

Informazione Regolamentata n. 0167-59-2023	Data/Ora Inizio Diffusione 25 Luglio 2023 11:47:26	Euronext Milan
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Societa' : ITALGAS

Identificativo : 179549

Informazione
Regolamentata

Nome utilizzatore : ITALGASN01 - Scaglia

Tipologia : 1.2

Data/Ora Ricezione : 25 Luglio 2023 11:47:25

Data/Ora Inizio
Diffusione : 25 Luglio 2023 11:47:26

Oggetto : ITALGAS: CONSOLIDATED RESULTS AS
AT 30 JUNE 2023 APPROVED

Testo del comunicato

Vedi allegato.

ITALGAS: CONSOLIDATED RESULTS AS AT 30 JUNE 2023 APPROVED

Milan, 25 July 2023 - The Italgas' Board of Directors, chaired by Benedetta Navarra, met today and approved the consolidated results for the first half of 2023.

Key figures¹

Consolidated economic and financial highlights

- Total revenues: 931.8 million (+31.7%)
- EBITDA: 607.0 million (+18.3%)
- EBIT: 358.8 million (+21.2%)
- Adjusted net profit attributable to the Group: 213.2 million (+14.9%)
- Technical investments: 398.2 million
- Cash flow from operating activities: 319.6 million
- Net financial debt (excluding the effects pursuant to IFRS 16)²: 6,230.7 million
- Net financial debt³: 6,314.8 million

Operating highlights⁴

- Municipalities in gas distribution concessions: 2,045
- Number of active meters: 7,959,758
- Gas distribution network: 81,582 km

Sustainability highlights

- 59.3 10³ tCO₂ eq Scope 1 and 2 (+8.4%)
- Net energy consumption: 257.2 TJ (-14.7%)
- 53,752 km of network inspected (+12.8%)
- Fugitive emissions/km of network inspected: 50.16 smc/km (+2.3%)

In the first six months of 2023, Italgas Group's operational activities aimed at achieving the goals of digital network transformation, the main enabler of the energy transition, and the targets set in the Strategic Plan 2023-2029 and the Sustainable Value Creation Plan continued. Italgas' distribution networks - smart, digital

¹ Data as of June 2023 includes the Greek DEPA Infrastructure group.

² The item expresses net financial debt excluding the effects of IFRS 16 payables and the Italgas NewCo shareholder loan, inclusive of interest.

³ The item does not include liabilities for € 35.5 million consisting of the pro-rata share of the shareholder loan, including interest, to Italgas NewCo S.p.A, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt.

⁴ Data as of June 2023 includes the Greek DEPA Infrastructure group.

and flexible - are ready to accommodate renewable gases, such as biomethane and synthetic methane, and to support a safe and cost-competitive green transition for industries and citizens.

During the first six months of the year, 398.2 million euros of investments were made and those investments were dedicated mainly to the extension, digital transformation and repurposing of networks. More specifically, 478 kilometers of new pipelines were laid in the first half of 2023. A significant contribution was dedicated to Greece, where were carried out activities worth an investment of about 50 million euros, for the completion of 311 kilometers of new pipelines, more than half of which related to the methanization plan in DEDA's sphere of responsibility.

EBITDA for the first six months of the year amounted to 607.0 million euros (+18.3% compared to June 30, 2022) and net income attributable to the Group was 213.2 million euros (+14.9% compared to June 30, 2022).

With reference to sustainability goals, the significant contribution of the various innovation, digitisation and energy efficiency initiatives, both in the industrial and civil sectors, as well as the training activities aimed at informing employees on energy efficiency issues, have allowed the Group to continue on its path towards reducing net energy consumption (-14.7%) and related emissions (-12.0%), even against the inclusion of the DEPA Infrastructure Group's contributions related to 2023.

Paolo Gallo, CEO of Italgas, commented:

The first half of 2023 shows a trend in continuity with past years, under the banner of steady growth and performance of excellence at the service of development in the countries where Italgas is present and operates.

The results achieved confirm the centrality of gas networks - smart, digital and flexible - and the Italgas Group in achieving the REPowerEU targets and, through them, a safe and competitive ecological transition.

All economic indicators showed double-digit growth with EBITDA reporting an increase of 18.3% to more than 600 million euros and Group Net Income of 213.2 million euros, up 14.9 % compared to the first half of last year, thanks in part to the development of activities in Greece and those in the field of energy efficiency.

With nearly 400 million euros invested in the first half of the year, the Company is confirmed as one of the leading industrial entities in terms of its ability to invest and ground projects that can help improve people's quality of life. We have laid the foundations to play our part in the management of water services as well: by taking advantage of the technologies developed for gas and applying them to this sector, it will be possible to achieve immediate results in terms of efficiency and cost-effectiveness of the service for territories and communities.

The goal of carbon neutrality to 2050 is achievable through progressive reductions in net energy consumption and Scope 1, 2, and 3 emissions, and the results we achieve quarter after quarter prove it. Not only that. To actively promote further change, we have also introduced new targets referring to gender pay equity and the development of skills and enhancement of resources: actions that are indispensable for continuing to focus on innovation and putting it to value for the entire Group.

Italgas Group structure as at 30 June 2023

The structure of the Italgas Group as at June 30 2023 did not change from that which existed as at December 31, 2022, with the exception of a slight increase in the shareholding in Gaxa from 15.56% to 18.18% following the recapitalization carried out.

Economic and financial highlights

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting from net profit income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment), EBIT (operating income, calculated by subtracting from net profit income taxes, net income from equity investments and net financial expense) and net financial debt (calculated as the sum of short and long-term financial debt, net of cash and cash equivalents and current assets).

