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<i>Testo del comunicato</i>

Vedi allegato.

ITALGAS: CONSOLIDATED RESULTS AS OF 31 DECEMBER 2021 APPROVED

THE BOARD OF DIRECTORS HAS CONVENED THE SHAREHOLDERS' MEETING FOR 26 APRIL 2022

Milan, 10 March 2022 - Italgas' Board of Directors, chaired by Alberto Dell'Acqua, met yesterday and approved the results as of 31 December 2021 and resolved to propose to the Shareholders' Meeting the distribution of a dividend of € 0.295 per share (+6.5% compared to 2020).

Key figures

Economic and financial highlights¹

- Adjusted total revenues: € 1,370.8 million (+2.8%)
- Adjusted EBITDA: € 1,008.9 million (+4.1%)
- Adjusted EBIT: € 583.2 million (+6.2%)
- Adjusted net profit²: € 367.7 million (+6.0% compared to the 2020 restated result)
- Technical investments: € 865.1 million (+11.5%)
- Cash flow from operating activities: € 831.9 million (€ 746.6 million in 2020)
- Net financial debt³ € 4,980.0 million; € 4,910.0 million excluding the effects of IFRS 16

Sustainability highlights

- 160.7 10³ tCO₂e Scope 1 and 2, -7.3% on 2020
- Volumes of gas distributed: 8,886.68 million cubic metres, +4.8% on 2020
- 0.067 energy intensity⁴, -4.3% on 2020
- Gas leakage rate⁵: 0.087% -13.0% on 2020
- Fugitive emissions/km network: 106.7 -10.3% on 2020
- Grams of pollutants per km travelled by the car fleet: 0.081 gNO_x (in line with 2020), 0.0003 grams particulate (-18.3% on 2020)

¹ For the economic and financial analyses for the financial year 2021, the company considered it more representative to comment on the adjusted results, i.e. the recurring results, comparing them with the adjusted recurring results for the financial year 2020.

² Adjusted net profit refers to the adjusted amount attributable to the Italgas Group, net of the portion attributable to minority interests.

³ As of 31 December 2021, the net financial debt shown in the directors' report did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatrà, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

⁴ Calculated as the ratio of total Group energy consumption and gas distributed.

⁵ Volume of fugitive emissions of natural gas/volume of gas distributed.

- Employee and contractors accident frequency index⁶: 1.07 (compared with 1.41 in 2020)
- 22% women in positions of responsibility, as compared with 16.7% in 2020
- 16.4% women in the company, as compared with 15.1% in 2020
- 112,379 total hours of training provided (+48.0% on 2020), of which 24,832 for topics relating to digitisation

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 1,898
- Number of active meters: 7.757 million
- Gas distribution network: around 74,400 Km

In a context of substantial economic recovery, albeit partly limited by the ongoing health emergency and the hike in energy prices, the Italgas Group's performance confirms the constant growth trend initiated with the return to the stock exchange in November 2016. The financial year 2021 presents extremely positive results with reference to all the main economic and financial indicators, combined moreover with the significant progress reported aimed at achieving the ESG targets established in the 2021-2027 Strategic Plan.

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

The € 865.1 millions of investments carried out in the period (+11.5% compared to 31 December 2020) bear witness to this. These investments are devoted primarily to the digital transformation of assets and processes, the methanisation of Sardinia and the repurposing of the networks to enable them to distribute renewable gases (biomethane immediately and, in the medium term, green hydrogen and synthetic methane).

In 2021, 732 km of new pipes were laid, of which 91 km in Sardinia, where the construction of fully-digital new networks continued, including through the installation and commissioning of 50 new LNG storage plants, reaching a total length of approximately 900 km out of a total of around 1,100 km to be developed: at end 2021, a total of 3,891 redelivery points on the island are serviced with natural gas.

Cash generation has also increased considerably, with cash flow from operating activities at end 2021 totalling € 831.9 million.

⁶ Frequency index: number of accidents recorded / million hours worked

The net financial position⁷ as of 31 December 2021 was € 4,980.0 million (€ 4,736.5 million as of 31 December 2020). The net financial position⁴ amounted to € 4,910.0 million (€ 4,660.2 million as of 31 December 2020), net of financial liabilities pursuant to IFRS 16 of € 70.0 million (€ 76.3 million as of 31 December 2020).

The adjusted EBITDA at the end of 2021 amounted to € 1,008.9 million (+4.1% compared to 31 December 2020) and adjusted net profit attributable to the Group was € 367.7 million (+6.0% compared to 31 December 2020).

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

⁷ As of 31 December 2021, the net financial debt shown in the directors' report did not consider liabilities for € 5.6 million due to Concoop, consisting of shareholder loans disbursed by it to Isgastrentatrè, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

Paolo Gallo, CEO of Italgas, commented:

In 2021, which saw the first significant signs of economic recovery, albeit influenced by the ongoing health emergency and the strong tensions around the costs of raw materials, Italgas was confirmed as one of Italy's most solid industrial companies.

For the twentieth consecutive quarter since the return to the stock exchange, we recorded growth in all economic indicators, in particular the adjusted EBITDA which increased by 4.1%, surpassing € 1 billion, and the adjusted Net Profit, which at +6% came to € 367.7 million. Investments, which reached a record € 865 million, grew by 11.5% compared to the previous year and at the same time continued to be a strategic leverage in continuing the digital transformation of the network and an important contribution for the relaunch of the Italian economy.

Digitising as widespread an infrastructure as our distribution network not only corresponds to valorize an asset of the country and becoming a global benchmark for the sector; it also means ensuring that the gas networks have a central role in the ecological transition as an asset that, with a view of sector coupling, is able to guarantee efficiency and flexibility to Italy's entire energy system and a greater diversification of sources through the progressive introduction of renewable gases like biomethane and hydrogen.

This same logic is applied to the commitment in Greece, where the acquisition of DEPA Infrastructure signed last December will allow us to work alongside the Greek government to phase out carbon and lignite and to encourage the achievement of EU net zero targets.

Technological innovation continues to be the main driver of the Italgas Group's significant development alongside attention to people as shown by the growth in the percentage of the women working in the Group and in managerial positions, and the strong drive on training, which saw a major increase in the number of training hours delivered, also with a specific focus on digitisation.

Italgas group structure as of 31 December 2021

The structure of the Italgas Group as of 31 December 2021 has changed from how it was at 31 December 2020, due to the merger of Toscana Energia Green into Seaside, the establishment of Bludigit, the total acquisition of the capital of the company Isgastrentatré, followed by its incorporation into Medea and the acquisition of the total capital of the company Fratelli Ceresa, by Seaside.

