



Consolidated half-year financial report as at 30
June 2023

VALUES, MISSION AND PURPOSE

Vision:

To be a leading figure in the world of energy, driving its sustainable evolution and innovating each day to improve people's quality of life.

Mission:

We have guaranteed efficient, safe and excellent energy services to the community for over 180 years. We favour the energy transition, creating the networks of the future and promoting innovative, sustainable solutions. We take care of local communities. We fuel positive, productive relationships with all of our stakeholders: individuals, companies, suppliers and shareholders. We enter new markets where we can apply our distinctive expertise. We promote the growth of individuals and develop talent, creating inclusive, stimulating work environments.

Purpose:

Pioneers by passion and builders by calling, we bring all our energy to accelerate the ecological transition. We do it for us. We do it for everyone.

Disclaimer

The consolidated half-year report 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, as well as action by competitors.

The names Italgas, Italgas Group or Group refer to Italgas S.p.A. and the companies included in the scope of consolidation.

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Corporate bodies

BOARD OF DIRECTORS^(a)

Chairwoman

Benedetta Navarra

Chief Executive Officer and General Manager

Paolo Gallo

Directors

Claudio De Marco

Fabiola Mascardi

Gianmarco Montanari

Lorenzo Parola

Manuela Sabbatini

Maria Sferruzza

Qinjing Shen

CONTROL AND RISKS AND RELATED-PARTY TRANSACTIONS COMMITTEE^(b)

Gianmarco Montanari (Chairman)

Claudio De Marco

Manuela Sabbatini

BOARD OF STATUTORY AUDITORS^(a)

Chairwoman

Giulia Pusterla

Standing auditors

Maurizio di Marcotullio

Paola Maria Maiorana

Alternate auditors

Stefano Fiorini

Barbara Cavalieri

APPOINTMENTS AND COMPENSATION COMMITTEE^(c)

Fabiola Mascardi (Chairwoman)^(d)

Claudio De Marco

Manuela Sabbatini

SUSTAINABLE VALUE CREATION COMMITTEE^(e)

Lorenzo Parola (Chairman)^(f)

Maria Sferruzza

Qinjing Shen

SUPERVISORY BODY^(g)

Antonio Gullo (Chairman)

Romina Guglielmetti

Francesco Profumo

INDEPENDENT AUDITING FIRM^(h)

Deloitte & Touche S.p.A.

^(a) Appointed by the Shareholders' Meeting of 26 April 2022. In office until the date of the Shareholders' Meeting that will be called for the approval of the financial statements for the year ending 31 December 2024.

^(b) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022.

^(c) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Fabiola Mascardi member and Chairwoman of the Appointments and Compensation Committee, an appointment previously held by Lorenzo Parola.

^(d) Appointment conferred by the Board of Directors on 22 February 2023.

^(e) Committee established by the Board of Directors on 04 August 2016. Members appointed by the Board of Directors on 02 May 2022. On 22 February 2023, the Board of Directors appointed Lorenzo Parola member and Chairman of the Sustainable Value Creation Committee, an appointment previously held by Fabiola Mascardi.

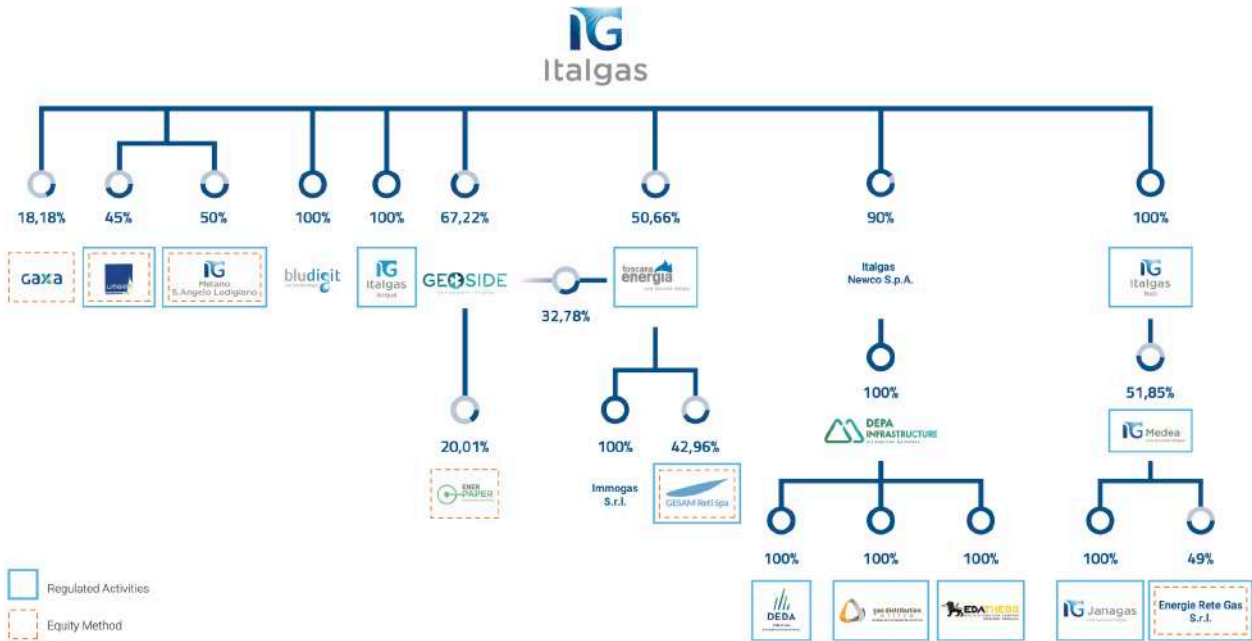
^(f) Appointment conferred by the Board of Directors on 22 February 2023.

^(g) The Supervisory Body was appointed by the Board of Directors on 25 July 2022. In office until the expiry of the term of the Board of Directors that appointed it, i.e. the date of the Shareholders' Meeting that will be called to approve the financial statements for the year ending 31 December 2024. In accordance with the Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001, the Supervisory Board continues to perform its functions *ad interim* until such time as the Board of Directors resolves to appoint the new Supervisory Board.

^(h) Engagement assigned by the Shareholders' Meeting of 12 May 2020 for the period 2020 - 2028.

Group structure as at 30 June 2023

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



Summary figures and information

Main events

Extraordinary and M&A transactions

- In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the potential acquisition of the shares held by the Veolia Group in certain companies active in the 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 provides for the strengthening of the Group's presence in the water sector.

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

In particular, the transaction provides for 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 holds approximately 49% of Acqualatina S.p.A.; c) 47.9% of Acqua Campania S.p.A..

According to the sale and purchase agreement, Italgas will be able to pay the Veolia Group a total of up to approximately € 115 million (in terms of equity value). This value contains an earn-out component subject to the achievement of certain targets by the operating companies.

- In June 2023, the merger by incorporation of Janagas S.r.l. into Medea S.p.A., both Italgas Group companies, was finalised, effective as at 10 July 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 towns; it manages a network that currently extends over 1,000 kilometres and serves more than 44,000 end customers.

The effectiveness of the merger will allow the two companies to pool their strengths and know-how in order to contribute to the Italgas Group's strategic objectives for the further development of energy in Sardinia.

Innovation, digitisation of the corporate networks and processes

In the first half of 2023, the digital transformation of assets and processes undertaken by the Group in line with its strategic vision continued. Examples of this are the application of DANA (Digital Advanced Network

Automation), the innovative command and control system for the digitised gas network, already in use for the management of a biomethane production plant, which has recently come into operation and is connected to the Italgas network, and CAPEXFORCE (developed in partnership with Salesforce), a project that is currently producing its first results, which will increase the level of coordination of the departments involved in Italgas investments, with the aim of simplifying planning and execution activities.

Optimisation of the debt structure

On 8 June 2023, in implementation of the EMTN (Euro Medium Term Notes) renewed by resolution of the Board of Directors on 15 September 2022, Italgas concluded the launch of a new bond issue in the amount of € 500 million at a fixed rate with an annual coupon of 4.125% and maturing in June 2032. The Company took advantage of a favourable market window to carry out a pre-funding exercise of the financial requirements envisaged in the Strategic Plan 2023-2029, extending the average duration 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 9 March 2023, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 499,502 new ordinary shares of the Company to the beneficiaries of said Plan (third cycle of the Plan) and executed the third tranche of the share capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 619,382.48 taken from retained earnings reserves.

Other events

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

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

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

- On 13 April 2023, the agreement was signed for the distribution of natural gas in the ATEM Turin 1. The 12-year contract effective from 1 May 2023 will mean that there will be one single management of the distribution service for all Municipalities, from which there will be advantages for users in terms of quality, safety and transparency in the management of the service.
- In May 2023, Italgas was included by the American magazine Newsweek, in its annual ranking of the top 100 Global most loved workplaces, the list 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, cooperation, support and sense of belonging, and leadership from the CEO. Italgas is one of only two Italian companies to have obtained this recognition.
- On 5 June 2023, Italgas joined the Istituto Grandi Infrastrutture (IGI) as a member of the Governing Council. Italgas' objective within the IGI will be to promote innovation and efficiency in the implementation of large infrastructures, with a focus on the energy sector.
- On 12 June 2023, Italgas and the City of Turin presented the new Italgas hub dedicated to innovation, which will be built in Corso Regina Margherita. Approximately 250 people will work in the new hub once fully operational, and activities relating to material testing, calibration of measuring instruments and education in new digital skills will be carried out to train the professionals of the future. The centre will develop studies and research on methane, biomethane and green hydrogen, actively contributing to the process of decarbonisation and transition towards a more sustainable future. In addition, the centre in Corso Regina Margherita will establish a dialogue with the most important academic institutions and universities in Italy and abroad by setting up partnerships and collaborations. Finally, the Italgas campus will host the Group's Cyber Range, where the cyber security and resilience features of the new-generation digital equipment and systems will be developed and tested.
- On 15 June 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, mainly dedicated to the development of gas distribution assets and activities in Italy and Greece, energy efficiency activities and the development of the water sector. The Group expects to seize further growth opportunities in this sector following the recently announced Veolia asset acquisition agreements.

Legal and regulatory events ¹

- 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

¹ Further information is provided in the Note "Disputes and other measures" of the Notes to the Condensed Consolidated Financial Statements.

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 points) 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, with Decision no. E-71/2023, issued the notice (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% (compared to 7.03% in 2022 and 2021). The decision was made in accordance with the provisions of Article 260 of Law 5037/2023.

Key figures

In order to allow for a better assessment of economic and financial performance, the Directors' Report includes the reclassified financial statements and certain alternative performance indicators, including EBITDA, EBIT and net financial debt, in addition to the financial statements and conventional indicators laid out in IAS/IFRS. These figures are presented in the tables below, the relative notes and the reclassified financial statements. For the definition of the terms used, when not directly specified, please refer to the chapter "Financial results, NON-GAAP Measures".

Key share figures

		30.06.2022	30.06.2023
Number of shares of share capital		810,245,718	810,745,220
Closing price at the end of period	(€)	5.55	5.425
Average closing price in the period (a)	(€)	5.825	5.553
Market capitalisation (b)	(€ million)	4,720	4,502
Exact market capitalisation (c)	(€ million)	4,501	4,398

(a) Non-adjusted for dividends paid.

(b) The product of the number of shares outstanding (exact number) multiplied by the average closing price in the period.

(c) The product of the number of shares outstanding (exact number) multiplied by the closing price at the end of the period.

Key financial figures

(€ million)	First half of the year	
	2022	2023
Total revenues (*)	707.4	931.8
Adjusted total revenues (*)	707.4	931.8
EBITDA	513.3	607.0
Adjusted gross operating margin	513.3	607.0
EBIT	296.0	358.8
Adjusted operating profit	296.0	358.8
Gross profit	272.9	313.9
Adjusted gross profit	270.2	313.9
Net profit	197.8	228.7
Adjusted net profit	195.1	228.7
Net profit attributable to the Group	188.3	213.2
Adjusted net profit attributable to the Group	185.6	213.2
Adjusted Earnings per share (**)	0.229	0.263

(*) 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 and € 343.3 million in the first half of 2023 and 2022, respectively), connection fees (€ 9.7 and € 9.5 million in the first half of 2023 and 2022, respectively), reimbursements from third parties and other residual components (6.7 and 0.5 respectively in the first half of 2023 and 2022).

(**) The indicator is calculated as a ratio between the net profit attributable to the Group and the total number of shares, which is 810,745,220 at 30 June 2023 and 810,245,718 at 30 June 2022.

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OPERATING PERFORMANCE

(€ million)	31.12.2022	30.06.2023
Net invested capital at the end of the end of period	8,390.7	8,662.2
Shareholders' equity	2,390.6	2,347.4
Net financial debt (*)	6,000.1	6,314.8
Finance lease payables - IFRS 16	72.0	84.1
Net financial debt (excluding the effects pursuant to IFRS 16) (*)	5,928.1	6,230.7

(*) See paragraph "Reclassified Statement of Financial Position."

Italgas and the financial markets

The first half of 2023 saw a consistent rise in global equity markets, extending the recovery that had been underway since the end of the previous year. This recovery was supported by: (i) the easing of expectations of monetary tightening, thanks in part to a softening of inflation, following the contraction of energy prices; (ii) the resilience of macroeconomic data and corporate results, which to date give no indication of a significant economic downturn, despite the central banks' sharp interest rate hikes. The rise was also supported by the suspension of the US debt ceiling and measures to contain the liquidity crisis affecting some US regional banks.

Due to the mild winter, increased LNG supplies and lower demand, driven in part by the EU's measures to curb consumption, the storage level of European gas in the first half of the year was well above the average of the previous five years, which had an impact on gas prices (TTF), which fell by 50% in June compared to the end of December. Similarly, despite the production cuts adopted by OPEC+, Brent crude prices fell 11% over the six-month period due to the economic slowdown brought about by monetary tightening and a somewhat less robust than expected recovery in Chinese post-pandemic consumption. The performance of the main energy commodities brought eurozone inflation to 5.2% at the end of June, down from 9.2% in December. Although declining, inflation dynamics remained well above the targets (2%) of the major central banks. This and the overall resilience in the economy do not support expectations of a rapid reversal of monetary policy. Driven by the increasing probabilities associated with less recessionary scenarios, the Italian spread fell by 46 bps over the six-month period to 168 bps at the end of June.

Overall, with share prices adjusted after the ex-dividend date, the Euro Stoxx share index gained +15.6%, while the S&P 500 rose by +16.9%. In Europe, with an increase of 23.3%, the FTSE Mib was the best performer among the major domestic equity indices, supported also by the contraction of the sovereign spread. Other European national indices recorded increases between +19.3% for the Spanish Ibex 35 and +16.0% for the German DAX.

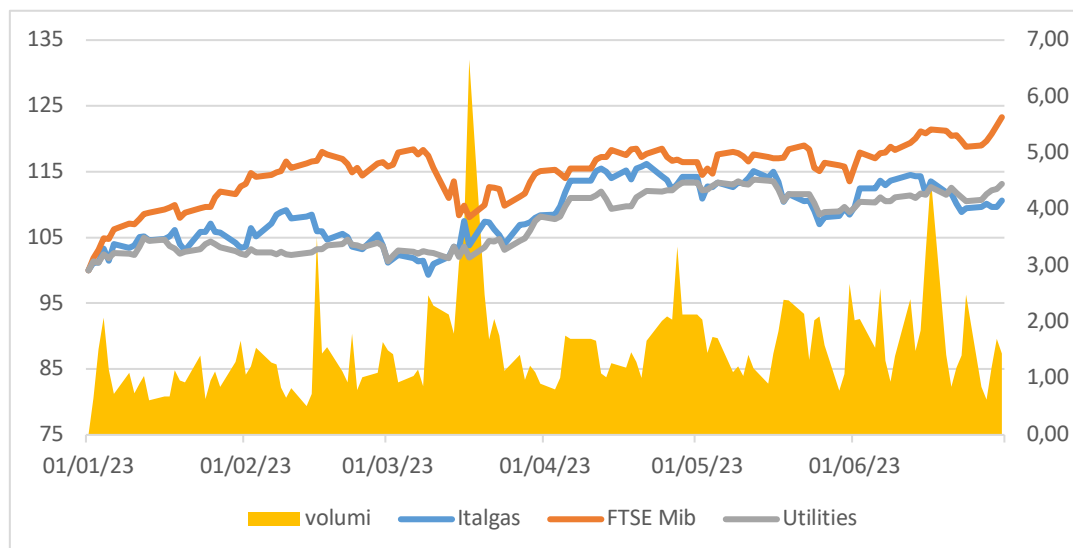
On a sectoral level, the Euro Stoxx Utilities rose 13.2%. On a sector level, integrated operators showed a relative outperformance thanks in part to the gradual normalisation of gas and electricity prices, which allowed for a recovery in trade margins after the renegotiation of sales conditions in the second half of 2022.

Italgas shares closed the first half of 2023 at € 5.425, up 10.6%, adjusted after the ex-dividend date. From the date on which it was listed in November 2016 to 30 June 2023, the total shareholder return was 90.1%.

In the first half of the year, the average daily trading volume of the Italgas stock on the electronic market of the Italian Stock Exchange was around 1.5 million shares.

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Comparison of the quotes Italgas, FTSE MIB and EURO STOXX Utilities (1 January 2023 - 30 June 2023, figures adjusted for dividends)



Shareholders

The share capital of the Company as at 30 June 2023 consisted of 810,745,220 shares without par value, giving a share capital value of € 1,003,227,568.76.

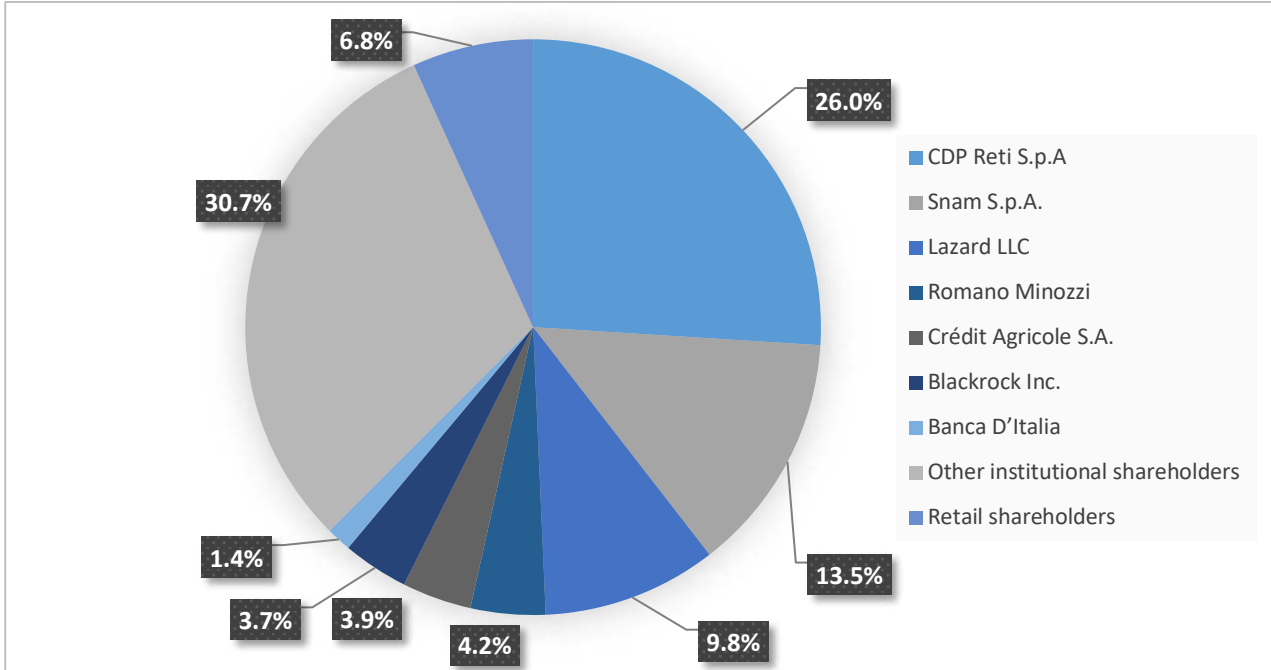
As at 30 June 2023, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments (shares exceeding 3%) are represented below.

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Italgas S.p.A.	CDP Reti S.p.A (*) (**)	26.0
	Snam S.p.A.	13.5
	Lazard LLC	9.8
	Romano Minozzi	4.2
	Crédit Agricole S.A.	3.9
	Blackrock Inc.	3.7
	Banca D'Italia	1.4
	Other institutional shareholders	30.7
	Retail shareholders	6.8

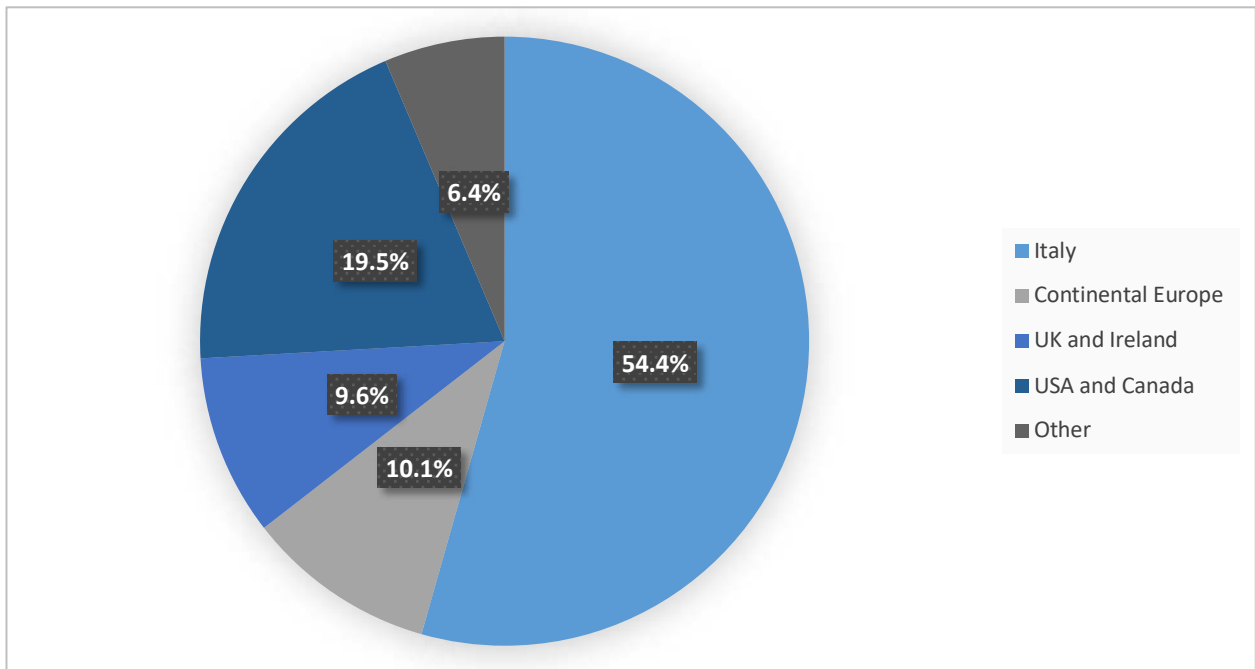
(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as *de facto* control pursuant to Article 2359, subsection 1, no. 2) of the Italian Civil Code and Article 93 of the CLF, exercising control through CDP Reti with, at the time, a 26.05% equity holding and through Snam with, at the time, a 13.50% equity holding. CDP does not exercise management and coordination activities over Italgas pursuant to Article 2497 et seq. of the Italian Civil Code.