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

Reclassified income statement

(€ million)

FY 2022	First half of year		Abs. change	Change %
	2022	2023		
1,313.5	639.2	722.3	83.1	13.0
<i>1,225.8</i>	<i>591.4</i>	<i>683.2</i>	<i>91.8</i>	<i>15.5</i>
<i>87.7</i>	<i>47.8</i>	<i>39.1</i>	<i>(8.7)</i>	<i>(18.2)</i>
242.4	68.2	209.5	141.3	-
<i>18.6</i>	-	-	-	-
1,555.9	707.4	931.8	224.4	31.7
1,537.3	707.4	931.8	224.4	31.7
(454.6)	(194.1)	(324.8)	(130.7)	67.3
1,101.3	513.3	607.0	93.7	18.3
1,082.7	513.3	607.0	93.7	18.3
(459.9)	(217.3)	(248.2)	(30.9)	14.2
641.4	296.0	358.8	62.8	21.2
622.8	296.0	358.8	62.8	21.2
(56.3)	(26.3)	(44.6)	(18.3)	69.6
3.4	3.2	(0.3)	(3.5)	-
<i>2.7</i>	<i>2.7</i>	<i>-</i>	<i>(2.7)</i>	<i>-</i>
588.5	272.9	313.9	41.0	15.0
567.2	270.2	313.9	43.7	16.2
(152.4)	(75.1)	(85.2)	(10.1)	13.4
<i>(1.5)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
(150.9)	(75.1)	(85.2)	(10.1)	13.4
436.1	197.8	228.7	30.9	15.6
407.3	188.3	213.2	24.9	13.2
28.8	9.5	15.5	6.0	63.2
416.3	195.1	228.7	33.6	17.2
395.7	185.6	213.2	27.6	14.9
20.6	9.5	15.5	6.0	63.2

(*) 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" (345.5 e 343.3 million euros respectively in the first semester of 2023 and 2022), connection contributions (9.7 e 9.5 million euros respectively in the first semester of 2023 and 2022) reimbursements from third parties and other residual items (6.7 e 0.5 million euros respectively in the first semester of 2023 and 2022).

The **total revenues** of the first half of 2023 amounted to €931.8 million, up by €224.4 million compared to the corresponding period of 2022 (+31.7%), and refer to natural gas distribution regulated revenues (€722.3 million) and other revenues (€209.5 million). As at June 30, 2023, total revenues from the inclusion of the DEPA Infrastructure Group in the scope of consolidation as of September 1, 2022 amount to 87.0 million euros. Activities in energy efficiency recorded 194.7 million euros, driven by the gradual progress of construction sites related to the "Superbonus."

Gas distribution regulated revenues increased by € 83.1 million compared to the same period of 2022 due to an increase in distribution revenues (€ +91.8 million) partially offset by a reduction in other regulated distribution revenues (€ -8.7 million).

The increase in **distribution revenues** (€ 683.2 million) is mainly attributable to the consolidation of the DEPA Infrastructure Group (€ 85.6 million), the increase in the reference RAB and the increase in the deflator (€ 23.3 million), and thanks to the contribution of the Sardinian networks (€ 3.6 million), partially offset by the effect of the sale of Naples (€ -25.1 million). Finally the increase caused by inflation was almost offset by the X-factor (net impact € +1.7 million).

The decrease in **other regulated revenues** (€ -8.7 million) is mainly related to lower revenues for customer services (€ -3.8 million), lower incentives for leak detection (€ -4.7 million), this latter reduction is mainly attributable to positive adjustments recorded in 2022 related to previous periods.

Other revenues (€ 209.5 million) increased by € 141.3 million compared to the same period in 2022, mainly due to the increase in energy efficiency activities (€ 148.1 million).

Operating costs amounted to 324.8 million euros, up 130.7 million euros from the corresponding period in 2022, mainly due to higher net external costs - mainly induced by energy efficiency activities - of 105.1 million euros and the consolidation of the DEPA Infrastructure Group for 25.9 million euros, partially offset by lower costs related to the sale of Gaxa (-10.1 million euros).

The **EBITDA** as at 30 June 2023 amounted to € 607.0 million, an increase of € 93.7 million (+18.3%) compared to the same period in 2022 (€ 513.3 million). This increase includes € 61.2 million from the consolidation of the DEPA Infrastructure Group, € 29.9 million resulting from ESCo activities⁵ and the increase in gas distribution in Italy, which more than offset the sale of Naples (net increase of gas distribution in Italy € 3.1 million).

Amortisation, depreciation and impairment (€ 248.2 million) increased by € 30.9 million (+14.2%) on the same period of 2022, mainly due to the investments made and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 17.2 million).

The **EBIT** achieved in the first half of 2023 amounted to € 358.4 million, an increase of € 62.4 million compared to 30 June 2022 (+21.1%). This change includes € 43.9 million from the consolidation of the DEPA Infrastructure Group and € 29.9 million from ESCo activities as well as the negative effect of the sale of Naples.

⁵ For more details of the change in EBITDA by sectors, please refer to the dedicated section.

Net financial expense as at 30 June 2023 amounted to € 44.6 million, up by € 18.3 million on the same period of the previous year. The increase is mainly attributable to financing transactions carried out in the last 12 months, as well as the change in the scope of consolidation of the DEPA Infrastructure Group and the change in interest rates on the floating portion of debt.

Net loss from equity investments as at 30 June 2023 amounted to € 0.3 million and refers to the contribution of equity investments accounted for using the equity method.

Income taxes came to € 85.2 million, up € 10.1 million compared to the same value of the previous year, essentially as a consequence of the higher period result.

Adjusted net profit as at 30 June 2023 amounted to € 228.7 million (+17.2%).

Adjusted net profit attributable to the Group came to € 213.2 million and has increased on the same period of the previous year (30 June 2022: € 185.6 million) by 14.9%.

Reclassified Statement of Financial Position

The Italgas' Reclassified Statement of Financial Position as at 30 June 2023, compared with that as at 31 December 2022, is summarised below:

(€ million)	31.12.2022	30.06.2023	Abs. change
Fixed capital (*)	8,120.6	8,248.5	127.9
Property, plant and equipment	379.0	388.8	9.8
Intangible assets	7,975.5	8,087.0	111.5
Equity investments	66.2	65.8	(0.4)
Financial receivables and securities instrumental to operations	3.4	3.2	(0.2)
Net payables related to investments	(303.5)	(296.3)	7.2
Net working capital	340.0	482.1	142.1
Provisions for employee benefits	(69.9)	(68.4)	1.5
NET INVESTED CAPITAL	8,390.7	8,662.2	271.5
Shareholders' equity	2,390.6	2,347.4	(43.2)
- attributable to the Italgas Group	2,108.3	2,062.3	(46.0)
- attributable to third party shareholders	282.3	285.1	2.8
Net financial debt**	6,000.1	6,314.8	314.7
FUNDING	8,390.7	8,662.2	271.5

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

(**) The item: i) includes the effects of applying IFRS 16 amounting to € 84.1 million (€ 72.0 million as at 31 December 2022); ii) does not include liabilities amounting to € 35.5 million (€ 34.8 million as at 31 December 2022) consisting of the pro-rata share of the shareholder's loan, including interest, subordinated and convertible into shares subscribed by the shareholder Phaeton Holding SA, and deemed not to be financial debt.