Economic and financial highlights

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

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

Reclassified income statement

(€ million)	2020	2020(**) restated	2021	Abs. change	Change %
Gas distribution regulated revenue	1,394.3	1,394.3	1,294.5	(99.8)	(7.2)
<i>of which distribution revenue</i>	<i>1,183.7</i>	<i>1,183.7</i>	<i>1,200.1</i>	<i>16.4</i>	<i>1.4</i>
<i>of which Other distribution revenue</i>	<i>102.2</i>	<i>102.2</i>	<i>94.4</i>	<i>(7.8)</i>	<i>(7.6)</i>
<i>of which special items</i>	<i>108.4</i>	<i>108.4</i>	-	<i>(108.4)</i>	-
Adjusted gas distribution regulated revenue	1,285.9	1,285.9	1,294.5	8.6	0.7
Other revenues	47.9	47.9	76.3	28.4	59.3
Total revenues (*)	1,442.2	1,442.2	1,370.8	(71.4)	(5.0)
Adjusted total revenues	1,333.8	1,333.8	1,370.8	37.0	2.8
Operating costs	(414.3)	(416.1)	(361.9)	54.2	(13.0)
<i>of which special items</i>	<i>(51.9)</i>	<i>(51.9)</i>	-	<i>51.9</i>	-
Adjusted operating costs	(362.4)	(364.2)	(361.9)	2.3	(0.6)
EBITDA	1,027.9	1,026.1	1,008.9	(17.2)	(1.7)
Adjusted EBITDA	971.4	969.6	1,008.9	39.3	4.1
Amortisation, depreciation and impairment	(424.6)	(420.5)	(425.7)	(5.2)	1.2
EBIT	603.3	605.6	583.2	(22.4)	(3.7)
Adjusted EBIT	546.8	549.1	583.2	34.1	6.2
Net financial expense	(49.2)	(49.2)	(60.4)	(11.2)	22.8
<i>of which special items</i>	-	-	<i>(6.4)</i>	<i>(6.4)</i>	-
Adjusted net financial expense	(49.2)	(49.2)	(54.0)	(4.8)	9.8
Net income from equity investments	1.5	1.5	2.5	1.0	66.7
Gross profit	555.6	557.9	525.3	(32.6)	(5.8)
Adjusted gross profit	499.1	501.4	531.7	30.3	6.0
Income taxes	(152.0)	(152.7)	(141.9)	10.8	(7.1)
<i>taxation related to special items</i>	<i>(16.9)</i>	<i>(16.9)</i>	<i>1.5</i>	<i>18.4</i>	-
Adjusted income taxes	(135.1)	(135.8)	(143.4)	(7.6)	5.6
Net profit	403.6	405.2	383.4	(21.8)	(5.4)
Net profit attributable to the Group	383.0	384.6	362.8	(21.8)	(5.7)
Net profit attributable to minority shareholders	20.6	20.6	20.6	0.0	0.0
Adjusted net profit	364.0	365.6	388.3	22.7	6.2
Adjusted net profit attributable to the Group	345.4	347.0	367.7	20.7	6.0
Adjusted net profit attributable to minority interests	18.6	18.6	20.6	2.0	10.8

(*) 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 € 668.7 million respectively in 2021 and 2020), connection contributions (€ 19.6 and € 19.5 million respectively in 2021 and 2020) and other residual components (€ 0.8 and € 3.4 million respectively in 2021 and 2020).

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group

retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (€ -1.8 million), Amortisation, depreciation and impairment (€ +4.1 million) and Income taxes (€ -0.7 million) were adjusted as of 31 December 2020.

Adjusted **total revenues** for 2021 amounted to € 1,370.8 million, up by around € 37.0 million compared to 2020 (+2.8%).

Gas distribution regulated revenues increased by € 8.6 million compared to the same period of 2020 due to an increase in revenues from transmission (€ 16.4 million) offset by a reduction in other distribution revenues (€ -7.8 million).

The increase in **distribution revenue** (€ 16.4 million), attributable to the increase in the RAB (€ 21.0 million), the effect of the deflator (€ 5.4 million), the contribution of the new Sardinian networks (€ 8.1 million) and other regulation components (€ 4.8 million) was partially offset by the application of the X-factor according to the terms of ARERA Resolution 570/2019 (€ -7.9 million). Lastly, minor positive tariff adjustments were recorded compared to the previous financial year (€ -15.0 million).

The reduction in **other regulated revenues** (€ 7.8 million) is mainly linked to the lesser contribution pursuant to Art. 57 of ARERA Resolution no. 367/14, as amended, relative to the replacement of traditional meters with electronic ones (€ 13.9 million as of 31 December 2021; € 30.2 million as of 31 December 2020), partially offset by higher revenues from services to customers (€ 8.5 million), up compared to financial year 2020 (strongly impacted by the restrictive measures brought by the COVID-19 emergency).

Other revenues amounted to € 76.3 million as of 31 December 2021. The increase of € 28.4 million compared to the same period in 2020 is essentially linked to the increase in the field of energy efficiency (€ 28.1 million) and revenues from the sale of natural gas and LPG (€ 3.3 million), net of lower revenues linked to various activities.

Adjusted operating costs amounted to € 361.9 million. Compared with the same period in 2020, these have dropped by € 2.3 million due to the result of lesser i) net personnel costs (€ 6.3 million), ii) net costs in connection with Energy Efficiency Certificates (€ 7.2 million), iii) other costs and provisions (€ 2.6 million) and iv) net external costs of gas distribution (€ 14.7 million), partly offset by greater v) net external costs for energy efficiency and marketing of methane and other gases in Sardinia (€ 26.9 million) and vi) concession charges (€ 1.6 million).

Amortisation, depreciation and impairment (€ 425.7 million) increased by € 5.2 million (+1.2% compared to 2020), due mainly to the investments made in the previous financial year, offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 1.5 in 2021; € 17.7 million in 2020).

Adjusted operating profit (adjusted EBIT), net of non-recurring items, achieved in financial year 2021, amounted to € 583.2 million, with an increase of € 34.1 million compared to 2020 (+6.2%)

due to higher adjusted total revenues (€ 37.0 million; +2.8%), lower adjusted operating costs (€ -2.3 million; -0.6%), partially offset by higher amortisation, depreciation and impairment (€ 5.2 million; +1.2%).

Adjusted net financial expense, i.e. net of the accounting effects of the bond buyback finalised in February 2021 (€ 6.4 million), amounted to € 54.0 million in 2021, up by € 4.8 million on FY 2020, mainly due to i) lesser other net financial income for € 3.4 million and ii) higher upfront fees connected with the 2021 bond issue for € 1.5 million.

Net income from equity investments, of € 2.5 million in 2021, increased by € 1.0 million on FY 2020, mainly due to the contribution made by affiliates, measured using the equity method.

Income taxes came to € 141.9 million, down € 10.8 million compared to the same value of the previous year, essentially as a consequence of the lower period taxable income. Note that the higher taxable income for financial year 2020 was determined by special items relative to the higher revenues associated with the Art. 57 contribution relative to the replacement of traditional meters with electric ones due to the change in methodology compared to previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas, net of provisions for staff leaving incentives and recovery of metering instruments.

The **tax rate** was 27.0% (27.4% in 2020).

The **adjusted net profit** for the 2021 financial year amounted to € 388.3 million, up by € 22.7 million, or +6.2%, compared to the net profit for 2020.

Adjusted net profit attributable to the Group amounted to € 367.7 million, up compared to the 2020 financial year (€ 20.7 million, +6.0%). Compared to the 2020 financial year in the "not-restated" formulation, **adjusted net profit attributable to the Group** increased by €22.3 million (+6.5%).

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 indicators⁶⁰ 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.

⁶⁰ For the definition of alternative performance indicators, reference should be made to the chapter "Non-GAAP Measures" in this report.

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 2021 referred to:

- 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 was € 4.9 million in terms of lower expenses.

