

## **ITALGAS: CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2022 APPROVED**

Milan, 27 October 2022 - Italgas' Board of Directors, chaired by Benedetta Navarra, met yesterday and approved the consolidated results of the first nine months and third quarter of 2022.

### **Key figures<sup>1</sup>**

Consolidated economic and financial highlights:

- Total revenues: € 1,087.0 million (+8.1%)
- Gross operating margin (EBITDA): € 785.4 million (+4.9%)
- Operating profit (EBIT): € 454.9 million (+5.6%)
- Adjusted net profit attributable to the Group: € 288.6 million (+5.5%)
- Technical investments: € 546.7 million
- Cash flow from operating activities: € 455.3 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 6,027.9 million
- Net financial debt: € 6,096.4 million

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

- Net energy consumption: 372.7 TJ (-14.8%)
- 100.0 10<sup>3</sup> tCO<sub>2</sub> eq Scope 1 and 2 (-18.4%)
- 66,167 km of network inspected (+17.8%)
- Fugitive emissions/km investigated: 72.5 Sm<sup>3</sup>/km (-31.0%)

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 2,039
- Number of active meters: 8.309 million
- Gas distribution network: around 82,215 Km

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<sup>1</sup> The consolidated economic and financial highlights and operational highlights reflect the effects of the consolidation of the DEPA Infrastructure Group on 1 September 2022.

The results of the Italgas Group in the first nine months of 2022 confirm the growth of the economic and financial indicators and the development of operational activities with the achievement of the sustainability targets which the 2022-2028 Strategic Plan, presented to the financial community on 15 June 2022, revised further upwards.

These results mainly leveraged the Group's digital transformation, with significant investments in assets, processes and people, and confirm that the gas distribution sector can provide an important contribution to the process of ecological transition, reduction of consumption and increasing the efficiency of the country's energy system.

In the period, € 546.7 million in investments were made, devoted primarily to the digital transformation, 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 nine months of 2022, 272 km of new pipes were laid in Italy. In Sardinia, the creation of new fully digital networks reached a total length of 909 km out of a total to be developed of around 1,110 km. In addition, 11 new GNL storage and regasification plants were commissioned, for a total of [64] plants serving the basins under concession.

The net financial position as at 30 September 2022 was € 6,096.4 million (€ 4,980.0 million as at 31 December 2021). The net financial position amounted to € 6,027.9 million (€ 4,910.0 million as at 31 December 2021), net of financial liabilities pursuant to IFRS 16 of € 68.5 million (€ 70.0 million as at 31 December 2021).

The EBITDA for the first nine months of 2022 amounted to € 785.4 million (+4.9% compared to 30 September 2021) and adjusted net profit attributable to the Group was € 288.6 million (+5.5% compared to 30 September 2021).

On 1 September 2022, in the context of the public tender called by the Greek government for privatisation of the gas distribution operator DEPA Infrastructure Single Member S.A, through its subsidiary Italgas Newco S.p.A., Italgas finalised the acquisition of 100% of DEPA Infrastructure S.A. from Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum Holding S.A. (HELPE). The consolidated balance sheet and income statement of the Italgas Group as at 30 September 2022 therefore reflects the effects of the first consolidation, starting on 1 September 2022, of DEPA Infrastructure Single Member S.A. and its subsidiaries Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis), Public Gas Distribution Networks S.A. (DEDA) and Thessaloniki – Thessalia Gas Distribution S.A. (EDA Thess).

Italgas will thus make its experience and technological know-how available to the Greek market to build top-level infrastructures, and through this, it will contribute to achieving the targets for phasing out coal and lignite set by the government, in line with the targets set by the EU.



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

*With the third quarter of 2022 showing improvements in all income statement, cash flow, operational and sustainability results, there have been 23 quarters of consecutive growth: this demonstrates the Group's soundness and determination in pursuing its objectives, despite the complexity of the geopolitical scenario and its impacts on Italy's economic and social system.*

*In these nine months, the EBITDA has grown by around 5%, amounting to € 785.4 million. The adjusted net profit attributable to the Group, amounting to € 288.6 million, also grew by 5.5%. Investments - over € 546 million - were mainly dedicated to the digital transformation of assets and processes, as well as the repurposing of the networks to outfit them to distribute renewable gases.*

*In 2023, 90% of Italgas' networks will be smart, digital and flexible, ready to absorb increasing quantities of biomethane and, subsequently, hydrogen and synthetic gases. This will enable new, more efficient approaches for operating and managing networks: they will be remote controlled, capable of warning of the occurrence of phenomena that could potentially cause anomalies, allowing us to plan predictive maintenance.*

*Over recent months we have worked tirelessly on energy efficiency, concentrating all of the Group's business in a single new brand, Geoside, with the goal of making this company a top level player, and on our business in Greece. Immediately after we finalised the acquisition of DEPA Infrastructure S.A., we started numerous knowledge transfer and integration activities to make our experience and technological know how available, with the common goal of building cutting-edge infrastructure that contributes to achieving the energy transition targets set by the Greek government.*

*Technological innovation and digital transformation continue to be the common denominator in our development plans and all of our operating processes, the drivers that we use to get ahead of change, gradually improve our action and the level of quality of the services offered to the communities in which we operate. At the same time, it is also a factor that allows us to set increasingly important sustainability targets and to contribute to achieving the REPowerEU targets.*

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

The structure of the Italgas Group as at 30 September 2022 has changed from that as at 31 December 2021, due to the acquisition of 100% of the share capital of DEPA Infrastructure Single Member S.A., which was completed on 1 September 2022, the deconsolidation following the sale of a majority stake in Gaxa to Edison (finalised on 4 May 2022), the merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.), whose deed was signed on 20 July 2022, and due to the establishment on 15 April 2022 of Immogas S.r.l., a company 100% owned by Toscana Energia S.p.A., as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.

