

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall, investments in structures increased by 17.3 million euro compared to the previous year, mainly due to work on corporate buildings and the vehicle fleet.

1.04.02 Financial structure and adjusted net debt

What follows is an analysis of trends in the Group's net invested capital and sources of financing at 31 December 2022.

Invested capital and sources of financing (mn€)	Dec 22	% Inc.	Dec 21 (redetermined)	% Inc.	Abs. change	% change
Net non-current assets*	7,522.3	+94.5%	7,308.3	+109.4%	214.0	+2.9%
Net working capital*	1,096.0	+13.8%	2.4	+0.0%	1,093.6	+45,566.7%
(Provisions)	(657.6)	(8.3)%	(633.4)	(9.5)%	(24.2)	(3.8)%
Net invested capital*	7,960.7	+100.0%	6,677.3	+100.0%	1283.4	+19.2%
Equity*	(3,710.9)	+46.6%	(3,416.0)	+51.2%	(294.9)	(8.6)%
Long-term borrowings	(5,598.5)	+70.3%	(3,633.1)	+54.4%	(1,965.4)	(54.1)%
Net current financial debt	1,348.7	(16.9)%	371.8	(5.6)%	976.9	+262.7%
Net debt	(4,249.8)	+53.4%	(3,261.3)	+48.8%	(988.5)	(30.3)%
Total sources of financing*	(7,960.7)	(100.0)%	(6,677.3)	+100.0%	(1,283.4)	(19.2)%

* adjusted results, as indicated in the section on Alternative performance measures (APMs)

1,096.0 million euro net working capital

Net working capital* amounted to 1,096.0 million euro at the end of 2022, up from 2.4 million euro seen at the end of 2021. This change was affected by the fair value of commodity derivatives, which increased by 180.4 million euro compared to the previous year, with a corresponding impact on equity for hedging contracts recognised as cash flow hedges and, to a lesser extent, on the income statement for the year for trading derivatives. The changes in net working capital that led to a corresponding increase in net financial debt were mainly due to:

- the higher value of gas storages, both in terms of prices and volumes, which at 31 December 2022 amounted to 503.7 million euro, as well as to the value of withdrawals made in December, with a value coming to over 200 million euro, which while transmitted have not yet been fully translated into the resulting cash flows from sales to end customers;
- a change in the VAT position coming to 89.9 million euro (at 31 December 2022 this figure resulted in a credit of 17.1 million euro while at December 2021 it was a debit of 72.9 million euro).

As far as the value of trade receivables is concerned, there are no critical issues on the performance on collections, which are, on some market segments, better than the previous year thanks to the continuous and careful control of credit management processes including during the acquisition of contracts (origination management).

657.6 million euro provisions

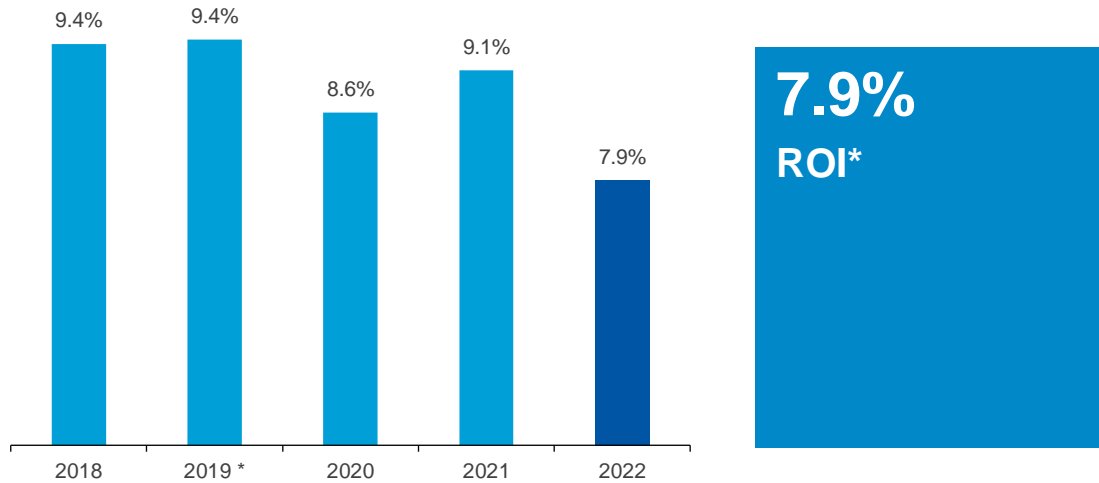
In 2022, provisions amounted to 657.6 million euro, up from 633.4 million euro at the end of the previous year. This result is mainly the consequence of provisions for the period and adjustments to the post-mortem provisions for landfills and restoration of third-party assets, which more than offset releases for utilisation.