The income components classed among special items in 2020 referred to:

- higher revenues associated with the contribution pursuant to Article 57 relating to the replacement of traditional meters with electronic smart meters due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas, for a total of € 108.4 million;
- costs for staff leaving incentives incurred in the financial year and the provision for staff leaving incentives for a total amount of € 13.0 million;
- the provision for the repair of faulty meters, amounting to € 38.5 million, determined on the basis of faulty meters detected on the field as of 31 December 2020, estimated faults for the 2021-2026 period and agreements with the suppliers;
- expenses associated with the 2019-2021 co-investment plan, due to the adjustment of the number of rights assigned, amounting to € 0.4 million;

With reference to the higher revenues pursuant to Article 57, the company recorded the impacts in the financial statements by virtue of DCO no. 545/2020/R/gas, whereby the Authority announced its intention to amend the RTDG 2020-2025, proposing that disposals relating to meters up to class G6 be determined using the so-called regulatory FIFO method and that this criterion be extended to the disposals of traditional meters higher than class G6, thereby making the criterion for determining residual depreciation uniform for all meters disposed of under the Directives.

The greater contribution is also made up of the amount for the recovery of non-depreciation (so-called "IRMA") relating to meters class G6 or lower replaced with the smart meters introduced by Resolution no. 570/2019/R/gas.

(€ million)	2020	2021
Total revenue	1,442.2	1,370.8
<i>Excluding special items</i>	(108.4)	-
Adjusted total revenues	1,333.8	1,370.8
Total operating costs	(416.1)	(361.9)
<i>Excluding special items</i>	51.9	-
Adjusted total operating costs	(364.2)	(361.9)
EBITDA	1,026.1	1,008.9
<i>Excluding special items</i>	(56.5)	-
Adjusted EBITDA	969.6	1,008.9
EBIT	605.6	583.2
<i>Excluding special items</i>	(56.5)	-
Adjusted EBIT	549.1	583.2
Net financial expense	(49.2)	(60.4)
<i>Excluding special items</i>	-	6.4
Adjusted net financial expense	(49.2)	(54.0)
Net income from equity investments	1.5	2.5
Gross profit	557.9	525.3
<i>Excluding special items</i>	(56.5)	6.4
Adjusted gross profit	501.4	531.7
Income taxes	(152.7)	(141.9)
<i>Excluding special items</i>	16.9	(1.5)
Net profit (loss)	405.2	383.4
Net profit (loss) attributable to minority interests	20.6	20.6
Net profit (loss) attributable to the Group	384.6	362.8
<i>Excluding special items</i>		
- revenues pursuant to Article 57 (*)	(77.2)	-
- financial expense from bond buyback (*)	-	4.9
- expense for staff leaving incentives (*)	9.7	-
- provision for faulty meters (*)	27.6	-
- co-investment plans (*)	0.3	-
Adjusted net profit (loss)	365.6	388.3
Adjusted net profit (loss) attributable to minority interests	18.6	20.6
Adjusted net profit (loss) attributable to the Group	347.0	367.7

Reclassified Statement of Financial Position

The reclassified statement of financial position for Italgas as of 31 December 2021 compared with that as of 31 December 2020 is summarised below:

(€ million)	31.12.2020(**)	31.12.2021	Abs. change
Fixed capital (*)	6,707.2	7,106.2	399.0
Property, plant and equipment	369.9	372.1	2.2
Intangible assets	6,511.5	6,938.1	426.6
Equity investments	34.2	35.1	0.9
Financial receivables and securities instrumental to operations	0.2	2.8	2.6
Net payables for investments	(208.6)	(241.9)	(33.3)
Net working capital	111.2	109.7	(1.5)
Provisions for employee benefits	(104.6)	(95.6)	9.0
Assets held for sale and directly related liabilities	0.1	2.2	2.1
NET INVESTED CAPITAL	6,713.9	7,122.5	408.6
Shareholders' equity	1,977.4	2,142.5	165.1
- attributable to the Italgas Group	1,737.4	1,891.4	154.0
- attributable to minority shareholders	240.0	251.1	11.1
Net financial debt (***)	4,736.5	4,980.0	243.5
HEDGING	6,713.9	7,122.5	408.6

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

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.

(***) At 31 December 2021, the item did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatrà, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

The **net invested capital** at 31 December 2021 amounted to € 7,122.5 million and consists of the items outlined below.

The **fixed capital** (€ 7,106.2 million) increased by € 399.0 million compared to 31 December 2020, mainly due to the increase in tangible and intangible assets (€ 428.8 million), net of the increase in net payables related to investments (€ 33.3 million).

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 2020	369.9	6,332.7	178.8	6,881.4
Investments	45.7	774.0	45.4	865.1
- of which IFRS 16	14.9	-	-	14.9
Amortisation, depreciation and impairment	(39.1)	(344.5)	(42.1)	(425.7)
- of which D&A pursuant to IFRS 16	(22.9)	-	-	(22.9)
Acquisition of companies and business units	0.4	26.9	20.1	47.4
Contributions received	-	(40.9)	-	(40.9)
Disposals and sales	(3.9)	(12.8)	(0.7)	(17.4)
Other changes	(0.9)	(3.4)	4.6	0.3
Balance at 31 December 2021	372.1	6,732.0	206.1	7,310.2

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the item relating to intangible assets (-€ 5.1 million) was adjusted as of 31 December 2020.

The acquisition of companies and business units item includes the effect of the purchases of assets of the Olevano sul Tusciano concession (€ 1.8 million), of the companies Fratelli Ceresa (€ 20.3 million) and Isgastrentatrè (€ 25.3 million).

Disposals and sales mainly include the effect of sales of real estate (€ 3.9 million) and the removal of meters showing anomalies (€ 9.4 million).

Equity investments (€ 35.1 million) refer mainly to the companies Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano, Enerpaper and Reti Distribuzione.

Consolidated **net working capital** at 31 December 2021 amounts to € 109.7 million and is broken down as follows:

(€ million)	31.12.2020	31.12.2021	Abs. change
Trade receivables	462.2	388.6	(73.6)
Inventories	101.2	105.3	4.1
Tax receivables	64.4	71.6	7.2
Accruals and deferrals from regulated activities	202.8	115.8	(87.0)
Other assets	148.3	186.4	38.1
Trade payables	(303.0)	(300.9)	2.1
Provisions for risks and charges	(202.6)	(159.5)	43.1
Deferred tax liabilities	(55.2)	(50.8)	4.4
Tax payables	(43.5)	(12.1)	31.4

Other liabilities	(263.4)	(234.7)	28.7
	111.2	109.7	(1.5)

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the balance sheet items, the item relating to tax payables (-€ 1.5 million) was adjusted as of 31 December 2020.

Compared to 31 December 2020, **net working capital** fell by € 1.5 million due to: i) lower trade receivables (€ 73.6 million), mainly linked to the reduction of receivables due from the sales companies and the equalisation balance to CSEA; ii) an increase in inventories (€ 4.1 million) predominantly in relation to gas meters; iii) a decrease in net tax liabilities (€ 43.0 million) due mainly to the lower period taxable income; iv) a decrease in accruals and deferrals from regulated activities (€ 87.0 million); v) an increase in other assets (€ 38.1 million) mainly relating to the accessory billing components and receivables due from CSEA for safety incentives; vi) a decrease in trade payables (€ 2.1 million) relating to the equalisation balance due to CSEA; vii) a decrease in provisions for risks and charges (€ 43.1 million), mainly linked to the reduction of the environmental remediation provision (€ 25.5 million) and use of the provision for risks for operational restoration of metering instruments (€ 14.1 million); viii) a decrease in other liabilities for the period (€ 28.7 million), mainly for the accessory billing components, partly offset by the increase in payables for concession fees due to Municipalities.