The **net invested capital** at 30 June 2023 amounted to € 8,662.2 million and consists of the items outlined below.

Fixed capital (€8,248.5 million) was up by € 127.9 million on 31 December 2022.

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 2022	379.0	7,647.5	328.0	8,354.5
Investments	30.7	346.1	21.4	398.2
- of which IFRS 16	25.7	-	-	25.7
Amortisation, depreciation and impairment	(22.9)	(2032)	(22.1)	(248.2)
- of which D&A pursuant to IFRS 16	(14.0)	-	-	(14.0)
Contributions	-	(21.0)	-	(21.0)
Other changes	2.0	(9.4)	(0.3)	(7.7)
Balance at 30 June 2023	388.8	7,760.0	327.0	8,475.8

Intangible fixed assets (€ 8,087 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,760 million).

Tangible fixed assets (€ 388.8 million), which mainly relates to plant, buildings and industrial and commercial equipment, recorded an increase of € 9.8 million principally due to investments for the period of € 30.7 million (of which € 25.7 million related to the application of IFRS 16) partially offset by depreciation of € 22.9 million (of which € 14.1 million related to the right of use under IFRS 16).

Equity investments (€ 65.8 million) decreased by € 0.4 million.

Net working capital at 30 June 2023 amounts to €482.1 million and is broken down as follows:

(€ million)	31.12.2022	31.06.2023	Abs. change
Trade receivables	315.7	441.8	126.1
Inventories	120.5	118.2	(2.3)
Tax receivables	116.7	205.6	88.9
Accruals and deferrals from regulated activities	188.6	187.0	(1.6)
Other assets	815.1	270.2	(544.9)
Trade payables	(709.4)	(267.7)	441.7
Provisions for risks and charges	(144.3)	(121.5)	22.8
Deferred tax liabilities	(91.6)	(66.3)	25.3
Tax payables	(28.2)	(43.3)	(15.1)
Other liabilities	(243.1)	(241.9)	1.2
	340.0	482.1	142.1

Compared to 31 December 2022, net working capital increased by € 142.1 million mainly due to: i) higher trade receivables (€ 126.1 million) mainly due to the increase in receivables related to the "Super/ECobonus" (€ 85.6 million) and receivables from Italian sales companies (€ 38.3 million); ii) increase in net tax assets (€ 99.1 million) mainly attributable to the ECobonus receivable for €82,5 million ; iii) decrease in other assets (€ 544.9

million) essentially due to receivables from CSEA for accessory distribution components⁶; iv) decrease in trade payables (€ 441.7 million) due to a reduction in payables to sales companies (€ 445.9 million, mainly for Bonus Gas and UG2) offset by a reduction in payables to suppliers; v) reduction in provisions for risks and charges (€ 22.8 million).

Superbonus and Ecobonus activity thus generated net receivables for 168.1 million euros (trade and tax receivables). Regarding relations with sales companies and CSEA, the cash in of about 84.7 million euros was generated in the first half of the year resulting from a net effect from lower receivables from CSEA and lower trade payables to sales companies.

It should be noted that the Group has finalized factoring agreements with financial counterparties under which receivables claimed by the Company itself and its subsidiaries can be assigned without recourse. Specifically, the transaction was finalized for the assignment of VAT receivables of an extraordinary nature totaling 118.2 million euros and receivables from CSEA totaling 36.8 million euros.

Net financial debt

(million)	31.12.2022	30.06.2023	Abs. change
Financial and bond debt	6,510.8	6,954.4	443.6
Short-term financial debt (*)	121.1	483.9	362.8
Long-term financial debt	6,317.7	6,386.4	68.7
Finance lease payables - IFRS 16	72.0	84.1	12.1
Hedge derivative contracts Cash flow Hedge	(52.5)	(47.6)	4.9
Short term contracts	(17.1)	(26.7)	9.6
Long term contracts	(35.4)	(20.9)	(14.5)
Financial receivables and cash and cash equivalents	(458.2)	(592.0)	(133.8)
Cash and cash equivalents	(451.9)	(465.9)	(14.0)
Financial receivables	(6.1)	(125.9)	(119.8)
Securities not instrumental to operations	(0.2)	(0.2)	0.0
Net financial debt (**)	6,000.1	6,314.8	314.7
Finance lease payables - IFRS 16	72.0	84.1	12.1
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	5,928.1	6,230.7	302.6

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

(**) Net financial debt does not include liabilities of € 35.5 million (€ 34.8 million as at 31 December 2022) consisting of the pro-rata share of the shareholder loan, including interest, to Italgas NewCo, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, deemed not to be financial debt.

As at 30 June 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 84.1 million (€ 72.0 million as at 31 March 2022) and from the Italgas NewCo shareholders' loan share, amounted to € 6,230.7 million, up by € 302.6 million from 31 December 2022 (€ 5,928.1 million).

⁶ The change mainly concerns the "Bonus gas" and UG2 components aimed at reducing the expenditure incurred for the supply of natural gas by households in economically disadvantaged conditions, which will be reimbursed by ARERA in accordance with the regulations in force.

Gross financial and bond debt as at 30 June 2023 totalled € 6,954.4 million (€ 6,510.8 million as at 31 December 2022) and refer to: bonds (€4,963.3 million), loan agreements with the European Investment Bank (EIB) (€915.8 million), payables to banks (€ 991.3 million) and financial liabilities pursuant to IFRS 16 (€ 84.1 million).