## **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 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)							
Third quarter				First nine months		Abs. change	Change %
2021	2022			2021	2022		
320.6	328.1	<b>Gas distribution regulated revenues</b>		<b>962.8</b>	<b>967.3</b>	<b>4.5</b>	<b>0.5</b>
297.5	306.6	<i>of which distribution revenues</i>		893.0	898.0	5.0	0.6
23.1	21.5	<i>of which Other distribution revenues</i>		69.8	69.3	(0.5)	(0.7)
19.7	51.5	Other revenues		42.9	119.7	76.8	179.0
<b>340.3</b>	<b>379.6</b>	<b>Total revenues (*)</b>		<b>1,005.7</b>	<b>1,087.0</b>	<b>81.3</b>	<b>8.1</b>
(80.4)	(107.5)	Operating costs		(256.7)	(301.6)	(44.9)	17.5
<b>259.9</b>	<b>272.1</b>	<b>EBITDA</b>		<b>749.0</b>	<b>785.4</b>	<b>36.4</b>	<b>4.9</b>
(108.7)	(113.2)	Amortisation, depreciation and impairment		(318.4)	(330.5)	(12.1)	3.8
<b>151.2</b>	<b>158.9</b>	<b>EBIT</b>		<b>430.6</b>	<b>454.9</b>	<b>24.3</b>	<b>5.6</b>
(14.2)	(14.8)	Net financial expense		(46.0)	(41.1)	4.9	(10.7)
-	-	<i>of which special items</i>		(6.4)	-	6.4	-
(14.2)	(14.8)	Adjusted net financial expense		(39.6)	(41.1)	(1.5)	3.8
1.2	0.2	Net income from equity investments		2.3	3.4	1.1	47.8
<b>138.2</b>	<b>144.3</b>	<b>Gross profit</b>		<b>386.9</b>	<b>417.2</b>	<b>30.3</b>	<b>7.8</b>
<b>138.2</b>	<b>144.3</b>	<b>Adjusted gross profit</b>		<b>393.3</b>	<b>417.2</b>	<b>23.9</b>	<b>6.1</b>
(36.1)	(37.3)	Income taxes		(104.8)	(112.4)	(7.6)	7.3
-	-	<i>taxation related to special items</i>		1.5	-	(1.5)	-
(36.1)	(37.3)	Adjusted income taxes		(106.3)	(112.4)	(6.1)	5.7
<b>102.1</b>	<b>107.0</b>	<b>Net profit</b>		<b>282.1</b>	<b>304.8</b>	<b>22.7</b>	<b>8.0</b>
<b>97.5</b>	<b>100.2</b>	<b>Net profit attributable to the Group</b>		<b>268.7</b>	<b>288.6</b>	<b>19.9</b>	<b>7.4</b>
<b>4.6</b>	<b>6.8</b>	<b>Net profit attributable to minority shareholders</b>		<b>13.4</b>	<b>16.2</b>	<b>2.8</b>	<b>20.9</b>
<b>102.1</b>	<b>107.0</b>	<b>Adjusted net profit</b>		<b>287.0</b>	<b>304.8</b>	<b>17.8</b>	<b>6.2</b>
<b>97.5</b>	<b>100.2</b>	<b>Adjusted net profit attributable to the Group</b>		<b>273.6</b>	<b>288.6</b>	<b>15.0</b>	<b>5.5</b>
<b>4.6</b>	<b>6.8</b>	<b>Adjusted net profit attributable to minority interests</b>		<b>13.4</b>	<b>16.2</b>	<b>2.8</b>	<b>20.9</b>

(\*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs primarily net of the impact of IFRIC 12 "Service Concession Arrangements" (€ 490.3 and € 548.6 million, respectively, in the first nine months of 2022 and 2021), connection contributions (€ 14.4 and € 14.6 million, respectively, in the first nine months of 2022 and 2021) and repayments from third parties (€ 6.9 and € 0.4 million, respectively, in the first nine months of 2022 and 2021).

The **total revenues** at 30 September 2022 amount to € 1,087.0 million, up by € 81.3 million compared to the corresponding period of 2021 (+8.1%), and refer to natural gas distribution regulated revenues (€ 967.3 million) and other revenues (€ 119.7 million).

**Gas distribution regulated revenues** increased by € 4.5 million compared to the same period of 2021 due to an increase in distribution revenues (€ 5.0 million) partially offset by a reduction in other regulated distribution revenues (€ -0.5 million).

The increase in **distribution revenues** (€ 5.0 million) is mainly attributable to the effect of the first month of consolidation of the DEPA Infrastructure Group (€ 12.6 million), the increase in the specific RAB (€ 22.3 million), the deflator (€ 4.4 million) and the contribution of the Sardinian networks (€ 9.3 million), partially offset by the reduction in the WACC envisaged by Resolution no. 614/2021/R/com (€ -40.8 million), as well as the change in the X-factor (€ -6.3 million) pursuant to Resolution no. 570/2019/R/gas. There were also greater price adjustments than in the same period of 2021 (€ 1.1 million) and recognition of other regulation components (€ 2.1 million).