3.7 billion euro equity*

Equity* rose from 3,416.0 million euro in 2021 to 3,710.9 million euro in 2022. This equity strengthens the Group's solidity, thanks to the positive net result for 2022 operations, amounting to 372.3 million euro and the effect of cash flow hedge reserves, offset by the impact of dividend payments.

Adjusted return on net invested capital (ROI*) stood at 7.9% in 2022, down from the 2021 ROI, which came to 9.1%, due to an increase in net invested capital (NIC) that was greater than the increase in operating income (Ebit).

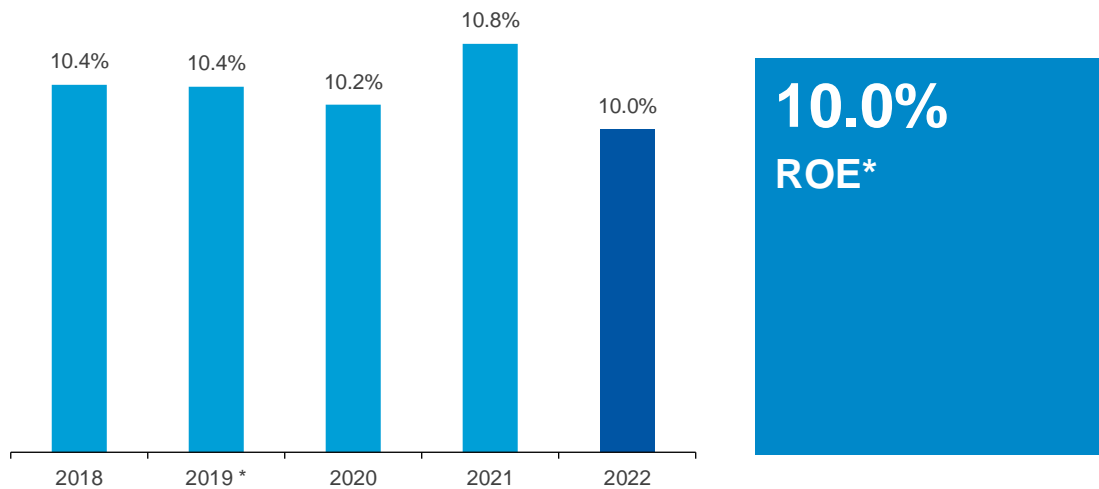
ROI* (%)



* adjusted for non-recurring entries and the Ascopiave transaction

The results of management led to an adjusted return on equity (ROE*) coming to 10.0%, down from the amount seen in 2021. This drop was related to an increase in equity (mainly due to the value of cash flow hedge reserves) greater than the increase in operating profit.

ROE* (%)



* adjusted for non-recurring entries and the Ascopiave transaction

An analysis of adjusted net financial debt is shown in the following table:

mn€		31 Dec 22	31 Dec 21
A	Cash	1,942.4	885.6
B	Cash equivalents	-	
C	Other current financial assets	77.7	29.3
D	Liquidity (A+B+C)	2,020.1	914.9
E	Current financial debt	(563.0)	(443.6)
F	Current portion of non-current financial debt	(108.4)	(99.5)
G	Current financial indebtedness (E+F)	(671.4)	(543.1)
H	Net current financial indebtedness (G+D)	1,348.7	371.8
I	Non-current financial debt	(1,997.0)	(461.0)
J	Debt instruments	(3,197.3)	(2,702.0)
K	Non-current trade and other payables	-	-
L	Non-current financial indebtedness (I+J+K)	(5,194.3)	(3,163.0)
M	Total financial indebtedness (H+L)	(3,845.6)	(2,791.2)
	Non-current financial receivables	151.8	142.7
	Net financial debt (excluding put option)	(3,693.8)	(2,648.5)
	Nominal amount - fair value put option	(475.9)	(474.2)
	Net financial debt with adjusted put option	(4,169.7)	(3,122.7)
	Portion of future dividends - fair value put option	(80.1)	(138.6)
	Net financial debt (Net debt)	(4,249.8)	(3,261.3)

The total amount of net financial debt came to 4,249.8 million euro, with an increase of roughly 988.5 million euro compared to the previous year. This change was mainly due to the cash absorption caused by the variation in net working capital, as mentioned above.