Note that the Company has finalised factoring agreements with financial counterparties on the basis of which the Company's receivables can be factored without recourse. In particular, transactions were completed for a total of € 306.2 million (2020: €356.2 million) the factoring of receivables related to: i) trade receivables relating to distribution due on 31 December 2021 for € 66.6 million, ii) receivables due from CSEA for a total of € 182.9 million (additional components of € 44.3 million, cancellation of Energy Efficiency Certificates for € 37.9 million and contribution pursuant to Article 57 of ARERA Resolution no. 367/14 as subsequently amended and supplemented for € 100.7 million) and iii) other receivables for a total of € 56.7 million (tax, public grants).

Net financial debt

(€ million)	31.12.2020	31.12.2021	Abs. change
Financial and bond debt	5,405.1	6,376.9	971.8
Short-term financial debt (*)	677.7	571.6	(106.1)
Long-term financial debt	4,651.1	5,735.3	1,084.2
Finance lease payables - IFRS 16	76.3	70.0	(6.3)
Financial receivables and cash and cash equivalents	(668.6)	(1,396.9)	(728.3)
Cash and cash equivalents	(663.5)	(1,391.8)	(728.3)
Financial receivables	(5.0)	(5.0)	-
Securities not instrumental to operations	(0.1)	(0.1)	-
Net financial debt (**)	4,736.5	4,980.0	243.5
Finance lease payables - IFRS 16	76.3	70.0	(6.3)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,660.2	4,910.0	249.8

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

(**) At 31 December 2021, the item did not consider liabilities for € 5.6 million due to Conscoop, consisting of shareholder loans disbursed by it to Isgastrentatère, later incorporated into Medea, insofar as they were considered part of the deferred purchase price settlement.

Net financial debt as of 31 December 2021 amounted to € 4,980.0 million, up by € 243.5 million compared to 31 December 2020. Excluding the effects deriving from the application of IFRS 16, (€ 70.0 million), the net financial debt came to € 4,910.0 million (€ 4,660.2 million at the end of 2020).

Gross financial and bond debt as of 31 December 2021, amounting to € 6,376.9 million (€ 5,405.1 million as of 31 December 2020), relates to bonds (€ 4,591.5 million), loan agreements concerning European Investment Bank (EIB) funding (€ 828.1 million), liabilities pursuant to IFRS 16 (€ 70.0 million) and bank loans (€ 887.3 million).

Cash, amounting to € 1,391.8 million, up by € 728.3 million compared to 31 December 2020, is held in current accounts immediately available with leading banks. The increase mainly stems from the funding generated by the bond issued in February 2021, with the aim of anticipating future financial needs.

The breakdown of gross financial debt by type of interest rate as of 31 December 2021 is as follows:

(€ million)	31.12.2020	%	31.12.2021	%
Fixed rate	4,676.3	86.5	5,910.9	92.7
Floating rate	728.8	13.5	466.0	7.3
Gross financial debt	5,405.1	100.0	6,376.9	100.0

Fixed-rate financial liabilities amounted to € 5,910.9 million and mainly refer to bonds (€ 4,591.5 million), EIB loans (€ 712.4 million), bank loans (€ 537.0 million) and financial liabilities pursuant to IFRS 16 (€ 70.0 million).

Fixed-rate financial liabilities increased by € 1,234.6 million compared to 31 December 2020, primarily due to the “dual-tranche” bond issue maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buyback of bonds maturing in January 2022 and March 2024, for a total of € 255.7 million and the October 2021 subscription of two bank loans for a total of € 500.0 million, with a term of 3 years at zero rate. In view of the net liquidity from the "dual-tranche" bond issue, on 12 March 2021 Italgas cancelled the “Revolving Credit Facility” of € 500 million, maturing in October 2021 and completely unused.

Floating-rate financial liabilities were down by € 262.8 million due to the decreased use of bank credit lines, also thanks to the greater liquid funds available.

As of 31 December 2021, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for nominal € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As of 31 December 2021 these commitments appear to have been respected.

Reclassified Statement of Cash Flows

(€ million)	2020 (**)	2021
Net profit	405.2	383.4
<i>Correction:</i>		
- Depreciation and amortisation and other non-monetary components	428.3	426.6
- Net capital losses (capital gains) on asset sales and eliminations	(1.1)	3.6
- Interest and income taxes	201.2	203.6
Change in working capital due to operating activities	(110.8)	76.5
Dividends, interest and income taxes collected (paid)	(176.2)	(261.8)
Cash flow from operations (*)	746.6	831.9
Technical investments	(741.8)	(809.3)
Other changes related to investment activities	(5.2)	14.6
Divestments and other changes	2.0	12.5
Free cash flow before M&A transactions	1.6	49.7
Companies included in the scope of consolidation	(4.4)	(22.1)
Acquisition of business units and plants	(9.7)	(1.7)
Free cash flow	(12.5)	25.9
Change in short- and long-term financial debt and financial receivables	657.3	955.7
Reimbursements of financial liabilities for leased assets	(24.1)	(21.5)
Capital contribution from third parties	-	11.3
Equity cash flow	(211.4)	(243.1)
Net cash flow for the year	409.3	728.3

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

(**) Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (€ -1.8 million), Amortisation, depreciation and impairment (€ +4.1 million) and Income taxes (€ -1.5 million) were adjusted as of 31 December 2020.

Change in net financial debt

(€ million)	2020 (**)	2021
Free cash flow before M&A transactions	1.6	49.7
Change due to acquisitions of equity investments, business units and assets	(14.1)	(42.2)
Increase in finance lease payables	(25.7)	(15.2)
Equity cash flow	(211.4)	(243.1)
Capital contribution from third parties	-	11.3
Other changes (Difference between interest accounted for and paid)	-	(4.0)
Change in net financial debt	(249.6)	(243.5)

The cash flow from operating activities at 31 December 2021 amounted to € 831.9 million, with an increase of € 85.3 million compared to the previous year (+11.4%). In view of the flow from net investments, totalling € 782.2 million, the company generated a free cash flow before M&A

transactions of € 49.7 million. As of 31 December 2021, the cash outflow from M&A transactions amounted to € 23.8 million, bringing the free cash flow to € 25.9 million.

Taking into account payment of the dividend for € 243.1 million, net financial debt increased by € 243.5 million.

Key operating figures

Investments

Technical investments were made in 2021 for a total of € 865.1 million, up by 11.5% compared to 2020 (€ 775.7 million), of which € 14.9 million due to the adoption of IFRS 16.

(€ million)	2020	2021	Abs. change	Change %
Distribution	569.0	718.3	149.3	26.2
Network maintenance and development	455.8	604.4	148.6	32.6
- of which digitisation	84.9	146.7	61.8	72.8
New networks	113.1	113.9	0.8	0.7
- of which Sardinia	100.7	95.0	(5.7)	(5.7)
Metering	119.0	76.5	(42.5)	(35.7)
Other investments	87.7	70.3	(17.4)	(19.8)
- of which Real Estate	41.7	24.0	(17.7)	(42.4)
- of which ICT	25.4	27.5	2.1	8.3
- of which due to the effect of IFRS 16	26.5	14.9	(11.6)	(43.8)
	775.7	865.1	89.4	11.5

Up until 31 December 2020, the Group capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, the Group retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the details of the Investment items, the corresponding investment item (€ -1.8 million) was adjusted accordingly as of 31 December 2020.

Distribution investments (€ 718.3 million, up +26.2% compared to 2020) refer to initiatives for the development, maintenance and repurposing of the network as well as for the construction of new gas distribution networks, which involved the installation of a total of 732 km of pipeline. In 2021 a further 91 km of new network was constructed in Sardinia, bringing the total installed networks to 897 km, and a total of 53 LNG storage plants were installed, of which 50 were operative at 31 December 2021.