The reduction of **other distribution revenues** (€ 0.5 million) is mainly linked to the effect of 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 (€ 1.4 million as at 30 September 2022 and € 8.7 million as at 30 September 2021), and lower customer service revenues (€ -0.5 million), partly offset by greater incentives for leak detection (€ 5.9 million) and revenues from gas supply interruption activities due to arrears (€ 1.4 million).

**Other revenues** amounted to € 119.7 million as at 30 September 2022. The € 76.8 million increase compared to the corresponding period of 2021 is mainly associated with the increase in energy efficiency activities (€ 72.0 million).

**Operating costs** as at 30 September 2022 amounted to € 301.6 million, up by € 44.9 million compared to the same period of 2021, mainly due to higher net external costs of € 42.6 million (primarily deriving from energy efficiency activities) and the net labour cost of € 4.1 million, offset by allocations to provisions for risks and other changes of € 4.9 million and concession-related charges of € 1.4 million. The first consolidation of the DEPA Infrastructure Group also resulted in higher operating costs of € 4.5 million.

The **EBITDA** achieved as at 30 September 2022 totalled € 785.4 million, up by € 36.4 million (+4.9%) compared to the same period of 2021.

**Amortisation, depreciation and impairment** (€ 330.5 million) increased by € 12.1 million (+3.8%) on the same period of 2021, mainly due to the investments made and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 2 million).

The **EBIT** achieved as at 30 September 2022 totalled € 454.9 million, up by € 24.3 million (+5.6%) compared to the EBIT of same period of 2021 (€ 430.6 million).

**Adjusted net financial expense**<sup>2</sup> as at 30 September 2022 amounted to € 41.1 million, up by € 1.5 million on the same period of the previous year. The increase is mainly attributable to the increase in average gross financial debt, partially offset by the slightly decreasing average cost of debt.

The special items in the first nine months 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 September 2022 came to € 3.4 million, of which € 2.7 million refers to the capital gain on the sale of the controlling stake in Gaxa.

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<sup>2</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.

**Income taxes** at 30 September 2022 amounted to € 112.4 million, up by 7.3% compared to the same period in 2021, due to the higher gross profit value. The tax rate was 26.94%.

The **net profit** achieved in the first nine months of 2022 amounted to € 304.8 million, up by € 22.7 million or 8.0% compared to the same period of 2021.

**Net profit attributable to the Group** amounted to € 288.6 million (€ 268.7 million at 30 September 2021); the **adjusted net profit attributable to the Group** increased by 5.5% compared to the first nine months of 2021.

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

The first nine months of 2022 showed no income components classified under special items. As at 30 September 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 nine months of 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 September 2022 compared with that as at 31 December 2021 is summarised below:

(€ million)	31.12.2021	30.09.2022	Abs. change
<b>Fixed capital (*)</b>	<b>7,106.2</b>	<b>8,068.2</b>	<b>962.0</b>
Property, plant and equipment	372.1	1,144.3	772.2
Intangible assets	6,938.1	7,102.8	164.7
Equity investments	35.1	44.5	9.4
Financial receivables and securities instrumental to operations	2.8	2.3	(0.5)
Net payables related to investments	(241.9)	(225.7)	16.2
<b>Net working capital</b>	<b>109.7</b>	<b>265.4</b>	<b>155.7</b>
<b>Provisions for employee benefits</b>	<b>(95.6)</b>	<b>(86.1)</b>	<b>9.5</b>
<b>Assets held for sale and directly related liabilities</b>	<b>2.2</b>	<b>234.7</b>	<b>232.5</b>
<b>NET INVESTED CAPITAL</b>	<b>7,122.5</b>	<b>8,482.2</b>	<b>1,359.7</b>
Shareholders' equity	2,142.5	2,385.8	243.3
- attributable to the Italgas Group	1,891.4	1,990.7	99.3
- attributable to minority shareholders	251.1	395.1	144.0
Net financial debt	4,980.0	6,096.4	1,116.4
<b>HEDGING</b>	<b>7,122.5</b>	<b>8,482.2</b>	<b>1,359.7</b>

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

The **net invested capital** at 30 September 2022 amounted to € 8,482.2 million and was made up of the items commented below.

**Fixed capital** (€ 8,068.2 million) was up by € 962.0 million compared to 31 December 2021, primarily due to the increase in tangible and intangible assets deriving from the consolidation of the DEPA Infrastructure Group.

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	23.1	378.3	145.3	546.7
- of which IFRS 16	11.1	-	-	0.0
Amortisation, depreciation and impairment	(31.9)	(267.9)	(30.7)	(330.5)
- of which D&A pursuant to IFRS 16	17.7	-	0.0	0.0
Change in the scope of consolidation	782.5	-	207.9	990.4
Subsidies	(0.4)	(14.7)	-	(15.1)
Disposals, Reclassifications and Other Changes	(1.1)	(250.8)	(2.7)	(254.6)
<b>Balance at 30 September 2022</b>	<b>1,144.3</b>	<b>6,576.9</b>	<b>525.9</b>	<b>8,247.1</b>

**Intangible fixed assets** (€ 7,102.8 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 6,576.9 million). Net of the effect 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. The increase of € 164.7 million is mainly attributable to goodwill deriving from the acquisition of the DEPA Infrastructure Group, recognised provisionally as permitted by IFRS 3.

**Tangible fixed assets** (€ 1,144.3 million), which mainly related to plant, buildings and industrial and commercial equipment, increased by € 772.2 million, principally due to the effect of the first consolidation of

DEPA Infrastructure of € 781.1 million and investments for the period of € 23.1 million (of which € 11.1 million connected with the application of IFRS 16), net of depreciation of € 31.9 million (of which € 17.7 linked to rights of use pursuant to IFRS 16), as well as disposals and sales of € 2.9 million.