Cash and cash equivalents and **financial receivables** amounted to € 592 million and increased by €133.8 million compared to 31 December 2022,

The breakdown of gross financial debt by type of interest rate as at 30 June 2023 is as follows:

(€ million)	31.12.2022	%	30.06.2023	%
Fixed rate	5,905.8	90.7	6,363.3	91.5
Floating rate	605.0	9.3	591.1	8.5
Gross financial debt	6,510,8	100,0	6,954.4	100.0

Fixed-rate financial liabilities amounted to € 6,363.3 million and mainly refer to bonds (€ 4,963.2 million), to five EIB loans (€ 812.5 million), bank loans (€ 503.5 million) and IFRS 16 financial liabilities (€ 84.1 million). The increase in fixed-rate financial liabilities (457.5 million euros) is mainly due to the effect of the recent bond issue of a nominal 500 million euros maturing in June 2032, partially offset by the repayment of principal amounts of EIB loans.

Floating-rate financial liabilities amounted to 591.1 million euros and related mainly to bank loans (487.8 million euros) and an EIB loan (103.3 million euros).

Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 30 June 2023, these commitments were respected.

As of June 30, 2023, there are no loan agreements containing financial covenants, with the exception of an EIB loan with a nominal value of 90 million euros underwritten by Toscana Energia and some loans entered into by DEPA Infrastructure's pre-acquisition subsidiaries

As of June 30, 2023, the above commitments have been met.

Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash

equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁷, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First half of the year	
	2022	2023
Net profit	197.8	228.7
<i>Adjustments:</i>		
- <i>Amortisation and depreciation and other non-monetary components</i>	218.8	248.1
- <i>Net capital losses (capital gains) on asset sales and eliminations</i>	2.4	1.1
- <i>Interest and income taxes</i>	104.5	130.4
Change in working capital due to operating activities	25.0	(177.3)
Dividends, interest and income taxes collected (paid)	(88.9)	(111.4)
Cash flow from operations (*)	459.5	319.6
Technical investments	(356.5)	(363.1)
Other changes related to investments activities	12.4	(6.9)
Divestments and other changes	24.7	0.5
Free cash flow before M&A transactions	140.1	(49.9)
Acquisition of business units, plant and financial assets	(22.5)	-
Free cash flow	117.6	(49.9)
Change in short and long term financial debt and financial receivables	82.5	331.0
Reimbursements of financial liabilities for leased assets	(16.1)	(14.6)
Capital contribution from third parties	0.3	-
Equity cash flow	(234.3)	(252.5)
Net cash flow for the year	(50.0)	14.0

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

Change in net financial debt

(€ million)	First half of the year	
	2022	2023
Free cash flow prima di operazioni di Merger and Acquisition	140.1	(49.9)
Change due to acquisitions of equity investments, business units and assets	(22.5)	-
Increase in finance lease payables	(7.1)	(26.7)
Equity cash flow	(234.3)	(252.5)
Capital contribution from third parties	0.3	-
Other changes (Difference between interest accounted for and paid)	9.1	14.4
Change in net financial debt	(114.4)	(314.7)

Cash flow from operating activities as of June 30, 2023 of 319.6 million euros partially financed the flow from net investments of 369.5 million euros generating a negative free cash flow of 49.9 million euros.

Including the dividend payout of 252.5 million euros, the increase in net financial debt was 314.7 million euro

⁷ The free cash flow alternatively represents: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

Key operating figures

Investments

In 2023, technical investments were made for € 398.2 million⁸ (30 June 2022: € 374.4 million), of which € 25.7 million relating to investments accounted for in accordance with IFRS 16.

DEPA Infrastructure's subsidiaries made 49.2 million investments.

(€ million)

Financial Year 2022	First half of the year		Abs. change	% Change
	2022	2023		
520.4 Distribution	242.9	225.6	(17.3)	(7.1)
473.5 Network development and maintenance	219.7	196.1	(23.6)	(10.8)
46.8 New networks	23.2	29.5	6.3	27.4
235.7 Digitisation	111.5	128.1	16.6	14.9
165.2 Other assets	78.1	76.7	(1.4)	(1.8)
43.3 Metering	23.4	42.8	19.4	82.8
27.2 Processes	10.0	8.6	(1.4)	(14.3)
58.3 Other investments	20.0	44.5	24.5	122.7
6.7 - of which Real Estate	1.8	2.1	0.3	19.5
17.4 - of which ICT	10.0	12.1	2.1	21.4
26.0 - of which the effect of IFRS 16	6.2	25.7	19.5	314.9
814.3	374.4	398.2	23.8	6.4

Distribution investments (€ 225.6 million, -7.1% on the same period of 2022), which recorded the installation of an additional 478 km of pipelines, were driven by network development, maintenance and repurposing initiatives. The decrease compared to the corresponding 2022 period, partially offset by the inclusion of the Greek companies in the scope of consolidation, is caused by less construction of new networks, mainly due to the progressive completion of the Sardinia methanisation project.

Investments in digitisation (€ 128.1 million, +14.9% compared to the same period in 2022) mainly refer to the installation of digital data acquisition devices for the control and monitoring of the distribution network, plants and for metering⁹.

⁸ The DEPA Infrastructure Group made total investments of € 49.2 million.

⁹ As of June 30, 2023, the plan to replace traditional meters with smart meters in Italy, including investee companies, has reached a total of 7.7 million smart meters installed (almost all of those active). As of June 30, 2023, the digital meter fleet installed by the Depa Infrastructure Group amounted to 50 thousand units out of a total installed meters of 624.6 thousand.

Key operating figures – Italgas Group and affiliates (Italy)

	First half of the year			
	2022	2023	Abs. change	% Change
Active meters (millions)*	7,745	7,375	(0.370)	(4.8)
Municipalities with gas distribution concessions (no.)	1,899	1,905	6.0	0.3
Municipalities with gas distribution concessions in operation (no.)	1,837	1,847	10.0	0.5
Distribution network (kilometres)	74,788.0	73,912.6	(875.4)	(1.2)
Gas distributed (million cubic metres)*	5,139.2	3,951.5	(1,187.7)	(23.1)

(*) The negative change is mainly attributable to the sale of Naples.

