

ITALGAS: CONSOLIDATED RESULTS AS AT 31 DECEMBER 2022 APPROVED

THE BOARD OF DIRECTORS HAS CONVENED THE SHAREHOLDERS' MEETING FOR 20 APRIL 2023

Milan, 9 March 2023 - Italgas' Board of Directors, chaired by Benedetta Navarra, met today and approved the consolidated results as at 31 December 2022 and resolved to propose to the Shareholders' Meeting, called to meet on 20 April 2023, the distribution of a dividend of € 0.317 per share (+7.5% compared to 2021).

Key figures¹

Consolidated economic and financial highlights:

- Adjusted total revenues: € 1,537.3 million (+12.1%)
- Adjusted EBITDA: € 1,082.7 million (+7.3%)
- Adjusted EBIT: € 622.8 million (+6.8%)
- Adjusted net profit attributable to the Group: € 395.7 million (+7.6%)
- Technical investments: € 814.3 million;
- Cash flow from operating activities: € 571.7 million;
- Net financial debt²: € 6,000.1 million;
- Net financial debt (excluding the effects pursuant to IFRS 16)³: € 5,928.1 million;

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 2,044
- Number of active meters: 7.959 million
- Gas distribution network: 81,310 Km

Sustainability Highlights (Planet, People, Partnership)⁴:

Planet

- 141.2 10³ tCO₂ eq Scope 1 and 2 (-12.1% on 2021);
- 137.5 10³ tCO₂ eq Scope 3 supply chain (-6.6% on 2021);

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

² The item does not include liabilities for € 34.8 million consisting of the pro-rata share of the shareholder loan to Italgas Newco S.p.A, subordinated and convertible into shares, granted by the shareholder Phaeton Holding SA, which is considered not to be financial debt. In compliance with Consob Communication No. DEM/6064293 of 28 July 2006, the net financial debt including the effects of this shareholder loan as well as the effects of the debts pursuant to IFRS 16 is represented in the notes to the consolidated financial statements and amounts to € 6,034.9 million.

³ The item shows net financial debt excluding the effects of the debts pursuant to IFRS 16 and Italgas Newco shareholder loan. See section 5.2.4 Reclassified statement of financial position.

⁴ Highlights in reference to the Italian scope

- Net energy consumption: 472.0 TJ (-21.0% on 2021);
- Volumes of gas distributed: 7,961.3 million Sm³ (-10.4% on 2021);
- Energy intensity⁵: 0.06 (in line with 2021);
- Gas leakage rate⁶: 0.087% (in line with 2021);
- Fugitive emissions (Sm³/km network): 90.5 (-15.2% on 2021);
- Sending 97.6% of waste produced by the Group and 94.5% of waste produced by contractors for recovery;

People

- 24.7% women in positions of responsibility (+2.7% on 2021);
- 17.8% women in the company (+1.4% on 2021);
- 129,700 hours of training delivered (+15.4% on 2021), of which 33,155 for topics relating to digitisation;

Partnership

- 286 innovative SMEs and start-ups involved in possible collaborations related to digitisation, technological innovation, energy efficiency, security and sustainability of Group processes;
- About 40% of strategic suppliers involved and trained on ESG issues.

The positive results achieved in 2022 are further confirmation of the strength of the Group, which has continued to grow even in a social, political and economic context that has been affected by the outbreak of war in Ukraine and the resulting effects on the energy markets.

Together with the growth of the economic and financial indicators and the development of operations, the sustainability targets, which had been further revised upwards in the 2022-2028 Strategic Plan, were also achieved.

Also in 2022, following on from previous years, digital transformation was at the centre of the Group's development strategies, with major investments in upgrading assets and processes as well as in upskilling and reskilling of people, in recognition of the strategic role of gas distribution networks in achieving the decarbonisation targets set for consumption.

In the period, € 814.3 million in investments were made, devoted mainly 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 2022, 332 km of new pipelines were laid throughout Italy. The construction of new "digital native" networks in Sardinia has, on the other hand, reached a total length of 909 km out of a total to be laid of about 1,110 km,

⁵ Calculated as the ratio of total Group energy consumption and gas distributed.

⁶ Volume of fugitive emissions of natural gas/volume of gas distributed.

and 13 new cryogenic LNG depots have been put into service for a total of 66 plants serving the Basins under concession.

The adjusted EBITDA at the end of 2022 amounted to € 1,082.7 million (+7.3% compared to 31 December 2021) and adjusted net profit attributable to the Group was € 395.7 million (+7.6% compared to 31 December 2021).

The consolidated balance sheet and income statement of the Italgas Group as at 31 December 2022 reflects the effects of the first consolidation, starting on 1 September 2022, of the acquisition of DEPA Infrastructure Single Member S.A. and its affiliates 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).

Consistent with actions aimed at achieving a low-carbon economy, Italgas has decided to present its climate change strategy in a specific document: Driving innovation for energy transition⁷. In this document, following the recommendations from the Task Force on Climate-Related Financial Disclosure, the Group describes its strong commitment to the decarbonisation of both its business, with a “Net Zero Carbon Target” for 2050, and of the local areas it operates in, ensuring the best management of the risks and opportunities associated with climate change for its business. The document also covers additional targets, which the Group has set in the new 2022-2028 Sustainable Value Creation Plan⁸, which, fitting into the trajectory of the Strategic Plan, addresses business-related sustainability issues: as the Group’s every action produces impacts, we are committed to maximising the positive results and minimising the potential negative effects, generating virtuous impacts on tangible and intangible capital used in our processes.

⁷ <https://www.italgas.it/wp-content/uploads/sites/2/2022/10/2021-Diving-innovation-for-energy-transition.pdf>

⁸ <https://www.italgas.it/wp-content/uploads/sites/2/2022/10/Sustainable-Value-Creation-Plan-2022-2028.pdf>

Paolo Gallo, CEO of Italgas, commented:

Against the backdrop of a 2022 that was marked by the shock in the energy markets and the outbreak of war on Europe's doorstep, the results achieved by Italgas are further proof of the great strength of a Group capable of continuing to grow in a context conditioned by the sharp rise in the cost of raw materials and the need to meet the energy security objectives of the country.

In the past year, all key economic-financial indicators grew significantly, with adjusted EBITDA rising 7.3% to over € 1 billion, and adjusted net profit attributable to the Group increasing 7.6% to € 395.7 million: 24 consecutive quarters of growth is an achievement that only a Company with almost two hundred years of history like Italgas could achieve.

The investments, amounting to € 814.3 million, were mainly dedicated to the repurposing of the distribution network, which is now largely digital and therefore ready to accept renewable gases such as biomethane, which is already in the network, as well as hydrogen and synthetic methane, which will be introduced in the medium term. With a special focus on biomethane, Italgas is investing in facilitating the connection of production plants to distribution networks, introducing reverse flow technology to the transmission network in order to further increase the flexibility of the gas system.

The goals set by the REPowerEU are also achievable through the contribution of energy efficiency. A sector in which we are represented by Geoside, an operator that offers technologically advanced proprietary solutions to the market that guarantee systematic energy savings; solutions that, applied to our activities, have allowed us to reduce our energy consumption by 21% in the last year.

2022 was also the year in which Italgas made its historic return to foreign investment with the acquisition of the DEPA Infrastructure Group, alongside which we are committed to sharing our technical and technological expertise, which will be of great importance during the phase-out process, from coal and lignite, that the Greek government has decided to implement in line with EU climate targets.