**Equity investments** (€ 44.5 million) increased by € 9.4 million, due to the acquisition of a minority share in the capital of Picarro Inc., net of the company reorganisation relating to the affiliate Valdarno S.r.l., valued as at 31 December 2021 using the equity method.

**Net working capital** as at 30 September 2022 amounts to € 265.4 million and is broken down as follows:

(€ million)	31.12.2021	30.09.2022	Abs. change
Trade receivables	388.6	254.0	(134.6)
Inventories	105.3	128.3	23.0
Tax receivables	71.6	86.0	14.4
Accruals and deferrals from regulated activities	115.8	115.9	0.1
Other assets	186.4	459.0	272.6
Trade payables	(300.9)	(244.4)	56.5
Provisions for risks and charges	(159.5)	(155.3)	4.2
Deferred tax liabilities	(50.8)	(71.5)	(20.7)
Tax payables	(12.1)	(81.3)	(69.2)
Other liabilities	(234.7)	(225.5)	9.2
	<b>109.7</b>	<b>265.4</b>	<b>155.7</b>

Compared to 31 December 2021, net working capital increased by € 155.7 million, due to: i) lower trade receivables (€ 134.6 million) mainly due 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" (€ 33.5 million); ii) an increase in inventories (€ 23.0 million) predominantly in relation to digitisation and odorant devices, as well as the higher values deriving from the consolidation of the DEPA Infrastructure Group (€ 10.8 million); iii) an increase in net tax liabilities (€ -75.5 million) due to the change in taxation for the period, net of tax receivables accrued in relation to the "Super/ECobonus" and the VAT credit; iv) an increase in other assets (€ 272.6 million), mainly relating to the accessory billing components of distribution (pursuant to the "Gas Bonus" and UG2 of € 151.7 million) and the fair value of the IRS derivatives; v) a decrease in trade payables (€ 56.5 million) relating to the reduction in payables to suppliers and the equalisation balance due to CSEA; vi) a decrease in provisions for risks and charges (€ 4.2 million); and vii) a decrease in other liabilities for the period (€ 9.2 million), mainly due to the reduction in payables relating to accessory components of distribution and payables to Municipalities. The consolidation of the DEPA Infrastructure Group resulted in a decrease in working capital of € 36.6 million.

During the quarter, the Company 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 € 150.1 million relating to: i) trade receivables relating to distribution for € 18.9 million, falling due on 30 September 2022 and ii) receivables from CSEA for a total of € 109.6 million. We also assigned VAT credits for a total of € 21.6 million.

## Net financial debt

(€ million)	31.12.2021	30.09.2022	Abs. change
<b>Financial and bond debt</b>	<b>6,376.9</b>	<b>6,453.5</b>	<b>76.6</b>
Short-term financial debt (*)	571.6	347.6	(224.0)
Long-term financial debt	5,735.3	6,037.4	302.1
Finance lease payables - IFRS 16	70.0	68.5	(1.5)
<b>Financial receivables and cash and cash equivalents</b>	<b>(1,396.9)</b>	<b>(357.1)</b>	<b>1,039.8</b>
Cash and cash equivalents	(1,391.8)	(352.0)	1,039.8
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>6,096.4</b>	<b>1,116.4</b>
Finance lease payables - IFRS 16	70.0	68.5	(1.5)
<b>Net financial debt (excluding the effects pursuant to IFRS 16)</b>	<b>4,910.0</b>	<b>6,027.9</b>	<b>1,117.9</b>

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

**Net financial debt** was € 6,096.4 million as at 30 September 2022, up € 1,116.4 million compared to 31 December 2021. Excluding the effects deriving from the application of IFRS 16, amounting to € 68.5 million, the net financial debt came to € 6,027.9 million (€ 4,910.0 million at the end of 2021).

**Financial and bond debt** as of 30 September 2022, amounting to € 6,453.5 million (€ 6,376.9 million as of 31 December 2021), relates to bonds (€ 4,477.1 million), loan agreements concerning European Investment Bank (EIB) funding (€ 820.6 million), liabilities pursuant to IFRS 16 (€ 68.5 million) and bank loans (€ 1,087.3 million).

**Cash**, amounting to € 352.0 million, decreased by € 1,039.8 million compared to 31 December 2021, due to use in acquisitions during the period.

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

(€ million)	31.12.2021	%	30.09.2022	%
Fixed rate	5,910.9	92.7	5,757.6	89.2
Floating rate	466.0	7.3	695.9	10.8
<b>Gross financial debt</b>	<b>6,376.9</b>	<b>100.0</b>	<b>6,453.5</b>	<b>100.0</b>

Fixed-rate financial liabilities amounted to € 5,757.6 million and mainly refer to bonds (€ 4,477.1 million), four EIB loans (€ 709.5 million), bank loans (€ 502.5 million) and financial liabilities pursuant to IFRS 16 (€ 68.5 million).