(**) A shareholders' agreement between Snam, CDP Reti and CDP Gas was signed on 20 October 2016, effective from the date of the demerger of Italgas S.p.A. on 07 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP sold to CDP Reti, inter alia, its equity investment in Italgas S.p.A., equal to 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding. The shareholders' agreement is for three years and is automatically renewed for further three-year periods, unless one of the parties gives 12 months' notice. Given such forecast, in November 2019 and November 2022 the shareholders' agreement was renewed. On March 21, 2023, Snam and CDP Reti signed an agreement amending the Italgas Shareholders Agreement.

Italgas Shareholders by type of investor



Italgas Shareholders by geographical area



Operating performance

Infrastructure

Italgas is the leader in Italy and Greece in the industry of natural gas distribution and is the third largest operator in Europe.

The distribution service consists of transporting gas through local pipeline networks, from points of delivery at the reduction and measurement stations interconnected with the transport networks (“city-gates”) up to the final delivery points to customers (households, enterprises, etc.). Furthermore, Italgas is engaged in metering activities, which consist of determining, gathering, making available and archiving metering data on natural gas withdrawn over the distribution networks.

Collection cabins are equipment that link local distribution networks to the national gas pipeline network. They are complex systems that must perform different functions, including the measurement of the gas collected and a first reduction of the pressure to allow routing through the urban network. Currently Italgas has collection cabins equipped with advanced remote control and smart metering systems. Remote control allows the fastest possible intervention in case of anomalies; smart metering allows the continuous detection of a series of parameters relative to the management of gas flows as well as the detection of the quantity of gas entering the networks.

The systems for the reduction of pressure are devices placed along the distribution network and have the task to bring the pressure of the gas at the right level in relation to the type of use.

Investments

In 2023, technical investments were made for € 398.2 million (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 pipeline, 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 metering².

² 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.

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OPERATING PERFORMANCE

Summary of the key operating figures

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	2.8
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)

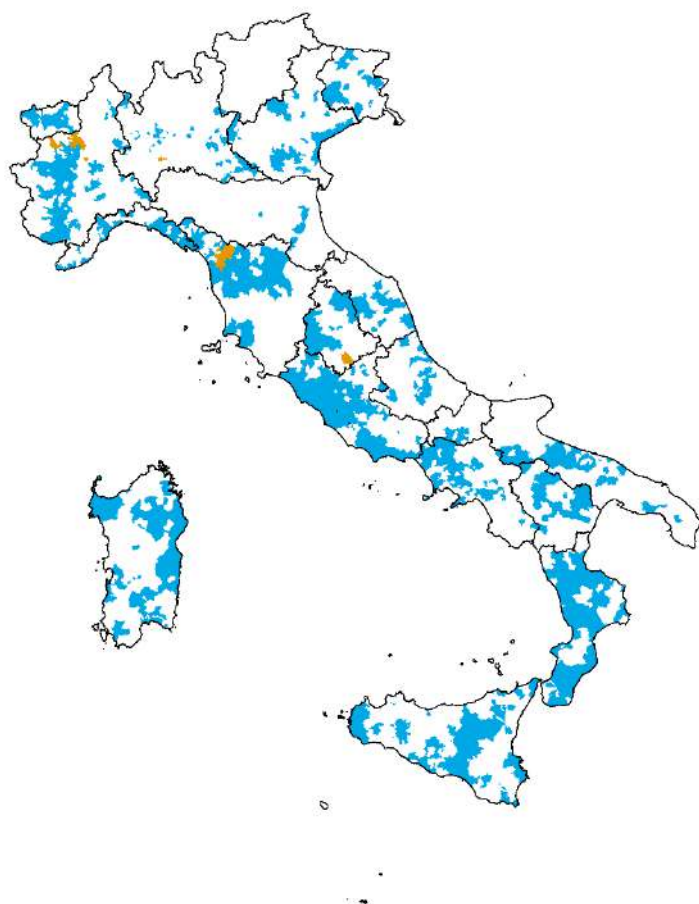
	First half of the year			
	2022(*)	2023	Abs. change	% Change
Active meters (millions)	7,745	7,960	0.215	2.8
Municipalities with gas distribution concessions (no.)	1,899	2,045	146.0	7.7
Municipalities with gas distribution concessions in operation (no.)	1,837	1,952	115.0	6.3
Distribution network (kilometres)	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.

Tender notice and contract awarding situation

The following figure shows the presence of the Italgas Group in Italy³. As at 30 June 2023, as a result of the regulatory framework envisaging the award of gas distribution services through local tenders (and not by individual municipality), 39 tender notices have been published, of which 30 sent to the Authority, as envisaged in Ministerial Decree no. 226/2011.

Of the 39 tender notices published to date:



- have been suspended by the Contracting Authorities: TURIN 3 – South West, MASSA CARRARA, CREMONA 2 – Centre and CREMONA 3 – South aggregates, COMO 1 – Lariano Triangle and Brianza Comasca, BERGAMO 3 – Suburbs West of Bergamo, BRESCIA 1 – North/West and BERGAMO 2 – North/East, MILANO 4 – North-Eastern Province, MILANO 3 – Southern Province, VERONA 2 – Veronese Flatlands, VICENZA 3 - Astico, Leogra and Timonchio Valleys and BIELLA (partially already cancelled by the Regional Administrative Court of Piedmont);
- VENICE 1 – Laguna Veneta, ALESSANDRIA 2 – Centre and GENOVA 2 – Province and MONZA were respectively annulled by the State Council, the Regional Administrative Court (TAR) of Piedmont and the Regional Administrative Court (TAR) of Liguria;
- MONZA and BRIANZA 2 – West, LUCCA, TRIESTE, MONZA and BRIANZA 1 – East and GENOVA 2 – Province (already cancelled by the Regional Administrative Court of Liguria and by the Council of State), have been revoked or cancelled by the respective contracting authorities;
- TURIN 2 – Turin plant, VALLE D'AOSTA, BELLUNO, TURIN 1 – City of Turin and LA SPEZIA were officially awarded to Italgas Reti.

³ The territorial presence where Italgas exercises control is shown in blue, the presence through affiliates over which it does not exercise control is shown in orange.



The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 145 Municipalities on the Greek peninsula, of which 105 are already in operation. In particular:

- EDA Attikis, holder of the distribution licence in the Attica region, and therefore including the city of Athens, has 58 Municipalities of which 52 are in operation;
- EDA Thess holds the distribution licence in 39 Municipalities in the Thessaloniki area and the region of Thessaly, of which 32 are in operation;
- DEDA, an entity dedicated to the methanisation of regions of Greece not covered

by the previous two operators, holds the licence to distribute in 48 Municipalities, 21 of which are in operation.

Sustainability – The path to decarbonisation

Sustainable Value Creation Plan as a pivotal and fundamental 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 decarbonising consumption. 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 driving force in the fight against climate change, since it can guarantee, for the same services offered, lower energy consumption with significant 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.

In this sense, the 2023-2029 Strategic Plan envisages a series of investments aimed at fostering:

- the extension and digital transformation of the gas infrastructure in Italy and Greece, to enable the networks to effectively accommodate and manage commodity mixes, further increase the safety and resilience of infrastructure, also with a view to adapting it to climate risks, guarantee service quality;
- boosting the circular economy and the biomethane sector in particular, with investments aimed at making biomethane production plant connections to the distribution network easier and less expensive, introducing reverse-flow technology to the transport network;
- the diversification of the business portfolio, growing the energy efficiency and the water sector businesses and drawing for both the digital technologies developed in the gas sector.

The ESG criteria adopted are an integral part of the development strategies: in order to implement real economic, financial, environmental and social sustainability and to be able to create shared value, the Group has adopted the 2022-2028 Sustainable Value Creation Plan “Builders of the Future”⁴, which addresses all sustainability issues related to its business. Since every action has an impact, the focus is on maximising positive results and minimising potential negative outcomes, generating virtuous impacts on tangible and intangible capital used in our processes.

Climate change targets were extended to the entire Group, in Italy and Greece, with the goal of reducing CO₂ emissions and energy consumption, aiming to be ahead of the EU's 2030 targets.

⁴ <https://www.italgas.it/en/press-release/italgas-bod-approves-the-2022-2028-sustainable-value-creation-plan/>

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 levels⁵; 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.

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) ⁶	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 ⁷	62.9	61.7	(1.2)	(1.9)
Net electricity consumption for industrial use ⁸	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

⁵ 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.

⁶ 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.

⁷ 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.

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

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 metres of natural gas consumed per preheat per thousand cubic metres of gas fed into the network) shows a slight increase for the Group⁹, starting from a value of 1.12 to 1.15, due to the additional gas consumption from the operation of the plants equipped with turboexpanders and cogeneration plants activated in 2023, the same ones that resulted in a simultaneous production for self-consumption of 10.9 TJ of electricity 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 the real estate assets, in addition their “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 scope)¹⁰, reduction mainly attributable to plant efficiency improvements in the 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 optimisation of the car fleet and the progressive digitisation 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.

⁹ Referring to Toscana Energia and Italgas Reti. If plants equipped with turbo-expanders and co-generation were to be 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.

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

Greenhouse gas emissions

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

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.

Scope 1 and Scope 2 ¹¹ (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) ¹²	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 model for predictive maintenance of 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 programme, identifies areas of potential leakage risk and the associated probability of fugitive emissions from a predictive management and intervention perspective.

¹¹ *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.

¹² See note 7.

Legislative and regulatory framework

Gas distribution tariff regulation - Italy

The distribution and metering of natural gas is regulated by the Regulatory Authority for Energy, Networks and Environment (AREERA). Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructure and for the delivery of the related services.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. Three cost categories are recognised:

- the cost of net invested capital for RAB (Regulatory Asset Base) purposes through the application of a rate of return of the same;
- economic-technical amortisation/depreciation, hedging investment costs;
- operating costs, hedging operational costs.

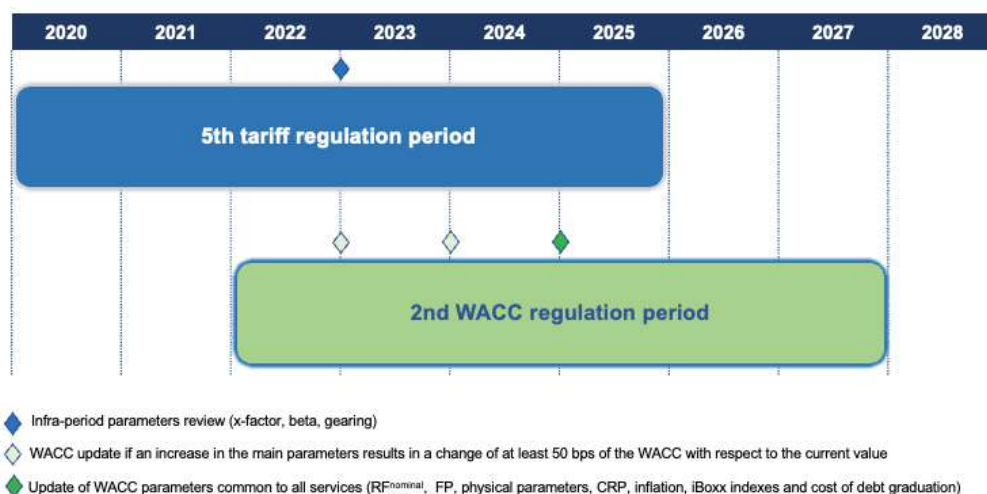
The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended):

HIGHLIGHTS FIFTH REGULATION PERIOD (1/1/2020 TO 31/12/2025)

End of regulation period (TARIFFS)	31 December 2025
Calculation of net invested capital recognised for regulatory purposes	Historical cost revalued Centralised Asset Parametric Method
Remuneration of equity for regulatory purposes ($WACC_{pre-tax}$)	Distribution and metering: <ul style="list-style-type: none"> • 6.3%: 2020 and 2021 • 5.6%: 2022 and 2023
Incentives for new investments	Remuneration of t-1 investments to compensate for regulatory time lag since 2013
Efficiency factor	Distribution operating costs: <ul style="list-style-type: none"> • 3.5% for large enterprises • 4.79% for medium-sized enterprises • 6.59% for small enterprises Metering operating costs: 0% Marketing operating costs: 1.57%

(*) The RAB of the companies currently included in the scope of consolidation, calculated by applying the criteria adopted by the Authority, with reference to investments made up to 31 December 2022, in the definition of the reference tariffs, is equal to € 8.2 billion.

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With **Resolution 570/2019/R/gas**, the regulation of tariffs for gas distribution and metering services for the period 2020-2025 was approved.

In particular:

- the Authority confirmed the six-year duration of the tariff regulation period, as well as the division into two half-periods of three years each;
- with regard to the recognition of operating costs, the Authority provided that:
 - a) the initial level for 2020 of recognised operating costs be fixed by applying equal weight to the actual and recognised costs of the reference year 2018;
 - b) the rate of annual reduction of unit costs recognised to cover operating costs be set at:
 - for the distribution service:
 - 3.53%, for large companies (> 300,000 re-delivery points);
 - 4.79%, for medium-sized enterprises (> 50,000 re-delivery points);
 - 6.59%, for small businesses (< 50,000 re-delivery points);
 - 0% for the metering service;
 - 1.57% for the marketing service;
 - c) the level of the recognised standard cost for each switch reading be confirmed, for the first half of the regulation period, at € 5;
- with regard to the recognition of capital costs, the Authority provided that:
 - a) the adoption of a ceiling to tariff recognition for investments in distribution networks applied to locations with year of first supply after 2017 be confirmed for the fifth regulation period, to the extent set out in Resolution no. 704/2016/R/gas;

- b) the weights to be applied for the recognition of smart meter investments made in the two-year period 2020-2021 be revised to 30% (from 40%) for the standard cost and to 70% (from 60%) for the actual cost;
 - c) a time horizon be adopted for the full recovery of "frozen" contributions aligned with the time horizon for the reimbursement of contributions subject to depreciation (about 34 years);
 - d) following the equalisation of the β asset parameter for distribution (0.439) and metering services (from 0.502 to 0.439), the rate of return on invested capital WACC be set at 6.3% until 2021, including for metering activities;
- with regard to the methanisation of Sardinia, the Authority has established a specific tariff framework providing, for a period of three years, for a transitional equalisation mechanism that allows the tariff of the Sardinian sector to be equalised with that of the southern Italy sector;
 - with regard to the application of the tariff regulation to isolated LNG networks and isolated networks supplied by gas supply trucks, the Authority has introduced transitional rules, providing that these networks may be assimilated to interconnected distribution networks for a period of five years, subject to submission of an application by the distribution company concerned.

With ruling no. 407/2023 published on 15 February 2023, the Regional Administrative Court of Lombardy partially upheld the petition submitted by Italgas Reti to have **Resolution no. 570/2019/R/gas** of 29 December 2019, setting out the tariff regulation of gas distribution and metering services (RTDG) for the fifth regulatory period (2020-2025), cancelled. Of the various aspects concerned by the appeal, the Regional Administrative Court upheld the one relative to the recognition of the initial level of 2020 of operating costs for distribution and metering for large companies, confirming the incorrect determination of the starting value for 2018 and ordering ARERA to increase the value of the cost recognised for 2020 and reduce that of the x-factor. Another reason upheld is that relating to the reduction of the Beta coefficient for the metering service and its alignment with that relating to distribution, given that the solution adopted is allegedly flawed by major analysis shortcomings and contradicted by the assessments contained in the very studies commissioned by ARERA, which excluded the presence of grounds for an alignment of the Beta coefficient.

The Regional Administrative Court also upheld the Company's objection on the recognition of the residual depreciation value of traditional metering units of class G5 or below, replaced by electronic meters, acknowledging the payment of legal interest on the extension of recoveries. Finally, the Regional Administrative Court upheld the grounds relating to the failure to prepare the regulation impact analysis (AIR) and the lack of investigation and grounds of the resolutions challenged.

Resolution no. 287/2021/R/gas amended Article 57, subsection 1 of the RTDG, in order to standardise the criteria for decommissioning, for regulatory purposes, the traditional meters replaced in accordance with the Directives for gas metering unit commissioning set out by Resolution no. 631/2013/R/gas, as amended and supplemented. The Resolution establishes that, regardless of the class of the traditional meter replaced, the decommissioning carried out in accordance with the smart meter directives be conventionally deducted from

the stratification of the historical gross values using the values of the gross fixed assets related to the assets installed earliest (*so-called regulatory FIFO*).

Resolution no. 559/2021/R/gas determined the amounts for the recovery of non-depreciation (so-called IRMA) for the G4 and G6 traditional metering units replaced with gas smart meters in accordance with the *smart meter* directives.

Resolution no. 614/2021/R/com approved the criteria for determining and updating the rate of return on invested capital for the infrastructural services of the electricity and gas sectors for the 2022-2027 period (TIWACC 2022-2027). The 2PWACC is split into two sub-periods, each lasting three years. Albeit maintaining a three-year update frequency of the parameters relating to the macroeconomic and fiscal context, the Authority introduced an annual update mechanism (at least for the first three-year period) for the macroeconomic variables, if the cumulative effect of the update of the parameters leads to a change in the WACC above a threshold of 50 bps (basis point spread). For gas distribution and metering service, the value of the WACC as at 2022 is set at 5.6%, in pre-tax real terms.

Resolution no. 634/2021/R/gas postponed until 30 April of year *t* the publication of the provisional reference tariffs relating to year *t* and until 31 March of year *t*+1 the publication of the final reference tariffs relating to year *t*.

Resolution no. 525/2022/R/gas governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase, confirming the application of the cap in all locations with year of first supply (YFS) after 2017 and defining the application methods of a three-stage mechanism set out by Article 33 of the RTDG:

- first stage, lasting three years, starting from the reference tariffs from tariff year YFS+1;
- second stage, lasting two years, applicable to the reference tariffs in tariff years YFS+4 and YFS+5;
- third stage, starting from the reference tariffs from tariff year YFS+6.

Resolution no. 654/2022/R/com confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors shown in Table 1 of the TIWACC 2022-2027. Following application of the so-called trigger mechanism, envisaged by Article 8 of the TIWACC 2022-2027 for the update to the WACC for the sub-period 2022-2024, the calculation of the WACC deriving from the update to the relevant financial parameters shows a variation in the WACC, for each service, below 50 bps compared to the current value.

Resolution no. 736/2022/R/gas approved, for the year 2023, the mandatory tariffs for the natural gas distribution, metering and marketing services.

Resolution no. 737/2022/R/gas approved the infra-period update of the tariff regulation of gas distribution and metering services, for the second half-period 2023-2025 of the current regulatory period.

In particular, among its other provisions, the Resolution:

- in relation to efficiency gains (x-factor), has not changed the productivity recovery targets already set for the first 2020-2022 three-year period of the regulation period;
- in relation to the recognition of the capital costs envisaged for the installation of smart meters from 2023, has defined a decrease in the new levels of standard cost for the 2023-2025 three-year period with reference to meters up to class G25 and confirmed the pre-existing levels of standard cost, appropriately revalued, with reference to meters higher than class G25;
- with reference to the recognition of the residual value of the smart meters installed in the first stage of roll-out of the Directives for the commissioning of gas metering units, it has provided for the recognition of the residual value for smart meters decommissioned early up to 2018;
- in relation to the definition of the parameter component to cover the operating and capital costs of smart metering/remote management, it has provided for the activation of a single regulation component, set at € 1.59/smart re-delivery point for the tariff year 2023;
- with reference to the definition of the level of the standard cost recognised for switch readings to be applied in the three-year period 2023-2025, the Authority has established a value of € 0.50 to be applied to switch readings relating to re-delivery points equipped with a smart meter and it confirms the current value of € 5 for each switch reading in the case of re-delivery points equipped with a conventional meter.

Resolution no. 155/2023/R/gas redetermined the reference tariffs for gas distribution and metering services for the years 2009-2021, on the basis of requests for data adjustments received by 15 February 2023.

Resolution no. 156/2023/R/gas determined the final reference tariffs for gas distribution and metering services for 2022, calculated on the basis of the actual balance sheet figures for 2021.

Resolution no. 162/2023/R/gas, due to the ongoing and detailed investigations, extended from 31 October 2022 to 30 September 2023, the deadline for the conclusion of the proceedings initiated with Resolution no. 114/2022/R/gas for the redetermination of the amounts recognised to Italgas Reti with Resolution no. 537/2019/R/gas, to cover the operating costs relating to smart metering/remote management systems and concentrators for the years 2011-2016.

Resolution no. 207/2023/R/gas determined the provisional reference tariffs for gas distribution and metering services for the year 2023, on the basis of the preliminary balance sheet data for the year 2022.

Tariff regulation – Greece

The concessions held by the three distributors of the DEPA Infrastructure Group extend throughout the Greek territory.

The expiry and renewal of the gas distribution concession in Greece are governed by the Greek Energy Law, partially amended (i.e. Articles 2, 80Γ and 88) by Law no. 4812/2021, enacted on 30 June 2021. According to this amendment, the duration of the licence is set at a minimum of 20 years and may be extended to a further

30 years upon expiry of the original licence, following an application by the licence holder. In this case, the licence holder must apply for an extension one year before the expiry date (31 December 2043). The renewal takes place through an “act with declaratory effect” issued by the Regulatory Authority for Energy (RAE), the Greek Regulator, in accordance with Articles 5-9-13-16 of the Regulation of Natural Gas Permits (Decision of the Minister no. 178065/2018, published in Journal 3430/2018). Law no. 4951-2022 (Article 134) also introduced a possible repayment, for the outgoing operator, for the residual value of their assets, equal to the value of the RAB¹³ at the end of the licence, plus a premium of at least 15%.

The activity of natural gas distribution and metering in Greece is regulated by the RAE: its responsibilities include the setting and updating of tariffs, as well as the establishment of rules for access to infrastructure and the provision of related services (e.g. Distribution Code - RAE Decision 589/2016).

The duration of a tariff adjustment period is set at four years: the current adjustment period at the end of the financial year is the period from 2023 to 2026. In particular, the Greek regulation provides that, prior to the beginning of each regulatory period, the operator shall submit to the RAE, for approval, the Development Plan and the Business Plan for the following regulatory period on the basis of which the operator's distribution tariffs and regulated revenues for the relevant period are determined.

In the event that there are differences between the assumptions made in the Development Plan and the Business Plan and the actual data for the reference period, a deviation of the actual revenues from the regulated revenues will be generated: this deviation (defined as a "recoverable difference"), whether positive or negative, is considered in the definition of the regulated revenues of the following regulatory period and will therefore be recovered or returned as part of the tariffs for the following four years. To satisfy the need not to assign (only) to end customers in disadvantaged areas with limited infrastructural developments the costs of the distribution and metering service, the RAE, with Decision no. 485/22 Article 20 envisaged the possibility of socialising any potential recoverable difference between all distribution companies of a single corporate group.

The rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital. In particular, the following tariff components are identified:

- the cost of net invested capital for regulatory purposes RAB (Regulatory Asset Base) through the application of a rate of return (WACC); the WACC is nominal pre-tax and is defined *ex ante* for the regulatory period;
- economic-technical amortisation/depreciation, hedging investment costs;
- the operating costs, which are defined for the following regulatory period, are not re-estimated at the end of the regulatory period; thus the operator can retain the efficiency achieved during the regulatory period;

¹³ Net fixed asset value of assets net of contributions, capitalised interest, revenues from connection contributions and/or user fees and all costs related to planning. To increase the RAB, a percentage of Working Capital calculated parametrically.

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- the additional revenues obtained from activities other than gas distribution are separated;
- the recoverable difference defined by the difference between the regulated revenues (calculated based on the final balance) and the revenues obtained from invoicing;
- connection fees may be borne by the distribution operator and, in that case, taken into account in determining the RAB if the operator's penetration rate is low (letter K) point XIII Decision RAE 328/2016 - Approval of the pricing regulation).