Investments in digitisation (€ 146.7 million, up +72.8%) 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 (€ 76.5 million, -35.7% compared to 2020) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In 2021, the Company installed 821 thousand new meters, of which 339 thousand to replace traditional G4/G6 meters, 468 thousand for the repair of digital meters with anomalies

and 14 thousand to replace large-caliber meters. At 31 December 2021⁸, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (91.7% of the total number of meters and practically all active meters).

Key operating figures – Italgas Group

	2020	2021	Abs. change	Change %
Active meters (millions)	7.595	7.604	0.009	0.1
Installed meters (millions)	8.515	8.563	0.048	0.6
Municipalities with gas distribution concessions (no.)	1,826.0	1,837.0	11.0	0.6
Municipalities with gas distribution concessions in operation (no.)	1,743.0	1,761.0	18.0	1.0
Distribution network (kilometres)	71,184.8	72,503.1	1,318.3	1.9
Gas distributed (million cubic metres)	8,477.0	8,886.7	409.7	4.8

Key operating figures – Italgas Group and affiliates

	2020	2021	Abs. change	Change %
Active meters (millions)	7.749	7.757	0.009	0.1
Installed meters (millions)	8.684	8.733	0.049	0.6
Municipalities with gas distribution concessions (no.)	1,887.0	1,898.0	11.0	0.6
Municipalities with gas distribution concessions in operation (no.)	1,804.0	1,822.0	18.0	1.0
Distribution network (kilometres)	73,057.8	74,396.6	1,338.8	1.8
Gas distributed (million cubic metres)	8,727.4	9,194.1	466.7	5.3

⁸ Also taking into account the affiliates, over which Italgas does not exercise control, 869 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 31 December 2021 to 7.9 million (90.8% of the total number of meters and practically all active meters).

Sustainability - the path to decarbonisation

The Sustainability Plan and Strategic Plan

Gas networks will play a key role in the energy transition towards meeting the EU's target of "net zero carbon" by 2050, thanks to their widespread nature, flexibility and penetration. In this scenario, infrastructure digitisation is the enabler that allows the entire distribution network to be, as well as digital, smart and flexible, able to receive and manage different gases, such as biomethane, green hydrogen and synthetic natural gases.

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

- infrastructure digitisation, for smart and dynamic management of the network for the distribution of gas blend, increasingly characterised by the presence of renewable and zero-carbon gases;
- boosting of the circular economy, in particular by providing a stimulus to the biomethane sector;
- testing and implementation of technologies that will make new renewable gases available in the distribution networks;
- diversification of the business portfolio, extending digital management of the infrastructure to the water sector and accelerating energy efficiency measures in the civil sector.

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

The sustainability targets set for 2027 aim to reduce CO₂ emissions and energy consumption, putting the Italgas Group ahead of the EU targets for 2030: thanks to the digital transformation of the network and innovative technologies – from CRDS (Cavity Ring-Down Spectroscopy), a cutting-edge technology in the gas network monitoring field, designed and developed by US company Picarro Inc., of which Italgas has recently become a shareholder, to Seaside's know-how – Italgas estimates that by 2027 it will have reduced its greenhouse gas emissions (Scope 1 and Scope 2) by 30%, and its energy consumption by 25%, both compared to 2020 levels⁹.

The Italgas Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to various initiatives developed in synergy with the company Seaside, aimed at

⁹With the same scope, excluding any changes following M&As and ATEM tenders.

industrial and civil energy efficiency, training activities on energy efficiency for its employees, and the fine-tuning of a predictive maintenance plan on the gas networks.

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

Sustainability is also at the centre of vehicle management, through new even more challenging initiatives such as the introduction of hybrid vehicles (electric-petrol) among the cars for mixed personal/business use as well as operations vehicles and the consequent installation of charging points at the company offices.

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

Energy consumption

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

Net energy consumption (TJ)	2020	2021	Change Abs.	Change %
Fuel energy consumption for industrial use	322.5	319.3	(3.2)	(1.0)
Fuel energy consumption for civil use	45.5	46.7	1.2	2.6
Fuel energy consumption for vehicles	123.0	137.2	14.2	11.5
Net electricity consumption for industrial use	56.8	56.6	(0.2)	(0.4)
Net electricity consumption for civil use	44.0	37.1	(6.9)	(15.7)
Thermal energy consumption for civil use	0.3	0.3	0	0.0
	592.1	597.2	5.1	0.9

In 2021, energy consumption was 597.2 TJ. The figure has increased slightly since 2020 (+ 5.1 TJ, corresponding to +0.9%).

Thanks to energy optimisation and efficiency measures, fuel energy consumption for industrial use decreased between 2020 and 2021 (-1.0%, from 322.5 TJ to 319.3 TJ), despite an increase in the volume of gas injected into the network. The specific consumption of the preheating process of the Italgas Reti and Toscana Energia plants (consumption of natural gas for preheating per 1,000 Sm³ of gas injected into the network, therefore expressed in Sm³

preheating/10³ Sm³ gas injected into the network) actually decreased, from 1.30 to 1.18 or -9.2%. The specific consumption of Medea (consumption of LPG for preheating per 1,000 Sm³ of LPG injected into the network, therefore expressed in Sm³/10³Sm³ LPG injected into the network) also improved by 3.5%, decreasing from 18.23 in 2020 to 17.59.

In relation to fuel energy consumption for civil use, the trend in 2021 was in line with the previous financial year (+1.2 TJ compared to 2020, or +2.6%), thanks to an even more careful management of the offices in a year characterised by the intermittent presence of personnel due to the continuing pandemic, the technological updating of the buildings and a wide range of projects for monitoring the consumption and temperatures of the offices. It is indeed important to note how the consumption of methane gas for civil use is substantially aligned with 2020, despite the increase in the available surfaces and the contextual functioning, albeit limited over time, of the buildings that were then decommissioned. Indeed, the Group activated a renewal and reorganisation plan for the real estate assets, which comprises the development and rationalisation of the properties in line with the evolution of the business and the operating models.

Moreover, though fuel energy consumption for vehicles recorded an increase of 14.2 TJ (+11.5% compared to 2020), in 2021 as a whole, 13.1% more kilometres were travelled than the previous financial year, equal to around 42.8 million kilometres. Despite the increase in mileage and the activities in the territory, petrol consumption decreased: this result was achieved by further improving the percentage of use of bifuel vehicles, which rose from 86% of km travelled by methane in 2020 to 92% in 2021.

With reference to electricity consumption for civil use (-15.7% compared to 2020), the sharp decrease recorded is attributable to improved efficiency in the use of the Group's offices, partly due to the reorganisation of management in response to the pandemic.

Similar to civil consumption, the Group's industrial electricity consumption also decreased in 2021 (-0.4% compared to 2020), a reduction mainly attributable to various efficiency measures, achieved despite the installation of new Final Digitised Reduction Groups (GRFDs), which generated additional consumption of 132 MWh.

In order to provide a basic indication of the quantity of energy used to supply 10⁶Sm³ of gas, the following energy intensity indicator is provided, calculating by comparing the total energy consumption of the Group with the gas distributed.