With a view to rebalancing net working capital, considering the tensions affecting commodity prices, during the year the Group routinely carried out rescheduling transactions on trade payables, through reverse factors or letters of credit, amounting to 506.3 million euro overall. At the end of the year, the amount of outstanding transactions, exclusively through letters of credit, amounted to 192 million euro. By means of these transactions, the Group optimised its payment terms, while keeping the same amount recorded under trade payables, since they are part of its typical working capital management. In fact, note that the Group has trade payables, with different payment terms, based on the contractual agreements defined with the individual counterparties of the various businesses in which it operates, ranging from 7 days to 60 days from the date of invoice issuance.

The financial structure shows current debt at 671.4 million euro, of which 316.6 million euro is due to banks, referring to drawdowns on current account lines amounting to roughly 257.4 million euro and passive interest on loans coming to 59.2 million euro.

The current portion of debt to other lenders amounted to 246.4 million euro, of which 145.1 million euro for the daily fair value adjustment of commodity derivatives exchanged on the EEX platform.

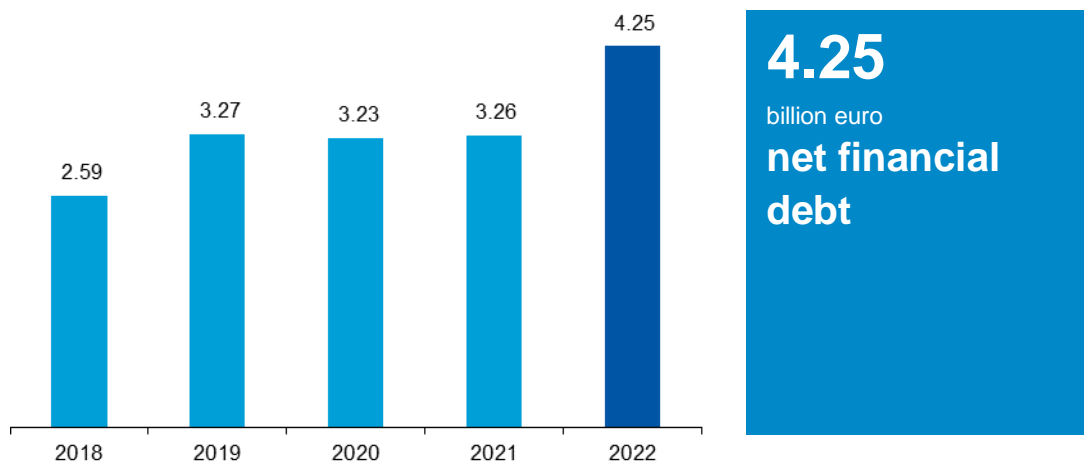
As regards the current portion of non-current financial debt, which came to 108.4 million euro, 87.1 million euro was related to the portion of medium-term bank loans due within one year (of which 22.0 million euro is linked to a private placement with a ten-year term maturing in 2023) and 21.3 million euro to current payables related to leasing contracts.

Non-current financial debt increased by approximately 2,031.3 million euro compared to December 2021, mainly due to the placement in May 2022 of a 500 million euro green bond maturing in seven years, and the disbursement of 1,625 million euro in new bank loans as of August 2022. These latter lines were activated to support the gas storage business and to address the potential liquidity risk due to energy price volatility.

Cash and cash equivalents increased from 885.6 million euro in 2021 to 1,942.4 million euro at 31 December 2022.

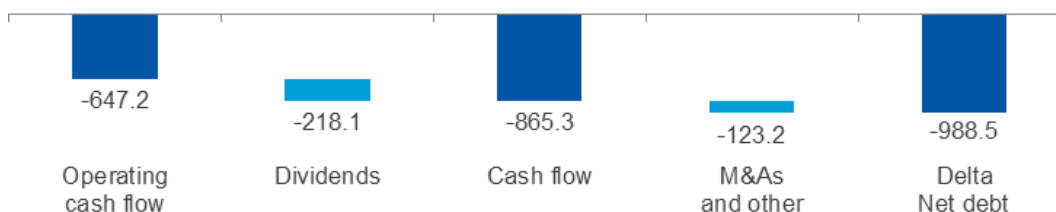
At 31 December 2022, 59.4% of medium/long-term debt consisted of bonds with repayment at maturity. The total debt has an average residual maturity of about five years. 39.4% of debt matures after five years.