Required Revenues =	RAB x Reg. WACC	+ Depreciation	+ Opex	- Additional Revenues	± Recoverable Difference
Evaluated for each year in the Tariff Calculation Period	Return on RAB calculated by multiplying the RAB of the Operator with the Weighted Average Cost of Capital (WACC)	Fixed Assets are depreciated based on the accounting method provided by law with no strict obligation to set a specific period of depreciation. Existing DSOs have chosen different approaches regarding duration of depreciation for each category of assets	The reasonable expenses of the DSO for the operation of the Key Activity of Natural Gas Distribution	The DSO may undertake other activities : Auxiliary services (e.g. installation and maintenance of smart meters) and Optional services (e.g. energy efficiency services). For these services, the DSO submits to RAE a tariff proposal for approval	The difference between the Required Revenues and the Actual Revenues (which includes the revenues from the application of the Distribution tariffs according to the billed quantities)

Below are the main elements of the tariff regulation and its relevant reference timetable:

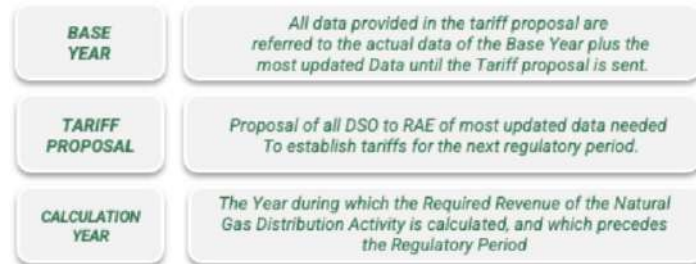
HIGHLIGHTS 2023-2026 REGULATION PERIOD	
End of regulation period (TARIFFS)	31-Dec-2026
Calculation of net invested capital recognised for regulatory purposes (RAB)	Historical cost
Remuneration of net invested capital for regulatory purposes (WACC)	8.57% for 2023 <i>(pending approval for years '24-'25-'26)</i>
Incentives for new investments	Extra WACC of 1.5% for 4 years <i>on new investments if in line with the KPIs defined by the Authority</i>

(*) The RAB of the Greek distribution companies, calculated by applying the criteria adopted by the local regulatory Authority, with reference to investments made up to 31 December 2022, is equal to € 0.7 billion.

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LEGISLATIVE AND REGULATORY FRAMEWORK

The timings defined by the tariff regulation are shown below.

TARIFF PERIODS FRAMEWORK



Comment on the economic and financial results

Reclassified income statement

(€ million)

Financial Year 2022	First half of the year		Abs. change	% Change	
	2022	2023			
1,313.5	Gas distribution regulated revenues	639.2	722.3	83.1	13.0
1,225.8	<i>of which distribution revenues</i>	591.4	683.2	91.8	15.5
87.7	<i>of which Other distribution revenues</i>	47.8	39.1	(8.7)	(18.2)
242.4	Other revenues	68.2	209.5	141.3	-
18.6	<i>of which special items</i>	-	-	-	-
1,555.9	Total revenues (*)	707.4	931.8	224.4	31.7
1,537.3	Adjusted total revenues (*)	707.4	931.8	224.4	31.7
(454.6)	Operating costs	(194.1)	(324.8)	(130.7)	67.3
1,101.3	EBITDA	513.3	607.0	93.7	18.3
1,082.7	Adjusted EBITDA	513.3	607.0	93.7	18.3
(459.9)	Amortisation, depreciation and impairment	(217.3)	(248.2)	(30.9)	14.2
641.4	EBIT	296.0	358.8	62.8	21.2
622.8	Adjusted EBIT	296.0	358.8	62.8	21.2
(56.3)	Net financial expense	(26.3)	(44.6)	(18.3)	69.6
3.4	Net income (loss) from equity investments	3.2	(0.3)	(3.5)	-
2.7	<i>of which special items</i>	2.7	-	(2.7)	-
588.5	Gross profit	272.9	313.9	41.0	15.0
567.2	Adjusted gross profit	270.2	313.9	43.7	16.2
(152.4)	Income taxes	(75.1)	(85.2)	(10.1)	13.4
(1.5)	<i>taxation related to special items</i>	-	-	-	-
(150.9)	Adjusted income taxes	(75.1)	(85.2)	(10.1)	13.4
436.1	Net profit	197.8	228.7	30.9	15.6
407.3	Net profit attributable to the Group	188.3	213.2	24.9	13.2
28.8	Net profit attributable to minority shareholders	9.5	15.5	6.0	63.2
416.3	Adjusted net profit	195.1	228.7	33.6	17.2
395.7	Adjusted net profit attributable to the Group	185.6	213.2	27.6	14.9
20.6	Adjusted net profit attributable to minority interests	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 Arrangements" (€ 345.5 and € 343.3 million respectively in the first half of 2023 and 2022), connection contributions (€ 9.7 and € 9.5 million respectively in the first half of 2023 and 2022), reimbursements from third parties and other residual components (€ 6.7 and € 0.5 million respectively in the first half of 2023 and 2022).

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

The first half of 2023 showed no income components classified under special items.

The income component classified in special items in the first half of 2022 relates to the capital gain on the sale of the controlling interest in Gaxa to Edison (€ 2.7 million).

Information by Business Segment

An analysis of the main income statement and balance sheet figures is provided in the chapter "Operating Performance by Business Segment" of this Report.

Analysis of the Reclassified Income Statement items

Total revenues

(€ million)

Financial Year	First half of the year				
	2022	2022	2023	Abs. change	% Change
1,225.8	Distribution revenues	591.4	683.2	91.8	15.5
87.7	Other distribution revenues	47.8	39.1	(8.7)	(18.2)
1,313.5	Total gas distribution regulated revenues	639.2	722.3	83.1	13.0
242.4	Other revenues	68.2	209.5	141.3	-
18.6	<i>of which special items</i>	-	-	-	-
1,537.3	Adjusted total revenues	707.4	931.8	224.4	31.7
1,555.9	Total revenues	707.4	931.8	224.4	31.7

The **total revenues** of the first half of 2023 amount 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 30 June 2023, revenues from the inclusion of the DEPA Infrastructure Group in the consolidation scope as from 1 September 2022 amounted to € 87.0 million. Activities in energy efficiency recorded € 194.7 million, driven by the progressive advancement of the "Superbonus"-related construction sites.

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) as well as lower incentives for leak detection (€ -4.7 million), this decrease is mainly attributable to the 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

(€ million)

Financial Year 2022	First half of the year		Abs. change	% Change	
	2022	2023			
244.8	Fixed gas distribution costs	108.4	127.8	19.4	17.9
148.8	- net personnel cost	66.7	79.0	12.3	18.4
96.0	- net external costs	41.7	48.8	7.1	17.1
143.6	Other assets	51.7	160.8	109.1	-
6.9	- net personnel cost	3.4	3.5	0.1	2.9
136.7	- net external costs	48.3	157.3	109.0	-
(1.0)	Other costs and provisions	(2.2)	1.2	3.4	-
1.8	EEC	1.8	1.6	(0.2)	(9.5)
65.4	Concession-related expenses	34.4	33.3	(1.1)	(3.1)
454.6	Operating costs	194.1	324.8	130.7	67.3

Operating costs amounted to € 324.8 million, an increase of € 130.7 million compared to the corresponding 2022 period, mainly due to higher net external costs for other activities - essentially induced by energy efficiency activities - amounting to € 105.1 million and the consolidation of the DEPA Infrastructure Group in the amount of € 25.9 million, partially offset by lower costs related to the sale of Gaxa (€ -10.1 million).

Amortisation, depreciation and impairment

(€ million)

Financial Year 2022	First half of the year		Abs. change	% Change	
	2022	2023			
459.0	Amortisation and depreciation	216.3	248.2	31.9	14.7
375.1	Intangible assets IFRIC 12	176.1	203.2	27.1	15.4
41.9	Other Intangible Assets	20.4	22.1	1.7	8.3
42.0	Property, plant and equipment	19.8	22.9	3.1	15.7
24.6	- of which amortisation of Right of Use	11.5	14.0	2.5	21.7
0.9	Impairment	1.0	-	(1.0)	-
459.9	Amortisation, depreciation and impairment	217.3	248.2	30.9	14.2

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).

Net financial expense

(€ million)					
Financial Year		First half of the year			
		2022	2023	Abs. change	% Change
52.7	Expense (income) on short-term and long-term financial debt	24.8	43.1	18.3	73.8
6.7	Upfront fee	3.4	3.0	(0.4)	(11.8)
(1.5)	Other net financial expense (income)	(1.2)	(0.8)	0.4	(33.3)
0.6	- Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits	0.6	1.9	1.3	
(2.1)	- Other net financial expense (income)	(1.8)	(2.7)	(0.9)	50.0
(1.6)	Financial expense capitalised	(0.7)	(0.7)	-	0.0
56.3	Net financial expense	26.3	44.6	18.3	69.6

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 due to financing transactions in the last 12 months, as well as the change in the scope of consolidation due to the entry of the DEPA Infrastructure Group, and the change in interest rates on the variable component of the debt.

Net income – expense from equity investment

Net income 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

(€ million)					
Financial Year		First half of the year			
		2022	2023	Abs. change	% Change
160.8	Current taxes	87.6	104.6	17.0	19.4
(8.4)	Net deferred taxes	(12.5)	(19.4)	(6.9)	55.2
152.4	Income taxes	75.1	85.2	10.1	13.4
(1.5)	taxation related to special items	-	-	-	-
150.9	Adjusted income taxes	75.1	85.2	10.1	13.4
25.9%	Effective tax rate (%)	27.5%	27.1%	-	-
26.6%	Adjusted effective tax rate (%)	27.8%	27.1%	-	-

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.

The effective tax rate was 27.1% (27.5% in the first half of 2022).

Net profit

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

Adjusted net profit attributable to the Group as at 30 June 2023 amounted to € 213.2 million and increased by 14.9% compared to 30 June 2022 (€ 185.6 million).

Reclassified Statement of Financial Position

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the Half-year Report based on the criterion of how the business operates, conventionally split into the three basic functions of investment, operations and financing.

The statement provided represents useful information for the investor because it makes it possible to identify the sources of financial resources (own and third-party funds) and uses of financial resources in fixed and working capital.

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 as per Notes to the consolidated financial statements (**)	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**:

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(€ 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)	(203.2)	(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.

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

(€ million)	31.12.2022	30.06.2023	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 and other customers (€ 38.3 million); ii) increase in net tax assets (€ 99.1 million) mainly attributable to the tax receivable arising from the "Super/Ecobonus" in the amount of € 82.5 million; iii) decrease in other assets (€ 544.9 million) essentially due to receivables from CSEA for accessory distribution components⁴; iv) decrease in trade payables (€ 441.7 million) due to a

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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.

The Group has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. In particular, the transaction for the assignment of extraordinary VAT receivables totalling € 118.2 million and receivables from CSEA totalling € 36.8 million was finalised.

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
Funding 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 December 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).

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 around € 592 million and increased by € 133.8 million compared to 31 December 2022, deposited in current accounts immediately available and short-term deposits with leading banks.

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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), five EIB loans (€ 812.5 million), bank loans (€ 503.5 million) and financial liabilities pursuant to IFRS 16 (€ 84.1 million). The increase in fixed-rate financial liabilities (€ 457.5 million) is mainly due to the effect of the recent bond issue for a nominal € 500 million maturing in June 2032, partially offset by the repayment of capital of EIB loans.

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

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 there were no loan agreements containing financial covenants, with the exception of an EIB loan with a nominal € 90 million signed by Toscana Energia and a number of loans taken out by DEPA Infrastructure's pre-acquisition subsidiaries.

As at 30 June 2023, these commitments were respected.

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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 flow¹⁴, 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>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	218.8	248.1
- Net capital losses (capital gains) on asset sales and eliminations	2.4	1.1
- Interest and income taxes	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)
Companies included in the scope of consolidation	-	-
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
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 before M&A transactions	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 fair value of derivatives)	9.1	14.4
Change in net financial debt	(114.4)	(314.7)

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

Taking into account payment of the dividend for € 252.5 million, net financial debt increased by € 314.7 million.

¹⁴ 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).

Non - GAAP Measures

Alternative performance indicators

On 5 October 2015, the ESMA (European Security and Markets Authority) published its guidance (ESMA/2015/1415) on the presentation criteria for alternative performance indicators (API or APM), which replaces the CESR/05-178b recommendations from 3 July 2016. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS – IFRS.

The alternative performance indicator adopted in this report are illustrated below.

Main alternative performance indicators

Alternative economic performance indicators	Description
Gas Distribution regulated revenues	Operating performance indicator representing revenues from regulated gas distribution activities, calculated by subtracting Other revenue from the Total revenue. Other revenue is revenue from unregulated activities, revenue for construction and enhancement of infrastructures recognised pursuant to IFRIC 12, the release of connection contributions relating to the financial year, reimbursements from third parties and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
Reclassified operating costs	Operating performance indicator representing the legally-required operating costs minus costs for construction and enhancement of the infrastructure recognised pursuant to IFRIC 12, reimbursements from third parties and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows".
EBITDA	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment.
Adjusted EBITDA	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBITDA.
EBIT	Operating performance indicator, calculated by subtracting from net profit the income taxes, net income from equity investments and net financial expense.
Adjusted EBIT	Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBIT.
Adjusted Earnings per Share	Indicator of the profitability of the company's shares, calculated as the ratio between the adjusted net profit attributable to the Group and the total number of shares.
Alternative capital performance indicators	Description
Net working capital	A capital indicator that expresses the capital employed in current and non-financial assets and liabilities. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provisions for risks and charges, deferred tax assets, deferred tax liabilities and other assets and liabilities.

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Fixed capital	A capital indicator that expresses the total fixed assets. It is defined as the sum of the values relating to items of Property, plant and equipment, Intangible assets net of Other liabilities relating to connection contributions, Equity investments and Net debt relating to investment activities.
Net invested capital	A capital indicator that expresses the investments made by the company in operations. This is defined as the sum of the values related to fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly related liabilities.
Alternative financial performance indicators	Description
Cash flow from operating activities	It represents the net cash flow from the operating activity of the mandatory schemes, excluding the effects deriving from the application of the IFRS 15 accounting standard (Other liabilities relating to connection contributions).
Free cash flow before Merger and Acquisition transactions	It represents the cash surplus or deficit remaining after the financing of investments, excluding the flow deriving from Merger and Acquisition transactions.
<i>Free cash flow</i>	It represents the cash surplus or deficit remaining after financing of the investments.
Net financial debt	Determined as the sum of short and long-term financial debt, net of cash and cash equivalents and current financial assets, such as, for example, securities held for trading (note 18). As of 30 June 2023, the net financial debt reported in the Directors' Report does not include liabilities of € 35.5 million (€ 34.8 million as at 31 December 2022) consisting of the pro-rata share of the shareholders' loan to Italgas Newco, inclusive of interest, subordinated and convertible into shares, subscribed by the shareholder Phaeton Holding SA, which is deemed not to be financial debt. The Notes to the Consolidated Financial Statements, in compliance with Consob Communication no. DEM/6064293 of 28 July 2006, show the net financial debt including the debt to Phaeton Holding SA.

Reconciliation of the reclassified income statement and statement of financial position

In line with ESM/2015/1415 guidance, the reconciliation of the Income Statements, Statements of Financial Position and Statements of Cash Flows of the Italgas Group, commented in the Directors' Report is provided below with the related legally required statements.

Reclassified income statement

(€ million)	Reference to the explanatory notes of the condensed consolidated half-year financial statements	First half of the year				
		2022		2023		
		Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements
Revenues (from mandatory statements)		1,060.6			1,293.7	
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 26)		(343.3)			(345.5)
- Release of connection contributions relating to the financial year	(note 26)		(9.5)			(9.7)
- Reimbursement of faulty meters	(note 26)		(0.5)			(4.3)
- Reimbursements from third parties	(note 26)		-			(2.4)
Total revenue (from reclassified statements)				707.4		931.8
Operating costs (from mandatory statements)		(538.0)			(677.0)	
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 26)		343.3			345.5
- Reimbursement of faulty meters	(note 26)		0.5			4.3
- Reimbursements from third parties	(note 26)		-			2.4
Operating costs (from reclassified statements)				(194.1)		(324.8)
EBITDA				513.3		607.0
Amortisation, depreciation and impairment (from mandatory statements)		(226.7)			(257.9)	
- Release of connection contributions relating to the financial year	(note 26)		9.5			9.7
Amortisation, depreciation and impairment (from reclassified statements)				(217.3)		(248.2)

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reclassified statements)				
EBIT	296.0	296.0	358.8	358.8
Net financial expense	(26.3)	(26.3)	(44.6)	(44.6)
Net income from equity investments	3.2	3.2	(0.3)	(0.3)
Gross profit	272.9	272.9	313.9	313.9
Income taxes	(75.1)	(75.1)	(85.2)	(85.2)
Net Profit (Loss)	197.8	197.8	228.7	228.7

Reclassified statement of financial position

(€ million)		31.12.2022		30.06.2023	
(Where not expressly indicated, the item is obtained directly from the legally-required statement)	Reference to the explanatory notes of the condensed consolidated half-year financial statements	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			379.0		388.8
Intangible assets of which:			7,975.5		8,087.0
- Intangible assets	(note 13)	8,509.3		8,608.2	
<i>from which to deduct Connection contributions</i>	(note 19)	(510.7)		(521.2)	
<i>from which to deduct Contributions collected in advance</i>		(23.1)			
Equity investments			66.2		65.8
Financial receivables and securities instrumental to operations			3.4		3.2
Net payables relating to investment activities, composed of:			(303.5)		(296.3)
- Payables for investment activities	(note 20)	(308.8)		(301.6)	
- Receivables from investment/divestment activities	(note 8)	5.3		5.3	
Total fixed capital (from reclassified statements)			8,120.6		8,248.5
Net working capital					
Trade receivables			315.7		441.8
Inventories			120.5		118.2
Tax assets, composed of:			116.7		205.6
- Current and non-current income tax assets	(note 10)	63.6		30.5	
- Other income tax assets	(note 11)	36.6		88.6	
- IRES receivables for National Tax Consolidation Scheme	(note 8)	16.5		6.3	
- Reclassification from other assets for Superbonus credits.				80.3	
Accruals and deferrals from regulated activities			188.6		187.0
Other assets, composed of:			815.1		270.2
- Other receivables	(note 8)	805.4		250.3	
- Other financial assets	(note 11)	9.7		100.3	
- Reclassification from other assets for Superbonus credits.				(80.3)	
Trade payables			(709.4)		(267.7)

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Provisions for risk and charges		(144.3)		(121.5)
Deferred tax liabilities		(91.6)		(66.3)
Tax payables, composed of:		(28.2)		(43.3)
- Current income tax liabilities	(note 10)	(16.1)	(35.9)	
- Other tax liabilities	(note 20)	(12.1)	(6.6)	
- Parent company's payables for liquidation of Group VAT		-	(0.8)	
Other liabilities composed of:		(243.1)		(241.9)
- other payables	(note 18)	(248.6)	(189.9)	
- Third-party share of Italgas Newco shareholder loan		34.8		
- Other liabilities	(note 20)	(6.2)	(52.0)	
- Contributions collected in advance		(23.1)		
Total net working capital (from reclassified statements)		340.0		482.1
Provisions for employee benefits		(69.9)		(68.4)
Assets held for sale and directly related liabilities, composed of:		-		0.0
- Assets held for sale	(note 16)	-	0.0	
- Liabilities directly associated with assets held for sale		-	0.0	
NET INVESTED CAPITAL		8,390.7		8,662.2
Shareholders' equity including minority interests		(2,390.6)		(2,347.4)
Net financial debt				
Financial and bond debt, composed of:		(6,510.8)		(6,954.4)
- Long-term financial liabilities	(note 17)	(6,352.5)	(6,421.0)	
- Third-party share of Italgas Newco shareholder loan		34.8	34.8	
Short-term financial liabilities composed of:				
- Short-term portions of long-term financial debt	(note 17)	(117.8)	(483.6)	
- Short-term financial liabilities	(note 17)	(3.3)	(1.2)	
- Share Interest (Italgas Newco shareholder loan, CFH differentials)		-	0.7	
Financial liabilities pursuant to IFRS 16	(note 17)	(72.0)	(84.1)	
CFH hedging derivative contracts, consisting of:		52.5		47.6
Short-term contracts		17.1	26.7	
Long-term contracts		35.4	20.9	
Financial receivables and cash and cash equivalents, composed of:		458.2		592.0
Cash and cash equivalents		451.9		465.9
Current financial assets, composed of:		6.3		126.1
- Financial receivables not instrumental to operating activities	(note 7)	5.6	125.9	
- Other financial assets negotiable or available for sale		0.7	0.2	
Total net financial debt (from reclassified statements)		(6,000.1)		(6,314.8)
FUNDINGS		(8,390.7)		(8,662.2)

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Reclassified statement of cash flows

(€ million)	First half of the year 2022		First half of the year 2023	
Reclassified Statement of Cash Flows items and intersection of legally-required statement items	Partial figures from mandatory statements	Partial figures from mandatory statements	Partial figures from mandatory statements	Partial figures from mandatory statements
Net profit		197.8		228.7
<i>Adjustments</i>				
Amortisation, depreciation and other non-monetary components:		218.8		248.1
- Amortisation	225.7		257.9	
- Net impairment of property, plant and equipment and intangible assets	1.0		0.0	
- Contributions for connections - uses	(9.5)		(9.7)	
- Effect of valuation using equity method	(0.5)		0.3	
- Non-monetary items (stock grants)	2.1		(0.4)	
Net capital losses (capital gains) on asset sales and eliminations		2.4		1.1
Interest, income taxes and other changes:		104.5		130.4
- Interest income	(1.6)		(5.0)	
- Interest expense	31.0		50.2	
- Income taxes	75.1		85.2	
of which deferred taxes			(19.4)	
Change in working capital due to operating activities:		25.0		(178.0)
- Inventories	(11.4)		2.1	
- Trade receivables and other receivables	156.4		(115.9)	
- Trade payables and other payables	(53.0)		(479.9)	
- Change to provisions for risks and charges	(17.3)		(7.4)	
Other assets and liabilities	(46.4)		424.1	
- Third-party share of Italgas Newco shareholder loan	-			0.7
<i>from which to deduct Deferrals for connection contributions - increases</i>	5.7		7.9	
<i>from which to deduct Deferrals for connection contributions - uses</i>	(9.5)		(9.7)	
- Change in provisions for employee benefits	(3.3)		(1.5)	
Dividends, interest and income taxes collected (paid):		(88.9)		(111.4)
- Dividends collected	1.3		0.1	
- Interest income	1.6		4.1	
- Interest paid	(41.4)		(64.4)	
- Income taxes (paid) refunded	(50.4)		(51.2)	
Cash flow from operations		459.5		319.6

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Technical investments:		(356.5)	(363.1)
- Property, plant and equipment	(2.8)		(5.0)
- Intangible assets	(359.4)		(366.0)
- Contributions for connections - increases	5.7		7.9
Other changes relating to investment activities:		12.4	(6.9)
- changes in payables relating to investment activities	12.4		(7.1)
- other changes			0.2
Disinvestments:		24.7	0.5
- Property, plant and equipment	4.9		0.1
- Companies exited the scope of consolidation	-		0.4
- Change in receivables relating to investment activities	19.8		0.0
Free cash flow before M&A transactions		140.1	(49.9)
Newly consolidated companies		(22.5)	0.0
Of which:			
- price paid for equity	(22.5)		0.0
Business units and assets		-	0.0
Free cash flow		117.6	(49.9)
Change in financial debt:		82.5	331.0
- Change in short- and long-term financial debt	82.5		450.8
- Medium- and long-term financial receivables	-		(119.8)
Reimbursements of financial liabilities for leased assets		(16.1)	(14.6)
Capital contribution from third parties		0.3	0.0
Third-party contribution		(234.3)	(252.5)
Cash flow for the year			14.0
Other changes			0.0
Net cash flow for the year		(50.0)	14.0

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.