Technological innovation and digitisation, the circular economy, education, diversity and inclusion are confirmed as strategic drivers to achieving the targets set in the Sustainable Value Creation Plan, which is part of the trajectory outlined in the 2022-2028 Strategic Plan in order to continue playing a leading role in the ecological transition process towards a net-zero economy.

Italgas group structure as at 31 December 2022

The structure of the Italgas Group as at 31 December 2022 changed, compared to that in place as at 31 December 2021, due to:

- the incorporation on 15 April 2022 of Immogas S.r.l. (a 100%-owned subsidiary of Toscana Energia S.p.A.) as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.;
- the deconsolidation of Gaxa S.p.A. following the sale of a majority stake to Edison Energia S.p.A. (completed 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 agreement was signed on 20 July 2022, with accounting and tax effects as of 1 January 2022;
- the acquisition, completed on 1 September 2022 through Italgas NewCo S.p.A., of the entire share capital of DEPA Infrastructure Single Member S.A. (DEPA Infrastructure), which fully controls the companies Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks Single Member S.A. (DEDA);
- the sale of 10% of the share capital of Italgas Newco S.p.A., sole shareholder of DEPA Infrastructure, to Phaeton Holdings Single Member S.A., a financial company of the Greek industrial group Copelouzos;
- Medea's acquisition of the entire share capital of Janagas S.r.l., the company that holds the concessions for the distribution and sale of LPG in 12 Municipalities in Sardinia, on 13 December 2022;
- Medea S.p.A.'s subscription of 49% of the share capital of Energie Rete Gas S.r.l., a company active in gas transmission through a network of regional methane pipelines, which took place on 21 December 2022 through the transfer of Medea's gas transmission business to Energie Rete Gas 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)	2021	2022	Abs. change	Change %
Gas Distribution regulated revenues	1,294.5	1,313.5	19.0	1.5
<i>of which distribution revenues</i>	<i>1,200.1</i>	<i>1,225.8</i>	<i>25.7</i>	<i>2.1</i>
<i>of which Other distribution revenues</i>	<i>94.4</i>	<i>87.7</i>	<i>(6.7)</i>	<i>(7.1)</i>
Other revenues	76.3	242.4	166.1	-
<i>of which special items</i>	<i>-</i>	<i>18.6</i>	<i>18.6</i>	<i>-</i>
Total revenues (*)	1,370.8	1,555.9	185.1	13.5
Adjusted total revenues	1,370.8	1,537.3	166.5	12.1
Operating costs	(361.9)	(454.6)	(92.7)	25.6
EBITDA	1,008.9	1,101.3	92.4	9.2
Adjusted EBITDA	1,008.9	1,082.7	73.8	7.3
Amortisation, depreciation and impairment	(425.7)	(459.9)	(34.2)	8.0
EBIT	583.2	641.4	58.2	10.0
Adjusted EBIT	583.2	622.8	39.6	6.8
Net financial expense	(60.4)	(56.3)	4.1	(6.8)
<i>of which special items</i>	<i>(6.4)</i>	<i>-</i>	<i>6.4</i>	<i>-</i>
Adjusted net financial expense	(54.0)	(56.3)	(2.3)	4.3
Net income from equity investments	2.5	3.4	0.9	36.0
<i>of which special items</i>	<i>-</i>	<i>2.7</i>	<i>2.7</i>	<i>0.0</i>
Gross profit	525.3	588.5	63.2	12.0
Adjusted gross profit	531.7	567.2	35.5	6.7
Income taxes	(141.9)	(152.4)	(10.5)	7.4
<i>taxation related to special items</i>	<i>1.5</i>	<i>(1.5)</i>	<i>(3.0)</i>	<i>-</i>
Adjusted income taxes	(143.4)	(150.9)	(7.5)	5.2
Net profit	383.4	436.1	52.7	13.7
Net profit attributable to the Group	362.8	407.3	44.5	12.3
Net profit attributable to minority shareholders	20.6	28.8	8.2	39.8
Adjusted net profit	388.3	416.3	28.0	7.2
Adjusted net profit attributable to the Group	367.7	395.7	28.0	7.6
Adjusted net profit attributable to minority interests	20.6	20.6	-	-

(*) 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" (€ 772.0 and € 697.0 million respectively in 2021 and 2022), connection contributions (€ 19.6 and € 19.1 million respectively in 2021 and 2022), repayments from third parties and other residual components (€ 0.8 and € 9.6 million respectively in 2021 and 2022).

Adjusted total revenues of the first quarter of 2022 amount to € 1,537.3 million, up by € 166.5 million compared to 2021 (+12.1%), and refer to natural gas distribution regulated revenues (€ 1,313.5 million) and other adjusted revenues (€ 223.8 million). Total revenues from the inclusion of the DEPA Infrastructure Group in the scope of consolidation amounted to € 51.4 million.

Gas distribution regulated revenues increased by 19.0 million euros compared to 2021 due to an increase in revenues from transmission (€ 25.7 million) partially offset by a reduction in other regulated gas distribution revenues (€ -6.7 million).

The increase in **distribution revenues** (€ 25.7 million) is mainly attributable to the effect of the consolidation of the DEPA Infrastructure Group (€ 50.3 million), the increase in the specific RAB (€ 27.8 million), the deflator (€ 5.9 million) and the contribution of the Sardinian networks (€ 6.7 million), partially offset by the reduction in the WACC envisaged by Resolution no. 614/2021/R/com (€ -54.4 million), the change in the X-factor (€ -8.4

million) pursuant to Resolution no. 570/2019/R/gas as well as the effect of the sale of the plants of ATEM Naples 1 to another operator (€ -4.2 million).

The reduction of **other distribution revenues** (€ 6.7 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, relating to the replacement of traditional meters with electronic ones (€ 2.0 million as at 31 December 2022 and € 13.9 million as at 31 December 2021), and lower customer service revenues partly offset by greater incentives for leak detection (€ 4.1 million) and revenues from gas supply interruption activities due to arrears (€ 1.4 million).

Adjusted other revenues (€ 223.8 million) increased by € 147.5 million compared to 2021, mainly due to the increase in energy efficiency activities.

Operating costs amounted to € 454.6 million, an increase of € 92.7 million over 2021 (of which € 20.8 million was due to the inclusion of the DEPA Infrastructure Group in the scope of consolidation), mainly as a result of higher net external costs of € 85.2 million (essentially driven by energy efficiency activities) and net labour costs of € 12.5 million, offset by lower allocations to provisions for risks, other charges and Energy Efficiency Certificates of € 0.8 million as well as lower concession charges of € 4.2 million.

The **adjusted gross operating profit (adjusted EBITDA)** achieved as at 31 December 2022 totalled € 1,082.7 million, up by € 73.8 million (+7.3%) compared to the same period of 2021 (€ 1,008.9 million).

Amortisation, depreciation and impairment (€ 459.9 million) increased by € 34.2 million (+8.0%) on 2021, mainly due to the investments made and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 9.2 million) and the acceleration related to the replacement plan for medium- and large-calibre meters (€ 4.7 million).

The **adjusted operating profit (adjusted EBIT)**, net of non-recurring items, achieved in the financial year 2022 amounted to € 622.8 million, an increase of € 39.6 million compared to 31 December 2021 (+6.8%).

Adjusted net financial expense as at 31 December 2022 amounted to € 56.3 million, up by € 2.3 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.

Other net financial expense (income) amounted to € 2.1 million and mainly related to interest on tax receivables (€ 1.2 million) and financial income from discounting "Super/Ecobonus" receivables (€ 0.6 million).

