforceability of several provisions of **Resolution no. 603/2021/R/com** relating to the disclosure obligations imposed by the Authority on distribution companies regarding the biennial prescription on the consumption of electricity and gas. The hearing to discuss the merits has been set for 1 December 2022.
- On 22 April 2022, the Regional Administrative Court of Liguria upheld, with ruling no. 337/2022, the appeal brought by Italgas Reti against the Municipality of Chiavari to annul the tender notice for the concession of the gas distribution service in the territorial areas of

GENOA 2 – Province and its annexes, as well as all the tender documentation and all other deed preissued, resulting or connected therewith. Consequently, the tender was annulled. On 15 July 2022, the Municipality of Chiavari appealed to the Council of State.

- On 26 April 2022, the Council of State rejected the Authority's appeal for the amendment of the first instance ruling with which the Regional Administrative Court of Lombardy annulled **Resolutions no. 195/2017/S/gas** and **no. 232/2017/S/gas**, with which the Authority had issued the company a fine of € 204,000 for breach of certain provisions of the Regulation of the Quality of Gas Distribution and Metering services for the 2014-2019 period, concerning obligations to replace the cast iron pipelines with hemp and lead joints that make up the distribution network in the Municipality of Venice.
- On 3 May 2022, the Authority adopted **Resolution no. 194/2022/R/gas**, with which it determined the provisional reference tariffs for gas distribution and metering services for 2022, based on the preliminary balance sheet data for 2021 pursuant to Article 3, subsection 2 of the RTDG.
- On 6 June 2022, Italgas Reti appealed before the Regional Administrative Court of Lombardy **Resolution no. 154/2022/R/gas**, with which ARERA determined the final reference tariffs for gas distribution and metering services for 2021. The setting of a date for the hearing is currently pending.
- On 21 June 2022, the Authority adopted **Resolution no. 269/2022/R/gas**, with which ARERA defined, with effect from 1 April 2023, the expected outputs and performance of the metering service provided via gas smart meters (commissioning, reading frequency and granularity of the metering data over time, frequency of provision of metering data and compensation to end customers and sellers), as well as alignment with billing obligations. The compensation that distribution companies shall pay to sellers takes effect starting with the metering data made available in November 2022, with reference to the data pertaining to October 2022.
- On 28 June 2022, the Authority approved **Resolution no. 282/2022/R/gas**, which updated, valid for the three-year period 2019-2021 and the three-year period 2022-2025, the interest rate to be applied in determining the reimbursement for outgoing operators of the amounts to cover tender charges, equal to the cost of debt capital in nominal terms, after tax, determined in line with the provisions of TIWACC 2022-2027, equal to 3.59%.

### **Significant events occurring after the end of the half-year**

- On 4 July 2022, the annual review of the **ESG rating** conducted by **Moody's ESG Solutions** recognised the Company's strong commitment by assigning it an "Advanced" rating, triggered by an overall improvement of 10 points on the result assigned in September 2021.

Progress was mainly driven by the actions implemented and additional Environmental, Social and Governance commitments undertaken by the Group.

- The merger by incorporation of Fratelli Ceresa S.p.A. into Seaside S.p.A. was completed on 20 July 2022, with effect for accounting and tax purposes as at 1 January 2022.

## **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 customers/sales companies 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.

### **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 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.

Specifically, in March Italgas completed the first survey of a significant portion of its suppliers (which will be periodically updated). This survey showed that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent effects of any cyber attacks.

It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, in terms of price, 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) around 90% 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 30 June 2022, of € 1,341.7 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 also 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.

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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 3 p.m. CET today, a conference call will be held to present the results of the first half of 2022 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website ([www.italgas.it](http://www.italgas.it)). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

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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, as well as action by competitors.*