(€ million)

	First half of the year		Abs. change	% Change
	2022	2023		
Gas Distribution Sector (regulated and unregulated)	654.6	740.7	86.1	13.2%
Energy efficiency sector	47.4	194.7	147.3	-
Corporate and other sectors	61.0	44.7	(16.3)	(26.7)%
Intra-sector eliminations	(55.6)	(48.3)	7.3	13.1%
Adjusted total revenues	707.4	931.8	224.4	31.7%
Gas distribution sector	503.3	567.6	64.3	12.8%
Energy efficiency sector	8.4	38.3	29.9	-
Corporate and other sectors	1.6	1.0	(0.6)	(37.5)%
EBITDA adjusted	513.3	607.0	93.7	18.3%
Gas distribution sector	289.6	322.9	33.3	11.5%
Energy efficiency sector	6.7	36.6	29.9	-
Corporate and other sectors	(0.3)	(0.7)	(0.4)	-
EBIT adjusted	296.0	358.8	62.8	21.2%

Gas distribution sector

Main economic and financial indicators of the sector

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

(€ million)	First half of the year		Abs. change	% Change
	2022	2023		
Total adjusted revenues (regulated and unregulated)	654.6	740.7	86.1	13.2%
Adjusted gross operating margin (adjusted EBITDA)	503.3	567.6	64.3	12.8%
Adjusted operating profit (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%

Total revenue in the Gas Distribution sector in the first half of 2023 amounted to € 740.7 million (€ 654.6 million in the first half of 2022), an increase of € 86.1 million, mainly due to the combined effect of i) the increase in distribution revenues (€ +91.8 million), mainly attributable to the consolidation of the DEPA Infrastructure Group (€ 87 million), the increase in RAB for Italy and the increase in the deflator (€ 23.3 million), to the contribution of the Sardinian networks (€ +3.6), finally by the increase due to inflation, which was almost completely offset by the X-factor (net effect of 1.7 million euros) (ii) by the decrease in other regulated and non-regulated gas distribution revenues (-5.7 million euros), mainly related to lower revenues from customer services, lower incentives for dispersion research, this reduction is mainly attributable to the positive adjustments recorded in 2022 related to previous periods.

Operating profit increased compared to the first half of the previous year by € 33.3 (+11.5%), from € 289.6 million in the first half of 2022 to € 322.9 million in the first half of 2023.

Net invested capital amounted to € 8,341.2 million, an increase of € 1,261.8 million, mainly due to the consolidation of the Greek group.

Operating performance of the sector

Key operating figures

The key operating figures of the Gas Distribution Sector are illustrated in the chapter "Operating performance" of this Report.

Investments

In the first half of 2023, technical investments were made for € 392.5 million (30 June 2022: € 371.5 million), of which € 22.8 million relating to investments accounted for in accordance with IFRS 16.

The subsidiaries of DEPA Infrastructure made € 49.2 million in investments.

(€ million)

	First half of the year		Abs. change	% Change
	2022	2023		
Distribution	242.6	225.6	(17.0)	(7.0)
Network development and maintenance	219.4	196.1	(23.3)	(10.6)
New networks	23.2	29.5	6.3	27.4
Digitisation	110.8	127.7	16.9	15.2
Other assets	77.4	76.3	(1.1)	(1.4)
Metering	23.4	42.8	19.4	82.8
Processes	10.0	8.6	(1.4)	(14.3)
Other investments	18.1	39.2	21.1	116.6
- of which Real Estate	1.8	1.9	0.2	8.8
- of which ICT	9.5	12.0	2.5	26.6
- of which the effect of IFRS 16	6.0	22.8	16.7	277.3
	371.5	392.5	21.0	5.7

Distribution investments (-7% on the same period of 2022), which recorded the installation of an additional 478 km of pipeline, 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 (€ 127.7 million, 15.2% 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 metering⁴⁹.

⁴⁹ 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.

Energy efficiency sector

Main economic and financial indicators of the 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	47.4	194.7	147.3	-
Adjusted gross operating margin (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%	-

Revenues in the Energy Efficiency sector (€ 194.7 million) increased by € 147.3 million due to the effect of revenues from energy efficiency measures related to the interventions carried out during the year referred to as Superbonus, as provided for by the Relaunch Decree, Decree Law 34/2020 - which introduced the “Superbonus 110”, an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the “Sismabonus” that makes it possible to receive 110% of the expense generated and admissible in 4 years.

The operating profit for the Energy Efficiency sector as at 30 June 2023 amounted to € 36.6 million, up by € 29.9 million compared to the corresponding period of the previous year.

Operating performance

The following table summarises the main operating figures for the sector

	First half of the year	
	2022	2023
Super/ECobonus contracts (no. of construction sites closed in the period)	9.0	234.0
Super/ECobonus contracts (no. of construction sites open at the end of the period)	453.0	228.0
Heat management contracts (no.)	223.0	213.0
Industrial (no. of customers)	65.00	80.00
Plants managed by Government Bodies (no.)	196.0	132.0

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The first half of 2023 saw an important consolidation of the customer portfolio of the residential building efficiency project, an integral part of the Italgas Group's Strategic Plan with respect to climate change and sustainability, confirming the role of the subsidiary Geoside role as a general contractor taking advantage of the contribution provided for by Decree Law no. 34/2020.

Other information

Treasury shares

The company did not own any treasury shares as at 30 June 2023.

Related party transactions

Based on Italgas' current ownership structure, Italgas related parties include, in addition to directors, statutory auditors, executives with strategic responsibilities, companies associated with the Group or under its joint control, also the subsidiaries directly or indirectly controlled by CDP, therefore including the shareholder Snam, and the Ministry of Economy and Finance (MEF). Transactions with these entities relate to the exchange of assets, the provision of services and, in the case of CDP, the provision of financial resources.

These transactions are part of ordinary business operations and are generally settled at arm's length, i.e. the conditions which would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the Company intends to carry out and in which they have an interest.

CDP and CDP Reti consolidate Italgas in accordance with the international accounting standard IFRS 10; in addition, at the meeting of its Board of Directors on 1 August 2019, CDP reclassified its equity interest in Italgas S.p.A. as de facto control pursuant to article 2359, subsection 1, no. 2) of the Italian Civil code and article 93 of the CLF. Italgas is not subject to management and coordination activities by CDP.

As at 30 June 2023, Italgas manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the balance sheet, income statement and cash flows, are provided in the paragraph "Related-party transactions" of the Notes to the consolidated financial statements.

Significant events occurring after the end of the half-year

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

Elements of risk and uncertainty

Italgas has an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, a corporate governance system that ensures compliance with the laws and company procedures, protects the company assets and contributes to the management of activities, solidifying the accounting and financial data processed.

The Enterprise Risk Management (ERM) Department is tasked with overseeing the Group's integrated business risk management process. The ERM activities focus on the definition of a homogeneous, transversal model for assessing the risks, identifying priority risks, ensuring consolidation of the mitigation actions and developing a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to the Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context.

The activities directly involve all business departments through dedicated meetings that make it possible to incorporate updates to the information on the description, significance and management of the risks already existing in the portfolio, and the detection of new emerging risks. In order to ensure the correct assessment and prioritisation of risk events, the assessment is carried out considering the following potential types of impact: economic-financial; operative; legal, governance and compliance; environment, health and safety; reputation and market. The ERM model establishes an integrated, cross-cutting and dynamic risk assessment that enhances the management systems already existing in the individual business processes. Each risk is assessed using a specific assessment scale that sets out the thresholds of relevance for the Group and attributes a “rating” to each risk, thereby making it easier to prioritise them. For all risks, the risk ownerships are identified and attributed and the management strategies are defined, broken down into specific actions for dealing with the risk and establishing the relative implementation time.

With reference to strategic risks, the Enterprise Risk Management Department, in coordination with all relevant departments, carries out a specific in-depth analysis of risks, opportunities and uncertainties related to the Strategic Plan. The analysis allows estimation of the overall volatility of the defined economic and financial targets and evaluation of the level of resilience of the Strategic Plan. The “Strategic Plan” document, which has been approved by Italgas S.p.A.'s Board of Directors, contains the output of this analysis.

The risks are updated once a quarter, half-year or year, depending on their relevance. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee at each updating. Moreover, the mapping of risks and the relative management

strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries.

The Officer Responsible and the Internal Audit department periodically receive the results of the risk assessments performed by the ERM unit.

The reconciliation table below shows the main risks mapped in the ERM process being monitored, the main management methods and the material topics identified.

It should be noted that, despite the mitigation actions introduced in order to monitor and prevent the occurrence of significant risks, the Company cannot rule out specific events that could lead to the recognition of liabilities in the financial statements.

Category	Risk	Description	Main methods of management	Connected material topics
Strategic/business-related	Changes in Regulation and legislation	<p>Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector.</p> <p>Risk of a penalising update of the rate of return on net invested capital recognised by the Regulator.</p> <p>Focus on Greece: Risk of review by the Greek Regulator of the investment and tariff plans submitted for approval.</p>	<ul style="list-style-type: none"> - Specific structures for monitoring regulation, legislation and their prospective development plans, including in Europe - Active participation in the consultations called by the Regulator, sharing corporate positions and/or proposals for defining, updating and implementing clear and transparent regulation criteria - Active participation in consultations called by the Italian government or by European community organisations on relevant topics, including Taxonomy - Guidance aimed at defining unified trade positions. 	Generation of economic value and ESG finance
Strategic/business-related	Climate Change	<p>Physical Risk: increased frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in repair and insurance costs, service interruption, etc.) with a negative impact on costs, revenue and level of service</p> <p>EMERGING RISK:⁵⁰</p> <p>Physical Risk: an increase in average temperatures in the areas where Italgas operates with a possible negative impact on the number of active re-delivery points served and, consequently, on revenues</p> <p>EMERGING RISK:</p> <p>Transition Risk: changes in the legislative and regulatory context in terms of greenhouse gas, with the</p>	<ul style="list-style-type: none"> - Operational countermeasures as described in the "Service continuity: malfunctioning, accidents or extraordinary events" risk - Targets for reducing net greenhouse gas emissions⁵¹: <ul style="list-style-type: none"> i) by 2030: reduction of Scope 1 & 2 emissions by 42% and reduction of Scope 3 emissions by 33%, compared to 2020 values ii) by 2050, the target of Net Carbon Zero - Target to reduce net energy consumption by 33% by 2030, compared to 2020 values - Use of Picarro Surveyor technology, currently the most advanced technology in the field of gas network monitoring activities, with significant benefits in terms of speed of execution, extent of the areas being controlled and three times greater sensitivity of detection of gas in the air than those currently used by sector operators (parts per billion versus parts per million) - Adoption of internal leakage repair SLAs stricter than those defined by the Regulator - Process of converting the network into digital infrastructure in order to enable the 	<p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p> <p>Safety of the networks, assets and people</p> <p>Quality of service and customer satisfaction</p> <p>Network innovation and digitisation</p> <p>Corporate identity</p> <p>Adoption of circular economy principles</p>

⁵⁰ Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

⁵¹ The scope of the targets coincides with the scope of consolidation for the economic data as at 31 March 2023. Any changes following M&A operations and ATEM tenders of gas distribution concessions, if relevant, will be considered in the revision of the objectives.

ITALGAS 2023 HALF-YEAR FINANCIAL REPORT – ELEMENTS
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Category	Risk	Description	Main methods of management	Connected material topics
		<p>objective of limiting emissions, for instance by introducing measures that require natural gas distributors to acquire certificates to cover emissions, with a negative impact on costs.</p> <p>EMERGING RISK: Transition risk: technological evolution that may have a negative impact on the number of active re-delivery points served with a negative impact on revenues and the level of expected investments</p> <p>EMERGING RISK: Transition Risk: uncertainty of the role of natural gas in the future energy mix with a negative impact on costs, revenues and level of expected investments</p>	<p>distribution of gas other than methane, such as hydrogen, biomethane and e-gas</p> <ul style="list-style-type: none"> - Development, implementation and adoption of digital applications for the remote control of network and facility construction, development and maintenance worksites - Conversion to methane of the distribution networks supplied by LPG, with resulting reduction in emissions compared to the current configuration - Actions to continuously modernise the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, restoration of upright columns and brackets) - Promotion of responsible business practices, by joining the UN Global Compact and the OGMP 2.0 of the UNEP - Guidance aimed at defining unified trade positions - Active participation in consultations called by the Italian government or by European community organisations on relevant topics - Active participation in the activities of sectors associations to oversee technological changes - Carrying out energy efficiency projects through the subsidiary Geoside - Investments intended to increase the Group's presence in the water and energy efficiency sectors - Promotion of sustainable mobility - Development of power-to-gas technology powered by renewable energy in order to produce renewable gas that can be used in the existing networks - Network and facility analysis initiatives for the evaluation of their adequacy and of interventions intended to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas. 	<p>Management of ecosystems and biodiversity</p>
Strategic/business-related	Risks associated with the development and awarding of area tenders for the gas distribution service	<p>Risk of not being awarded concessions in the planned areas, or being awarded concessions with less favourable conditions than previously.</p> <p>Risk of higher management costs borne by the Group with respect to its operating standards in case of concessions awarded in ATEMs (Minimum Territorial Areas) previously managed entirely or partially by other operators.</p> <p>Risk of legal and/or arbitration disputes with possible negative effects on the business and the equity, economic and financial position of the Italgas Group deriving from the complexity of the legislation that governs the expiry of the concessions held by Italgas.</p> <p>Risk that the redemption value of the concessions for which, following the</p>	<ul style="list-style-type: none"> - The existing legislation states that, in the event of failure to be awarded concessions previously managed, the outgoing operator is entitled to the redemption value for the networks it owns. - Specific procedures that govern the pre-tender activities, including calculation of the redemption value, and participation in area tenders - Monitoring of legislative changes (national, regional, local) and evaluation of the potential impacts on the tender process - Planning of the Tender calendar and the bidding strategy integrated into the Group's Strategic Plan. - Critical analysis of the quality of the tender bid and implementation of improvement measures, including through use of external experts, organisations and universities 	<p>Corporate identity</p> <p>Generation of economic value and ESG finance</p> <p>Network development</p>

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Category	Risk	Description	Main methods of management	Connected material topics
		assignment process, a third party is an assignee is lower than the value of the RAB, with possible negative effects on the business and on the equity, economic and financial position of Italgas		
Strategic/business-related	Risks related to energy efficiency certificates	Potential risk of economic loss due both to the possible negative difference recorded between the mean purchase value of the Energy Efficiency Certificates purchased and the recognised tariff-based fee at the end of each year of obligation and the failure to achieve the targets annually set	<ul style="list-style-type: none"> - Established a specific provision to cover the liabilities associated with the Energy Efficiency Certificates - Process for the acquisition of Energy Efficiency Certificates and the management of related obligations - Monitoring of legislative changes - Active participation in working groups and development of sector position papers with proposals for guidelines for reviewing the rules of the EEC system - Optimised purchasing strategy through access to the market, evaluation and development of any reports for bilateral agreements, periodic reporting to company management - Presence in energy efficiency sectors through the development of projects with partial reduction of the EEC short position 	<p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p>
Financial	Credit Risk	Risk of potential losses arising from counterparties failing to fulfil their obligations or delayed payment of amounts owed with negative effects on the financial results and financial position of the Italgas Group	<ul style="list-style-type: none"> - Rules for user access to the gas distribution service established by the Regulator and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services, and lay down contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request - Analysis and monitoring of the credit portfolio - Assessments of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies <p>In Italy, as at 30 June 2023 there were no significant credit risks. Note that on average, 92.9% of trade receivables relating to gas distribution are settled by the due date and over 97.5% within the following 4 days, confirming the strong reliability of the customers.</p> <p>- In Greece, as at 30 June 2023 there were no significant credit risks. Note that on average, 97.2% of trade receivables relating to gas distribution are settled by the due date and over 2.8% within the following 4 days, confirming the strong reliability of the customers</p>	Generation of economic value and ESG finance

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Category	Risk	Description	Main methods of management	Connected material topics
Financial	Changes in interest rates, inflation and deflation	Risk of fluctuations in interest rates, impacting the market value of the Company's financial assets and liabilities and its net financial expense. The risk that an extended period of inflation lower than the Group's forecasts could have adverse effects in the long-term on the RAB value and expected regulated revenues. Risk of an unexpected increase in the inflation rate with possible adverse effects on expected costs	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning activities with a time frame of 7 years, carried out annually - Maintenance of a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates (as at 30 June 2023, 91.5% of the gross financial debt was at fixed rate and 8.5% at floating rate) - Use of a diverse mix of external financial resources (bonds subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate [Euribor]) - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	Generation of economic value and ESG finance
Financial	Liquidity Risk	Risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning activities with a time frame of 7 years, carried out annually - Adequate level of cash held in current accounts and fixed-term deposits with leading banks - The EMTN programme, in addition to funding from the banking system, which presently allows issue of the remaining bonds worth a nominal € 1.5 billion to be placed with institutional investors - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) 	<p>Corporate identity</p> <p>Generation of economic value and ESG finance</p> <p>Sustainable supply chain management</p>
Financial	Credit rating risk	Risk of a downgrade in Italgas' credit rating due to worsening in the economic and financial parameters or due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment in Italgas' rating	<ul style="list-style-type: none"> - Process for the preparation and monitoring of the financial and management plan, control and reporting of financial risks - Financial planning activities with a time frame of 7 years, carried out annually - Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) - Constant dialogue with rating agencies 	<p>Corporate identity</p> <p>Generation of economic value and ESG finance</p>

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Category	Risk	Description	Main methods of management	Connected material topics
Financial	Debt covenant and default risk	Risk of failure to comply with financial covenants for existing loans (in some cases only when this non-compliance is not remedied within a set time period, and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values), which could result in Italgas' failure to comply and could trigger the early repayment of the relative loan	<ul style="list-style-type: none"> - Absence of financial covenants and/or collateral in the loan agreements (as at 30 June 2023, there were no loan agreements with these characteristics, except for the EIB loan taken out by Toscana Energia, for an original nominal amount of € 90 million and the loans stipulated by DEPA Infrastructure's subsidiaries, which require compliance with certain financial covenants on an annual basis. - The issue of bonds as part of the Euro Medium Term Notes programme, requiring compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses - Monitoring of compliance with the following types of contractual clauses: (i) negative pledge undertakings, pursuant to which Italgas and its 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 appear to have been respected); 	<p>Corporate identity</p> <p>Generation of economic value and ESG finance</p>
Operational	Anomalies in smart meter performance	Risk of increased levels of malfunctioning of smart meters with lost/failed reading of the use and/or requiring replacement or regeneration	<ul style="list-style-type: none"> - Maintenance of an adequate provision to cover the liabilities generated by the costs arising from malfunctioning - Issue of adequate guarantees by the suppliers of materials - "SmartTracker" Digital Factory application for the tracking and management of smart meters throughout the entire life cycle - Plan to replace and/or repair meters with function anomalies - Operative centres for the regeneration of smart meters with anomalies - Audits on suppliers and supply tests - Updating of technical specifications, including in consideration of technological developments - Adoption in the field of smart meters equipped with NB-IoT communication technology - Project for the development of latest generation smart meters, also compatible with renewable gas like biomethane and hydrogen and patented by Italgas 	<p>Corporate identity</p> <p>Quality of service and customer satisfaction</p> <p>Adoption of circular economy principles</p> <p>Generation of economic value and ESG finance</p> <p>Safety of the networks, assets and people</p> <p>Sustainable supply chain management</p> <p>Network innovation and digitisation</p>
Operational	Service continuity: malfunctioning, accidents or extraordinary events	Risks of malfunctioning and unforeseeable distribution service disruptions from unintended events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control	<ul style="list-style-type: none"> - Third Party Liability Insurance and Asset Protection coverage; - Procedures and systems for emergency management, emergency plans with measures defined to make plants safe and guarantee service continuity; - Health and safety procedures, communication campaigns, training and meetings to raise awareness of and analyse the prevention of accidents, initiatives that also involve suppliers/contractors; - Integrated Centre for Supervision (ICS) active 24/7 which makes it possible to 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Safety of the networks, assets and people</p>

ITALGAS 2023 HALF-YEAR FINANCIAL REPORT – ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<p>monitor the status of the network remotely using remote monitoring systems, manage requests for prompt intervention, identify the places that require intervention and monitor the progress of making conditions safe;</p> <ul style="list-style-type: none"> - Plant and asset safety and network monitoring systems; - Gradual adoption of DANA – Digital Advanced Network Automation – the network command and control system with 3 main advantages: a) To ensure the monitoring of a distributed system in which physical variables are interdependent; b) To enable remote management with commands on the main processes of the network and facilities and to increase the efficiency of the governed processes and the flexibility of the network; c) To enable the management of renewable gases (e.g. biomethane, hydrogen). - Smart Maintenance initiative: development and gradual adoption of a GIS model for asset management used to plan smart maintenance of the Italgas networks. - Planned search for leaks using the best systems and technologies (Picarro Surveyor) and with higher levels of annual coverage of the network inspected than the standards defined by the Regulator - Adoption of internal leakage repair SLAs stricter than those defined by the Regulator - Continuous modernisation of the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, plans for restoration of upright columns and brackets); - Prevention of potential damage to pipes caused by third parties (e.g. other sub-services); - Qualification procedures for third-party construction, engineering and project management companies, contractor monitoring; - Digital Factory for the development of innovative solutions intended to digitise processes and improve the network operating and management activities and the quality of service. 	<p>Network innovation and digitisation</p> <p>Quality of service and customer satisfaction</p> <p>Sustainable supply chain management</p> <p>Management of ecosystems and biodiversity</p> <p>Dialogue and creation of value on the territory</p> <p>Energy transition and the fight against climate change</p> <p>Generation of economic value and ESG finance</p>
Operational	Cyber attacks	Risks of cyber-attacks on the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors	<ul style="list-style-type: none"> - Specific insurance coverage of the risks related to cybersecurity - Cybersecurity organisational and operational model - Group Policy on Integrated Security, Resilience and Crisis Management - Models and procedures for business continuity, network and information security, and emergency and crisis management - Monitoring of the Group's Bitsight cyber risk rating, currently positioned in an advanced range that corresponds to a high level of maturity of the cybersecurity frameworks - Adoption of conditional access solutions on the basis of certain risk factors (illegitimate accesses, accesses from unusual locations, etc.) and Multi-Factor-Authentication for Group employees, and key suppliers and contractors 	<p>Network cybersecurity</p> <p>Compliance, transparency and fight against corruption</p> <p>Sustainable supply chain management</p> <p>Quality of service and customer satisfaction</p> <p>Safety of the networks, assets and people</p>