NET FINANCIAL DEBT (bn€)

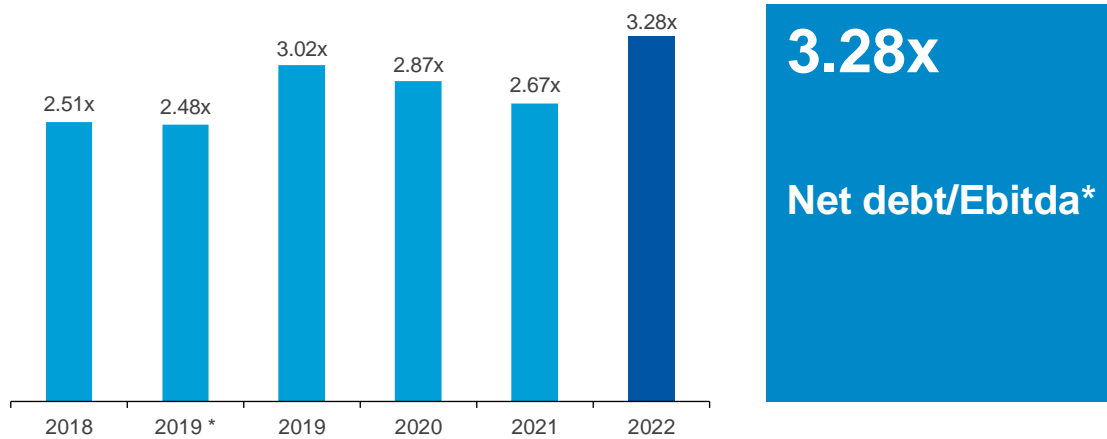


Cash flow from operations was absorbed by the increase in net working capital, mainly influenced by the cash absorbed due to gas storage and the other trends mentioned above, as well as by the significant investments made during the period. In addition, cash absorption was due to the payment of dividends and the purchase of shareholdings, among which above all the acquisition of 100% of Con Energia Spa, specialised in gas and electricity sales to end customers, and the purchase by Marche Multiservizi Spa of 70% of the share capital of Macero Maceratese Srl, specialised in waste recovery and disposal.

CASH FLOW (mn€)

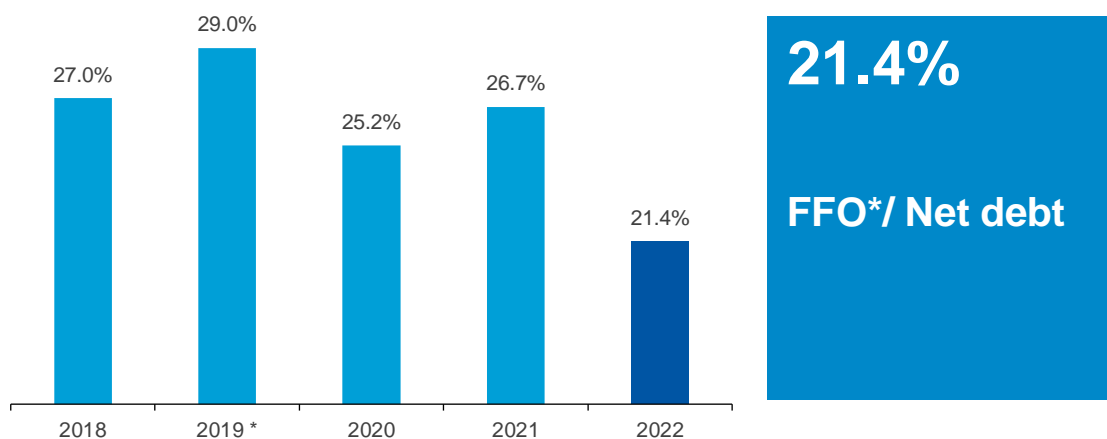


The 2022 Net debt/Ebitda* ratio rose to 3.28, compared to 2.67 in 2021. This indicator was strongly influenced by the cash absorbed due to gas storage, coming to 503.7 million euro. This ratio would come to 2.89, excluding the effect of changes in gas storage.

NET DEBT/EBITDA* (X)

* adjusted for non-recurring entries and the Ascopiave transaction

The FFO*/Net debt ratio settled at 21.4%, confirming the Group's financial solidity and its ability to meet its financial obligations. This indicator was also strongly affected by the high value of storage (Ffo/Net debt 23.9% excluding gas storage).

FFO*/NET DEBT (%)

* adjusted for non-recurring entries and the Ascopiave transaction

1.04.03 Parent company management report

The following table provides the main indicators of operating performance for the year, pursuant to article 2428 of the Italian Civil Code:

(mn€)	2022	2021	Abs. change	% change
Revenues	1,666.3	1,508.6	157.7	10.5%
Ebitda	288.4	286.6	1.8	0.6%
Operating profit	127.3	132.2	(4.9)	(3.7)%
Net profit	271.0	223.8	47.2	21.1%

To understand this performance and the changes with respect to the previous year, the current structure of the Parent Company must be taken into account. This company directly manages certain businesses