Fixed-rate financial liabilities decreased by € 153.3 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 € 229.8 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 September 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, and loans taken out by several subsidiaries of DEPA Infrastructure, which require 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 September 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>3</sup>, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First nine months	
	2021	2022
<b>Net profit</b>	<b>282.1</b>	<b>304.8</b>
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	313.9	334.8
- Net capital losses (capital gains) on asset sales and eliminations	(1.7)	3.6
- Interest and income taxes	151.6	153.5
Change in working capital due to operating activities	(55.5)	(248.8)
Dividends, interest and income taxes collected (paid)	(156.7)	(92.6)
<b>Cash flow from operations (*)</b>	<b>533.7</b>	<b>455.3</b>
Technical investments	(595.1)	(520.6)
Other changes related to investments activities	0.7	(27.5)
Divestments and other changes	11.7	25.6
<b>Free cash flow before M&amp;A transactions</b>	<b>(49.0)</b>	<b>(67.1)</b>
Companies included in the scope of consolidation	(2.3)	(763.9)
Acquisition of business units, plant and financial assets	(1.7)	(22.5)
<b>Free cash flow</b>	<b>(53.0)</b>	<b>(853.6)</b>
Change in short- and long-term financial debt and financial receivables	324.3	84.4
Reimbursements of financial liabilities for leased assets	(16.4)	(20.9)
Capital contribution from third parties	-	0.3
Equity cash flow	(242.4)	(250.0)
<b>Net cash flow for the year</b>	<b>12.5</b>	<b>(1,039.7)</b>

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

## Change in net financial debt

(€ million)	First nine months	
	2021	2022
<b>Free cash flow before M&amp;A transactions</b>	<b>(49.0)</b>	<b>(67.1)</b>
Change due to acquisitions of equity investments, business units and assets	(20.5)	(786.4)
Increase in finance lease payables	(8.0)	(13.1)
Equity cash flow	(242.4)	(250.0)
Capital contribution from third parties	-	0.3
Other changes (Difference between interest accounted for and paid)	1.0	-
<b>Change in net financial debt</b>	<b>(318.9)</b>	<b>(1,116.4)</b>

The cash flow from operations in the first nine months of 2022, amounting € 455.3 million, was fully absorbed by the flow from net investments, totalling € 522.5 million, generating a negative free cash flow before M&A

<sup>3</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).

transactions of € 67.1 million. As at 30 September 2022, the cash outflow from M&A transactions amounted to € 786.4 million, bringing the free cash flow to € -853.6 million.

Taking into account payment of the dividend for € 250 million, net financial debt increased by € 1,116.4 million.

## Key operating figures

### Investments

In the first half nine months of 2022, technical investments amounting to € 546.7 million were made (of which € 11.1 million was due to the adoption of IFRS 16), down by 10.8% compared to the first nine months of 2021 (€ 612.6 million).

(€ million)	First nine months		Abs. change	Change %
	2021	2022		
<b>Distribution</b>	<b>512.3</b>	<b>475.3</b>	<b>(37.0)</b>	<b>(7.2)</b>
Network maintenance and development	440.1	438.5	(1.6)	(0.4)
- of which digitisation	99.3	124.7	25.4	25.6
New networks	72.2	36.8	(35.4)	(49.0)
- of which Sardinia	57.4	26.7	(30.7)	(53.5)
<b>Metering</b>	<b>51.7</b>	<b>31.1</b>	<b>(20.6)</b>	<b>(39.8)</b>
<b>Other investments</b>	<b>48.6</b>	<b>30.9</b>	<b>(17.7)</b>	<b>(36.4)</b>
- of which Real Estate	19.8	5.8	(14.0)	(70.7)
- of which ICT	19.3	14.5	(4.8)	(24.9)
- of which the effect of IFRS 16	9.0	11.1	2.1	23.3
<b>DEPA Infrastructure Group</b>	<b>-</b>	<b>9.4</b>	<b>9.4</b>	<b>-</b>
	<b>612.6</b>	<b>546.7</b>	<b>(65.9)</b>	<b>(10.8)</b>

In Italy, **distribution investments** (€ 475.3 million, -7.2% on the first nine months of 2021), which recorded the installation of an additional 272 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 nine months of 2022, an additional 12 km of new network was constructed, bringing the total installed networks to 909 km. In addition, 11 LNG storage plants were installed, for a total of 64 plants in service as at 30 September 2022.

**Investments in digitisation** (€ 124.7 million, +25.6% compared to the first nine months 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** (€ 31.1 million, -39.8% compared to the first nine months of 2021) were impacted by the completion of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. Specifically, in the first nine months of 2022, the Company installed 278 thousand new meters, of which 72 thousand to replace traditional G4/G6 meters, 195 thousand for the repair of digital meters with anomalies and 11 thousand to replace large-calibre meters. At 30 September 2022<sup>4</sup>, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (92.4% of the total number of meters and practically all active meters). Moreover, the DEPA Infrastructure Group has 610 thousand meters (36 thousand digital meters).

<sup>4</sup> Also taking into account the affiliates, over which Italgas does not exercise control, 432 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 30 September 2022 to approximately 8.0 million (91.8% 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	<b>8.156</b>	0.552	7.3
Installed meters (millions)	8.563	<b>9.193</b>	0.630	7.4
Municipalities with gas distribution concessions (no.)	1,837.0	<b>1,978.0</b>	141.0	7.7
Municipalities with gas distribution concessions in operation (no.)	1,761.0	<b>1,875.0</b>	114.0	6.5
Distribution network (kilometres)	72,503.1	<b>80,312.0</b>	7,808.9	10.8
Gas distributed (million cubic metres) *	5,827.3	<b>6,509.8</b>	682.5	11.7

\* The figure refers to the first nine months of the year.

### Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions)	7.757	<b>8.309</b>	0.552	7.1
Installed meters (millions)	8.733	<b>9.364</b>	0.631	7.2
Municipalities with gas distribution concessions (no.)	1,898.0	<b>2,039.0</b>	141.0	7.4
Municipalities with gas distribution concessions in operation (no.)	1,822.0	<b>1,936.0</b>	114.0	6.3
Distribution network (kilometres)	74,396.6	<b>82,215.2</b>	7,818.6	10.5
Gas distributed (million cubic metres) *	6,036.1	<b>6,704.6</b>	668.5	11.1

\* The figure refers to the first nine months of the year.