Energy intensity	2020	2021	Change Abs.	Change %
Global energy intensity (TJ/10 ⁶ Sm ³)	0.070	0.067	(0.003)	(4.3)

Total energy consumed within the organization (TJ)	592.15	597.23	5.08	0.9
Gas distributed (10 ⁶ Sm ³)	8477	8887	410	4.8

Greenhouse gas emissions

Fully in line with what was done regarding consumption, for years Italgas has monitored its greenhouse gas emissions, with the objective of reducing its carbon footprint according to a continuous improvement process in line with the objectives identified in its 2021-2027 Strategic Plan.

Italgas has recorded the following emissions:

- Direct emissions (Scope 1): deriving from the civil consumption of gas, from industrial consumption of gas for preheating, from fuel consumptions for vehicles and grid losses (“fugitive emissions”);
- Indirect emissions (Scope 2): deriving from the consumption of electricity purchase and district heating.

The Italgas Group’s main greenhouse gas emission contributions are 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 ¹⁰ (thousand tCO ₂ eq)	2020	2021	Change Abs.	Change %(*)
Fugitive gas emissions (Scope 1)	146.6	133.4	(13.2)	(9.0)
Emissions from gas consumption for industrial use (Scope 1)	18.2	18.1	(0.1)	(0.5)
Emissions from gas consumption for civil use (Scope 1)	2.6	2.6	0	0
Emissions from fuel consumption for vehicles (Scope 1)	5.7	6.4	0.7	12.3
Emissions from electricity consumption for industrial use (Scope 2)	0.2	0.0	0	0.0
Emissions from electricity consumption for civil use (Scope 2)	0.0	0.2	0	0.0
Emissions from thermal energy for civil use (Scope 2)	0.0	0.0	0	0.0
	173.3	160.7	(12.6)	(7.3)

¹⁰ Scope II market-based

2021 saw a drop in total Scope 1 and Scope 2 emissions of -7.3% compared to the previous financial year. The main components that contributed to this decrease are fugitive emissions and emissions from gas consumption for industrial use, which in total make up for over 94% of the total Scope 1 and Scope 2 emissions.

It is important to note how this reduction is even more significant against an increase in Group operations, in terms of increase of network length (+ 1.9% compared to 2020) and gas distributed (+ 4.8% compared to 2020).

The Italgas Group's fugitive emissions for 2021 decreased considerably, equal to -9.0% compared to 2020: by analysing the characteristic KPIs of the process in more depth, a 13.0% decrease is recorded on the indicator of the ratio between emissions and gas distributed (from 0.100% in 2020 to 0.087% in 2021) and 10.3% for the indicator of the ratio between emissions and km of network inspected (from 118.9 in 2020 to 106.7 in 2021). The prompt inspection, localisation and repair of leaks are the reasons behind the important result in terms of savings of fugitive emissions into the atmosphere. In 2021, thanks to this operational effort, emissions avoided made up around 34% of total emissions¹¹.

2021 also saw a number of important developments, thanks to the partnership with Picarro and the Polytechnic University of Turin, mainly:

- 1) The use of an innovative approach, developed in collaboration with Picarro, in the assessment of measurement uncertainty (named 4 Bins model), which uses Bayes' theorem and statistical analysis of data samples.
- 2) The launch of a collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system. Thanks to this project, for the first time it was possible to estimate (for now using specific emissions factors) emissions from permeation, operational emissions, emissions due to maintenance on reduction units and emissions due to meter replacements. This project will continue throughout 2022 with the purpose of refining the calculation and estimation methods. For 2021, the emissions not quantifiable with Picarro for the Group made up around 1.4% (already accounted for in the above table).
- 3) The development of an innovative proprietary asset management model, used to plan predictive maintenance of the Italgas Reti networks, with a view to

¹¹ Total emissions that would be obtained considering the maximum emission time, i.e. one year.

thereafter extending them on a Group level. From 2022, these innovative tools will be implemented as a basis for the development of the network maintenance capex plan, in order to focus on interventions on the most emissions-heavy networks.

Emissions from fuel consumption for vehicles amounted to +12.3%, in line with the increase in kilometres travelled compared to 2020. Nevertheless, there was a significant reduction in particulate emissions in terms of gram per kilometre: in 2021, these values were 0.0003 gPart/km, equivalent to an 18.3% reduction when compared to 2020.

Emissions from gas for civil and industrial use are in line with the consumption trend described, while those from electricity consumption are decreasing as a result of reduced consumption and the near total supply of electricity from certified renewable sources (certified by the guarantee of origin management system).

Main events of 2021

Extraordinary transactions and area tenders

- The **acquisition** of the natural gas distribution concession in the **Municipality of Olevano sul Tusciano (SA)** was **finalised** on 28 January 2021 following the framework agreement signed between Italgas and CONSCOOP on 28 December 2020. The network spans around 26 kilometres, covering a potential catchment area of 2500 households overall. As part of the aforesaid agreement, on 13 July 2021, through its subsidiary, Medea, Italgas **finalised** the **acquisition of the entire share capital** of **Isgastrentatrè**, the company holding the concession for management of the natural gas service in Basin 33 in Sardinia. The scope of the company's assets includes: 242 km of network, around 700 active re-delivery points and an LNG plant covering 60 cubic metres. The enterprise value was € 25 million, equal to the estimated RAB for the company's assets. With completion of the transaction, the number of basins where Italgas operates in Sardinia rises to 18 (out of 38).
The **merger** by incorporation of Isgastrentatrè into Medea was **implemented** on 4 November 2021, with effect for accounting and tax purposes as of 14 July 2021.
- The bid review procedure for the tender for management of the natural gas distribution service in the territorial area of **Turin 1**, which encompasses the regional capital and the Municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Torino and Nichelino, was **officially concluded** on 4 March 2021. The only bid received, which had been submitted by Italgas Reti, was deemed valid in all legal respects. The tender committee therefore proposed to award the tender to the Company. The contracting authority is currently carrying out the procedures in preparation for the final awarding of the tender. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow Italgas Reti to seamlessly continue managing the service in an area where it has operated since 1837 and for which an investment plan worth around € 357 million has been envisaged. The contract for the network management service is expected to be signed in the first half of 2022.
- The **merger** by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was **completed** on 26 April 2021, with effect for accounting and tax purposes as of 1 January 2021. On 2 August 2021, the transformation of Seaside into a joint stock company was resolved.
- On 23 June 2021, as a result of a partial and proportional demerger of Italgas Reti S.p.A., the company **Bludigit S.p.A.**, 100% owned by Italgas S.p.A., was **established**, to which tangible and intangible assets and contracts relating to the IT area were contributed, with a view to streamlining the Group's business and assets in the IT area and proposing a commercial offer of IT services. The operation was completed on 29 June 2021 with the capital increase of Bludigit S.p.A. serving the contribution in kind by Italgas S.p.A. of its IT business unit, with effect as of 1 July 2021.

- On 15 July 2021, as part of the international public competitive bidding tender process for the sale of 100% of the shares of the company **DEPA Infrastructure S.A.** by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), Italgas **filed** its **binding offer** for the acquisition of the company.
 On 9 September 2021, a memo from HRADF announced that, following the opening of the improved financial offer submitted by Italgas, the Board of Directors of HRADF and HELPE had declared Italgas the “Preferred Bidder”.
 On 10 December 2021, the **preliminary sale contract** was **signed** for the equity investment for a price of € 733 million. Completion of the purchase is subject to the satisfaction of various conditions, namely approval of the operation by the Greek regulatory authority RAE and clearing by the Greek antitrust authority, HCC.
- On 1 September 2021, the Plant Handover Report of the **Valle d’Aosta ATEM** was signed, officially confirming the start of the Service Contract and of management of the area, following the ruling by which the Regional Administrative Court of Lombardy rejected the appeal brought against the Municipality of Aosta by one of the other operators participating in the tender process contesting the awarding of the tender to Italgas Reti.
- On 1 December 2021, following the verification of the conditions envisaged in the purchase and sale agreement, the **purchase** of 100% of the capital of the ESCo **Fratelli Ceresa S.p.A.**, company established in 1921 and specialised in the supply of energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) mainly located in the Turin area, was **completed**. The transaction is based on the valuation of the enterprise value at € 22 million, to be adjusted according to the net financial position.