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

Adjusted net income from equity investments as at 31 December 2022 amounted to € 0.7 million.

Income taxes came to € 152.4 million, up € 10.5 million compared to the same value of the previous year, essentially as a consequence of the higher period result.

The **tax rate** was 25.9% (27.0% in 2021). The **adjusted** tax rate was 26.6%.

Adjusted net profit for 2022, comes to € 416.3 million, was up by € 28.0 million, or +7.2%, on 2021.

Adjusted net profit attributable to the Group came to € 395.7 million and has increased on 2021 (€ 28.0 million; +7,6%).

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

Italgas' management assesses Group performance on the basis of alternative performance indicators⁹ 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.

The income components classed among special items in 2022, amounted to € 21.3 million.

The income components classified as special items in 2021 concern increased costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021.

⁹ For the definition of alternative performance indicators, reference should be made to the chapter "Non-GAAP Measures" in this report.

(€ million)	2021	2022
Total revenues	1,370.8	1,555.9
<i>Excluding special items</i>	-	(18.6)
- capital gain from the transfer and sale of Medea's transport assets to ERG		(5.1)
- recognition of Janagas' assets at fair value		(13.5)
Adjusted total revenues	1,370.8	1,537.3
Total operating costs	(361.9)	(454.6)
EBITDA	1,008.9	1,101.3
<i>Excluding special items</i>	-	(18.6)
Adjusted EBITDA	1,008.9	1,082.7
EBIT	583.2	641.4
<i>Excluding special items</i>	-	(18.6)
Adjusted EBIT	583.2	622.8
Net financial expense	(60.4)	(56.3)
<i>Excluding special items</i>	6.4	-
- financial expense from bond buyback	6.4	
Adjusted net financial expense	(54.0)	(56.3)
Net income from equity investments	2.5	3.4
<i>Excluding special items</i>	-	(2.7)
- capital gain from the sale of the controlling interest in Gaxa		(2.7)
Adjusted net income from equity investments	2.5	0.7
Gross profit	525.3	588.5
<i>Excluding special items</i>	6.4	(21.3)
Adjusted gross profit	531.7	567.2
Income taxes	(141.9)	(152.4)
<i>Excluding special items</i>	(1.5)	1.5
Net profit (loss)	383.4	436.1
Net profit (loss) attributable to minority interests	20.6	28.8
Net profit (loss) attributable to the Group	362.8	407.3
Adjusted net profit (loss)	388.3	416.3
Adjusted net profit (loss) attributable to minority interests	20.6	20.6
Adjusted net profit (loss) attributable to the Group	367.7	395.7

Reclassified Statement of Financial Position

The Italgas' Reclassified Statement of Financial Position as at 31 December 2022, compared with that as at 31 December 2021, is summarised below:

(€ million)	31.12.2021	31.12.2022	Abs. change
Fixed capital (*)	7,106.2	8,120.6	1,014.4
Property, plant and equipment	372.1	379.0	6.9
Intangible assets	6,938.1	7,975.5	1,037.4
Equity investments	35.1	66.2	31.1
Financial receivables and securities instrumental to operations	2.8	3.4	0.6
Net payables for investments	(241.9)	(303.5)	(61.6)
Net working capital	115.6	340.0	224.4
Provisions for employee benefits	(95.6)	(69.9)	25.7
Assets held for sale and directly related liabilities	2.2	-	(2.2)
NET INVESTED CAPITAL	7,128.4	8,390.7	1,262.3
Shareholders' equity	2,142.5	2,390.6	248.1
- attributable to the Italgas Group	1,891.4	2,108.3	216.9
- attributable to minority shareholders	251.1	282.3	31.2
Net financial debt (**)	4,985.9	6,000.1	1,014.2
FUNDING	7,128.4	8,390.7	1,262.3

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

(**) As of December 31, 2022, the item: i) includes the effects of the debts pursuant to IFRS 16 amounting to € 72 million; ii) does not include liabilities amounting to € 34.8 million consisting of the pro-rata share of the shareholder loan, subordinated and convertible into shares, granted by the shareholder Phaeton Holding SA, which the Company's management considers not to be financial debt. Net financial debt, including the effects of this shareholder loan, amounts to € 6,034.9 million.

The **net invested capital** at 31 December 2022 amounted to € 8,390.7 million and consists of the items outlined below.

Fixed capital (€ 8,120.6 million) increased by € 1,014.4 million compared to 31 December 2021 and reflects the effect of the inclusion of the DEPA Infrastructure Group and Janagas in the scope of consolidation, net of the deconsolidation of Gaxa and the sale of the ATEM Naples 1 plants.

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

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2021	372.1	6,732.0	206.1	7,310.2
Investments	37.0	730.0	47.3	814.3
- of which IFRS 16	26.4	-	-	26.4
Amortisation, depreciation and impairment	(42.0)	(378.0)	(39.9)	(459.9)
- of which D&A pursuant to IFRS 16	(24.6)	-	-	(24.6)
Change in the scope of consolidation	17.1	883.3	116.6	1,017.0
Subsidies	-	(21.9)	-	(21.9)
Disposals and sales	(5.8)	(300.9)	(0.1)	(306.8)
Other changes	0.6	3.0	(2.0)	1.6
Balance at 31 December 2022	379.0	7,647.5	328.0	8,354.5

Intangible fixed assets (€ 7,975.5 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,647.5 million). Net of the effect caused by the sale of fixed assets relating

to the Municipalities of ATEM Naples 1, the increase of € 1,037.4 million is mainly attributable to the acquisition of the DEPA Infrastructure Group, which resulted in the recognition of assets pursuant to IFRIC 12 in the amount of € 824.9 million and goodwill in the amount of € 115.8 million.

Tangible fixed assets (€ 379.0 million), which mainly relate to plant, buildings and industrial and commercial equipment, increased by € 6.9 million primarily as a result of investments for the period of € 29.2 million (of which € 18.6 million related to the application of IFRS 16) and the first-time consolidation of the DEPA Infrastructure Group in the amount of € 18.7 million, net of amortisation and depreciation of € 42.0 million (of which € 24.6 million related to the right of use under IFRS 16).

Equity investments (€ 66.2 million) increased by € 31.1 million due mainly to the subscription of 49% of the share capital of Energie Rete Gas (€ 23.1 million) and the acquisition of a minority share in the capital of Picarro Inc. (€ 14.1 million), net of the company reorganisation relating to the affiliate Valdarno, valued at 31 December 2021 using the equity method (€ -5.5 million).