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OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> - Security monitoring activities by the Security Operation Centre - Adoption of security measures to protect endpoints (antimalware) and e-mail through the implementation of antispam solutions (protection of mail from spam), anti-spoofing solutions (protection from attacks that impersonate the address of the sender of a communication), advanced hunting (advanced analysis to proactively verify possible threats), safe link/safe attachment (protection from harmful links and attachments present in e-mails through simulation in a test environment, sandbox) - Adoption of the Data Loss Prevention solution to protect the Group's information assets through the protection of the main communication channels such as e-mail, collaboration and sharing platforms and endpoints - Specific training to Group employees on cyber, risks, common vulnerabilities, phishing and spam - Possibility for Group employees to report suspicious phishing mails (phishing alarm) to a team responsible for analysing and handling them - Phishing simulations for Group employees intended to test and strengthen their ability to recognise malicious e-mails - Secure Product Development Lifecycle process which defines an operational and project approach in which the considerations and measures to prevent and mitigate cybersecurity risks are integrated from the very start of the procurement process and/or the development of hardware and software - Security measures to protect the network infrastructure from unauthorised alteration, disservices, incorrect applications and unauthorised data disclosure through firewall solutions, intrusion prevention systems, web application firewalls, anti DDoS (Distributed Denial of Service) systems, protection of Internet browsing (proxy) and network segmentation - Continuous real-time monitoring of IT and OT systems using Security Information and Event Management (SIEM) solutions to detect and correlate events on monitored devices and act accordingly when necessary - Performance of periodic IT and OT vulnerability assessments and penetration tests conducted by third parties - Definition and periodic updating of technical contractual specifications, including those related to cybersecurity - Leading sector suppliers that guarantee maximum levels of security and performance, the service levels of which are defined by contract and monitored - "Cybersecurity Awareness for third parties", with which Italgas Group suppliers must formally comply. It promotes the 	<p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>

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Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> application of appropriate cybersecurity processes by third parties - Adoption of Cyber Threat Intelligence services aimed at proactively identifying new techniques used for attacks, monitoring the main players in threats and verifying any company data available outside the Group scope 	
Operational	Risks associated with the health and safety of people and environmental protection	<p>Risk of incidents and/or injuries involving employees and partner companies.</p> <p>Risk that Italgas may incur costs or liability, including to a significant extent, arising from any environmental damage, including in consideration of changes in legislation on protecting the environment and the possible occurrence of disputes.</p>	<ul style="list-style-type: none"> - Specific insurance policies for “individuals”, which cover cases of professional and non-professional accidents, and death by illness - HSEQ system in compliance with reference standards, certified according to international legislation for aspects of health, safety, environment, quality and energy efficiency, which envisages compliance audits carried out by the certification body - Research and technological innovation and actions and projects for the energy efficiency of processes, the improvement of plant safety conditions and the environmental recovery of former manufactured gas production sites - Monitoring of HSE legislation, formation and dissemination of applicable legislative oversight - Training on HSE issues and digital management system for courses (Learning Management System) - Digital applications for reporting and recording “near misses” and for waste management - Regular communication campaigns (e.g. Safety First) and awareness-raising meetings on safety and other HSE topics with innovative and digital tools (e.g. theatre performances, Behaviour Based Safety). Reward systems for virtuous operational structures in terms of health and safety - Establishment of the Partners HSE Lab with training, information and workshop events with suppliers/contractors intended to raise awareness/create alignment on HSE topics - Internal procedures that involve specific measures with regard to suppliers/contractors in case of HSE non-compliance and reward system for virtuous behaviour (Contractor Safety Trophy); - Compliance audits on the HSEQ and ISO 37001 integrated system and technical audits on suppliers and contractors during the qualification phase and during normal activities □ With particular reference to reclamation activities: <ul style="list-style-type: none"> - A specific provision has been set up to cover the estimated liabilities in relation to the formalities required by the law in effect - Reclamation process of contaminated sites, which defines the tasks, operating procedures and indications in operations of waste removal, land analysis, establishing safe conditions and/or reclamation of sites contaminated by previous activities - Structure dedicated to monitoring the 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Safety of the networks, assets and people</p> <p>Adoption of circular economy principles</p> <p>Management of ecosystems and biodiversity</p> <p>Sustainable supply chain management</p> <p>Dialogue and creation of value on the territory</p> <p>Compliance, transparency and fight against corruption</p> <p>Generation of economic value and ESG finance</p>

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Category	Risk	Description	Main methods of management	Connected material topics
Operational	Risks associated with human resources	Risks associated with the development of human resources, including risk of resources in key roles leaving, lack of technical and specialist know-how, increase in the age of company personnel, drop in the level of satisfaction and/or increase in workplace disputes	<p>design and construction phases. Audits on sites being reclaimed, carried out internally and by third parties, both during the works and for the final inspection</p> <ul style="list-style-type: none"> - knowledge transfer system developed in the Italgas Digital Factory, which involves the video coding of operating activities and real-time instructions available via "wearable devices" - Refining training processes with a multimedia platform providing access to all group training initiatives in the areas of "Excellence", "People" and "Innovation" - Italgas Academy, the new Corporate University of Italgas, where the knowledge, values, practices and innovative ideas that represent our identity are brought together, shared and developed, to foster digital transformation and energy transition, supporting the continuous growth of our people and our Group. - Initiatives for the dissemination of the culture and digital knowledge (mapping of digital skills, creation of Digital Ambassadors and training on digital topics) - Personnel scouting and recruitment process, performance management system and development plans for resources with a role-specific training programme. - I-Grow programme, Italgas' graduate programme aimed at strengthening internal know-how in accordance with the principles of meritocracy and transparency, which provides for the acceleration of the development of transversal skills through induction paths, training programmes and structured job rotation paths - Succession plans for senior roles - Collaborations with Italian universities intended to anticipate talent acquisition - Organisational structures dedicated to diversity and inclusion and to HR sustainability - Periodic survey on the corporate climate extended to all Group employees - System of services and welfare under constant expansion in order to intercept new requirements and expectations - Italgas Human Rights Policy - Italgas Diversity and Inclusion Policy - Adoption of the Mac ecosystem, capable of ensuring the simplicity of the approach to new digital solutions, driving exchange and collaboration and improving the daily experience - Smart Rotation system, Italgas' internal Job Posting, and Iscout, italgas' Referral Program, to foster the exchange of skills within the Group, enhance the value of its People and facilitate upskilling and reskilling activities - System for the classification and protection of information according to 	<p>Corporate identity</p> <p>Protection, inclusion, development and well-being of human resources</p> <p>Respect for human rights</p> <p>Generation of economic value and ESG finance</p> <p>Network innovation and digitisation</p>

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OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			criteria of Confidentiality, Integrity and Secrecy	
Operational	Risks associated with the quality and level of service	Risk of non-compliance of the commercial levels of service for services to sales companies and/or risk of delayed or partial compliance with the obligations assumed, such as execution of the investments plan related to concessions involving obligations borne by the concession holder	<ul style="list-style-type: none"> - Continuous monitoring of Key Performance Indicators on commercial processes, alerts and communication to Territorial Hubs for activation/acceleration of territorial interventions - Ad hoc analysis of commercial processes and development of improvement measures - Operating procedures and instructions for Commercial Management of the Service; - Acceleration in improvements to the level of service driven by the digitisation of assets and processes - Surveys at sales companies - Italgas digital portal dedicated to Gas2Be sales companies, developed to strengthen the partnership, facilitate the accreditation process of the network and allow the sales companies direct and immediate access to information and news about Italgas, such as the most recent promotions launched in the territory, or about the upcoming webinars designed specifically to increase and improve the exchange of know-how between Italgas and the sales companies - Allocation to a specific business unit of the responsibility for mapping the existing concession obligations, monitoring and activating the network technical units for prompt interventions - Monitoring of the works progress on the basis of the obligations assumed; - Constant dialogue with contracting parties, including in order to understand and satisfy update requirements - CRM to support people working at the Italgas Contact Centre in carrying out front-end activities (Customer Service) 	<ul style="list-style-type: none"> Corporate identity Quality of service and customer satisfaction Network development Dialogue and creation of value on the territory Generation of economic value and ESG finance Network innovation and digitisation
Operational	Supply chain risks	Risks associated with the availability and cost of materials, services and supplies, the operating capacity and scalability and the reputational and compliance reliability (including respect for human rights) of the suppliers and contractors of the Group	<ul style="list-style-type: none"> - Planning of procurement, analysis and monitoring of department KPIs - Supplier qualification process which provides for specific reputational checks, including in terms of ESG - Anti-mafia audits in tender procedures relating to special sectors pursuant to Article 80 of Legislative Decree 50/2016, to the Reclamation sector and to works under Title IV of Legislative Decree 81/2008 - New digital IT4Buy platform, which improves i) the speed and simplicity of the supplier registration and qualification process; ii) the tender process; iii) contract management - ESG reward criteria during the tender phase on Legality topics, possession of specific ISO certifications, environmental impact (e.g. CO2 emissions) and gender equality - Verification of sustainability and economic-financial requirements through recognised external providers, as early as during the supplier registration stage on the IT4Buy portal 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, development and well-being of human resources Sustainable supply chain management Adoption of circular economy principles Management of ecosystems and biodiversity

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OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> - Financial soundness/resilience analysis of strategic suppliers - Standardised tender processes and regulations - Contract progress monitoring aimed at anticipating tender strategies and renewals of expiring contracts or with accelerated progress - Weekly tender committee with tender strategy presentation, vendor list and tender timing sharing, award strategy presentation. - Supplier performance evaluation, including in terms of sustainability, integrated into the vendor management module - Management of unforeseeable events: risk assessment to Suppliers; procurement diversification; scouting of alternative raw materials 	<ul style="list-style-type: none"> Respect for human rights Energy transition and the fight against climate change Generation of economic value and ESG finance Network innovation and digitisation
			<ul style="list-style-type: none"> - On-site technical and ESG audits for qualification purposes for Suppliers deemed Critical/Strategic - Scouting activities for innovative assets, produced with alternative materials and/or different technologies, functional to the management/maintenance of assets - Technical specifications being continuously updated including in consideration of the technological changes and contractual clauses that govern cases of goods and services exposed to cyber risk - “Supplier Code of Ethics”, which requires a commitment by the suppliers and is inspired, among other things, by the information set out internationally in the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organization (ILO) and in the Ten Principles of the UN Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises - Anti-corruption Awareness Policy for third parties – request for declaration to suppliers regarding anti-corruption and/or ISO 37001 - “Cybersecurity Awareness for third parties” with which the Italgas Group’s suppliers must comply - Renewed logistics model with Warehouse Centralisation and management of Withdrawal Points in the territories (UT) and consequent digitisation of monitoring materials in stock/transit 	
Operational	COVID-19, pandemics and new diseases	Risks associated with the health crisis arising from COVID-19 and/or the spread of new pandemics or new diseases that have repercussions on health and safety, on the operating context and on the resulting economic and financial framework of reference of Italgas	<ul style="list-style-type: none"> - Formation of a Crisis Committee for the monitoring and management of the various phases of the pandemic - Continuous monitoring of the changes in the reference regulations and solutions for the management of the COVID-19 emergency both nationally and internationally, maintaining constant connections with the authorities, research organisations and hospitals - Adoption of the Italgas Group Protocol 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, development and well-being of human resources Safety of the networks, assets and people

ITALGAS 2023 HALF-YEAR FINANCIAL REPORT – ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> regulating measures to combat and contain the spread of the COVID-19 virus in the workplace - Specific indemnity insurance policy for all employees who test positive for COVID-19 in case of hospitalisation - Flu vaccination campaigns - Specific operating measures to minimise contact (e.g. smart working, starting from home for operative staff) and controls (e.g. temperature scanners upon entry, hand sanitiser towers, anti-gathering rules) - Periodic monitoring of positive cases and personnel in quarantine, including through the Appointed Physicians and process for the receipt and management of reports regarding positive COVID-19 cases, which provides for the identification, contact tracing and activation of quarantine in coordination with the Local Appointed Physicians - Periodic distribution of the rules of conduct in relation to changes in the pandemic and the provisions of the Health Authorities 	<ul style="list-style-type: none"> Dialogue and creation of value on the territory Generation of economic value and ESG finance
Legal and non-compliance	Risk of non-compliance and legislative changes	Risk of non-compliance with legislation at European, national, regional and local level with which Italgas must comply in relation to the activities that it carries out and/or risk of failure to intercept and transpose new regulations falling under the scope of application	<ul style="list-style-type: none"> - Internal control and risk management system and areas of responsibility defined in terms of compliance - Code of Ethics, Model 231, Policy for the prevention of and fight against corruption, ISO 37001 anti-bribery certification - Monitoring, analysis, distribution and implementation of legislative measures on topics of interest for the Italgas Group and verification of correct implementation - Training for personnel on compliance issues; - Analysis and monitoring of the reputational requirements of the Group's counterparties - "Supplier Code of Ethics" 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, development and well-being of human resources Adoption of circular economy principles Management of ecosystems and biodiversity Energy transition and the fight against climate change Sustainable supply chain management Quality of service and customer satisfaction Respect for human rights Generation of economic value and ESG finance

Business Outlook

In line with that set out in the 2023-2029 Strategic Plan, Italgas will continue to pursue its objectives, mainly aimed at (i) continuing the digital transformation programme, repurposing and extending the network to equip the country with cutting edge infrastructure capable of receiving and distributing renewable gas such as biomethane and green hydrogen; (ii) consolidating actions in the energy efficiency sector, with the goal of positioning itself among the leading sector operators; and (iii) capturing new external growth opportunities through ATEM tenders, M&A in the gas distribution, water and energy efficiency sectors, as well as developing the Greek market.

Russia - Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber-attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict.

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

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability. With reference to the tensions

on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas' financial debt is fixed rate; ii) the upcoming repayment of a bond envisaged for 2024; iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 30 June 2023, of € 465.9 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects.

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

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

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

Glossary

For the glossary of financial, business and technical terms and units of measurement, please refer to the specific chapter of the 2022 Integrated Annual Report, available at www.italgas.it (<https://integratedreport2022.italgas.it/en/glossary>).



2023 CONDENSED CONSOLIDATED HALF- YEAR FINANCIAL STATEMENTS

Statement of Financial Position

(€ thousands)	31.12.2022			30.06.2023		
	Notes	Total	of which, related parties	Total	of which, related parties	
ASSETS						
Current assets						
Cash and cash equivalents	(6)	451,946		465,958		
Current financial assets	(7)	5,770	2,246	125,952	2,126	
Trade and other receivables	(8)	1,142,950	28,586	703,698	57,620	
Inventories	(9)	120,486		118,216		
Current income tax assets	(10)	8,703		10,615		
Other current financial assets	(19)	17,455		26,742		
Other current non-financial assets	(11)	80,775	4	155,214		
		1,828,085		1,606,395		
Non-current assets						
Property, plant and equipment	(12)	379,026		388,846		
Intangible assets	(13)	8,509,368		8,608,179		
Equity investments measured using the equity method	(14)	47,243		47,041		
Non-current financial assets	(15)	22,945	612	22,141	756	
Non-current income tax assets	(10)	54,862		19,850		
Other non-current financial assets	(19)	35,442		20,858		
Other non-current non-financial assets	(11)	153,575	232	221,782	282	
		9,202,461		9,328,697		
Non-current assets held for sale	(16)	11		11		
TOTAL ASSETS		11,030,557		10,935,103		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities						
Short-term financial liabilities	(17)	142,437	118	514,243	550	
Trade and other payables	(18)	1,197,117	444,040	760,950	51,024	
Current income tax liabilities	(10)	16,105		35,941		
Other current financial liabilities	(19)	290				
Other current non-financial liabilities	(20)	30,072	194	7,006		
		1,386,021		1,318,140		
Non-current liabilities						
Long-term financial liabilities	(17)	6,402,913	(2,048)	6,475,863	716	
Provisions for risks and charges	(21)	144,277		121,546		
Provisions for employee benefits	(22)	69,917		68,381		
Deferred tax liabilities	(23)	91,633		66,327		
Other non-current financial liabilities	(19)	34				
Other non-current non-financial liabilities	(20)	545,192		537,448		
		7,253,966		7,269,565		
Liabilities directly associated with non-current assets						

TOTAL LIABILITIES	8,639,987	8,587,705
SHAREHOLDERS' EQUITY	(24)	
Share capital	1,002,608	1,003,228
Reserves	202,360	200,136
Profit (loss) carried forward	496,006	645,747
Profit (loss) for the year	407,288	213,229
Treasury shares		
Total Italgas shareholders' equity	2,108,262	2,062,340
Minority interests	282,308	285,058
TOTAL SHAREHOLDERS' EQUITY	2,390,570	2,347,398
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	11,030,557	10,935,103

Income Statement

(€ thousands)	Notes	30.06.2022		30.06.2023	
		Total	of which, related parties	Total	of which, related parties
REVENUES	(26)				
Revenues		1,021,100	265,268	1,254,219	(223,983)
Other revenues and income		39,548	2,689	39,467	4,688
		1,060,648		1,293,686	
OPERATING COSTS	(27)				
Costs for raw materials, consumables, supplies and goods		(68,580)	(2,749)	(76,383)	(7,866)
Costs for services		(288,791)	(3,361)	(396,076)	(3,713)
Costs for leased assets		(48,328)	(385)	(43,477)	(351)
Personnel cost		(121,607)		(134,496)	
Allocations to/releases from provision for risks and charges		1,543		(1,591)	
Allocations to/releases from provisions for doubtful debt				(20)	
Other expenses		(12,215)	(73,303)	(25,105)	(15,527)
		(537,978)		(677,148)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(28)	(226,720)		(257,705)	
EBIT		295,950		358,833	
FINANCIAL INCOME (EXPENSE)	(29)				
Financial expense		(29,496)	(468)	(49,624)	
Financial income		1,622		4,783	
Derivative financial instruments		1,548		211	
		(26,326)		(44,630)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(30)				
Effect of valuation using the equity method		456	456	428	428
Dividends		47	47	25	25
Other income (expense) from equity investments		2,729		(777)	
		3,232		(324)	
Gross profit		272,856		313,879	
Income taxes	(31)	75,132		85,152	
Net profit (loss) for the year		197,724		228,727	
Attributable to Italgas		188,264		213,229	
Minority interests		9,460		15,499	
Net profit (loss) per share attributable to Italgas (€ per share)	(32)				
- basic and diluted from continuing operations		0.23		0.26	
- basic and diluted from discontinued operations					
- total basic and diluted		0.23		0.26	

Consolidated Statement of Comprehensive Income: attributable to the parent company and to minority interests

(€ thousands)	First half of 2022			First half of 2023		
	Attributable to the parent company	Attributable to minority interests	Total	Attributable to the parent company	Attributable to minority interests	Total
Net profit (loss) for the year	188,264	9,460	197,724	213,229	15,499	228,728
Other comprehensive income						
<i>Components reclassifiable to the income statement:</i>						
Change in fair value of cash flow hedge derivatives (Effective portion)	34,461		34,461	(4,328)		(4,328)
Tax effect	(8,271)		(8,271)	1,039		1,039
	26,190		26,190	(3,289)		(3,289)
<i>Components not reclassifiable to the income statement:</i>						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	7,392	467	7,859	(67)	(7)	(74)
Change in fair value of investments measured at fair value with effects on OCI	1,150		1,150	(405)		(405)
Tax effect	(2,346)	(131)	(2,477)	128	1	129
	6,196	336	6,532	(344)	(6)	(350)
Total other components of comprehensive income, net of tax effect	32,386	336	32,722	(3,633)	(6)	(3,639)
Total comprehensive income for the year	220,650	9,796	230,446	209,596	15,493	225,089

Statement of changes in shareholders' equity

	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
<i>(€ thousands)</i>															
Balance as at 31.12.2021 (Note 24)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)	(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491
Net profit for the first half of 2022												188,264	188,264	9,460	197,724
Other components of comprehensive income:															
<i>Components reclassifiable to the income statement:</i>															
- change in fair value of cash flow hedge derivatives						26,190							26,190		26,190
<i>Components not reclassifiable to the income statement:</i>															
- Actuarial gains on remeasurement of defined-benefit plans for employees					5,322								5,322	336	5,658
- Valuations of equity investments measured at fair value									874				874		874
Total comprehensive income 2022 (b)					5,322	26,190			874			188,264	220,650	9,796	230,446
Transactions with shareholders:															
- Allocation of 2021 profit for the year											362,813	(362,813)			
- Allocation of Italgas SpA dividend for 2021											(238,882)		(238,882)		(238,882)
- Allocation of dividends to minority														(14,244)	(14,244)
- Stock grant reserve								1,568					1,568		1,568
Total transactions with shareholders (c)								1,568			123,931	(362,813)	(237,314)	(14,244)	(251,558)
Other changes in shareholders' equity (d)	592		2,072					(763)		(1,992)			(91)	11	(80)
Balance as at 30.06.2022 (e=a+b+c+d) (Note 24)	1,002,608	(323,907)	624,449	200,246	(9,818)	21,440	(349,839)	6,407	874	17,929	496,006	188,264	1,874,659	246,640	2,121,299

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Net profit for the second half of 2022												219,024	219,024	19,378	238,402
Other components of comprehensive income:															
<i>Components reclassifiable to the income statement:</i>															
- change in fair value of cash flow hedge derivatives					16,821								16,821		16,821
<i>Components not reclassifiable to the income statement:</i>															
- Actuarial gains on remeasurement of defined-benefit plans for employees					2,623								2,623	113	2,736
- Valuations of equity investments measured at fair value								(265)					(265)		(265)
Total comprehensive income 2022 (b)					2,623	16,821		(265)				219,024	238,203	19,491	257,694
Transactions with shareholders:															
- Stock grant reserve													(1,117)		(1,117)
- Change in scope of consolidation													(1,964)	(1,065)	(3,029)
Total transactions with shareholders (c)													(1,117)	(1,065)	(4,146)
Other changes in shareholders' equity (d)													1,912	17,242	15,723
Balance as at 31.12.2022 (e=a+b+c+d) (Note 24)	1,002,608	(323,907)	624,449	200,246	(7,195)	38,261	(349,839)	7,202	609	12,534	496,006	407,288	2,108,262	282,308	2,390,570

Shareholders' equity pertaining to owners of the parent															
(€ thousands)	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value valuation reserve for equity investments	Fair value reserve for cash flow hedge derivatives, net of tax effect	Reserve for business combinations under common control	Stock grant reserve	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
Balance at 31 December 2022 (a) (Note 24)	1,002,608	(323,907)	624,449	200,246	(7,195)	609	38,261	(349,839)	7,202	12,534	496,006	407,288	2,108,262	282,308	2,390,570
												213,229	213,229	15,499	228,728
Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives							(3,289)						(3,289)		(3,289)
Components not reclassifiable to the income statement:															
- Actuarial gains on remeasurement of defined-benefit plans for employees					(52)								(52)	(6)	(58)
- Valuation of investments as OCI						(292)							(292)		(292)
Total comprehensive income 30.6.2023 (b)					(52)	(292)	(3,289)					213,229	209,596	15,493	225,089
Transactions with shareholders:															
- Allocation of 2022 profit for the year				400							406,888	(407,288)			
- Allocation of Italgas SpA dividend for 2022											(257,147)		(257,147)		(257,147)
- Allocation of dividends to minority shareholders														(12,848)	(12,848)
- Stock grant reserve									1,647				1,647		1,647
Total transactions with shareholders (c)				400					1,647		149,741	(407,288)	(255,500)	(12,848)	(268,348)
<i>including other Shareholders' equity changes</i>											(18)		(18)	105	87
<i>including other changes to reallocations of reserves</i>	620		1,803						(1,803)	(620)					
Other changes in shareholders' equity (d)	620		1,803						(1,803)	(638)			(17)	105	87
Balance as at 30 June 2023 (e=a+b+c+d) (Note 24)	1,003,228	(323,907)	626,252	200,646	(7,247)	317	34,972	(349,839)	7,046	11,896	645,747	213,229	2,062,340	285,058	2,347,398

Cash flow statement

(€ thousands)	First half of 2022	First half of 2023
Profit (loss) for the year	197,724	228,727
Adjustments to reclassify net profit to cash flow from operating activities:		
Depreciation	225,722	257,705
Net impairment of assets	998	
Effect of valuation using the equity method	(456)	324
Non-monetary items	2,149	(423)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	2,377	18,171
Dividends	(47)	(25)
Financial income	(1,622)	(4,994)
Financial expense	31,044	50,206
Income taxes	75,132	85,152
Change in provisions for employee benefits	(3,274)	(1,525)
Changes in working capital:		
- Inventories	(11,414)	2,140
- Trade receivables	196,029	(126,098)
- Trade payables	(44,835)	(441,686)
- Provisions for risks and charges	(17,313)	(24,425)
- Other assets and liabilities	(98,226)	394,756
Cash flow from working capital	24,241	(195,313)
Dividends collected	1,311	75
Financial income collected	1,622	4,147
Financial expense paid	(41,360)	(64,423)
Income taxes paid, net of tax credits reimbursed	(50,437)	(51,179)
Net cash flow from operating activities	465,184	326,625
<i>of which, related parties</i>	357,179	669,066
Investments:		
- Property, plant and equipment	(2,826)	(4,998)
- Intangible assets	(359,418)	(366,019)
- Change in scope of consolidation, business units and equity investments	(22,501)	
- Change in payables and receivables for investments	12,557	(7,146)
- Change in other non-current financial assets		(120,333)
Disinvestments:		
- Assets available for sale	4,911	
- Property, plant and equipment		146
- Disposals of assets and business units	19,754	652
Net cash flow from investment activities	(347,523)	(497,698)
<i>of which, related parties</i>		
Assumptions of long-term financial debt	249,897	495,227
Repayment of long-term financial debt	(133,438)	(45,182)
Increase (decrease) in short-term financial debt	(34,082)	1,663
Capital contributions from third parties	289	
Financial receivables non-instrumental to operations		427

Dividends collected	(234,271)	(252,466)
Reimbursements of financial liabilities for leased assets	(16,081)	(14,645)
Net cash flow from financing activities	(167,686)	185,024
<i>of which, related parties</i>	(95,733)	(98,300)
Other changes		(37)
Net cash flow for the year	(50,025)	14,014
Opening cash and cash equivalents	1,391,763	451,945
Closing cash and cash equivalents	1,341,738	465,959

Notes to the Condensed Consolidated Half-Year Financial Statements

Company Information

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as “Italgas”, the “Italgas Group” or the “Group”), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. has “de facto” control over Italgas S.p.A. pursuant to the accounting principle IFRS 10 “Consolidated Financial Statements”.