Innovation, digitisation of the corporate networks and processes

- On 8 March 2021, a collaboration agreement was **entered into** with Jemena, a leading Australian company in the energy infrastructure sector. The agreement is aimed at exchanging knowledge and experience relating to network management, focusing on technological innovation and decarbonisation in particular.
- The Group continued on its digitisation pathway, through the development of new cutting-edge digital solutions and the advancement of cyber protection tools. Within the Digital Factory, the innovation factory for the transformation and digitisation of company processes, we have developed solutions aimed at simplifying, automating and speeding up the management of requests to and from customers (both B2B for sales companies and B2C for end customers), introducing in particular “self-service” solutions to meet the needs of those customers. A paperless solution has been at the disposal of end customers for a few months now, allowing them, via smartphone, to manage the entire supply activation process with ease, with no need for inspections. In addition, machine learning solutions have been developed for the predictive identification of operational problems in installed meters. A system has also been introduced for management of the corporate car fleet (around 2500

vehicles) with digital tracking functions (maintenance, fines, etc.), pool car booking, payment simplification and reporting. The architectural and application convergence work enables all the solutions developed in the Digital Factory to be used, including by the other companies in the Group.

- On 29 July 2021, a strategic agreement was **signed** with Salesforce, a global leader in Customer Relationship Management (CRM), aimed at maximising the productivity of the investment cycle (capital deployment) through the use of advanced digital solutions, involving Bludigit at the forefront. The agreement is part of the wider digital transformation process launched in 2017, thanks to which, following an investment of more than € 2 billion, Italgas is on its way to becoming the first gas distribution company in the world with a fully digitized network.

Optimization of the debt structure

- On 5 February 2021, Italgas successfully completed the launch of the fixed-rate 7- and 12-year **“dual-tranche” bond issue**, for a total of **€ 500 million each**, with an annual coupon of 0% and 0.5% respectively, with a view to pre-funding prospective financial requirements and extending the maturity profile. On the same date, a **bond buyback transaction** was launched, relating to two bond issues - one for an original nominal value of € 750 million maturing in January 2022, and one for an original nominal value of € 650 million maturing in March 2024. The buyback was finalised on 16 February 2021 with a total nominal buyback value of approximately € 256.0 million.
- On 15 September 2021, the Board of Directors resolved on the **renewal of the EMTN Programme** launched in 2016 and already renewed in 2017, 2018, 2019 and 2020, confirming the maximum **nominal amount of € 6.5 billion**, which was signed on 7 October 2021.
- In October 2021, Italgas took out two fixed-rate **bank loans** with leading banks, in relation to the achievement of ESG targets, with a 3-year term, for a total of € 500 million.
- On 25 November 2021, the rating agency Moody's confirmed the long-term credit rating of Italgas, as **Baa2 with Stable outlook**.
- On 06 December 2021, the rating agency Fitch confirmed the long-term credit rating of Italgas, as **BBB+ with Stable outlook**.

Capital transactions

On 10 March 2021, as part of the **2018-2020 Co-investment Plan** approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of

the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves. Following the increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares. Moreover, Italgas' Shareholders' Meeting of 20 April 2021 approved the **2021-2023 Co-investment Plan** and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a nominal maximum amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal and Regulatory Framework

- The public session on the “Open tender procedure for the concession of the natural gas distribution service in the **Naples 1 - City of Naples and coastal plant ATEM**” was held on 29 January 2021. This ATEM encompasses approximately 370,000 re-delivery points. In this context, the tender committee announced that it would verify the appropriateness of the bids received and suspended tender operations pending the outcome of these checks. On 14 April 2021, the tender committee acknowledged that the two bids received had been found to be adequate and made a proposal to award the contract to another operator, having verified that the requirements declared during the tender had been met. Italgas Reti appealed before the Regional Administrative Court of Campania against the awarding of the tender to the other operator mentioned above. In particular, following the order of 15 September 2021 whereby it had rejected one of the claimed grounds for inadmissibility raised by the other operator, by judgement given on 6 October 2021, the Regional Administrative Court of Campania rejected the main petition at the first instance and the additional grounds proposed by Italgas for the cancellation of the award to another operator of the tender in the Minimum Territorial Area of Naples 1. On 11 November 2021, Italgas Reti filed an appeal to the Council of State against the judgement of the Regional Administrative Court of Campania, with an application for compensation for damages. Following the hearing on 13 January 2022 at the Council of State, the Municipality of Naples and the other operator undertook not to stipulate the contract before the publication of the ruling on the merits. The Council of State has scheduled the hearing for discussion of the merits for 7 April 2022.
- On 11 October 2021, the Regional Administrative Court of Veneto rejected the appeal brought by another operator against the invitation to tender relating to the **Belluno ATEM**, thereby confirming the legitimacy of awarding the tender to Italgas Reti. Specifically, the Regional Administrative Court rejected all the objections expressed by

the other operator, with reference both to the tender documents and the legitimacy of the offer and of the Committee's actions. The operator appealed against this judgement, without, however, submitting a petition for the interim suspension of the deeds challenged. The ruling of the Council of State is pending with reference to the rehearing requested by the municipalities belonging to the Belluno ATEM against the judgement of the Regional Administrative Court of Veneto, whereby the petition brought against the award of the tender to Italgas Reti, was rejected. Judgement is also pending by the Council of State on the appeal brought by the councils against another judgement whereby the Regional Administrative Court of Veneto had upheld the petition brought by Italgas Reti against the unlawful revocation of the delegation on the Council of Belluno, as Client.

- 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 must be completed no later than 30 March 2022. The hearing on the merits is set for 21 April 2022.
- The Authority contested the ruling of the Regional Administrative Court of Lombardy that upheld the appeal brought by Italgas for annulment of **Resolutions no. 195/2017/S/gas** of 30 March 2017 **and no. 232/2017/S/gas** of 6 April 2017, with which the Authority had issued the company a fine of € 204,000 for breach of certain provisions of the Regulation of the Quality of Gas Distribution and Metering services for the 2014-2019 period, concerning obligations to replace the cast iron pipelines with hemp and lead joints that make up the distribution network in the Municipality of Venice. Italgas Reti filed an appearance and is currently waiting for the date of the hearing to be announced.
- The Authority appealed against the judgement of 8 November 2021 of the Regional Administrative Court of Lombardy that upheld the appeal submitted by Italgas Reti against **Resolution no. 328/2019/S/gas**, whereby the Authority had applied a sanction of € 469,000 for breach of emergency gas intervention in the areas of Venice, Andria,

Chiavari, Rome, Messina and Albano Laziale and partially cancelled **Resolution no. 163/2020/R/gas** relative to the determination of premiums and penalties (of € 361,320) for safety recoveries in 2016 in the areas of Andria and Venice and **Resolution no. 567/2020/R/gas** on premiums and penalties (equal to € 536,565) for safety recoveries in 2017 in the areas of Andria, Venice and Albano. Italgas filed an appearance and at present, the next hearing is scheduled for 29 March 2022.