Key operating figures – Italgas Group (Greece)

	First half of the year			
	2022	2023	Abs. change	% Change
Active meters (millions)	0.569	0.585	0.016	2.9
Municipalities with gas distribution concessions (no.)	140	140	0.0	0.0
Municipalities with gas distribution concessions in operation (no.)	104	105	1.0	1.0
Distribution network (kilometres)	7,287.3	7,669.0	381.7	5.2
Gas distributed (million cubic metres)	727.2	587.4	(139.8)	(19.2)

As of June 30, 2022 the Greek companies were not part of the Italgas Group, it was preferred to give evidence of this figure for better comparison.

Key operating figures – Italgas Group and affiliates (Italy and Greece)

	First half of the year			
	2022(*)	2023	Abs. change	% Change
Active meters (millions)	7,745	7,960	0.215	2.8
Municipalities with gas distribution concessions (no.)	1,899	2,045	146.0	7.7
Municipalities with gas distribution concessions in operation (no.)	1,837	1,952	115.0	6.3
Distribution network (kilometres)	74,788.0	81,581.6	6,793.6	9.1
Gas distributed (million cubic metres)	5,139.2	4,538.9	(600.4)	(11.7)

(*) As of June 30, 2022 the Greek companies were not part of the Italgas Group, in this table the data for Depa's Group was not included.

Business segment operating performance

Consistent with the manner in which *management* reviews the Group's operating results and in compliance with the provisions of the international accounting standard IFRS 8 "Operating segments", the Italgas Group has identified the following operating segments: "Gas distribution", "Energy efficiency" and "Corporate and other sectors". In particular, the growth of the Energy Efficiency sector, due to the fact that it exceeded the materiality thresholds provided for by IFRS 8, made it necessary to highlight the corresponding values as an operating sector subject to separate reporting.

More precisely, the "Gas Distribution" sector is associated with gas distribution and metering activities carried out by Group companies both in Italy and in Greece.

The "Energy Efficiency" sector refers to activities carried out in the energy sector. Italgas offers and implements energy efficiency measures to its customers in the residential and industrial sectors and pursues the Group's efficiency and sustainability targets, continuing to play a leading role in achieving EU climate objectives.

"Corporate and other sectors" includes the services performed for third parties by the Parent Company Italgas, together with the activities of the water business attributable to the company Italgas Acqua.

The values by sector at 30 June 2022 were reconstructed on the basis of the same criteria adopted to identify those at 30 June 2023.

Below is a breakdown of the main economic performance indicators by sector.

Gas distribution sector

The following table summarises the main items of the adjusted financial statements:

(€ million)	First half of the year		Abs. change	% Change
	2022	2023		
Adjusted total revenues (regulated and not regulated)	654.6	740.7	86.1	13.2%
Adjusted EBITDA	503.3	567.6	64.3	12.8%
Adjusted EBIT	289.6	322.9	33.3	11.5%
Adjusted EBITDA margin (%)	77%	77%	-	-
Adjusted EBIT margin (%)	44%	44%	-	-
Net invested capital	7,079.4	8,341.2	1,261.8	17.8%

Energy efficiency sector

The following table summarises the main items of the adjusted financial statements:

(€ million)	First half of the year		Abs. change	% Change
	2022	2023		
Adjusted total revenues (regulated and not regulated)	47.4	194.7	147.3	-
Adjusted EBITDA	8.4	38.3	29.9	-
Adjusted EBIT	6.7	36.6	29.9	-
Adjusted EBITDA margin (%)	18%	20%	2%	-
Adjusted EBIT margin (%)	14%	19%	4%	-

Sustainability - The path to decarbonization

Sustainable Value Creation Plan as pivot and foundational element of the Strategic Plan.

The REPowerEU, approved in the aftermath of the outbreak of the Russian-Ukrainian conflict, interpreted the urgency of reducing the European Union's dependence on Russian fossil fuels by choosing to simultaneously accelerate the process of decarbonizing consumptions. Indeed, by raising the weight of renewable gases in the European energy mix - with biomethane and hydrogen called to replace 50% of Russian gas - the document gave a key role to the gas distribution network, provided it is smart, digital and flexible.

At the same time, energy efficiency is seen as a driver in the fight against climate change, since it can guarantee, for the same services offered, lower energy consumption with important benefits also in terms of savings. Italgas Group has chosen to play a leading role in this sector as well, focusing on technological innovation as a driver capable of enabling the ecological transition. Choices that have actually anticipated the approach of national and EU institutions, later embodied in Fit for 55 and REPowerEU.

Climate change targets were extended to the entire Group, in Italy and Greece, with the intention of further reducing CO₂ emissions and energy consumption, aiming to be ahead of the EU targets set for 2030.

More specifically, the Group has set a target to reduce, by 2028, greenhouse gas emissions (Scope 1 and Scope 2) by 34% and net energy consumption by 27%, both compared to 2020 levels¹⁰; in line with the main timelines defined by the Green Deal, also aims to reduce greenhouse gas emissions by 42% and energy consumption by 33% by 2030 (with the same baseline and perimeter defined for the previous targets) and to achieve the "Net Zero Carbon" target by 2050, based on specific initiatives (e.g. energy efficiency initiatives and prompt inspection, localisation and repair of leaks, smart maintenance for fugitive emissions' reduction) and carbon removal and green gases activities, starting in 2030. Also extended to the entire Group is the Scope 3 (supply chain) greenhouse gas emissions target, forecasting a 30% reduction to 2028 and 33% reduction to 2030 compared to 2020 (with the same baseline and perimeter defined for the previous targets), through intensified engagement with its suppliers. For Scope 3 emissions, the Group has also set a "Net Zero Carbon" target to 2050.

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.

¹⁰ Total energy consumption minus the total self-produced and consumed electricity. The perimeter is the same as the scope of consolidation as of 31st of March 2023. Any change following M&A operations or ATEM tenders, if relevant, will be considered in the review of the target.