Consolidated **net working capital** at 31 December 2022 amounts to € 340.0 million and is broken down as follows:

(€ million)	31.12.2021	31.12.2022	Abs. change
Trade receivables	388.6	315.7	(72.9)
Inventories	105.3	120.5	15.2
Tax receivables	71.6	116.7	45.1
Accruals and deferrals from regulated activities	115.8	188.6	72.8
Other assets	185.7	815.1	629.4
Trade payables	(300.9)	(709.4)	(408.5)
Provisions for risks and charges	(159.5)	(144.3)	15.2
Deferred tax liabilities	(50.8)	(91.6)	(40.8)
Tax payables	(12.1)	(28.2)	(16.1)
Other liabilities	(228.1)	(243.1)	(15.0)
	115.6	340.0	224.4

Compared to 31 December 2021, net working capital increased by € 224.4 million due to: (i) lower trade receivables (€ -72.9 million) mainly due to the reduction in receivables from sales companies (€ -232.8 million), from customers (€ -31.9 million) and due to the deconsolidation of Gaxa (€ -16.1 million) partially offset by higher receivables relating to the "Super/Ecobonus" (€ 114.5 million), from the CSEA mainly relating to the equalisation balance (€ 61.5 million) and the first-time consolidation of the DEPA Infrastructure Group (€ 28.1 million); ii) increase in inventories (€ 15.2 million) mainly relating to digitisation and odourising equipment, as well as to the contribution of the DEPA Infrastructure Group (€ 11.4 million); iii) increase in net tax liabilities (€ -11.8 million) mainly due to the change in taxation for the period (€ -25.6 million) net of the effect of accrued tax credits for "Super/Ecobonus" (€ 37.5 million), as well as the contribution of the DEPA Infrastructure Group and Janagas (€ -31.2 million); iv) increase in other assets (€ 629.5 million) mainly relating to accessory billing components of distribution subject to reimbursement by the CSEA (including "Bonus gas" and UG2 in the amount of € 658.9 million) offset by lower receivables from the CSEA for incentives (€ 41.3 million); v) increase in trade payables (€ 408.5 million) due to the debt position with sales companies (€ 445.9 million) mainly for "Bonus gas" and UG2 offset by the reduction in payables to suppliers (€ 29.3 million) and the equalisation

balance with the CSEA (€ 8.0 million); vi) reduction in provisions for risks and charges (€ 15.2 million); vii) increase in other liabilities for the period (€ 15.0 million).

The consolidation of the DEPA Infrastructure Group resulted in an overall increase in working capital of € 50.5 million.

During the last 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. In particular, the assignment of VAT receivables in the amount of € 30.0 million was finalised (2021: assignment of receivables totalling € 306.2 million).

Net financial debt

(€ million)	31.12.2021	31.12.2022	Abs. change
Financial and bond debt	6,376.9	6,510.8	133.9
Short-term financial debt (*)	571.6	121.1	(450.5)
Long-term financial debt (**)	5,735.3	6,317.7	582.4
Finance lease payables - IFRS 16	70.0	72.0	2.0
Hedging derivative contracts Cash flow Hedge	5.9	(52.5)	(58.4)
Short-term contracts	0.3	(17.1)	(17.4)
Long-term contracts	5.6	(35.4)	(41.0)
Financial receivables and cash and cash equivalents	(1,396.9)	(458.2)	938.7
Cash and cash equivalents	(1,391.8)	(451.9)	939.9
Financial receivables	(5.0)	(5.6)	(0.6)
Securities not instrumental to operations	(0.1)	(0.7)	(0.6)
Net financial debt (**)	4,985.9	6,000.1	1,014.2
Finance lease payables - IFRS 16	70.0	72.0	2.0
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	4,915.9	5,928.1	1,012.2

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

(**) As of 31 December 2022, the net financial debt shown in the Directors' Report does not include liabilities for € 34.8 million consisting of the pro-rata share of the shareholder loan to Italgas Newco, subordinated and convertible into shares, granted by the shareholder Phaeton Holding SA, which the Company's management considers not to be in the form of financial debt. Net financial debt, including the effects of this shareholder loan, amounts to € 6,034.9 million.

As at 31 December 2022, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 72.0 million (€ 70.0 million in the corresponding period of 2021) and the Italgas Newco shareholders' loan tranche, came to € 5,928.1 million, an increase of € 1,012.2 million compared to 31 December 2021 (€ 4,915.9 million).

Financial and bond debt as at 31 December 2022 totalled € 6,510.8 million (€ 6,376.9 million as at 31 December 2021) and refer to: bonds (€ 4,483.7 million), loan agreements with the European Investment Bank (EIB) (€ 953.6 million), payables to banks (€ 1,001.5 million) and financial liabilities pursuant to IFRS 16 (€ 72.0 million).

Cash, amounting to € 451.9 million, decreased by € 939.9 million compared to 31 December 2021, due to use in M&A transactions during the period.

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

(€ million)	31.12.2021	%	31.12.2022	%
Fixed rate	5,910.9	92.7	5,905.8	90.7%
Floating rate	466.0	7.3	605.0	9.3%
Gross financial debt	6,376.9	100.0	6,510.8	100.0%

Fixed-rate financial liabilities amounted to € 5,905.8 million and mainly refer to bonds (€ 4,483.7 million), four EIB loans (€ 846.1 million), bank loans (€ 504.0 million) and financial liabilities pursuant to IFRS 16 (€ 72.0 million).

Floating-rate financial liabilities amounted to € 605.0 million, up by € 139.0 million compared to 31 December 2021 as a result of the consolidation of bank loans subscribed by DEPA Infrastructure Group companies (€ 245.0 million), partially offset by a decrease in the use of bank lines by Italgas S.p.A.

With the exception of an EIB loan with a nominal value of € 90 million signed by Toscana Energia and certain loans taken out by DEPA Infrastructure's pre-acquisition subsidiaries, as at 31 December 2022 there were no loan agreements containing financial covenants and/or that were secured by collateral.

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 31 December 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 flow¹⁰, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	2021	2022
Net profit	383.4	436.1
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	426.6	467.0
- Net capital losses (capital gains) on asset sales and eliminations	3.6	(27.9)
- Interest and income taxes	203.6	208.7
Change in working capital due to operating activities	76.5	(311.5)
Dividends, interest and income taxes collected (paid)	(261.8)	(200.7)
Cash flow from operations (*)	831.9	571.7
Technical investments	(809.3)	(766.1)
Other changes related to investment activities	14.6	47.8
Divestments and other changes	12.5	325.4
Free cash flow before M&A transactions	49.7	178.8
Companies included in the scope of consolidation	(22.1)	(958.7)
Acquisition of business units, plant and financial assets	(1.7)	(23.1)
Free cash flow	25.9	(803.0)
Change in short- and long-term financial debt and financial receivables	955.7	132.1
Reimbursements of financial liabilities for leased assets	(21.5)	(27.9)
Capital contribution from third parties	11.3	12.3
Equity cash flow	(243.1)	(253.3)
Net cash flow for the year	728.3	(939.8)

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

Change in net financial debt

(€ million)	2021	2022
Free cash flow before M&A transactions	49.7	178.8
Change due to acquisitions of equity investments, business units and assets	(42.2)	(981.9)
Increase in finance lease payables	(15.2)	(29.9)
Equity cash flow	(243.1)	(253.3)
Capital contribution from third parties	11.3	12.3
Other changes (Difference between interest accounted for and paid, and fair value of derivatives)	(4.0)	59.8
Change in net financial debt	(243.5)	(1,014.2)

The cash flow from operations as at 31 December 2022, amounting € 571.7 million, was partially absorbed by the flow from net investments, totalling € 392.9 million, generating a free cash flow before M&A transactions of € 178.8 million. As at 31 December 2022, the cash outflow from M&A transactions amounted to € 981.8 million, bringing the free cash flow to € -803.0 million.

¹⁰ 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).

Taking into account payment of the dividend for € 253.3 million, net financial debt increased by € 1,014.2 million.

Key operating figures

Investments*

In 2022, technical investments were made for € 814.3 million (2021: € 865.1 million), of which € 26.0 million relating to investments accounted for in accordance with IFRS 16.