As at 30 June 2023, CDP S.p.A. owns, via CDP Reti S.p.A.⁵³ 25.99% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1) Preparation and measurement criteria

The Condensed Consolidated Half-Year Financial Statements as at 30 June 2023, hereinafter also the “Interim Financial Statement”, was prepared in accordance with the provisions of IAS 34 “Interim financial reporting”. As permitted by this standard, the Interim Financial Statements do not include all the information required in annual consolidated financial statements and, therefore, must be read together with Italgas Group's Consolidated Financial Statements for the year ending 31 December 2022.

The financial statements are the same as those adopted in the Integrated Annual Report. The Interim Financial Statements as at 30 June 2023 apply the same principles of consolidation and measurement criteria described when preparing the last Consolidated Financial Statements, to which reference is made, with the exception of the international accounting standards that came into force on 1 January 2022, illustrated in the section “New Accounting Standards, Amendments and Interpretations already Issued and Approved by the European Union but not yet in force” of the aforementioned report. No impacts resulting from the application of these new provisions have been identified.

The notes to the half-year financial statements are presented in summary form.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. as at 30 June 2023”, which is an integral part of these notes.

The Condensed Consolidated Half-Year Financial Statements as at 30 June 2023, approved by the Board of Directors of Italgas S.p.A. at the meeting of 25 July 2023 were subjected to an audit by Deloitte & Touche S.p.A. The limited audit involves an amount of work significantly reduced compared to the full audit required by generally accepted auditing standards.

The Condensed Consolidated Half-Year Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro.

2) Change in accounting values

The condensed Consolidated Interim Financial Statements as at 30 June 2023 apply the principles of consolidation and the measurement criteria described when preparing the last Annual Financial Statements, to which reference is made, with the exception of the international accounting standards that came into force on 1 January 2023 and that have already been illustrated in the section “New accounting standards, amendments and interpretations already issued and approved by the European Union but not yet in force” of the same Integrated Annual Report.

No changes have been made to the accounting statements.

⁵³ CDP S.p.A. holds 59.10%.

3) Use of estimates

With reference to the description of the use of accounting estimates, please refer to the Note to the 2022 Consolidated Financial Statements.

4) Recently issued accounting standards

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2023.

Accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), approved by the European Union (EU) and in force since 1/1/2023

On 12 February 2021, the IASB published the "Definition of Accounting Estimates (Amendments to IAS 8)" document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in the accounting estimate that results from new information or new developments is therefore not the correction of an error and may affect only the current period's profit or loss, and/or the profit or loss of future periods.

On 12 February 2021, the IASB issued the "**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**" document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that "an entity shall disclose its significant accounting policies", but no definition is provided for the term "significant" (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity's financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the "materiality process".

On 7 May 2021, the IASB published the "Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)" document, with which, with a view to standardising the treatment followed by companies, it was clarified that from initial recognition of single transactions (e.g. leasing or asset dismantling charges), it is necessary to account for the resulting temporary differences in the event that deferred tax assets or liabilities arise.

On 9 December 2021, the IASB published the document "**Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)**", which allows insurance companies to improve the content of the comparative statements between different accounting periods which must be presented by the same entities upon first-time application of IFRS 17 and IFRS9. Application of this amendment is deferred until insurance companies apply IFRS 17 for the first time.

The adoption of these amendments had no effect on the Group's consolidated financial statements.

Accounting standards, amendments and interpretations not yet approved by the European Union as at the date of reference of 30 June 2023.

On 23 May 2023, the International Accounting Standards Board (IASB) published the "**International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12)**" in order to specify how the forthcoming implementation of the OECD's Pillar Two rules on accounting for income taxes will be implemented. In March

2022, the OECD published technical guidance, based on the establishment of a global minimum tax of 15% agreed as the second "pillar" of a project to address the tax challenges arising from the digitisation of the economy. This guide explores the application and operation of the Global Anti-Base Erosion (GloBE) rules agreed and published in December 2021, which establish a coordinated system to ensure that multinational corporations with revenues in excess of € 750 million pay taxes of at least 15% on income from each of the jurisdictions in which they operate. With regard to the application of this criterion, the IASB noted that the aforementioned second pillar is difficult to apply to estimates of deferred taxes, given that jurisdictions implement OECD rules at varying speeds and at different times. Due to the many variables to be considered, the IASB has therefore decided to grant an exemption until the global tax system has stabilised and the IASB can thoroughly assess the situation and provide applicable criteria. In any event, the obligation exists to disclose that the exemption has been applied and to separately disclose current tax (income) expenses related to second-pillar income taxes. The disclosure provisions are required for financial years beginning on or after 1 January 2023.

On 25 May 2023, the International Accounting Standards Board (IASB) published the **"Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)"**, which is an amendment to be applied in the case of arrangements involving supplier financing, in order to require additional qualitative and quantitative information to be provided by the financing entity with respect to existing obligations. Such information relates to the characteristics of the arrangements, carrying amounts, impacts on the entity's cash flows, etc. In addition, the IASB has decided that, in most cases, aggregate information about an entity's supplier financing arrangements meets the information requirements of users of financial statements. The amendments to IAS 7, and consequently IFRS 7, apply for annual periods beginning on or after 1 January 2024 (with early application permitted).

The adoption of these amendments is not expected to affect the Group's consolidated financial statements.

5) Business combination transactions

There were no business combination transactions during the half-year period.

During 2022, the investments in DEPA Infrastructure S.A. and Janagas S.r.l were acquired on 1 September 2022 and 13 December 2022, respectively. With regard to the acquisition transactions, it should be noted that the values allocated as at 31 December 2022 are subject to the measurement period as per paragraph 45 of IFRS 3, which allows provisional amounts to be recognized in the closing financial statements, pending the acquisition within one year of any additional information that may arise from any adjustments inherent in the assets and liabilities acquired. For both acquisitions, management has also applied paragraph 45 of IFRS 3 as at 30 June 2023.

6) Cash and cash equivalents

Cash and cash equivalents, amounting to € 465,958 thousand (€ 451,946 thousand as at 31 December 2022), related to current account deposits held at banks and contained € 11 million of restricted cash⁵⁴. They aren't subject to a restriction on the use of other cash and cash equivalents.

The item includes €190,310 thousand of cash equivalents that correspond to restricted deposits due within 90 days.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Statement of Cash Flows.

7) Current financial assets

Current financial assets, € 125,952 thousand (€ 5,770 thousand as at 31 December 2022) relate mainly to financial receivables from credit institutions that can be liquidated in the short term.

8) Trade and other receivables

Trade and other receivables, which amount to € 703,698 thousand (€ 1,142,950 thousand as at 31 December 2022) comprise the following:

(€ thousands)	31.12.2022	30.06.2023
Trade receivables	315,708	441,806
Receivables from investment/divestment activities	5,278	5,278
Other receivables	821,964	256,614
	1,142,950	703,698

Trade receivables (€ 441,806 thousand as at 30 June 2023 and € 315,708 thousand as at 31 December 2022), increased by € 126,098 thousand, mainly due to the increase in receivables from gas sales companies (€ 38,300 thousand) and higher receivables related to the "Super/Scobonus" (€ 85,666 thousand).

These are reported net of the provision for impairment losses (€ 15,135 thousand at 30 June 2023 and € 16,742 thousand at 31 December 2022).

Receivables for investment/divestment activities amounting to € 5,278 thousand involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables, amounting to € 256,614 (€ 821,964 thousand as at 31 December 2022) comprise:

(€ thousands)	31.12.2022	30.06.2023
IRES receivables for the national tax consolidation scheme	16,516	5,549
Receivables due from CSEA	744,101	184,755
Receivables from the Public administration	6,654	8,094
Advances to suppliers	45,976	39,399
Receivables from personnel	2,088	3,351
Other receivables	6,629	15,466
	821,964	256,614

⁵⁴ | *restricted cash* refers to the funds received from Greek companies for investment activities to be used for the development of the gas distribution network.

IRES receivables for the national tax consolidation scheme (€ 5,549 thousand as at 30 June 2023) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011). The receivable was collected by Eni in the amount of € 11,002 thousand during the six-month period and relates to a part of all the years covered by the claim.

Receivables from the CSEA (€ 184,755 thousand as at 30 June 2023) mainly refer to additional gas distribution tariff components (Safety Incentives,⁵⁵ and the Gas Bonus⁵⁶) for € 133,892 thousand and for safety incentives for € 50,863 thousand.

The change in receivables from CSEA is mainly attributable to receivables related to additional gas distribution tariff components (safety incentives, UG2, and Bonus Gas), which as at 31 December 2022 amounted to € 706,024 thousand. This amount at the end of 2022 was impacted by the Resolutions issued by ARERA to cope with the increase in energy prices and energy bill increases, which had provided for the zeroing, for all gas customers, of the components related to system charges and the introduction of additional social bonuses (extension of the pre-existing Gas Bonus). In addition, as of the second quarter of 2022, Resolutions No. 148/2022/R/gas, No. 296/2022/R/gas and No. 462/2022/R/com had provided for an update of the UG2 component with the application of a negative sign component to consumption brackets up to 5 thousand Sm³/year), in order to transfer immediately to end customers the restraining effects of the measures adopted in relation to the exceptional situation of tension in the functioning of gas markets. This case, which as at 31 December 2022 had led to an increase in receivables from the CSEA, and the emergence of payables to the Sales Companies, recorded under "18) Trade and other payables," as at 30 June 2023 is no longer present.

Receivables from public administrations (€ 8,094 thousand at 30 June 2023) relate to receivables from Municipalities, mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

9) Inventories

Inventories, which amount to € 118,216 thousand, are analysed in the table below:

(€ thousands)	31.12.2022			30.06.2023		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	124,733	(4,247)	120,486	119,784	(1,568)	118,216
	124,733	(4,247)	120,486	119,784	(1,568)	118,216

⁵⁵ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

⁵⁶ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

Inventories of raw materials, consumables and supplies (€ 118,216 thousand at 30 June 2023) mainly consisted of gas meters.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 1,568 thousand (€ 4,247 thousand as at 31 December 2022).

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

10) Current and non-current income tax assets/liabilities

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2022			30.06.2023		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	8,703	54,862	63,565	10,615	19,850	30,465
- IRES	4,328	54,862	59,190	9,402	19,850	29,252
- IRAP	720		720	1,170		1,170
- OVERSEAS TAXES	3,655		3,655	43		43
Income tax liabilities	16,105		16,105	35,941		35,941
- IRES	6,856		6,856	25,870		25,870
- IRAP	3,776		3,776	4,234		4,234
- OVERSEAS TAXES	5,473		5,473	5,837		5,837

Taxes pertaining to the year under review are shown in the note “Income taxes”.

11) Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 155,214 thousand, and *other non-current non-financial assets*, amounting to € 221,782 thousand, break down as follows:

(€ thousands)	31.12.2022			30.06.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,424	73,919	112,343	50,533	75,588	126,121
Other assets	42,351	79,656	122,007	104,681	146,194	250,875
- Other taxes	36,645		36,645	88,559	80,298	168,857
- Prepayments	5,706	76,376	82,082	16,122	62,067	78,189
- Security deposits		3,221	3,221		3,770	3,770
- Other		59	59		59	59
	80,775	153,575	234,350	155,214	221,782	376,996

Other regulated activities (€ 126,121 thousand as at 30 June 2023) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Resolution no. 570/2019/R/gas and Determination no. 3/2021.

Other tax assets, which amount to € 168,857 thousand (€ 36,645 thousand as at 31 December 2022) mainly refer to accrued tax credits for energy efficiency works falling under the legislation of Superbonus and Ecobonus and VAT receivables.

The change in income tax assets is mainly due to accrued tax credits for energy efficiency works falling under the legislation of Superbonus incentives as provided for in the Relaunch Decree (Decree-Law 34/2020). The tax credits from the Superbonus and Ecobonus as at 30 June 2023 amount to € 119,743 thousand and € 468 thousand, respectively, and, as envisaged by the relevant regulations, can be used over 4 years. The Superbonus credits are related to the company Geoside S.p.A., which is part of the tax consolidation scheme of Italgas S.p.A., and Management therefore expects recovery through the taxable base of that company and of the tax consolidation scheme.

During the first half of the year, tax credits from the Relaunch Decree were used to offset the Group's tax burden in the amount of € 39,465 thousand.

The Company has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. In particular, the transaction for the assignment of VAT receivables totalling € 118.2 million and receivables from CSEA totalling € 36.8 million was finalised.

Prepayments, amounting to € 79,189 thousand, mainly relate to the positive difference between recognised revenues and the revenues actually accrued for the gas distribution service in Greece in the years between 2017 and 2023, recoverable through the tariffs of the subsequent regulatory periods (€ 13,089 thousand current and € 61,903 thousand non-current). The residual part of the item is instead related to prepayments of the Single Equity Charge recognised to Municipalities and insurance policies.

12) Property, plant and equipment

Property, plant and equipment, which amounts to € 388,846 thousand as at 30 June 2023 (€ 379,026 thousand at 31 December 2022), breaks down as follows:

	30.06.2023						
(€ thousands)	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2022	16,846	512,795	38,429	167,913	73,514	8,983	818,480
Right of Use as at 1.1.2023	2,368	57,470		52,699	46,539		159,076
Investments		898	277	739	277	2,494	4,685
Right of Use investments		9,552		4,862	11,247		25,661
Divestments	(36)	(283)		(150)	(11)	(39)	(519)
Disposals of Right of Use		(1,297)		(1,169)			(2,466)
Reclassifications		283	314	225		(797)	25
Other changes		16	705			1,283	2,004
Other change in rights of use		6		1,245			1,251
Cost at 30.06.2023	16,810	521,970	39,725	173,665	85,027	11,924	849,121
Accumulated amortisation at 31.12.2022	(92)	(241,612)	(20,092)	(131,033)	(46,514)		(439,343)
Amortisation of Right of Use as at 1.1.2023	(92)	(24,658)		(35,665)	(22,242)		(82,657)

Depreciation		(4,567)	(1,206)	(2,682)	(419)		(8,874)
Amortisation of Right of Use	(58)	(4,117)		(5,077)	(4,743)		(13,995)
Divestments		160		120	3		283
Disposals of Right of Use		819		953			1,772
Other change in rights of use				(130)	121		(9)
Other changes					2		2
Accumulated amortisation at 30.06.2023	(150)	(249,317)	(21,298)	(137,849)	(51,550)		(460,164)
Provision for impairment losses at 31.12.2022						(111)	(111)
Provision for impairment losses at 30.06.2023						(111)	(111)
Net balance at 31.12.2022	16,754	271,183	18,337	36,880	27,000	8,872	379,026
Net balance at 30.06.2023	16,660	272,653	18,427	35,816	33,477	11,813	388,846
- of which Right of Use	2,218	37,775		17,718	30,922		88,633

Investments (€ 30,346 thousand) mainly refer to industrial and commercial equipment (€ 739 thousand), office buildings (€ 898 thousand) and leased goods (€ 25,661 thousand).

Depreciation (€ 22,869 thousand) refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company. Amortisation related to right of use amounted to € 13,995 thousand.

The provision for impairment losses (€ 111 thousand) mainly relates to a cogeneration plant.

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in the Note "Guarantees, commitments and risks". During the half year period no impairment indicators were observed, nor any significant variations relative to the measurement of the recoverability of the value recognised in the financial statements for Property, plant and equipment.

The considerations reported in the 2022 Consolidated Annual Financial Statements, to which reference is made, have therefore been confirmed.

12.1 Property, plant and equipment by business sector

Property, plant and equipment by business sector are broken down as follows:

(€ thousands)	31.12.2022	30.06.2023
Historical cost	818,480	849,120
Gas distribution	765,014	791,877
Energy efficiency	33,358	34,235
Corporate and other sectors	20,109	23,009
Depreciation and amortisation and provision for impairment losses	(439,454)	(460,274)
Gas distribution	(412,830)	(431,793)
Energy efficiency	(17,196)	(18,073)
Corporate and other sectors	(9,429)	(10,408)
NET BOOK VALUE	379,026	388,846
Gas distribution	352,184	360,084
Energy efficiency	16,162	16,161
Corporate and other sectors	10,679	12,601

13) Intangible assets

Intangible assets, which amount to € 8,608,179 thousand as at 30 June 2023 (€ 8,509,368 as at 31 December 2022) break down as follows:

	30.06.2023						Total
	Finite useful life					Indefinite useful life	
	Service concession arrangements (IFRIC 12)	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRIC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	
(€ thousands)							
Cost at 31.12.2022	13,599,743	564,772	272,693	14,721	178,281	190,463	14,820,673
Investments	215,715	10,210	130,380	11,443	82		367,830
Government grants	(25)		(13,034)				(13,059)
Divestments	(49,245)			(19)	(11)		(49,275)
Reclassifications	69,409	7,496	(69,335)	(7,535)	(60)		(25)
Other changes	(24)	(1,202)	(1,824)	(100)	702		(2,448)
Cost at 30.06.2023	13,835,573	581,276	318,880	18,510	178,994	190,463	15,123,696
Accumulated amortisation at 31.12.2022	(5,662,046)	(467,907)			(151,157)		(6,281,110)
Depreciation	(211,941)	(19,705)			(3,190)		(234,836)
Divestments	30,269				7		30,276
Reclassifications		(60)			60		
Other changes	334						334
Accumulated amortisation at 30.06.2023	(5,843,384)	(487,672)			(154,280)		(6,485,336)
Provision for impairment losses at 31.12.2022	(28,047)	(10)	(846)		(1,292)		(30,195)
Divestments	14						14
Reclassifications	(8)		8				
Provision for impairment losses at 30.06.2023	(28,041)	(10)	(838)		(1,292)		(30,181)
Net balance at 31.12.2022	7,909,650	96,855	271,847	14,721	25,832	190,463	8,509,368
Net balance at 30.06.2023	7,964,148	93,594	318,042	18,510	23,422	190,463	8,608,179

Service concession agreements including the related work in progress, amounting to € 8,282,190 thousand (€ 8,181,497 thousand as at 31 December 2022), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service natural gas distributor in Italy and Greece and in integrated water service management, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution and integrated water service at the tariff established by the Authority, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

The item Service concession arrangements also includes for € 131,426 thousand the value of the intangible asset “licences” measured during the purchase price allocation of the DEPA Infrastructure Group relating to the licences for gas distribution in Greece expiring in 2043 and possibility of renewal for another 30 years.

IFRIC 12 Work in progress of € 318,042 thousand (€ 271,847 thousand at 31 December 2022) mainly refers to construction and digitisation of gas distribution networks.

Industrial patent rights and intellectual property rights of € 93,594 thousand (€ 96,853 thousand as at 31 December 2022) mainly concern information systems and applications in support of operating activities.

Intangible assets with an indefinite useful life of € 190,463 thousand, of the same amount as at 31 December 2022, mainly refer to goodwill arising in previous years in connection with the price allocation process paid in business combination transactions.

Goodwill recorded in the balance sheet is allocated to the CGUs as follows: Distribution and metering of natural gas and other gases: € 66.2 million; Distribution and metering of natural gas abroad: € 115.8 million; Miscellaneous assets (ESCo): € 8.3 million.

Investments as at 30 June 2023 mainly relate to service concession agreements for network maintenance and development, smart metering and digitisation activities, and amount to € 367,830 thousand.

Economic and technical amortisation are determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

No impairment indicators were recorded during the half-year, nor were there any significant changes in the measurement of Goodwill.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - "Guarantees, commitments and risks".

13.1 Intangible assets by business segment

Intangible assets by business segment are analysed as follows:

(€ thousands)	31.12.2022	30.06.2023
Historical cost	14,820,672	15,123,696
Gas distribution	14,759,078	15,059,755
Energy efficiency	35,056	35,953
Corporate and other sectors	26,538	27,988
Depreciation and amortisation and provision for impairment losses	(6,311,305)	(6,515,516)
Gas distribution	(6,288,181)	(6,491,088)
Energy efficiency	(9,902)	(10,632)
Corporate and other sectors	(13,221)	(13,796)
NET BOOK VALUE	8,509,368	8,608,179
Gas distribution	8,470,897	8,568,667
Energy efficiency	25,154	25,321
Corporate and other sectors	13,317	14,191

14) Equity investments measured using the equity method

Equity investments valued using the equity method, which amount to € 47,041 thousand (€ 47,243 thousand at 31 December 2022) break down as follows:

(€ thousands)	31.12.2022	Increases for investments	Income (expense) from shareholders' equity	Decrease for dividends	30.06.2023
Umbria Distribuzione Gas S.p.A.	1,397		105		1,502
Metano Sant'Angelo Lodigiano S.p.A.	1,033		22	(50)	1,005
Gesam Reti S.p.A.	21,130		466	(580)	21,016
Enerpaper S.r.l.	488				488
Gaxa S.p.A.	93		(93)		
Energie Rete Gas S.r.l.	23,102		(72)		23,030
	47,243		428	(630)	47,041

Net income from valuation using the equity method, of € 428 thousand, refers mainly to Gesam Reti (€ 466 thousand).

The decrease for dividends of € 630 thousand concerns Gesam Reti (€ 580 thousand) and Metano Sant'Angelo Lodigiano (€ 50 thousand).

Equity investments are not collateralised.

No impairment indicators were observed during the half-year, nor were there any significant variations with regard to measurement of the recoverability of the value recognised in the financial statements for Equity investments.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. at 30 June 2023", which is an integral part of this note.