Net energy consumption for the first six months of 2023 is presented below, which also takes into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

Net energy consumption (TJ) ¹¹	First half of the year			
	2022	2023	Abs. change	% Change
Fuel energy consumption for industrial use	172.6	152.4	(20.2)	(11.7)
Fuel energy consumption for civil use	22.5	12.1	(10.4)	(46.2)
Fuel energy consumption for vehicles ¹²	62.9	61.7	(1.2)	(1.9)
Net electricity consumption for industrial use ¹³	26.8	13.7	(13.1)	(48.9)
Net electricity consumption for civil use	16.5	17.1	0.6	3.6
Thermal energy consumption for civil use	0.2	0.2	-	-
	301.5	257.2	(44.3)	(14.7)

The first six months of 2023 were marked by a reduction in net energy consumption, the total of which amounted to 257.2 TJ (-14.7% compared to the corresponding period of 2022, even against an increase of 12.0 TJ due to the inclusion of the DEPA Infrastructure Group).

Fuel energy consumption recorded a decrease in consumption for industrial use for the first six months of 2023 (-11.7%, from 172.6 TJ to 152.4 TJ, including also the increase of 1.9 TJ related to the Greek perimeter). This result was achieved thanks to the continuation of the efficiency measures, implemented on the Group's plant fleet, such as the replacement of natural gas preheating boilers and the installation of systems to optimize gas preheating sections and the digitization of monitoring and control processes, which allowed to operate in more efficient conditions. The specific consumption of the preheating process (cubic meters of natural gas consumed per preheat per thousand cubic meters of gas fed into the network) shows a slight increase for the Group¹⁴, starting from a value of 1.12 to 1.15, due to the additional gas consumption from the operation of plants equipped with turboexpanders and cogeneration activated in 2023, the same ones that resulted in a concomitant production of 10.9 TJ of electricity for self-consumption in the first half of 2023.

In relation to fuel energy consumption for civil use, in the first six months of 2023, there was a 46.2% decrease compared to the same period of the previous year (from 22.5 TJ to 12.1 TJ, despite the contribution of 1.1 TJ related to the Greek perimeter), at the same time as a slight overall increase in electricity consumption, equal to 3.6% (from 16.5 TJ to 17.1 TJ, an increase determined solely by the contribution of 3.2 TJ related to the Greek perimeter). The reduction in total energy consumption for civil use (-9.8 TJ related to gas and electricity consumption, also including the Greek perimeter) is related to the constant process of optimising and renewing

¹¹ These represent total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted. The values for the first six months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

¹² Consumption and emissions from personal use of mixed-use cars, amounting to 4.4 TJ and 0.2 thousand tCO₂ eq, were excluded only for the first half of 2023; the corresponding values for the first half of 2022 are 2.0 TJ of consumption and 0.1 thousand tCO₂ eq of emissions.

¹³ 10.9 TJ of electricity produced by plants equipped with turboexpanders and cogeneration were subtracted.

¹⁴ Referring to Toscana Energia and Italgas Reti. If plants equipped with turboexpanders and cogeneration were excluded, specific consumption would decrease from 1.36, referring to the first half of 2022, recalculated with the same perimeter adopted for 2023, to 1.17, for the first half of 2023.

the real estate assets, in addition to the "smart" management of the same on the basis of the digitized and continuous monitoring of the main parameters of the offices and their consumption (with the resulting improvement in energy performance).

The Group's industrial electricity consumption decreased by 48.9% (from 26.8 TJ to 13.7 TJ, of which 0.4 TJ related to the Greek perimeter)¹⁵, reduction mainly attributable to plant efficiency improvements in water distribution management and self-consumption of electricity produced in citygates equipped with turboexpanders combined with cogeneration plants.

Finally, fuel energy consumption from vehicles decreased by 1.2 TJ (-1.9% compared to the same period in 2022, despite a contribution of 5.4 TJ related to the Greek perimeter). The reduction achieved on the Italian scope is mainly due to the optimization of the car fleet and the progressive digitization of business processes (online quotation service and the full adoption of Work-on-Site for construction sites monitoring), which overall lead to a significant reduction in travel by operational staff.

The changes described above, with reference to the consumption of gas for civil and industrial uses and those related to fuels for the fleet, may also be found in similar changes in the related greenhouse gas emissions shown in the table in the next section. Finally, emissions from electricity consumption for civil and industrial uses remain extremely low, as a result of the reduction in consumption and to the procurement of electricity from certified renewable sources for almost all volumes in Italy.

Greenhouse gas emissions

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

Below are the Scope 1 and 2 CO₂eq emissions for the first six months of 2023, which also take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

¹⁵ 10.9 TJ of electricity produced by plants equipped with turboexpanders and cogeneration were subtract

Scope 1 and Scope 2 ¹⁶ (thousand tCO ₂ eq)	First half of the year			
	2022	2023	Abs. change	% Change
Fugitive gas emissions (Scope 1)	40.5	46.7	6.2	15.3
Emissions from gas consumption for industrial use (Scope 1)	9.8	8.6	(1.2)	(12.2)
Emissions from gas consumption for civil use (Scope 1)	1.3	0.7	(0.6)	(46.2)
Emissions from fuel consumption for vehicles (Scope 1) ¹⁷	3.0	2.9	(0.1)	(3.3)
Emissions from electricity consumption for industrial use (Scope 2)	-	0.1	0.1	-
Emissions from electricity consumption for civil use (Scope 2)	0.1	0.3	0.2	(200.0)
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	54.7	59.3	4.6	8.4

The increase in total emissions in the first half of 2023 compared to the first half of 2022 (+8.4%) is a result of the increase in fugitive emissions.

The change in fugitive emissions is mainly related to the increase in the perimeter investigated (the Greek network was not present in the first half of 2022) and fugitive emissions on the Italian perimeter, as a result of the increased km of network investigated in the areas that had experienced the greatest losses in 2022. With reference to the Greek perimeter, there are 2,119 kilometers of network investigated and the parameter of emissions per kilometer inspected is 79.2 Smc/km. In Italy, significant efforts to reduce fugitive emissions have led to an increase in the investigated network leading to 51,633 km in 2023 (+8.3% compared to the 47,667 km surveyed in 2022) anticipating the investigation of the most emissive areas in the first part of the year. Looking more specifically at the characteristic KPIs of the process, in 2022 there is a 0.1% decrease in the ratio of dispersed gas per km of network investigated for the Italian perimeter, the value of which has gone from 49.02 Smc/km in the first six months of 2022 to 48.97 Smc/km in the same period of 2023.