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

The net-zero 2050 target, 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, renewable 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, 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 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 aim to make biomethane production plant connections to the distribution network simpler and less costly, introduce reverse-flow technology to the transport network, and develop 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 Geoside – Italgas estimates that by 2028 it will have reduced its climate-altering emissions (Scope 1 and Scope 2) by 34%, and its energy consumption by 27%, both compared to 2020 levels<sup>5</sup>. Furthermore, the Italgas Group has set itself targets in line with the main timelines defined by the Green Deal: -42% in climate-altering 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>7,6</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 by the subsidiary Geoside, 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.

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<sup>5</sup> With the same scope, excluding any changes following M&As, DEPA Infrastructure and ATEM (Minimum Territorial Area) tenders.

<sup>6</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<sup>7</sup>

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 nine months		Change Abs.	Change %
	2021	2022		
Fuel energy consumption for industrial use	230.6	<b>188.0</b>	(42.6)	(18.5)
Fuel energy consumption for civil use	32.5	<b>26.9</b>	(5.6)	(17.2)
Fuel energy consumption for vehicles	103.1	<b>92.0</b>	(11.1)	(10.8)
Net electricity consumption for industrial use	43.0	<b>39.5</b>	(3.5)	(8.1)
Net electricity consumption for civil use	27.9	<b>26.1</b>	(1.8)	(6.5)
Thermal energy consumption for civil use	0.2	<b>0.2</b>	-	-
	<b>437.3</b>	<b>372.7</b>	<b>(64.6)</b>	<b>(14.8)</b>

The first nine months of 2022 were characterised by a decrease in net consumption of total energy, of 64.6 TJ (-14.8%) compared to the same period of 2021.

Fuel energy consumption for industrial use recorded a decrease for the first nine months of 2022 (-18.5%, from 230.6 TJ to 188.0 TJ), against a slight decrease in the volume of gas distributed (-2.6%<sup>8</sup>). 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 pre-heating, 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 of the preheating process (natural gas consumed per preheating/gas injected into the network per thousand) decreased across the entire Group<sup>9</sup>, from 1.27 to 1.06 or -16.5%.

In relation to fuel energy consumption for civil use, in the first nine months of 2022, there was a decrease of 17.2% compared to the same period of the previous year (from 32.5 TJ to 26.9 TJ), concurrent with a decrease in electricity consumption (from 27.9 TJ to 26.1 TJ, -6.5%). 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 8.1% (from 43.0 TJ to 39.5 TJ), mainly attributable to plant efficiency improvements in the management of water distribution.

Lastly, fuel energy consumption for vehicles decreased by 11.1 TJ (-10.8% compared to the same period of 2021), slightly more than the reduction in mileage of the Group's car fleet (-9.4%). Those changes are mainly

<sup>7</sup> The data in this paragraph do not reflect the effects of the first consolidation of DEPA Infrastructure S.A. and its subsidiaries, starting on 1 September 2022. That data will be consolidated within the Integrated Annual Report 2022.

<sup>8</sup> The figure of volumes of gas distributed for the first nine months of 2022, in which DEPA Infrastructure is not consolidated, decreased on the same period of 2021 (-2.6%, from 5,827.2 10<sup>6</sup> Sm<sup>3</sup> to 5,676.9 10<sup>6</sup> Sm<sup>3</sup>).

<sup>9</sup> Referring to Italgas Reti and Toscana Energia.

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<sup>10</sup>

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>11</sup> (thousand tCO <sub>2</sub> eq)	First nine months		Change Abs.	Change %
	2021	2022		
Fugitive gas emissions (Scope 1)	102.4	<b>83.2</b>	(19.2)	(18.8)
Emissions from gas consumption for industrial use (Scope 1)	13.0	<b>10.6</b>	(2.4)	(18.5)
Emissions from gas consumption for civil use (Scope 1)	1.9	<b>1.5</b>	(0.4)	(21.1)
Emissions from fuel consumption for vehicles (Scope 1) <sup>12</sup>	5.0	<b>4.5</b>	(0.5)	(10.0)
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.2	<b>0.2</b>	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	<b>122.5</b>	<b>100.0</b>	<b>(22.5)</b>	<b>(18.4)</b>

The reduction of total emissions of 18.4% in the first nine months of 2022 compared to the same period of 2021 is mainly linked to the reduction in fugitive emissions<sup>13</sup> of the Italgas Group (-18.8%). That reduction, also attributable to the emission detection approach which, in the first nine months of the year, focused on the analysis of areas with greater expected leaks, was driven by greater operational 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 56,239 kilometres in the first nine months of 2021 to 66,167 kilometres in the same period of 2022 (+17.8%).

In the first nine months of 2022, a 31.0% reduction was recorded in emissions per kilometre inspected, from 105.1 Sm<sup>3</sup>/km in the first six months of 2021 to 72.5 Sm<sup>3</sup>/km in the same period of 2022. More generally, fugitive emissions amount to 0.085% of total gas distributed (down from the first nine months of 2021). Leveraging the experience of 2021, the Group is implementing and 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

<sup>10</sup> The data in this paragraph do not reflect the effects of the first consolidation of DEPA Infrastructure S.A. and its subsidiaries, starting on 1 September 2022, as this is being fine-tuned. That data will be consolidated within the Integrated Annual Report 2022.