15) Non-current financial assets

Non-current financial assets, amounting to € 22,141 thousand (€ 22,945 thousand as at 31 December 2022), are broken down as follows:

(€ thousands)	31.12.2022	30.06.2023
Financial receivables instrumental to operations	3,984	3,361
Other equity investments	18,961	18,780
	22,945	22,141

The item Other equity investments of € 18,780 thousand relates to the fair value measurement Picarro Inc. and Reti Distribuzione S.p.A.

16) Assets held for sale

Assets held for sale, in the amount of € 11 thousand (of the same amount as at 31 December 2022) are related to the sale of the real estate complex in Via Ostiense, in Rome.

17) Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 514,243 thousand (€ 142,437 thousand as at 31 December 2022) and long-term financial liabilities, totalling € 6,475,863 thousand (€ 6,402,913 thousand as at 31 December 2022), break down as follows:

	31.12.2022					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
(€ thousands)						
Bank loans	1,060	67,713	68,773	1,040,937	598,203	1,639,140
Bonds		49,993	49,993	933,448	3,745,076	4,678,524
Financial payables for leased assets (IFRS 16)		21,571	21,571	40,415	10,062	50,477
Other shareholders	2,065	35	2,100	22	34,750	34,772
	3,125	139,312	142,437	2,014,822	4,388,091	6,402,913

	30.06.2023					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
(€ thousands)						
Bank loans	1,030	67,881	68,911	1,052,424	549,961	1,602,385
Bonds		415,019	415,019	1,784,539	2,999,459	4,783,998
Financial payables for leased assets (IFRS 16)		29,399	29,399	49,012	5,695	54,707
Other shareholders	215	699	914		34,773	34,773
	1,245	512,998	514,243	2,885,975	3,589,888	6,475,863

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

Short-term financial liabilities

Short-term financial liabilities, of € 514,243 thousand (€ 142,437 thousand as at 31 December 2022), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The increase of € 371,806 thousand was mainly due to the EMTN which will have to be repaid in March 2024.

There are no short-term financial liabilities denominated in currencies other than the Euro.

Long-term financial liabilities

Long-term financial liabilities amount to € 6,475,863 thousand overall (€ 6,402,913 thousand as at 31 December 2022).

Net of financial debt for leased assets, the increase with respect to 31 December 2022, amounting to € 68,720 thousand, is mainly attributable to the new bond issue concluded on 8 June 2023 in implementation of the EMTN (Euro Medium Term Notes) Programme launched in 2016 and renewed by resolution of the Board of Directors on 15 September 2022, partially offset by the short-term reclassification of the bond that is part of the program EMTN which will expire in March 2024.

The breakdown of the bonds (€ 5,199,017 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following tables.

(€ thousands)

Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 30.06.2023	Rate (%)	Due date (year)
Euro Medium Term Notes							
ITALGAS S.p.A.	2017	€	750,000	2,189	752,189	1.63%	2027
ITALGAS S.p.A.	2017	€	381,326	554	381,880	1.13%	2024
ITALGAS S.p.A.	2017	€	750,000	2,998	752,998	1.63%	2029
ITALGAS S.p.A.	2019	€	600,000	(4,615)	595,385	0.88%	2030
ITALGAS S.p.A.	2019	€	500,000	(966)	499,034	1.00%	2031
ITALGAS S.p.A.	2020	€	500,000	(2,074)	497,926	0.25%	2025
ITALGAS S.p.A.	2021	€	500,000	(5,127)	494,873	0.00%	2028
ITALGAS S.p.A.	2021	€	500,000	(4,821)	495,179	0.50%	2033
ITALGAS S.p.A.	2023	€	500,000	(6,261)	493,739	4.13%	2032
			4,981,326	(18,123)	4,963,203		

(a) Includes issue discount/premium and interest rate.

Loans taken out by subsidiaries of DEPA Infrastructure

(€ thousands)

Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 30.06.2023	Rate (%)	Due date (year)
Euro Medium Term Notes							
EDA ATTIKIS	2021	€	16,667	(8)	16,659	1.90% + 3M Euribor	2027
EDA THESS	2018	€	1,200	2	1,202	2.30% + 3M Euribor	2023
EDA THESS	2019	€	11,250		11,250	2.17% + 3M Euribor	2027
EDA THESS	2020	€	11,000		11,000	1.90% + 3M Euribor	2028
EDA THESS	2021	€	35,292		35,292	1.85% + 3M Euribor	2031
DEPA INFRASTRUCTURE	2022	€	166,000	(5,589)	160,411	1.70% + 3M Euribor	2029
			241,409	(5,595)	235,814		

The breakdown of bank loans, amounting to € 1,671,296 thousand is provided in the table below.

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(€ thousands)

Type	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 30.06.2023	Rate (%)	Due date (year)
ITALGAS S.p.A. - EIB	2017	€	348,000	(344)	347,656	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - EIB	2015	€	103,334	(143)	103,191	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - EIB	2016	€	237,500	(192)	237,308	0.47+Euribor 6M	30.11.2032
ITALGAS S.p.A. - EIB	2022	€	150,000	209	150,209	3.18%	15.12.2037
ITALGAS S.p.A. - EIB	2023	€	12,000		12,000	2.77%	04.07.2042
TOSCANA ENERGIA S.p.A - EIB	2016	€	65,455	(19)	65,436	1.05%	30.06.2031
ITALGAS S.p.A. - TL MEDIOBANCA	2021	€	200,000		200,000	0.00%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	€	300,000		300,000	0.00%	27.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2022	€	250,000	4,339	254,339	0.60+Euribor 3M	20.05.2025
GEOSIDE - FIN LT INTESA SANPAOLO	2021	€	1,157		1,157	0.83%	23.12.2025
			1,667,455	3,851	1,671,296		

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date. See the “Financial covenants and negative pledge contractual clauses” paragraph.

Breakdown of total financial liabilities by interest rate type

As at 30 June 2023, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2022		30.06.2023	
	Value	%	Value	%
Fixed rate	5,940.6	90.8%	6,363.3	91.5%
Floating rate	605.0	9.2%	591.1	8.5%
	6,545.6	100.0%	6,954.4	100.0%

Financial covenants and negative pledge contractual clauses

As at 30 June 2023, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of the EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants⁵⁷. 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.

⁵⁷The contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 30 June 2023 have been respected.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by Italgas. As at 30 June 2023, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

Breakdown of net financial debt

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods.

(€ thousands)	31.12.2022	30.06.2023
A. Cash	450,894	274,596
B. Cash equivalents	1,052	191,362
C. Other current financial assets	23,225	152,694
D. Liquidity (A+B+C)	475,171	618,652
E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	3,415	1,246
F. Current portion of non-current financial debt (*)	139,312	512,998
G. Current financial debt (E+F)	142,727	514,244
<i>of which, related parties</i>	<i>118</i>	<i>550</i>
H. Net current financial debt (G-D)	(332,444)	(104,408)
I. Non-current financial debt (excluding the current portion and debt instruments) (*)	1,688,981	1,670,852
J. Debt instruments	4,678,525	4,783,998
K. Trade and other non-current payables		
L. Non-current financial debt (I+J+K)	6,367,506	6,454,850
<i>of which, related parties</i>	<i>(2,048)</i>	<i>716</i>
M. Total financial debt as per ESMA guideline (H+L)	6,035,062	6,350,442

(*) Includes financial debts for leased assets recognised in accordance with IFRS 16 "Leases", of which € 54,707 thousand are long-term (€ 50,477 thousand at 31.12.2022) and € 29,399 thousand are short-term portions of long-term financial debt (€ 21,571 thousand at 31.12.2022).

For a better presentation of the items with reference to the provisions contained in the ESMA Guidelines on reporting obligations pursuant to Regulation (EU) 2017/1129, net financial debt considers the value of the assets from derivative financial instruments to hedge financial debt.

Net financial debt as at 30 June 2023, including the effects of the application of IFRS 16, of € 84,106 million, amounted to € 6,350,442 thousand, up by € 315,380 thousand (€ 6,035,062 thousand as at 31 December 2022). Net of that effect, the net financial debt amounted to € 6,266,336 thousand (€ 5,963,014 thousand as at 31 December 2022, up by € 303,322 thousand).

Financial and bond debt as at 30 June 2023 totalled € 6,992,106 thousand (€ 6,545,350 thousand as at 31 December 2022) and mainly refer to: bonds (€ 5,199,017 thousand), loan agreements with the European Investment Bank (EIB) (€ 915,800 thousand), payables to banks (€ 755,496 thousand) and financial liabilities pursuant to IFRS 16 (€ 84,106 thousand).

Cash, amounting to € 274,596 thousand, is held in current accounts and fixed-term deposits with leading banks and contains € 11 million of restricted cash.

Net financial debt does not include payables for dividends resolved and yet to be distributed and payables for investments.

18) Trade and other payables

Trade payables and other payables, which amount to € 760,950 thousand (€ 1,197,117 thousand as at 31 December 2022), comprise the following:

(€ thousands)	31.12.2022	30.06.2023
Trade payables	709,352	267,665
Payments on account and prepayments	4,173	4,194
Other payables	483,592	489,091
	1,197,117	760,950

Trade payables of € 267,665 thousand (€ 709,352 thousand as at 31 December 2022) relate to payables to suppliers. The decrease of € 441,687 thousand is mainly due to the reduction in trade payables to gas companies (€ 446 million) mainly referring to the accessory components of the Bonus gas and UG2 distribution offset by the increase in payables to suppliers.

As at 31 December 2022, the debt position to sales companies was related to Resolutions issued by ARERA to cope with rising energy prices and energy bill increases; for more details, please refer to "8) Trade and other receivables".

Other payables (€ 489,091 thousand at 30 June 2023 and € 483,592 thousand as at 31 December 2022) break down as follows:

(€ thousands)	31.12.2022	30.06.2023
Payables - shareholders for Dividends	874	17,437
Payables for investment activities	308,745	301,599
Payables to the public administration	83,591	82,222
Payables to CSEA	34,708	30,409
Payables to personnel	29,300	22,179
Payables to social security institutions	7,947	14,913
Payables to consultants and professionals	8,148	9,723
Other payables	10,279	10,609
	483,592	489,091

Payables for investment activities equal to € 301,599 thousand (€ 308,745 thousand as at 31 December 2022) mainly relate to payables to suppliers for technical activities.

Payables to the public administration (€ 82,222 thousand; € 83,591 thousand as at 31 December 2022) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 30,409 thousand; € 34,708 as at 31 December 2022) relate to safety penalties for € 11,629 thousand (€ 11,681 as at 31 December 2022) and to several ancillary components of tariffs relating to the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)⁵⁸ for the remaining amount.

Payables to related parties are described in the note "Related party transactions".

⁵⁸ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the “Guarantees, commitments and risks - Other information on financial instruments” note for the market value of the trade payables and other payables.

19) Other current and non-current financial assets/liabilities

The market value of the derivative financial instruments as at 30 June 2023 is analysed below:

(€ thousands)	31.12.2022			30.06.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other assets	17,455	35,442	52,897	26,742	20,858	47,600
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	16,809	34,368	51,177	25,778	20,215	45,993
Derivative financial instruments for foreign exchange risk						
- Fair value instruments for foreign exchange risk	646	1,074	1,720	964	643	1,607
Other liabilities	(290)	(34)	(324)			
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	(290)	(34)	(324)			

The value of other current and non-current assets for € 47,600 thousand is essentially related to the fair value of derivative financial instruments to hedge the risk of fluctuations in interest rates accounting for according to IFRS 9 in hedge accounting. The item also contains, for a net value of € 1,607 thousand, the fair value of the instrument for foreign exchange risk to hedge future payment flows in USD on Picarro invoices, the total hedged amount for which is \$ 11 million. The Group did not apply hedge accounting under IFRS 9 for instruments to hedge payment flows in USD, as it is for operational hedging only.

	Date stipulated	Initial amount as at 15.01.2021 USD funding	Residual value as at 30.06.2023 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000.00	10,960,000.00	1.2131	from 1.2143 to 1.2517	31.07.2026

(*) based on future instalments.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	348,000,000	var. EUR 6M + spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	348,000,000	0.62%	var EUR 6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	237,500,000	var. EUR 6M + spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	237,500,000	(0.06)%	var EUR 6m	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 30 June 2023 did not show any impacts on the income statement in terms of ineffectiveness.

20) Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 7,006 thousand (€ 30,072 thousand as at 31 December 2022) and *other non-current non-financial liabilities*, amounting to € 537,448 thousand (€ 545,192 thousand as at 31 December 2022), are broken down as follows:

(€ thousands)	31.12.2022			30.06.2023		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	12,073		12,073	6,620		6,620
Accruals and deferrals connection contributions		510,760	510,760		521,224	521,224
Liabilities for security deposits		4,683	4,683		4,648	4,648
Other	17,999	29,749	47,748	386	11,576	11,962
	30,072	545,192	575,264	7,006	537,448	544,454

Other non-current liabilities of € 537,448 thousand mainly refer to gas connection contributions of € 521,224 thousand and non-current advances of € 11,576 thousand related to public grants for the construction of gas distribution infrastructures in Greece.

Other current tax liabilities of € 6,620 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees.

21) Provisions for risks and charges

Provisions for risks and charges, which amount to € 121,546 thousand as at 30 June 2023 (€ 144,277 thousand as at 31 December 2022), comprise the following:

(€ thousands)	Opening balance	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	75,048		86	(6,163)			68,971
Provisions for site decommissioning risks and charges	3,933	30	23	(62)		813	4,737
Risk provision for litigation	11,250	920		(453)	(769)		10,948
Provisions for other risks - energy efficiency certificates	3,421	1,625		(278)			4,768
Provision for retirement risks	9,677			(76)			9,601
Provision for operational restoration of metering instruments	12,847			(12,824)			23
Other personnel risk provisions	2,807	220		(167)			2,860
Risk provision for tax disputes	283			(152)			131
Other provisions	25,011	138		(5,431)	(211)		19,507
	144,277	2,933	109	(25,606)	(980)	813	121,546

The provision for environmental risks and charges of € 68,971 thousand (€ 75,048 thousand as at 31 December 2022) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The decrease of € 6,077, thousand, is mainly due to uses in view of period expenses (€ 6,163 thousand).

The risk provision for litigation (€ 10,948 thousand) included costs which the Group has estimated it will incur for existing lawsuits. For further information, please see subsection “Disputes and other measures”.

The Energy Efficiency Certificates risk provision (EEC) of € 4,768 thousand (€ 3,421 thousand as at 31 December 2022) is connected with reaching the targets set by the Authority.

The provision for risks for the restoration of measuring instruments (€ 23 thousand as at 30 June 2023) decreased by € 12,824 thousand mainly to cover capital losses generated during the half-year period related to the asset write-off of malfunctioning meters not under warranty.

The risk provision for early retirement of € 9,601 thousand (€ 9,677 thousand as at 31 December 2022) involves personnel incentive and mobility schemes.

22) Provisions for employee benefits

Provisions for employee benefits, which amount to € 68,381 thousand as at 30 June 2023 (€ 69,917 thousand as at 31 December 2022) comprise the following:

(€ thousands)	31.12.2022	30.06.2023
Employee severance pay (TFR)	49,824	48,386
Supplementary healthcare provision for company executives of Eni (FISDE)	6,543	6,749
Gas Fund	9,942	9,023
Other provisions for employee benefits	3,608	4,223
	69,917	68,381

The employee severance fund (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a

defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 6,749 thousand as at 30 June 2023) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current⁵⁹ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group⁶⁰ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 9,023 thousand at 30 June 2023) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as at 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020⁶¹; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme. At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 4,223 thousand as at 30 June 2023) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting period"). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

23) Deferred tax liabilities

Net deferred tax liabilities of € 66,327 thousand (€ 91,633 thousand as at 31 December 2022) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(€ thousands)	31.12.2022	Provisions	Uses	Other changes	30.06.2023
Deferred tax liabilities	358,878	3,182	(8,648)	(15,704)	337,708
Deferred tax assets	(267,245)	(13,493)	7,906	1,451	(271,381)
	91,633	(10,311)	(742)	(14,253)	66,327

⁵⁹ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

⁶⁰ The fund provides the same benefits for Italgas Group executives.

⁶¹ Article 9-quinquiesdecies also stipulates that "... If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

There are no prepaid income taxes which cannot be offset.

Deferred tax assets and deferred tax liabilities are considered to be long term.

24) Shareholders' equity

Shareholders' equity, which amounts to € 2,347,398 thousand as at 30 June 2023 (€ 2,390,570 thousand as at 31 December 2022) breaks down as follows:

(€ thousands)	31.12.2022	30.06.2023
Shareholders' equity attributable to Italgas	2,108,262	2,062,340
Share capital	1,002,608	1,003,228
Legal reserve	200,246	200,646
Share premium reserve	624,449	626,252
Reserve Cash Flow Hedge on derivative contracts	38,261	34,972
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	7,202	7,046
Fair value valuation reserve for equity investments	609	317
Other reserves	12,534	11,896
Profits relating to previous years	496,006	645,747
Reserve for remeasurement of defined-benefit plans for employees	(7,195)	(7,247)
Net profit (loss)	407,288	213,229
<i>to be deducted</i>		
- Treasury shares		
Shareholders' equity attributable to minority interests	282,308	285,058
	2,390,570	2,347,398

Share capital

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 other reserves.

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earning reserves.

On 09 March 2023, the Board of Directors resolved on: (i) the free allocation of no. 499,502 ordinary Company shares to the beneficiaries of the plan given the rights assigned (so-called third cycle of the plan) to such beneficiaries and accrued in accordance with the provisions of said plan at the end of the relative performance period (2018-2020) and (ii) the third and last tranche of the capital increase serving the plan was implemented, for a nominal amount of € 619,382.48 taken from the retained profits with the issue of no. 499,502 new ordinary shares.

Moreover, on 20 April 2021, the Italgas Shareholders' Meeting 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 maximum nominal 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 reserve

The legal reserve as at 30 June 2023 stood at € 200,646 thousand. The increase of € 400 thousand relates to the resolution of the Shareholders' Meeting of 20 April 2023.

Share premium reserve

The share premium reserve, which totalled € 626,252 thousand (€ 624,449 thousand as at 31 December 2022), was created after the equity investment in Italgas Reti S.p.A. was acquired. The reduction of € 1,803 thousand relates to the implementation of the 2018-2020 Co-Investment Plan.

Reserve Cash Flow Hedge on derivative contracts

The reserve, amounting to € 34,972 thousand (€ 38,261 thousand as at 31 December 2022), includes the fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as “cash flow hedging instruments”. The related tax effect is reported in the “tax effect” item of the “Components reclassifiable to the income statement” in the Statement of comprehensive income.

Consolidation reserve

The consolidation reserve, amounting to € -323,907 thousand, was determined during the first consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

Reserve for business combinations under common control

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an “aggregation of corporate entities or activities under common control” within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

Stock grant reserve

The reserve includes the assessment pursuant to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Italgas S.p.A. Shareholders' Meeting.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per

share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity provision.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of 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.

Italgas' Shareholders' Meeting held on 20 April 2021 approved the 2021-2023 Incentive Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Incentive Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares to be assigned free of charge, by means of assignment pursuant to 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. In connection with this plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2021 Remuneration Policy, rights to receive 254,765 Italgas shares for the 2021-2023 co-investment plan. The unitary fair value per share is € 5.55.

Fair value valuation reserve for equity investments

The fair value valuation reserve (€ 317 thousand) includes the change in fair value, net of tax effects, of minority interests which on initial recognition were designated as valued at FVTOCI (fair value recognised through other comprehensive income). For more details, see the note "Non-current financial assets".

Other reserves

The other reserves relate to the effects deriving from the valuation of equity investments.

Reserve for remeasurement of defined-benefit plans for employees

The reserve for remeasurement of employee benefit plans (€ -7,247 thousand as at 30 June 2023) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19.

Treasury shares

As at 30 June 2023 Italgas did not have any treasury shares in its portfolio.

25) Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,370,225 thousand as at 30 June 2023 comprise:

(€ thousands)	31.12.2022	30.06.2023
Bank guarantees given in the interest of Group companies	495,565	395,260
Financial commitments and risks:	1,829,217	2,027,865
Commitments	1,528,667	1,713,279
Commitments for the purchase of goods and services	1,528,667	1,545,379
Other		167,900
Risks	300,550	314,586
- for compensation and litigation	300,550	314,586
	2,324,782	2,423,125

Guarantees

Guarantees of € 395,260 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

Commitments

As at 30 June 2023, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,545,379 thousand.

Other commitments in the amount of € 167,900 thousand concern:

- (i) the sale and purchase agreement signed on 9 June 2023 between Italgas and Veolia (€ 115 million) for the purchase of the shares held by the Veolia Group in certain companies operating in the water service sector in the Regions of Lazio, Campania and Sicily.

Specifically, the transaction involves the acquisition of:

- 100% of the share capital of Acqua S.r.l., which in turn holds directly 98.7% of the share capital of Idrosicilia S.p.A. and, indirectly, 75% of the share capital of Siciliacque S.p.A.;
- 100% of Idrolatina S.r.l., which in turn holds approximately 49% of Acqualatina S.p.A.;
- 47.9% of Acqua Campania S.p.A.

The completion of the transaction is subject to the fulfilment of certain conditions, including the involvement or approval of the entities that awarded the water service concession.

- (ii) Medea S.p.A. and Energetica S.p.A. investment agreement:

As part of the investment agreement signed on 26 July 2022 between Medea S.p.A. and Energetica S.p.A. (the "Parties") related to the acquisition by Medea of a 49% stake in the share capital of Energie Rete Gas S.r.l. ("ERG") through a mixed transaction involving the contribution and sale of assets included in a business unit, the Parties mutually agreed to ensure that ERG, in relation to the assets sold, would obtain: (i) recognition, from the competent ministry, among the Company's infrastructure and/or regional transmission services of natural gas ("Transport Authorisation") and (ii) recognition, under the tariff regulatory profile, as regional transport service ("Tariff Recognition"). In a communication dated 2 May 2023, the Ministry of the Environment and Energy Security rejected ERG's petition to update the regional natural gas transportation networks, deferring the possibility of considering the transport of gas by road eligible to be included in the infrastructures that make up regional transportation (along the lines of what happened for the virtual connection in Sardinia) to a specific legislative provision.

In addition, as part of the investment agreement, the Parties have mutually committed to ensure that, should the aforementioned Transport Authorisation not be recognised, the necessary measures will be implemented to restore the legal situation existing prior to the date of the agreement for a value of the assets amounting to € 52.9 million.

Energetica, the parent company of ERG, is in the process of amending the investment agreement with Medea whereby Medea undertakes to pay ERG the unrecognised flows at tariff level. The business plan prepared in support of the agreement reflects what has just been described and commits Medea to guarantee ERG the tariff flows in the plan until the tariff is recognised by ARERA.

Other unvalued commitments

The acquisition of 51% of the share capital of **ACAM Gas S.p.A.** by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of **Enerco Distribuzione S.p.A.** by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "**Alessandria 4 ATEM**" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

On 27 December 2022 **Italgas S.p.A., Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A.** ("Alia") signed an agreement to define: (i) the terms and conditions for the approval by the Board of Directors of Toscana Energia in relation to Alia's takeover of the ownership of the Toscana Energia shares held by the

Municipality of Florence as a result of the contribution of treasury shares in favour of its subsidiary Alia, (ii) the recognition of an option right in favour of Italgas on the Toscana Energia shares held by the Municipality of Florence at the time the option is exercised.

The price for the purchase of the Shares subject to the option will be equal to the "Fair market value" referring to the date of execution of the option, calculated using a valuation methodology compliant with the best international practice for a regulated business of natural gas distribution (i.e. RAB) and subject to adjustment based on the value of the net financial position of Toscana Energia at the date on which the option is executed.