(€ million)	2021	2022	Abs. change	Change %
Distribution	718.3	712.8	(5.5)	(0.8)
Network development and maintenance	604.4	664.4	60.0	9.9
- of which digitisation	146.7	190.9	44.2	30.2
New networks	113.9	48.4	(65.5)	(57.5)
- of which Sardinia	95.0	31.1	(63.9)	(67.4)
Metering	76.5	43.3	(33.2)	(43.4)
of which DEPA Infrastructure	-	1.9	1.9	-
Other investments	70.3	58.2	(12.2)	(17.3)
- of which Real Estate	24.0	6.8	(17.2)	(71.7)
- of which ICT	27.5	18.2	(9.4)	(34.0)
- of which the effect of IFRS 16	14.9	26.0	11.1	74.2
	865.1	814.3	(50.8)	(5.9)

* In the consolidation period, the DEPA Infrastructure Group made total investments of € 38.9 million (€ 84.3 million for the entire year of 2022).

Distribution investments (€ 712.8 million, 0.8% compared to 2021), which recorded the installation of an additional 532 km of pipeline (2021: 732 km), were largely driven by network development, maintenance and repurposing initiatives. The reduction compared to 2021, partially offset by the inclusion of the Greek companies in the consolidation scope, is caused by less construction of new gas distribution networks, mainly due to the gradual completion of the methanisation project in Sardinia, where an additional 12 km of new network was built, bringing the total of networks laid to 909 km; in addition, 13 LNG storage plants were installed, with a total of 66 in service. DEPA Infrastructure's subsidiaries made € 26.9 million in investments, of which € 3.7 million went into the construction of new gas distribution networks.

Investments in digitisation (€ 190.9 million, up +30.2%) mainly 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 (€ 43.3 million, -43.4% compared to 2021, of which 1.9 was made in Greece for 7 thousand units) were affected by the substantial completion of the plan to replace traditional meters in Italy pursuant to ARERA Resolution no. 631/2013/R/gas as amended. In 2022, the Company installed 372 thousand new meters in Italy, of which 89 thousand to replace traditional G4/G6 meters, 269 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2022¹¹, a total of 7.6 million smart meters have been installed as part of the plan to replace traditional meters

¹¹ Also taking into account the affiliates, over which Italgas does not exercise control, 406 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 December 2022 to 7.7 million (92.5% of the total number of meters and practically all active meters).

with smart meters (93.0% of the total number of meters and practically all active meters). As at 31 December 2022, the digital meter stock installed by the DEPA Infrastructure Group amounted to 41 thousand units.

Summary of the key operating figures

Key operating figures – Italgas Group

	2021	2022	Abs. change	Change %
Active meters (millions)*	7.604	7.806	0.202	2.7
Installed meters (millions)	8.563	8.769	0.206	2.4
Municipalities with gas distribution concessions (no.)**	1,837	1,983	146	7.9
Municipalities with gas distribution concessions in operation (no.)**	1,761	1,889	128	7.3
Distribution network (kilometres)**	72,503.1	79,406.1	6,903.0	9.5
Gas distributed (million cubic metres)	8,886.7	8,233.1	(653.6)	(7.4)

* The figure for the financial year 2022 includes the effect of the sale to another operator, winner of the tender, of the ATEM Naples 1 re-delivery points (-372,658) and the inclusion in the consolidation scope of the DEPA Infrastructure Group re-delivery points (+581,649).

** The figure for the financial year 2022 includes the effect of the inclusion in the scope of consolidation of the Municipalities with a distribution licence belonging to the DEPA Infrastructure Group (140 Municipalities, of which 105 are in operation).

*** The figure for the financial year 2022 includes the effect of the transfer of the distribution network of ATEM Naples 1 (-1,668 km) to another operator, winner of the tender, and the inclusion of the distribution networks of the DEPA Infrastructure Group (+7,491 km) in the scope of consolidation.

Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions)*	7.757	7.959	0.202	2.6
Installed meters (millions)	8.733	8.940	0.207	2.4
Municipalities with gas distribution concessions (no.)**	1,898	2,044	146	7.7
Municipalities with gas distribution concessions in operation (no.)**	1,822	1,950	128	7.0
Distribution network (kilometres)**	74,396.6	81,309.3	6,912.7	9.3
Gas distributed (million cubic metres)	9,194.1	8,500.3	(693.8)	(7.5)

* The figure for the financial year 2022 includes the effect of the sale to another operator, winner of the tender, of the ATEM Naples 1 re-delivery points (-372,658) and the inclusion in the consolidation scope of the DEPA Infrastructure Group re-delivery points (+581,649).

** The figure for the financial year 2022 includes the effect of the inclusion in the scope of consolidation of the Municipalities with a distribution licence belonging to the DEPA Infrastructure Group (140 Municipalities, of which 105 are in operation).

*** The figure for the financial year 2022 includes the effect of the transfer of the distribution network of ATEM Naples 1 (-1,668 km) to another operator, winner of the tender, and the inclusion of the distribution networks of the DEPA Infrastructure Group (+7,491 km) in the scope of consolidation.

Sustainability - the path to decarbonisation

The Net-Zero 2050 target, set by the European Union as part of the Green Deal, and the further impetus on combating climate change, reducing climate-changing gas emissions and diversifying energy sources – brought about by the European Commission's REPowerEU plan and, before that, by the Fit-for55 package – now place individual Member States under an urgent obligation to act.

The Russian-Ukrainian conflict has accelerated the need to reduce dependence on Russian fossil fuels and has prompted the European Union to define urgent measures for security of procurement, diversification of sources, use of renewable energy and energy efficiency. The REPowerEU Plan (2022), approved in response to the conflict, updated and increased the previously set targets on the penetration of renewable gases in the European energy mix. The new target is 35 billion cubic metres of biomethane and 20 million tonnes of hydrogen in energy supplies by 2030, respectively two and four times the target set in the "Fit-for-55" package (2021).

Even in the long term, gas will play a significant role in supporting the phase-out from coal and to ensuring energy security, continuing to account for around 27% of European energy consumption by 2050, (20% of which will be natural gas)¹², but with a renewed composition that will reflect an increasing weight of renewable gases such as biomethane, hydrogen and synthetic methane. In this scenario, the role played by gas distribution networks, if digitised, remains key.

At the same time, energy efficiency is seen as a driver in the fight against climate change and for achieving the targets set in the Paris Agreements, both under European and Italian policies.

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 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 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 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;

¹² ENTSG TYNDP 2022 Visualisation Platform - Global Ambition Scenario data.

- the development of the gas distribution infrastructure in Greece.

The ESG criteria adopted by the Group are not only an integral part of its development strategies, but also a founding element and cornerstone of many of Italgas' business model initiatives. In order to implement real economic, financial, environmental and social sustainability and to be able to create shared value, the Group has a new 2022-2028 Sustainable Value Creation Plan "Builders of the Future"¹³, which addresses all sustainability issues related to its business. Since every action of the Group has an impact, the focus is on maximising positive results and minimising potential negative outcomes, generating virtuous impacts on tangible and intangible capital used in our processes.

With this objective in mind, Italgas has structured its Plan, basing it on three pillars: Planet, People, Partnership (for a sustainable future together), corresponding to precise lines of action with clear commitments and measurable targets.

The 2022-2028 Sustainable Value Creation Plan was approved by Italgas' Board of Directors on 14 December 2022 and presented to stakeholders on 19 January 2023.

The climate change targets in both Plans, set for 2028, aim to reduce CO₂ emissions and energy consumption, allowing the Group to stay ahead of the EU's 2030 targets. Thanks to the digital transformation of the network and technological innovations – from CRDS (Cavity Ring-Down Spectroscopy), a cutting-edge technology in the field of network monitoring, to the know-how of its subsidiary Geoside – Italgas expects to have reduced climate-altering emissions (Scope 1 and Scope 2) by 34% and energy consumption by 27% by 2028, both compared to 2020 levels¹⁴. 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, starting from 2030.