<sup>11</sup> Scope 2 *market-based*.

<sup>12</sup> Data restated following the adoption, since 1 January 2022, of a new methodology for calculating of GHG emissions from fleet vehicles, taking into considerations the types of fuel consumption by the bifuel vehicles. Restatement of above-mentioned refinement allows the comparability of 2021 and 2022 data.

<sup>13</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).

preparation of the plans for network replacement and reclamation/clean-up work on overhead connections, thereby optimising performance and related costs.

Moreover, as regards emissions from fuel consumption for vehicles, the CO<sub>2</sub> emissions per km travelled stands at 155.1 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 nine months of 2022

### *Extraordinary transactions and area tenders*

- On 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF), and on 10 December 2021 a preliminary purchase and sale contract was signed, in the context of the public tender called by the Greek government for privatisation of the distribution operator DEPA Infrastructure S.A.

Following the fulfilment of the conditions precedent set out in the purchase and sale contract, on 1 September 2022 the purchase by Italgas Newco S.p.A. of 100% of DEPA Infrastructure Single Member S.A. was carried out, financed by Italgas using the liquidity available. DEPA Infrastructure currently holds 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DEDA), the three lead players in gas distribution in Greece, which together manage around 7,500 kilometres of network and over 600,000 active delivery points.

- 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.
- The merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.) was completed on 20 July 2022, with effect for accounting and tax purposes as of 1 January 2022.
- On 26 July 2022, Medea S.p.A. entered into an investment agreement with Energetica S.p.A. to acquire capital of Energie Rete Gas S.r.l., a gas transmission company of the Energetica Group, with around 142 km of regional gas pipelines. The enterprise value attributed to the business unit contributed by Medea amounts to € 53 million, in relation to a stake of 49% in the capital of Energie Rete Gas and a monetary consideration of € 30 million.

The closing of the transaction will occur once several conditions precedent have been fulfilled, including the successful notification procedure pursuant to Italian Decree-Law 21/2012 and Italian Prime Ministerial Decree 179/2020 (Golden Power), and the finalisation of the loan agreements by Energie Rete Gas with a pool of banks.

- On 2 August 2022, Italgas signed a binding agreement for the acquisition from Fiamma 2000 Group of the LPG distribution and sales business, with related networks and plants, managed in 12 municipalities in Sardinia. The enterprise value of the transaction (on a debt-free/cash-free basis) was € 31.7 million, with the price to be paid entirely by cash, net of the debt related to the scope acquired. The closing is expected to take place in the fourth quarter of 2022, once several conditions precedent have been fulfilled, including the acquisition of the consent of the granting bodies and the successful notification procedure pursuant to Italian Decree-Law 21/2012 and Italian Prime Ministerial Decree 179/2020 (Golden Power).

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

During 2022, the digitisation process undertaken by the Group is continuing, in line with that previously planned, and 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. The widely ranging introduction of systems to guarantee Data Loss Prevention was also launched .

Innovation, driven by the Digital Factory, the innovation factory for the transformation and digitisation of business processes, 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 launched in the first nine months of 2022, aimed at evolving and automating business processes in the operations, commercial and corporate areas, began to generate initial tangible results through the issue of new functionalities which have now been made available to all users.

### *Optimisation of the debt structure*

- 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.
- On 9 August, the rating agency Moody's confirmed the long-term credit rating of Italgas, as Baa2, downgrading the outlook from stable to negative.

This rating action follows the change in the outlook from stable to negative of the Baa3 rating of Italian government debt, carried out by Moody's on 5 August 2022, and reflects Italgas' exposure to the pressure accompanying a deterioration of the quality of sovereign credit, considering the fact that its operations are essentially concentrated in Italy. Nonetheless, as stated by the agency, the confirmation of the rating affirms Italgas' strategic position and leadership in the gas distribution sector in Italy and its fully regulated profile.

- On 15 September 2022, the Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019, 2020 and 2021, confirming the maximum nominal amount of € 6.5 billion.
- On 20 September 2022, the European Investment Bank (EIB) granted Italgas a framework loan of € 150 million for interventions to be carried out in Italy through Geoside (formerly Seaside), the Group's Energy Service Company. That loan, called a Climate Action Framework Loan, marks the EIB's return to cooperation with the Italgas Group by activating the Bank's investments in energy companies capable of contributing to the ecological transition towards net zero.
- On 23 September 2022, the rating agency Moody's Investors service (Moody's) confirmed the long-term credit rating of Italgas, as Baa2, Negative Outlook.
- On 30 September 2022, DEPA Infrastructure entered into a bond loan with a leading Greek credit institution, for a total nominal amount of € 580 million, broken down into 3 tranches, with maturities of 5, 7 and 12 years, respectively. The bond loan will mainly be used to finance investments envisaged in the infrastructure development plan of DEPA Infrastructure and its subsidiaries in Greece.

#### *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. From January to July, the Italgas share was also 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 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.
- 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 further commitments made by the Group in the environmental, social and governance spheres.

Moreover, from July to September, ISS ESG confirmed Italgas' rating of A- (Prime), MSCI ESG Rating upgraded the rating assigned to Italgas from AA to A in its annual assessment, and Sustainalytics confirmed the Low Risk ESG rating.

- On 19 September 2022, the transformation of Italgas Newco S.r.l. into a joint stock company was resolved.
- On 19 September 2022, the Extraordinary Shareholders' Meeting of Seaside S.p.A. resolved to change the company name to Geoside S.p.A.