The Group is applying a predictive maintenance model for networks that, by combining the physical characteristics of the networks (e.g., age, material, and pressure) and the product of processing data obtained in the field from the intensive leakage detection program, identifies areas of potential leakage risk and the associated probability of fugitive emissions from a predictive management and intervention perspective.

¹⁶ *Scope 2 market-based*. The values for the first six months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in 2022.

¹⁷ See note 12.

Main events of 2023

Extraordinary transactions and area tenders

- In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the potential acquisition of the interests held by the Veolia Group in certain companies active in water service in the regions of Lazio, Campania and Sicily. The planned transaction is part of the broader strategy outlined in the 2023-2029 Strategic Plan, which calls for strengthening the Group's presence in the water sector.

On June 9, Italgas and Veolia signed the sale and purchase agreement; the completion of the transaction is subject to the fulfillment of certain conditions, including the involvement or approval of the entities that awarded the water service concession.

In particular, the transaction concerns the acquisition by Italgas of: a) 100% of the share capital of Acqua S.r.l., which in turn directly holds 98.7% of the share capital of Idrosicilia S.p.A. and, indirectly, 75% of the share capital of Siciliacque S.p.A.; b) 100% of Idrolatina S.r.l., which in turn holds approximately 49% of Acqualatina S.p.A.; c) 47.9% of Acqua Campania S.p.A..

Under the sale and purchase agreement, Italgas will be able to pay the Veolia Group a total of up to approximately 115 million euros (in terms of equity value), this price includes an earn-out subject to the achievement of certain targets of the operating companies.

- In June 2023, the merger of Janagas S.r.l. into Medea S.p.A., both Italgas Group companies, was finalized, effective July 10, 2023.

Janagas holds LPG distribution concessions in Olbia and 11 other municipalities in Sardinia. Medea is the Italgas Group company present in 18 of the 38 basins into which Sardinia is divided, including the main capitals; it operates a network that currently stretches more than 1,000 kilometers and serves more than 44,000 end customers.

The effectiveness of the merger will enable the two companies to join forces and know-how to help meet Italgas Group's strategic goals for the further energy development of Sardinia.

Innovation, digitisation of the corporate networks and processes

The digital transformation of assets and processes undertaken by the Group in line with its strategic vision continued in the first half of 2023. Examples are the application of DANA (Digital Advanced Network Automation), the innovative command and control system for the digitized gas network, already in use to manage a biomethane production plant that recently went into operation and was connected to the Italgas network, and CAPEXFORCE (developed in partnership with Salesforce), a project that is producing the first results that will allow the level of coordination of the functions involved in Italgas investments to be increased, with the aim of simplifying planning and execution work activities.

Optimization of debt structure

On June 8, 2023, in implementation of the EMTN (Euro Medium Term Notes) Program renewed by resolution of the Board of Directors on September 15, 2022, Italgas concluded the launch of a new bond issue in the amount of 500 million euros at a fixed rate with an annual coupon of 4.125% and maturing in June 2032. The company took advantage of a favorable market window to carry out a pre-funding exercise of the financial requirements set out in the Strategic Plan 2023-2029, extending the average maturity of the bond portfolio. The placement was aimed at institutional investors only and the bonds are listed on the Luxembourg Stock Exchange.

Capital transactions

On March 9, 2023, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of April 19, 2018, the Board of Directors determined the free allotment of a total of 499,502 new ordinary shares of the Company to the beneficiaries of the Plan itself (so-called third cycle of the Plan) and executed the third tranche of the share capital increase approved by the aforementioned Shareholders' Meeting, in the nominal amount of 619,382.48 euros taken from retained earnings reserves.

Other events

- On January 19, 2023, the Sustainable Value Creation Plan 2022-2028, "Builders of the Future," approved by the company's Board of Directors on December 14, 2022, was presented to stakeholders. This plan defines concrete actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates: fostering the ecological transition while ensuring energy security and energy cost competitiveness, benefiting businesses and households.
- On February, 7, 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, S&P Global's annual publication of best practices, experiences and success stories of the world's leading companies on sustainability issues.

Italgas also confirmed its leadership with inclusion in the "Top 1% S&P Global ESG Score" category, by virtue of its excellent performance.

This was achieved following the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, among the 7,800 evaluated, were included in the Sustainability Yearbook 2023 based on their ESG scores.

- On April 13, 2023, the agreement for the distribution of natural gas in ATEM Turin 1 was signed. The contract, effective May 1, 2023 and with a duration of 12 years, will result in a single management of the distribution service for all municipalities from which will derive benefits for users in terms of quality, safety and transparency in the management of the service.

- In May 2023, Italgas was included by the U.S. magazine Newsweek in its annual ranking of the top 100 Global most loved workplaces, the ranking of companies most loved by their employees. The ranking takes into account various elements related to employee satisfaction and opinion, including the level of respect, collaboration, support and sense of belonging, and CEO leadership. Italgas is one of only two Italian companies to receive this recognition.
- On June 5, 2023, Italgas joined the Large Infrastructure Institute (IGI) as a member of the Board of Governors. Italgas' objective within the IGI will be to promote innovation and efficiency in the implementation of large-scale infrastructure, with a focus on the energy sector.
- On June 12, 2023, Italgas and the City of Turin unveiled the new Italgas hub dedicated to innovation, which will be located on Corso Regina Margherita. When fully operational, about 250 people will work in the new campus, and activities related to materials testing, calibration of measuring instruments, and new digital skills training will be carried out to train the professionals of the future. The center will develop studies and research on methane, biomethane and green hydrogen, actively contributing to the process of decarbonization and transition to a more sustainable future. In addition, the Corso Regina Margherita campus, through the establishment of partnerships and collaborations, will dialogue with leading academic institutions and universities in Italy and abroad. Finally, the Italgas campus will host the group's Cyber Range, within which the cybersecurity and resilience features of next-generation digital equipment and systems will be developed and tested.
- On June 15, 2023, Italgas presented to analysts and investors the Group's Strategic Plan for the period 2023-2029, approved on the same date by the Company's Board of Directors. The new Plan calls for total investments of 7.8 billion euros mainly dedicated to interventions in the development of gas distribution assets and activities in Italy and Greece, energy efficiency activities, and development in the water sector. In this sector, after the recently announced Veolia asset acquisition agreements, the Group expects to seize further growth opportunities.