Thanks also to the increasing involvement of its suppliers, the Group has also set a target for Scope 3 (supply chain) greenhouse gas emissions, forecasting a 30% reduction by 2028 and a 33% reduction by 2030 compared to 2020¹⁵. Also for Scope 3 emissions, the Group has set itself a "Net Zero Carbon Target" by 2050, which is also based on carbon removal measures, starting in 2030.

Various initiatives developed by the subsidiary Geoside aimed at energy efficiency in both the industrial and civil sectors, as well as training activities for employees on energy efficiency issues, provide a significant contribution to the achievement of sustainability goals.

Italgas for the future of the planet

¹³ <https://www.italgas.it/comunicato/italgas-il-cda-approva-il-piano-di-creazione-di-valore-sostenibile-2022-2028/>

¹⁴ With the same scope, excluding any changes following M&As, DEPA Infrastructure and ATEM (Minimum Territorial Area) tenders.

¹⁵ 2020 baseline of 183,300 tCO₂eq updated following the methodological review to include the specific emission factors of Group suppliers.

Energy consumption - Italy

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) ¹⁶	2021	2022 ¹⁷	Abs. change	Change %
Fuel energy consumption for industrial use	319.3	242.6	(76.7)	(24.0%)
Fuel energy consumption for civil use	46.7	32.4	(14.3)	(30.6%)
Fuel energy consumption for vehicles	137.2	111.5 ¹⁸	(25.7)	(18.7%)
Net electricity consumption for industrial use	56.6	51.7	(4.9)	(8.7%)
Net electricity consumption for civil use	37.1	33.5	(3.6)	(9.7%)
Thermal energy consumption for civil use	0.3	0.3	0	0.0%
	597.2	472.0	(125.2)	(21.0%)

2022 was characterised by a significant decrease in net consumption of total energy, of 125.2 TJ (-21.0% compared to 2021).

Fuel energy consumption for industrial use recorded a decrease in 2022 (-24.0%, from 319.3 TJ to 242.6 TJ), against a lower decrease in the volume of gas distributed (-10.4%¹⁹). This result was achieved thanks to the continuation of the efficiency-boosting measures implemented on the Group's plant fleet, such as the replacement of new boilers and the installation of optimised gas preheating systems and the digitisation of the monitoring and regulation processes, which has allowed for operations under conditions of greater efficiency. The specific consumption of the preheating process (cubic metres of natural gas consumed per preheating per thousand cubic metres of gas injected into the network) in fact decreased across the Group²⁰ from a value of 1.18 to 1.01, or -14.4%.

In relation to fuel energy consumption for civil use, in 2022, there was a decrease of 30.6% compared to the same period of the previous year (from 46.7 TJ to 32.4 TJ), concurrent with a decrease in electricity consumption by 9.7% (from 37.1 TJ to 33.5 TJ). Those decreases are correlated to the ongoing process of optimising and renewing the real estate assets, in addition their "smart" management based on the continuous digitised monitoring of the main parameters of the offices and their consumption (with the resulting improvement in energy performance).

The Group's industrial electricity consumption decreased by 8.7% (from 56.6 TJ to 51.7 TJ), mainly attributable to plant efficiency improvements in the management of water distribution.

¹⁶ This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted.

¹⁷ The 2022 consumption values were calculated using the ISPRA 2022 conversion factors – national standard parameters table – fuels/materials.

¹⁸ In 2022, we were able to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction in private use mileage means a reduction of about 3 million km on an annual basis, which corresponds to a decrease in fuel consumption of 8.5 TJ (from 120.0 to 111.5) and emissions of 1.4 10³ tonnes CO₂ (from 5.9 to 4.5).

¹⁹ The figure of volumes of gas distributed in 2022, in which DEPA Infrastructure is not consolidated, decreased compared to 2021 (-10.4%, from 8,886.6 10⁶ Sm³ to 7,961.3 10⁶ Sm³).

²⁰ Referring to Italgas Reti and Toscana Energia.

Finally, fuel energy consumption for vehicles saw a decrease of 25.7 TJ (-18.7% compared to 2021), slightly less than the reduction in mileage of the Group's car fleet (-20.4%). These changes are mainly due to the optimisation of the car fleet and the progressive digitisation of business processes (online estimate service and the full adoption of Work-on-Site for monitoring construction sites), which overall lead to a significant reduction in the number of field trips by operational staff.

Greenhouse gas emissions - Italy

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 ²¹ (thousand tCO ₂ eq)				
	2021	2022	Change Abs.	Change %
Fugitive gas emissions (Scope 1)	133.4	120.0	(13.4)	(10.0%)
Emissions from gas consumption for industrial use (Scope 1)	18.1	13.8	(4.3)	(23.8%)
Emissions from gas consumption for civil use (Scope 1)	2.6	1.8	(0.8)	(30.8%)
Emissions from fuel consumption for vehicles (Scope 1)	6.4	5.4 ¹⁷	(1.0)	(15.6%)
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.2	0.2	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	160.7	141.2	(19.5)	(12.1%)

The reduction of total emissions of 12.1% in 2022 compared to 2021 is mainly linked to the reduction in fugitive emissions²² of the Italgas Group (-10.0%). This reduction is mainly due to the shortening of the time required to locate and eliminate leaks. The 2022 investigation plan was characterised by a particular focus on the sections of the network with the highest probability of leakage, as well as an increase in the network inspected with CRDS technology, from 72,145 kilometres in 2021 to 76,491 kilometres in 2022²³ (+6.0%).

In 2022, a 15.2% reduction was recorded in emissions per kilometre inspected, from 106.7 Sm³/km in 2021 to 90.5 Sm³/km in 2022. More generally, fugitive emissions amount to 0.087% of total gas distributed (in line with 2021). The Group is applying an innovative model for predictive maintenance of networks that, by combining the technical-operational 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.

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.

²¹ Scope 2 market-based.

²² 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).

²³ For 2022, the network kilometres investigated in a second phase were also accounted for.

In 2022, the Group adopted a new calculation model for supply chain-related Scope 3 emissions. There has been a shift from a spend-based approach to a specific approach using emission factors requested directly from suppliers. The 2020 and 2021 Scope 3 GHG - Supply-chain emissions were recalculated using the new methodology, with 2022 emissions amounting to 137.5 10³ tonnes of CO₂, down 6.6% from the previous year.

Waste - Italy

In 2022, waste from the Group's production activities amounted to 162.4 tonnes; the total value of waste sent for recovery or disposal for the same year amounted to 247.7 tonnes (value including inventories from 2021), 97.9% of which was non-hazardous. 97.6% of the waste produced by the Group was managed for recovery. In 2022, waste produced by the activities of Italgas contractors amounted to 648,576.5 tonnes, with 94.5% of the waste produced being managed for recovery.

Waste	2021	2022	Abs. change	Change %
Group Waste (t)	334.4	162.4	(172)	(51.4%)
Percentage of Group waste sent for recovery (%)	96.7	97.9	(1.2)	(1.2%)
Percentage of Group waste sent for disposal (%)	3.3	2.1	(1.2)	(36.4%)
Waste from contractors (t)	-	648,575.6	-	-
Percentage of contractors' waste sent for recovery (%)	-	94.5	-	-
Percentage of contractors' waste sent for disposal (%)	-	5.5	-	-

Energy consumption and greenhouse gas emissions – Greece

The figures presented below refer to the consolidation period of the Greek companies, from September to December 2022.