#### *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 into account the relevant parameters of quantity and price the of 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 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 GENOVA 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 filed an appeal with the Council of State, and the next hearing has been set for 20 December 2022.
- The Company filed an appeal before the Regional Administrative Court of Lombardy, served on 24 February 2020, challenging the legitimacy of the **Resolution no. 570/2019/R/gas** in several respects, including the planned reduction in recognised operating costs to the distributors, the reduction in the return on capital invested in metering activities, confirmation of the cap on investments in start-up locations, the proposed single tariff sector for Sardinia with equalization mechanism limited to the first three years only, and the proposal for a fixed x-factor throughout the regulation period. By order of 3 February 2021, the Regional Administrative Court prepared a verification intended to respond to a number of queries of particular technical complexity, which were relevant for the purposes of defining the judgement. As part of the verification activities, the expert witnesses were given the chance to examine, among other things, the data of the separate annual accounts used by ARERA for the adoption of the disputed regulatory provisions. The verification operations were completed on 30 March 2022. The hearing on the merits was held on 21 April 2022 and the ruling is currently pending.
- 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 22 September 2022, Italgas Reti appealed **Resolution no. 269/2022/R/gas**, with which ARERA defined 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. Specifically, the contested resolution, *inter alia*, assigns the distribution companies new obligations to pay compensation to sellers for metering equipment to be used for large users, starting from the metering data pertaining to October 2022, as well as additional obligations to pay

compensation to end customers for small calibre metering equipment, starting from the metering data pertaining to April 2023. The setting of a date for the hearing is currently pending.

- 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%.
- On 26 July 2022, the Regional Administrative Court of Lombardy upheld the appeals brought by Italgas Reti and Toscana Energia, thereby declaring illegitimate the silence of ARERA regarding the claims dated 28 December 2020 submitted by the two companies for recognition of TEL (smart metering/remote management) and CON (concentrators) costs for the years 2017 and 2018. The Regional Administrative Court ordered ARERA to adopt the final resolution of the proceedings by 24 October 2022. Pending this, ARERA submitted an appeal, and the next hearing is scheduled for 8 November 2022.
- On 2 August 2022, with **Resolution no. 380/2022/R/com**, the Authority approved the application methods for recognition of the social electricity and gas bonus for the economically disadvantaged, for the year 2022 to new entitled parties, considering that set out in Italian Decree-Laws no. 21/2022 and no. 50/2022.
- On 2 August 2022, with **Resolution no. 383/2022/R/gas**, the Authority determined the premiums and penalties related to the safety recoveries of the natural gas distribution service for 2019. In particular, for subsidiaries and associates companies of Italgas, the overall net amount due for the odourisation and dispersion components is: i) € 13.6 million for Italgas Reti, ii) € 1.4 million for Toscana Energia, iii) € 90.0 thousand for Umbria Distribuzione Gas and iv) € 9.9 thousand for Metano Sant'Angelo Lodigiano.

On conclusion of the checks and inspections conducted at the time, the Authority confirmed the reduction in the premiums due to Italgas Reti, referring to the Castelnuovo Magra distribution plant, in relation to which the company allegedly failed to comply with several regulatory provisions on emergency response.

The Authority also postponed to a subsequent measure the determination of the premiums and penalties for 2019, in line with that carried out for 2018, for the Ravanusa plant, in order to conduct the necessary analyses regarding the incident in December 2021.

## **Significant events occurring after the end of the first nine months of 2022**

- On 4 October 2022, with Resolution no. 469/2022/E/gas, the Authority approved the plan for two inspections of natural gas distribution companies, whose site inspections should be conducted by 31 December 2022 in order to primarily verify that the capital increases announced match the corresponding values in the mandatory accounting records, and that they have been correctly attributed to the RTDG distribution and metering activities (both 2014-2019, and 2020-2025).
- In Resolution no. 7/2022 of 12 October 2022, the Authority defined the energy efficiency obligations for 2022 of distributors with more than 50 thousand end users connected to its distribution network as at 31 December 2020. For subsidiaries and investees of Italgas S.p.A., the quantitative obligation for 2022, expressed as a number of White Certificates, is: i) 247,838 for Italgas Reti; ii) 35,987 for Toscana Energia and iii) 1,979 for Umbria Distribuzione Gas.

## **Business Outlook and Russia – Ukraine Conflict**

In line with that set out in the 2022-2028 Strategic Plan, Italgas will continue to pursue its objectives, mainly aimed at (i) continuing the digital transformation programme, repurposing and extending the network to equip the country with cutting edge infrastructure capable of receiving and distributing renewable gas such as biomethane and green hydrogen; (ii) consolidating actions in the energy efficiency sector, with the goal of positioning itself among the leading sector operators; and (iii) capturing new external growth opportunities through ATEM tenders, M&A in the gas distribution, water and energy efficiency sectors, as well as, following the finalisation of the purchase of DEPA Infrastructure S.A., consolidating and developing the Greek market. To pursue those objectives, Italgas will further develop the skills of its personnel - also through insourcing and an internal academy - and will use a solid and efficient financial structure, guaranteeing suitable returns for shareholders.

### **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.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found 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 the effects of any cyber attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict.

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, both in terms of price, delivery time and availability. However, the

subsequent increase in utilities costs is creating tensions on prices. Currently there are no significant critical issues in production on the energy materials/commodities markets.

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 89.2% 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 September 2022, of € 352.0 million, which, including in light of the existing investment plans and the operations planned in the short term, 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 commodity 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 in Italy are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

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.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group 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.

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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 nine months 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 officer responsible for the preparation of financial reports, 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 and Russia – Ukraine Conflict" 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.*