Other events

During the evening of 11 December 2021, an explosion took place in the residential area of Ravanusa (AG) and the fire brigade informed the Italgas Integrated Supervision Centre, asking that emergency intervention be activated. The technical staff of Italgas Reti arrived promptly.

The intervention of the first separation of the network, in order to keep the pipe safe, began that same evening of 11 December, once the relevant authorisation had been given by the fire brigade, and was completed in just a few hours with the isolation of the segment of pipe crossing the area involved by the event.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

During the week prior to the event, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021, no critical issues had arisen.

On 31 December 2021, the Public Prosecution of Agrigento issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatable technical assessments.

Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along the road involved by the explosion, was found. This breakage is currently being further investigated in metallurgical terms. At present, the causes of the breakage are not known, as neither are the causes of the event.

Following the incident a precautionary claim has been promptly opened with the insurance companies with which the “third party liability” and “property” policies had been stipulated, in order to assure the orderly management of any claims for compensation.

Significant events after year end

Corporate transactions and concessions

- On 09 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders’ Meeting of 19 April 2018, the Board resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and started the execution of the second tranche of the capital increase resolved on by the aforesaid Shareholders’ Meeting, for a nominal amount of € 591,931.36 euros, drawn from retained earning reserves.

Legal and Regulatory Framework

- With the ruling of 14 February 2022, the Regional Administrative Court of Lombardy upheld the appeal brought by Italgas Reti and annulled ARERA resolutions no. 163/2020/R/Gas and no. 567/2020/R/Gas with which the premiums and penalties related to the safety recoveries of the natural gas distribution service were determined in 2016 and 2017.

Other events

- On 18 January 2022, Italgas signed an agreement with Buzzi Unicem, an international group focused on the production of cement, concrete and natural aggregates, for the conduct of a feasibility study relative to the development of Power-to-Gas plants in combination with CO₂ (carbon) capture systems at the production plants of Buzzi Unicem, with a view to assuring greater environmental sustainability and support for the energy transition.
- On 28 January 2022, Medea completed the conversion from LPG to natural gas of the distribution networks serving the municipalities of Tortoli, Girasole, Loceri and Talana in the province of Nuoro (Basin 22), for a total of around 15,000 inhabitants and involving around 84 kilometres of network, also replacing traditional meters with smart meters. The operations in these 4 municipalities follow those already completed in December in Osini, Gairo, Sant’Elena, Ulassai, Seui (Basin 22) and Pattada (Basin 10) for a total of 34 Sardinian municipalities already converted from LPG to natural gas. With the switch to methane of Gairo Taquisara and Cardedu, expected for the spring, Medea will complete its conversion programme on the island, which involves a total of 500 kilometres of pipes supplied by 31 LNG cryogenic depots.

- On 1 February 2022, Italgas was included for the third year running in the **Sustainability Yearbook 2022**, the annual S&P Global publication that brings together experiences, success stories and best practices from world leading companies on sustainability matters. Italgas was included following the Corporate Sustainability Assessment (CSA) carried out in 2021. Italgas has also obtained “Gold Class Distinction” for its excellent sustainability performance.

The Italgas share has also been confirmed on the **FTSE4Good Index Series**, which includes the best companies that stand out for the attention paid to sustainable economic development.

- On 2 March 2022, with an outlay of \$ 15 million, Italgas strengthened its partnership with **Picarro Inc.** through the acquisition of a minority **share** in the capital of the US technological start-up company and world leader in sensors applied to gas distribution network monitoring as well as technologies for sectors characterised by the need to have extremely sensitive detection, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry to identify impurities in the environments dedicated to semiconductor production.

Business Outlook

As we all know, the so-called Coronavirus Emergency unfolded in Italy in February 2020, with the spread of infection and the necessary emergency measures taken by the Health and Government Authorities to contain the spread.

Although this state of emergency is only expected to be officially declared over on 31 March 2022, the Company has not to date noted any major adverse effects on the development and investment initiatives. By leveraging digitisation processes, measures have been implemented to ensure the continuity and effectiveness of worksite activities and interventions at customer premises, while operating in complete safety and in compliance with the terms set out in the company plans.

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

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for around € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

As of 31 December 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

The success of the “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of € 500 million each, implementing the EMTN Programme, as well as confirmation of the rating by Moody’s (Baa2, stable outlook), on 25 November 2021, and Fitch (BBB+, stable outlook), on 06 December 2021, bear witness to the Company’s financial soundness and confirm its ability to access the capital market.

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

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

In this context, Italgas will therefore continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving service quality, streamlining processes and operating costs, whilst paying constant attention to development opportunities. With specific regard to investments, Italgas expects to continue to carry out its plan targeted primarily at the implementation of projects for network digitisation and repurposing and natural gas distribution in Sardinia, plus the normal maintenance and development of the networks managed.

Russia-Ukraine conflict

As we all know, in February 2022 the Russian-Ukrainian military conflict broke out following the invasion by the Russian army of Ukrainian sovereign territory. The tension generated at a political-military level and the consequent economic sanctions adopted by the international community against Russia, have caused significant effects and turbulence on the global markets, both on the financial front and on the front of prices and raw material exports, in consideration of the significant role assumed by Russia and Ukraine in the international economic scenario.

Italgas confirms that it does not have production activities or personnel located in Russia, Ukraine or in countries geo-politically aligned with Russia, nor does it have commercial and/or financial relations with these countries. Therefore, there are no materially significant restrictions on the execution of financial transactions via the banking system, also following Russia's exclusion from the international swift payment system. However, in a market that is already characterized by restrictions and slowdowns in the supply chain, especially in relation to components, it cannot be ruled out that the political and economic tension caused by the current conflict may exacerbate these difficulties and have repercussions, in a form that cannot be estimated or predicted at present, on the efficiency and timeliness of the Group's procurement capacity.

With reference to tensions on the financial markets, Italgas states that it is marginally exposed to exchange rate risk and in any case only with respect to the US dollar. With regard to the availability of sources of funding and the related costs, it should be noted that i) more than 92% of Italgas' financial debt is at fixed rate ii) the next repayment of a bond loan is expected in 2024, so there are no refinancing and/or liquidity needs in the short term, iii) the Group has in any case cash on deposit at primary credit institutions for an amount, as of 31 December 2021, equal to EUR 1,391.8 million, which, as of 31 December 2021, is equal to EUR 1,8 million. 391.8 million euros which, also in light of the investment plans in place and the transactions planned over the next [18] months, would make it possible to manage any restrictions on access to credit without significant material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group networks, in the event that these companies find themselves suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example,

sharp increases in raw material prices that cannot be passed on to end customers, resulting, for them in a worsening of the financial conditions and relative difficulty in regularly fulfilling the contractual obligations towards the Italgas Group, shall be considered that the rules for the access of users to the gas distribution service are established by ARERA and regulated in the Network Code that defines the system of financial guarantees in place to protect the distributor.

Finally, with reference to the risk of lower volumes of gas injected into the national infrastructure, as is known, the current tariff regulation does not determine an exposure for distributors to variations in the volumes of gas transported. In any case, the risk of a prolonged interruption of the injection of natural gas into the distribution infrastructures that could have a significant negative impact on the Group's business continuity, would be mitigated by the actions already in place and/or being studied at national and European level, such as the optimization of storage, the diversification of supply sources and the increase in domestic production.

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. 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 "Investors/Reports and Presentations" section of the website.

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

Disclaimer

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

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Numero di Pagine: 38