Net energy consumption (TJ)	Sept-Dec 2022
Fuel energy consumption for industrial use	1.2
Fuel energy consumption for civil use	0.5
Fuel energy consumption for vehicles	4.5
Net electricity consumption for industrial use	0.4
Net electricity consumption for civil use	2.1
	8.7

Emissions - Greece

Scope 1 and Scope 2 ²⁴ (thousand tCO ₂ eq)	
	Sept-Dec 2022
Fugitive gas emissions (Scope 1) ²⁵	6.29
Emissions from gas consumption for industrial use (Scope 1)	0.07
Emissions from gas consumption for civil use (Scope 1)	0.03
Emissions from fuel consumption for vehicles (Scope 1) ²⁶	0.20
Emissions from electricity consumption for industrial use (Scope 2)	0.05
Emissions from electricity consumption for civil use (Scope 2)	0.26
	9.90

Italgas for the future of people

Diversity and training - Italy

On the topics of Diversity & Inclusion, the Group is constantly renewing its commitment to promoting equal opportunities, improving the inclusion of its people, appreciating the value of diversity and the value of our uniqueness. In particular, the Company promotes female managers to ensure a working environment in which equal opportunities are offered, including in terms of salary. In 2022, there are 24.7 % women in positions of responsibility (22% in 2021) and an overall female presence in the company of 17.8% (16.4% in 2021).

Moreover, with the awareness that the main challenges presented by digital transformation involve people, the Group has planned to continue investing in upskilling and reskilling activities as part of its 2022-2028 Sustainable Value Creation Plan, reaching a target, at the end of the Plan, of 48 hours of training per year per employee, with a specific focus on digital learning. In 2022, a total of 129,700 hours of training were provided (+15.4% compared to 2021), of which 33,155 focused on digitisation-related topics, representing a total per capita value of 35 hours.

²⁴ Scope 2 market-based.

²⁵ The calculation of fugitive emissions for DEPA Infrastructure for the four months of consolidation was carried out using the Picarro 4BINS approach on the EDA Attikis networks inspected with Picarro in 2022 (approximately 410 km), similar to Italgas, and the use of EF derived from the Marcogaz study, for the networks not inspected with Picarro in 2022. In the course of 2023, network inspection with Picarro technology will be implemented on the entire Greek network, similar to what has been done on the Italian networks.

²⁶ Data restated following the adoption on 1 January 2022 of a new methodology for calculating greenhouse gas emissions of fleet vehicles, which considers the type of fuel consumption of bifuel vehicles. The restatement, following fine-tuning, makes it possible to compare the 2021 and 2022 data.

Diversity and training				
	2021	2022	Abs. change	Change %
Women in positions of responsibility (%)	22.0	24.7	2.7	12.3%
Women in the company (%)	16.4	17.8	1.4	18.5%
Total hours of training delivered (h)	112,379	129,700	17,321	15.4%
Of which related to digitisation topics (h)	24,832	33,155	8,323	33.5%

Diversity and training - Greece

Diversity and training	
	2022
Women in positions of responsibility (%)	25.9
Women in the company (%)	32.4
Total hours of training delivered (h) ²⁷	2,696
Of which related to digitisation topics (h)	657

²⁷ The figures refer to the pro-rata values for the consolidation period between September and December 2022 of the total annual training hours.

Main events 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 occurrence of the conditions precedent provided for in the sale and purchase agreement, on 1 September 2022 the transaction for the acquisition by Italgas Newco S.p.A. of 100% of DEPA Infrastructure Single Member S.A. (DEPA Infrastructure) was completed, a company that, at the time of closing, held 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 Single Member S.A. (DEDA), the three main players in Greek gas distribution, which together operate approximately 7,500 kilometres of network and over 600,000 active re-delivery points. On 19 December 2022, DEPA Infrastructure completed the acquisition of the remaining 49% of EDA Thess held by Eni Plenitude Società Benefit S.p.A., thus resulting in the ownership of 100% of EDA Thess.

- 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 4 May 2022, the closing of the operation by which Edison Energia S.p.A. acquired a majority stake in Gaxa, a company which markets and sells natural gas, LPG and propane air for civil use in Sardinia, was finalised. The new shareholding structure of Gaxa is therefore composed of Edison Energia S.p.A. (70%), Italgas (15.56%) and Marguerite Gas IV S.à.r.l. (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.

On 21 December 2021, the closing of the transaction through which Medea S.p.A. acquired 49% of the share capital of Energie Rete Gas S.r.l. was finalised. This transaction was performed in part through the contribution to Energie Rete Gas S.r.l. of assets and activities of Medea relating to the transportation of gas: 63 cryogenic liquefied natural gas (LNG) plants, for a total capacity of 2,350

cubic metres of LNG, and related equipment to serve the active distribution networks in the municipalities under concession to Medea.

- 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.

Following the fulfilment of the conditions precedent set out in the purchase and sale contract, on 13 December 2022 the purchase from the Fiamma 2000 Group of the entire share capital of Janagas S.r.l. by Medea S.p.A. was finalised. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 Group transferred the LPG distribution and sales networks in Sardinia, which will subsequently be converted to natural gas.

- On 29 November 2022, the Municipality of La Spezia contracting authority officially awarded Italgas the tender for the management of the natural gas distribution service in the territorial area of “La Spezia”, which encompasses the regional capital and 32 municipalities of the province. With the awarding of the ATEM, consisting of approximately 110 thousand customers served, Italgas is able to provide continuity in the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments amounting to approximately € 230 million.
- On 22 December 2022, Italgas finalised the transaction for the sale of 10% of the share capital of Italgas Newco S.p.A., the sole shareholder of DEPA Infrastructure, to Phaeton Holding Single Member S.A., a company belonging to the Greek industrial group Copelouzos. The sale of the stake took place at the same implicit valuation of the DEPA Infrastructure share package offered by Italgas in the privatisation.

Innovation, digitisation of the corporate networks and processes

In 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.

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 - Digital Advanced Network Automation) 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.

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.

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, Moody's rating agency confirmed Italgas' long-term credit rating as Baa2, revising the Outlook from stable to negative, reflecting Italgas' exposure to sovereign credit, in consideration of the fact that its activities are mainly concentrated in Italy. The rating action follows Moody's change of outlook from stable to negative for the Italian government's Baa3 debt rating on 5 August 2022. 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, confirming the maximum **nominal amount of € 6.5 billion**, which was subscribed on 26 October 2022.
- On 20 September 2022, the European Investment Bank (EIB) granted Italgas a € 150 million **framework loan** for energy efficiency projects to be implemented in Italy through its subsidiary 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. Subsequently, on 15 December 2022, the European Investment Bank (EIB) loan was disbursed, providing for the payment by Italgas of fixed-rate six-monthly coupons.
- 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**. The rating decision is based on Italgas' positioning within a sector characterised by a stable regulatory framework and its demonstrated ability to generate operating efficiency and meet the investment commitments set out in the Strategic Plan; the outlook reflects Italgas' exposure to pressures associated with the level of Italian sovereign credit.
- On 30 September 2022, DEPA Infrastructure signed a **loan package** (in the form of a bond loan) with a leading Greek bank for a total nominal amount of € 580 million, divided into 3 tranches with maturities of 5, 7 and 12 years respectively. The loan will primarily be used to finance investments envisaged in the infrastructure development plan of DEPA Infrastructure and its subsidiaries in Greece. On 13 December 2022, the provision was released for tranche A of the bond loan necessary to finance the purchase of the remaining 49% of the capital of EDA Thess on 19 December 2022.