Legal and Regulatory Framework

- On 23 May 2023, the Regional Administrative Court of Lombardy rejected the appeal brought by Italgas Reti against Resolution no. 525/2022/R/gas concerning the "Provision on the application of the cap on the tariff recognition of investments in start-up locations" and Resolution no. 528/2022/R/gas containing the "Criteria for the formulation of observations to the calls for tenders for the award of the natural gas distribution service in the locations identified by Article 114-ter of Decree-Law no. 34 of 19 May 2020".
- On 17 May 2023, the Court of Naples dismissed the appeal for preventive technical assessment brought by Italgas Reti before the Court of Naples concerning the admission of a technical expert's report for the purpose of redetermining the amount owed to Italgas Reti by the operator who was awarded the ATEM Naples 1 contract by way of redemption value. The proceedings on the merits are pending before the Court of Naples with the first hearing set for 30 November 2023.

- The Authority notified the Council of State of its appeal against the sentence of the Regional Administrative Court of Lombardy which, in its ruling of January 2023, upheld the appeal brought by Italgas Reti for the annulment of **Resolutions no. 603/2021/R/com** and **no. 604/2021/R/com**, with which the Authority had imposed communication obligations on distribution companies regarding the two-yearly prescription of electricity and gas consumption. At present, the next hearing is scheduled for 24 October 2023.
- In February 2023, Italgas Reti challenged Resolution no. 654/2022/R/com, by which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for in Article 8 of the TIWACC 2022-2027 for the updating of the WACC for the sub-period 2022-2024, the calculation of the WACC resulting from the updating of the relevant financial parameters results in a change, for each service, of less than 50 bps (basis point spread) compared to the value in force. The setting of a date for the hearing is currently pending.
- Through Resolution no. 123/2023/R/gas of 28 March 2023, the Authority initiated proceedings to comply with ruling no. 9607/2022 of the Council of State in relation to the determination of the premiums due to Italgas Reti for the safety recoveries provided for in the years 2016 and 2017 of 24 plants that distribute gas in the locations affected by the results of the survey referred to in Annex A to Resolution no. 494/2018/E/gas. The Resolution provides that the proceedings shall be concluded by 31 December 2023.
- The Council of State declared inadmissible the appeal filed by ARERA against the ruling in which the Regional Administrative Court of Lombardy had recognised the illegitimacy of ARERA's silence with respect to the petitions filed by Italgas Reti and Toscana Energia at the end of 2020 to request the recognition of additional costs related to smart metering and concentrators for the years 2018 and 2019.
- The Greek Regulatory Authority for Energy, Waste and Water, RAAEY, by decision E-71/2023, has released the return (WACC - Weighted Average Cost of Capital) to be applied on the RAB (Regulated Asset Base) for 2023 for EDA Thess, EDA Attikis and DEDA, the DSOs of the Depa Infrastructure Group in Greece, setting it at 8.57 percent (compared to 7.03 percent in 2022 and 2021). The decision was made in accordance with the provisions of Article 260 of Law 5037/2023.

Significant events occurring after the end of the half-year

No significant events occurred after the end of the six-month period other than those mentioned in the Report.

Business Outlook and Russia – Ukraine Conflict

Italgas, consistently with the provisions of the Strategic Plan 2023-2029, will continue to pursue its objectives mainly aimed at (i) the continuation of the digital transformation program, repurposing and extension of the network, to equip the country with cutting-edge infrastructures capable of receiving and distributing renewable gas such as biomethane and green hydrogen; (ii) to consolidation action in the energy efficiency sector with the aim of placing itself among the leading players in the sector; (iii) to new external growth opportunities through ATEM tenders, M&A in the gas distribution, water and energy efficiency sectors as well as, to the development of the Greek market.

Russia - Ukraine conflict

As is well known, the Russian-Ukrainian military conflict erupted during February 2022 following the Russian army's invasion of Ukrainian sovereign territory. The state of tension generated at the political-military level and the resulting economic sanctions adopted by the international community against Russia have led to significant effects and turbulence in the globalized markets, both on the financial front and on the front of commodity prices and exports, this in view of the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it has no manufacturing operations or personnel located in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have any business and/or financial relationships with such countries. Italgas continues to see no materially significant restrictions on the execution of financial transactions through the banking system, partly as a result of Russia's exclusion from the international swift payment system. However, in a market already characterized by restrictions and slowdowns in the supply chain, especially in relation to components, it cannot be ruled out that the situation of political-economic tension induced by the conflict could exacerbate these difficulties and affect, in a form that cannot be estimated or predicted at present, the effectiveness and timeliness of the Group's ability to procure.

In particular, following a survey of a significant portion of its suppliers carried out in the months following the start of the conflict, it was found that none of the surveyed suppliers reported impacts with the Russian market, while only one supplier noted sub-supplies of Ukrainian origin for which it had put in place initiatives to seek alternatives.

All of the surveyed suppliers confirmed that they had put in place measures to prevent effects from possible cyber attacks. Monitoring in the following months did not reveal the occurrence of critical issues resulting from the conflict.

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

The survey confirmed, as previously highlighted, the growing criticality on the supply of steel-related electronics and components, both in terms of prices and delivery and availability schedules. With

reference to tensions in the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only with respect to the U.S. dollar currency.

With regards to the availability of financing sources and the related costs, it should be noted that i) more than 90% of Italgas' financial debt is at a fixed rate ii) the next repayment of a bond is scheduled for 2024 iii) the Group has in any case liquidity deposited with primary credit institutions in the amount, as of June 30, 2023, of 465.9 million euros, which, also in light of the investment plans in place and the operations planned in the short term, would allow it to manage, without significantly material effects, any restrictions on access to credit.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the commodity that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service in Italy are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

With reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

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

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

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

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

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

Conference call

At 4:30 p.m. CET today, a conference call will be held to present the results of the first half of 2023 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

The manager responsible for the preparation of financial reports, Gianfranco Amoroso, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

Disclaimer

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

Fine Comunicato n.0167-59

Numero di Pagine: 30