- On 29 November 2022, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as **BBB+ with Stable outlook**.

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 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 19 September 2022, the Extraordinary Shareholders' Meeting of Seaside S.p.A. resolved to change the company name to **Geoside S.p.A.**
- On 27 December 2022, Italgas, Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. signed an agreement relating to the shares already held by the Municipality of Florence in Toscana Energia S.p.A. and transferred to Alia Servizi Ambientali S.p.A. The agreement provides that Italgas may exercise a call option on the aforementioned shares if certain conditions governed by the contract are met.

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 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).

On 31 May 2022, the Italgas Group cancelled a total of 239,199 EECs and additionally purchased 148,532 EECs sold short from the GSE at a price of € 10.00/EEC.

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 affiliates 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.

In the November 2022 interim cancellation session, relating to the 2022 mandatory year (1 June 2022 – 31 May 2023), the Italgas Group cancelled a total of 406,875 EECs against an advance payment from the CSEA of € 200.00/EEC, for a total of € 81.4 million.

Legal and Regulatory Framework

- The Council of State, in a ruling of November 2022, in line with the previous ruling of the Regional Administrative Court of Lombardy, rejected the Authority's appeal for the annulment of **Resolutions no. 163/2020/R/gas** and **no. 567/2020/R/gas**. Through these Resolutions, the Authority had, in fact, cancelled the premiums due to the company for safety recoveries concerning 21 distribution plants for odour measurement and the reduction of natural gas leakage for the years 2016 and 2017.
- The Regional Administrative Court of Lombardy, in its ruling of January 2023, upheld the appeal brought by Italgas Reti for the annulment of **Resolutions no. 603/2021/R/com** and **no. 604/2021/R/com**, with which the Authority had imposed communication obligations on distribution companies regarding the two-yearly prescription of electricity and gas consumption.
- In July 2022, the Municipality of Chiavari appealed before the Council of State against the sentence by which the Regional Administrative Court of Liguria, upholding the appeal brought by Italgas Reti, annulled the call for tenders for the assignment of the gas distribution service in the GENOVA 2 Territorial Area. The ruling is currently pending. On 15 February 2023, the Regional Administrative Court of Lombardy issued its ruling on the appeal by which Italgas Reti challenged Resolution no. 570/2019/R/gas. In particular, the Regional Administrative Court upheld the claims relating to:
 - determination of the initial level of operating costs (and, consequently, of the x-factor);
 - alignment of the Beta coefficient for distribution and metering services;
 - non-recognition of interest on the IRMA paid for the early decommissioning of conventional meters;
 - the non-publication of the regulatory impact analysis (RIA) report.
- 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.
- Italgas Reti appealed before the Regional Administrative Court of Lombardy against Resolution **no. 383/2022/R/gas** of 2 August 2022, by which the Authority determined the premiums and penalties relating to the safety recoveries of the natural gas distribution service for the year 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 setting of a date for the hearing is currently pending.

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.

- 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 11 November 2022, the Council of State rejected ARERA's precautionary application relating to the appeal filed by the latter against the rulings with which, 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 hearing on the merits is set for 18 April 2023. At the same time, with an independent appeal dated 10 February 2023, Italgas Reti and Toscana Energia appealed against the notices received from ARERA whereby the latter confirmed the previous measures implicitly denying the TEL (smart metering/remote management) and CON (concentrators) costs relating to the years 2017 and 2018. The setting of a date for the hearing is currently pending.
- In December 2022, Italgas Reti challenged before the Regional Administrative Court of Lombardy **Resolution no. 525/2022/R/gas** containing the *"Provision on the application of the cap on the tariff recognition of investments in start-up locations"* and **Resolution no. 528/2022/R/gas** containing the *"Criteria for the formulation of observations to the calls for tenders for the award of the natural gas distribution service in the locations identified by Article 114-ter of Decree-Law no. 34 of 19 May 2020"*. At present, the next hearing is scheduled for 19 April 2023.
- In December 2022, another operator filed an appeal with the Regional Administrative Court of Liguria requesting the annulment of all tender documents and the counterclaim of the Municipality of La Spezia

to award and grant the concession in its favour, or, alternatively, to pay compensation for the damage suffered, as well as the declaration of ineffectiveness of the service contract that may have been entered into with Italgas Reti, the current winning bidder.

- With its ruling published on 28 December 2022, the Council of State rejected the appeal brought by another operator against the Municipality of Belluno for the annulment of the provisions awarding Italgas Reti the tender in the BELLUNO Area, thus confirming its full legitimacy.
- In 2022, Italgas Reti challenged, by means of an appeal on additional grounds within the appeal already pending before the Regional Administrative Court of Lombardy against Resolution no. 620/2021/R/gas, **Resolution no. 736/2022/R/gas** on "*the updating of tariffs for gas distribution and metering services for the year 2023*" and **Resolution no. 737/2022/R/gas** on "*the infra-period update of the tariff regulation for gas distribution and metering services, for the three-year period 2023-2025. Approval of the RTDG for the three-year period from 2023 to 2025 and amendments to the model network code for the gas distribution service*". The setting of a date for the hearing on the merits is currently pending.
- In December 2022, Italgas Reti brought an action for preventive technical assessment before the Court of Naples, in order to request the admission of a technical expert's report for the purpose of redetermining the amount owed to Italgas Reti by the operator who was awarded the ATEM Naples 1 contract by way of redemption value. At present, we are awaiting the Judge's lifting of the reservation set at the hearing on 10 January 2023.

Significant events after year end

- On 19 January 2023, Italgas presented its 2022-2028 Sustainable Value Creation Plan, "Builders of the Future", to its stakeholders, which was approved by the Company's Board of Directors on 14 December 2022. This Plan defines specific actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates; the document is part of the trajectory already outlined in the 2022-2028 Strategic Plan, which foresees investments of € 8.6 billion.
- On 7 February 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, S&P Global's annual publication that brings together best practices, experiences and success stories of the world's leading companies on sustainability issues. Italgas has also confirmed its leadership position with inclusion in the "Top 1% S&P Global ESG Score" category, reflecting its excellent performance.
This was achieved following the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, out of 7,800 evaluated, were included in the Sustainability Yearbook 2023 on the basis of their ESG scores.
- In February 2023, Italgas Reti challenged **Resolution no. 654/2022/R/com**, by which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022-2027. Following application of the so-called trigger mechanism, envisaged by Article 8 of the TIWACC 2022-2027 for the update to the WACC for the sub-period 2022-2024, the calculation of the WACC deriving from the update to the relevant financial parameters shows a variation in the WACC, for each service, below 50 bps (basis point spread) compared to the current value. The setting of a date for the hearing is currently pending.
- In February 2023, Italgas Reti challenged **Resolution no. 679/2022/R/gas**, by which the Authority redetermined the reference tariffs for natural gas distribution and metering services for the years 2009 to 2021. The setting of a date for the hearing is currently pending.
- On 9 March 2023, 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 499,502 new ordinary shares of the Company to the beneficiaries of said Plan (third cycle of the Plan) and executed the third tranche of the share capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 619,382.48 taken from retained earnings reserves.

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, developing the Greek market.

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. 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) more than 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2022, of € 451.9 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.

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

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

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

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

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

Conference call

At 4 p.m. CET today, a conference call will be held to present the results of 2021 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

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.