Risks

Risks concerning compensation and litigation (€ 314,586 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

Foreword

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- rating risk;
- debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

Interest rate risk

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented – in full or in part – in the regulatory WACC, could have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 30 June 2023 the financial debt at floating rate was 8.5% and at fixed rate was 91.5%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Credit risk

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation.

The rules for customer access to the gas distribution service are established by the relevant regulatory Authority and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services and contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference markets are the Italian and Greek markets.

As at 30 June 2023 there were no significant credit risks. Note that on average: (i) in Italy, 92.9% of trade receivables relating to gas distribution are settled by the due date and over 97.5% within the following 4 days, (ii) in Greece, 97.2% of trade receivables relating to gas distribution are settled by the due date and the remaining 2.8% within the following 2 days, confirming the strong reliability of the customers.

It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with primary credit institutions in the amount of € 466 million as at 30 June 2023, 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; (ii) the next bond repayment is scheduled for 2024; (iii) the bonds issued by Italgas as at 30 June 2023 as part of the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement data.

In addition, we note the success of the € 500 million bond issue maturing in June 2032 in implementation of the EMTN (Euro Medium Term Notes) Programme launched in 2016 and renewed by resolution of the Board of Directors on 15 September 2022; this issue confirms both the Group's financial solidity and its ability to access the capital market.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

Rating risk

With regard to Italgas' long-term debt, on 9 August 2022 the rating agency Moody's confirmed Italgas' long-term credit rating at Baa2, revising the Outlook from stable to negative, reflecting Italgas' exposure to the pressures accompanying a deterioration in sovereign credit quality, in consideration of the fact that its activities are essentially concentrated in Italy.

On 23 September 2022, the rating agency Moody's confirmed the long-term credit rating of Italgas, as Baa2, Negative Outlook.

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

Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

Debt covenant and default risk

As at 30 June 2023, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants⁶². 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.

The bonds issued by Italgas as at 30 June 2023 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and *pari passu* clauses.

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

(€ thousands)	Balance as at 31.12.2022	Balance as at 30.06.2023	Portion with due date within 12 months	Portion with due date beyond 12 months	30.06.2025	30.06.2026	30.06.2027	30.06.2028	Beyond
Financial liabilities									
Bank loans	1,741,660	1,705,738	68,580	1,637,158	816,971	78,174	78,549	78,730	584,734
Bonds	4,728,517	5,199,017	415,019	4,783,998	512,235	14,333	755,571	502,400	2,999,459
Short-term liabilities	3,125	1,245	1,245						
Interest on loans			104,789	538,953	99,033	84,561	81,844	61,800	211,715
Liabilities right of use	72,048	84,106	29,399	54,707	17,644	14,806	9,379	7,183	5,695
Interest right of use			491	572	200	147	104	63	58
	6,545,350	6,990,106	619,523	7,015,388	1,446,083	192,021	925,447	650,176	3,801,661

Disputes and other measures

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

⁶²The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 30 June 2023 have been respected.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimated.

Civil dispute

Italgas Reti S.p.A. / Municipality of Rome – Rome Civil Court

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties. Subsequently, the Municipality of Rome notified Italgas Reti of a Managerial Resolution in which it quantified the amount allegedly owed by Italgas Reti by way of penalties for the alleged failure to timely implement the Business Plan at € 91,853,392.79, and reserved the right to enforce the bank guarantee issued to guarantee the proper performance of the aforesaid Contract. Italgas appealed to the Regional Administrative Court of Lazio against the above-mentioned Managerial Resolution, submitting a precautionary petition for the suspension of the measure's effectiveness, contesting, in brief, the nullity of the penalty clause due to vagueness. The Board, however, expressed some doubts as to the applicability of its jurisdiction.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction. The Court of Cassation declared the Jurisdiction of the Ordinary Court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Civil Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court with Order no. 4140/2020 acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti challenged this order before the Council of State, which upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until the definition of the merits.

On 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it requested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the concession contract. Subsequently, consistent with the previous judgement, the Regional Administrative Court declared the jurisdiction of the Ordinary Court and Italgas Reti resumed the judgement before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Municipality of Rome. The evidentiary hearing for both court cases, which have been combined, has been set for 11 July 2023. Following the hearing, the judge ordered a CTU, assigning the parties terms until 2 October to submit a proposed question and reserved until the outcome of the CTU on the admission of witness evidence.

At the same time, Italgas Reti obtained an order from the Court of Rome suspending the effects of the measure quantifying the penalties and preventing Roma Capitale from enforcing the surety given in relation to the penalty payment claims.

Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

Municipality of Venice / Italgas Reti S.p.A. – Court of Venice

On 24 April 2019, the Municipality of Venice served, at the Court of Venice, a writ of summons, aimed at the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 1/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti contested the quantification of the fee and requested the restitution of the amount unduly paid to the Municipality following the free transfer of Block A. Having carried out the introductory procedural steps, by order dated 26 April 2021, the Judge ordered Italgas Reti to produce relevant documentation and consequently set the hearing for 31 May 2022 for the examination of the documentation. On 31 May 2022, the Municipality requested that Italgas Reti be ordered to supplement

the documentation produced. For its part, Italgas Reti opposed the request for supplementation formulated by the Municipality and requested, principally, the postponement of the case for the clarification of the conclusions or, alternatively, the granting of a time limit to possibly counter-respond. At the outcome of the hearing, the Judge requested additional documentation and adjourned the hearing to 17 January 2023. On that date, the Municipality insisted on the admission of a technical expert's report, while Italgas Reti requested that the hearing for clarification of the conclusions be postponed. At present, we are awaiting the Judge's lifting of the reservation.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

Municipality of Cavallino Treperti / Italgas Reti S.p.A. – Court of Appeal of Venice.

By decision dated 25 June 2022, the Court of Venice, notwithstanding the acknowledgement of the right of ownership of the plants in block A in favour of the Municipality of Cavallino Treperti with effect from the date of expiry pursuant to the concession (1 January 2013), ordered the Municipality of Cavallino Treperti to pay Italgas € 37,313.69 plus interest for the COSAP unduly paid by Italgas for the period between 1 January 2013 and 31 December 2018 and € 40,000 for legal expenses. The Municipality of Cavallino-Treperti notified an appeal against the ruling. On 24 January 2023, the first hearing was held: the Judge dismissed the application to suspend the enforceability of the ruling and ordered a postponement for the clarification of the conclusions to the hearing on 16 January 2024.

The Society, supported by external legal advice, does not believe that a loss is likely at present.

Publiservizi S.p.A. / Italgas S.p.A. – Florence Court

Publiservizi, on its own behalf and as agent of other municipalities that are shareholders of Toscana Energia, served Italgas S.p.A. with a writ of summons in which they alleged a breach of a Shareholders' Agreement entered into on 28 June 2018. Publiservizi, therefore, claims that Italgas should be ordered to purchase 3% of the share capital of Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned Shareholders' Agreement and, otherwise, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. Following the exchange of introductory documents, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 13 September 2023.

Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

Italgas Reti S.p.A. – Rome/Via Parlatore Event

The Public Prosecutor's Office of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome.

The incident resulted in a fire involving three people: two workers from an Italgas Reti contractor were slightly injured while the third person – an employee of Italgas Reti – died.

Preliminary investigations involved three Italgas Reti employees. The Public Prosecutor's Office asked for all defendants to be dismissed, but the Judge for Preliminary Investigations ordered further investigations, following which the Public Prosecutor again asked for all defendants to be dismissed.

On 17 November 2020, the Judge for Preliminary Investigations, also rejecting the second request for dismissal, ordered the Public Prosecutor's Office to formulate the charges against the three Italgas Reti defendants without formulating findings of liability against Italgas Reti pursuant to Legislative Decree no. 231/2001. At present, the first instance trial is ongoing. The family members of the deceased employee have joined the proceedings, while the two employees of the contractor who sustained injuries have withdrawn their participation as a result of the award of damages.

Italgas Reti S.p.A. – Cerro Maggiore/Via Risorgimento Event

The public prosecutor opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The accident was caused by a gas leak due to drilling work for laying fibre optic cable carried out by a third-party company, whose employees were also investigated.

The explosion resulted in the collapse of a house and the death of the lady who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries.

On 24 April 2017, a notice of conclusion of preliminary investigations was served on the defendants and Italgas Reti for failure to adopt appropriate preventive measures in terms of safety at work pursuant to Legislative Decree no. 231/2001.

The position of one employee of Italgas Reti (employer), was subsequently terminated, while for the other employees an indictment request was submitted.

In the course of the preliminary hearing, it was acknowledged that damages had been awarded to the heirs of the deceased lady and the other injured persons, who therefore waived their right to bring civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings.

At the outcome of the preliminary hearing, on 19 March 2019, the Preliminary Hearing Judge (i) pronounced a verdict of non-suit against two Italgas Reti employees for not having committed the act; (ii) issued a judgement of conviction against certain employees of the third-party contractor for the laying of the fibre optics who had requested the abbreviated trial; and (iii) ordered the committal for trial of Italgas Reti and three of its employees, in addition to the other defendants of the third-party contractor for the laying of the fibre optics.

At the outcome of the trial, the Public Prosecutor requested the acquittal of an Italgas Reti employee and two defendants from the contractor company, while for the other two Italgas Reti employees he asked for a two-year prison sentence, with suspended sentences. For Italgas Reti, the Prosecutor asked for the application of a minimum fine, considering the small amount of the profit involved.

In a ruling of 4 June 2021, the Judge acquitted two Italgas Reti employees and sentenced the other to one year and six months' imprisonment with suspended and unremitted sentence. A minimum fine was imposed on Italgas Reti.

Italgas Reti and the convicted employee appealed against the sentence, while the Public Prosecutor appealed the acquittal of the other employee. The setting of the first appeal hearing is pending.

Italgas Reti S.p.A. – Ravanusa event

The Public Prosecutor's Office of Agrigento opened an investigation into an explosion that occurred in the town of Ravanusa on 11 December 2021.

At 9:02 p.m., the Fire Brigade requested the Integrated Supervision Centre to deploy the emergency services. Italgas Reti's technical staff arrived on site at 21:20.

The first sectioning of the network, aimed at securing the pipeline, was completed at 2:05 a.m. on 12 December 2021.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas (a company merged by incorporation into Società Italiana per il gas S.p.A. in 2008, which in turn became Italgas Reti from 7 November 2016) 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.

The previous week, 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 and no critical issues had arisen.

On 31 December 2021, the Public Prosecution issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatability of 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 via Trilussa, was found. In addition, further laboratory investigations were carried out on odouring gas and soil samples taken near the

site of the event in the days following the explosion and the presence of the odorising molecule was confirmed.

An extension of the preliminary investigation was requested and granted in July 2022, and a subsequent extension request for a further six months was notified in February 2023.

On 16 May 2023, the Public Prosecutor's Office requested the dismissal of the proceedings against all Italgas Reti's defendants, while it issued a notice of conclusion of the preliminary investigation pursuant to Article 415-*bis* of the Italian Code of Criminal Procedure against individuals of Siciliana Gas and the company that had laid the pipeline. The injured parties may lodge an objection to the request to dismiss the case and it is up to the Judge for Preliminary Investigations to decide whether or not to dismiss the proceedings.

Italgas Reti has granted its willingness to the Municipality of Ravanusa to carry out a project for the removal of rubble following the explosion, which was completed in April 2023.

Information on ESMA 2023 priorities

For the 2020, 2021 and 2022 financial statements, the Regulators issued specific recommendations in order to draw attention to the main areas of focus of the current context of reference, characterised by a combination of factors associated with the residual impacts of the COVID-19 pandemic, the impacts of the Russia-Ukraine conflict, the increase in inflation and interest rates and the general worsening of the macroeconomic scenario, geopolitical risks and uncertainties around future developments.

In particular, with Public Statement no. 32-63-1320 of 28 October 2022, "European common enforcement priorities for 2022 annual financial reports", ESMA reinforced the message disseminated in its previous publications 2020 and 2021, regarding the need to provide adequate financial and non-financial disclosure on climate change issues, the impacts of the Russian-Ukrainian conflict and the current macroeconomic scenario. In addition, in 2023, ESMA published its annual overview report on the compliance of financial and non-financial information contained in the 2022 financial statements with respect to the required forecasts and requirements "2022 Corporate Reporting Enforcement and Regulatory Activities Report", in which it reiterated the need for adequate transparency on the topics indicated as priorities for the 2022 financial statements.

In light of the ESMA recommendations and those of other Regulators such as the Bank of Italy and Consob, and in accordance with the provisions of the IAS 34 in subsections 15-15C with reference to "significant events" during the year, an update for 2023 to the information already presented in the 2022 Integrated Annual Report is provided below.

In particular, specific thematic areas have been identified and expanded on below which, with reference to the individual IFRS standards, provide a better understanding of the information.

Update information on COVID-19

With reference to the residual impacts of COVID-19, taking into account the activities of the Italgas Group and the impact on the Group of the spread of the pandemic, there are no significant updates with respect to what has already been illustrated in the 2022 Integrated Annual Report.

Topics related to climate change

Considering the requirements contained in the European Common Enforcement Priorities of October 2021 on climate-related matters, also confirmed as a priority in the 2022 Public Statement, the ESMA requires that adequate information be provided about climate-related matters and their effects on business development and performance, together with a description of the main risks and uncertainties to which the Italgas Group is exposed.

With regard to environmental risk, although the Group conducts its business in compliance with laws and regulations, it cannot be ruled out with certainty that the Company may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental

clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties' liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the Directors' Report, in recent years, Italgas' corporate strategy has been increasingly influenced by climate change issues, and various initiatives have been developed to reduce GHG emissions (e.g. leakage detection using Picarro Surveyor technology, conversion and renewal of the corporate fleet, initiatives to improve the efficiency of plants and buildings, study and implementation of initiatives to promote the distribution of green gas, such as repurposing for biomethane and the P2G (Power to Gas) project for green hydrogen, monthly monitoring of environmental performance and the implementation of related corrective actions, etc.).

The Group has also set targets to reduce GHG Scope 1 and 2 (market-based) emissions by 34% by 2028 and by 42% by 2030, Scope 3 (supply chain) emissions by 30% by 2028 and by 33% by 2030, and energy consumption by 27% by 2028 and by 33% by 2030 (2020 baseline); in addition to these targets, which cover the entire scope of operations (thus including all consolidated companies), it is also worth mentioning the Group's commitment to Net-Zero Carbon to 2050 for Scope 1, 2 (market-based) and 3.

Italgas' strategy is outlined in the 2023-2029 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition.

In the short term, the main elements influencing the development of the strategy are the regulatory aspects of climate change such as European policy objectives, while in the short-to-medium term, the main elements are the efficient procurement of natural gas, aimed at reducing its impacts on climate change.

As part of the Strategic Plan document, Italgas defines a macro-comprehensive scenario that includes frameworks and trends in energy and environmental policies (decarbonisation - Paris Agreement, Green Deal, RePowerEU, renewables, energy efficiency, sustainable mobility, power to gas, green gas and water) and presents its Sustainable Value Creation Plan, which sets specific actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates.

The Group's strategy is developed in line with the UN Sustainable Development Goals and, with regard to combating climate-changing emissions, also with the objectives of the European Green Deal and the "science-based" scenario for limiting global warming to below "1.5°".

Also of note is the preparation of the report "Driving innovation for energy transition" which examines the relationship between the Italgas Group's business and climate change impacts in line with the recommendations set by the Task Force on Climate-Related Financial Disclosure (TCFD).

The document not only describes the new opportunities identified in the climate transition and the potential risks, but also the adequacy of the climate strategy implemented by the Group in that regard.

For further details on the inclusion of climate risk in the Business Plan, its impact on sustainability objectives and the main significant risks and uncertainties, please refer to the chapters "Sustainability – the path to decarbonisation" and "Risk and uncertainty factors" in the Directors' Report as at 30 June 2023, as well as the chapters "Strategy and forward-looking vision", "Risk management" and "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" in the 2022 Integrated Annual Report.

As for information about Article 8 of the Taxonomy Regulation, see the chapter on "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the 2022 Integrated Annual Report.

Finally, set out below are the assessments associated with the main risks considered in the development of the estimates, which could potentially result in a significant adjustment to the carrying value of assets and liabilities.

Impairment testing and expected useful life of tangible and intangible assets

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value.

Provisions for risks and potential liabilities

In accordance with IAS 37, the company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

Effects of the climate risk on measuring expected credit loss

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

Information on the Russia-Ukraine conflict

With the recommendation in October 2022, the ESMA confirmed the validity of the requirements contained in the Public Statement of May 2022, “Implications of Russia’s invasion of Ukraine on half-yearly financial reports”, stating that the recommendations contained therein were relevant to ensuring the right level of transparency in financial communication.

Therefore, below are the assessments related to the current and, as far as possible, foreseeable impact of the Russian-Ukrainian military conflict, following the invasion by the Russian army of Ukrainian sovereign territory, on Italgas Group’s activities, financial performance and cash flows.

The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group’s procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber-attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict.

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

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability.

With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas’ financial debt is fixed rate; ii) the upcoming repayment of a bond envisaged for 2024; iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 30 June 2023, of € 466.0 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects. In addition, we report the successful bond issue maturing in June 2032 in the amount of € 500 million in implementation

of the EMTN (Euro Medium Term Notes) Programme. This issue confirms both the Group's financial strength and its ability to access the capital market.

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.

In light of the above, no significant impacts are reported in the following areas:

- Business Continuity;
- Impairment test of non-financial assets;
- Impairment of financial assets;
- Impacts on governance exercised over affiliated companies;
- Assets or groups of assets held for sale;
- Recognition of deferred tax assets;
- Fair value measurement;
- Remeasurement of foreign currency transactions and translation of financial statements in foreign currencies;
- Provisions for contingent liabilities;
- Liabilities arising from insurance contracts.

Macroeconomic scenario

In consideration of the requirements of ESMA's October 2022 recommendation, below are the assessments related to the potential impacts that the current macroeconomic scenario and related uncertainties may have on Italgas Group operations.

Impairment test of non-financial assets

The Italgas Group mainly oversees the regulated activity of natural gas distribution and is a significant operator in terms of invested capital for regulatory purposes (RAB) in its sector.

The RAB (Regulatory Asset Base) is calculated on the basis of the rules defined by the relevant regulatory authority for the purpose of determining base revenues.

At present, there are no effects that could suggest a reduction of the value of goods under concession or of intangible assets with a definite or indefinite useful life (goodwill).

In particular, as regards the value of property, plant and equipment under concession that fall within the scope of regulated activities, their recoverable value is determined by considering: (i) the amount quantified by the Authority on the basis of the rules that define the tariffs for the provision of the services they are intended for; (ii) the value the group expects to recover from the transfer or at the end of the concession that governs the service for which they are intended.

Therefore, for any valuation of regulated assets, reference should be made to the provisions of current regulations, for which see the "Legislative and Regulatory Framework" chapter of the Directors' Report as at 30 June 2023.

In light of the above, no impairment indicators emerged as at 30 June 2023 concerning the recoverability of asset values and goodwill due to the general deterioration of the macroeconomic scenario.

Employee benefits

There was no change in the approach used in determining the actuarial assumptions necessary to calculate the various Employee Benefits liabilities in accordance with IAS 19.

Therefore, there were no methodological amendments or specific changes to the economic, demographic, financial or behavioural assumptions (e.g. turnover).

Please see note 22 "Provisions for employee benefits" for details about the main actuarial assumptions adopted and the sensitivity analyses carried out.

Revenues from Contracts with Customers

The most significant portion of the Italgas Group's revenues relates to regulated activities, whose income is governed by the regulatory framework defined by the Regulatory Authority. Thus, the economic conditions of the services provided are defined through regulatory schemes and not on a negotiated basis; there are no significant costs charged to assets incurred in the performance of a contract.

Financial instruments

The impacts deriving from the worsening of the macroeconomic situation did not have significant effects on the Italgas financial instruments.

For information on the Italgas Group's exposure to the risk of changes in interest rates, liquidity risk and credit risk, please refer to Note 25 "Guarantees, commitments and risks – Financial risk management" in which Italgas' policies and principles for managing and controlling risks arising from financial instruments are described.

26) Revenues

(€ thousands)	First half of the year	
	2022	2023
Revenues	1,021,100	1,254,219
Other revenues and income	39,548	39,467
	1,060,648	1,293,686

Group revenues are earned in Italy and Greece.

An analysis of revenue by business segment is provided in Note 33 “Information by business segment”.

Revenues from related parties are described in Note 35 “Related party transactions”.

Revenues

Revenues, which amount to € 1,254,219 thousand (€ 1,021,100 thousand as at 30 June 2022), are analysed in the table below:

(€ thousands)	First half of the year	
	2022	2023
Gas distribution	592,355	685,071
Revenues for infrastructure construction and improvements (IFRIC 12)	343,290	345,456
Technical assistance, engineering, IT and various services	36,487	23,250
Energy efficiency interventions	32,874	188,921
Water distribution and sale	4,319	4,307
Gas sales	10,817	2,632
Other ESCo revenues	958	4,402
Sale of other products		180
	1,021,100	1,254,219

Revenues refer primarily to the consideration for the gas distribution service and other regulated revenues (€ 685,071 thousand) as well as revenues deriving from the construction and upgrading of gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 345,456 thousand).

Gas distribution revenues in Italy are reported net of the following items, involving tariff components in addition to the tariff applied to cover gas system expenses of a general nature. The amounts in question are paid, where positive, charged, where negative, for an equal amount, to the CSEA.

(€ thousands)	First half of the year	
	2022	2023
RE-RS-UG1-UG3 fees	8,041	5,144
Gas bonus Gas-GS-UG2	(188,607)	(943,095)
	(180,566)	(937,951)

The fees in addition to the distribution service (€ -937,951 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the *Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector*; (ii) RS, to cover expenses burdening the *Account for gas services quality*; (iii) UG1, to cover any imbalances in and adjustments to the equalisation

system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUI), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

Gas distribution revenues (€ 685,071 thousand) refer to gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code in Italy and the specific regulations governing the service in Greece. These revenues include the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021.

On the other hand, with regard to the new provisions on the subject of the recognition of the residual value of smart meters replaced earlier than the end of their useful life, Italgas has not reflected in the financial statements, the impacts arising from the recovery of this tariff component as it is considered that the necessary requirements for its recognition pursuant to IFRS 15 do not exist, pending the Director of the Energy Infrastructure and Unbundling Department, by means of his own determination, to identify the operating procedures necessary for the purposes of the recognition of residual costs as provided for in Article 57.4 of Resolution No. 737/2022/R/gas.

Revenues deriving from energy efficiency interventions (€ 188,921 thousand) mainly relate to work carried out during the period, generally referred to as “Superbonus”, as envisaged by the “Relaunch Decree” (Decree Law 34/2020), which introduced the “Superbonus 110”, an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the “Sismabonus” that makes it possible to receive 110% of the expense generated and admissible in 4 years.

Revenues from the sale of water (€ 4,307 thousand) relate to the water distributed in Campania.

Other revenues and income

Other revenues and income, which amounted to € 39,467 thousand, can be broken down as follows:

(€ thousands)	First half of the year	
	2022	2023
Income from gas distribution service safety recovery incentives	17,867	13,183
Plant safety assessment pursuant to ARERA Resolution no. 40/04	1,094	918
Capital gains from sale of assets	2,923	618
Management refunds and chargebacks	858	8,117
Contractual penalties receivable	974	401
Revenues from regulated activities	4,141	5,254
Connection contribution uses	9,490	9,740
Income from real estate investments	89	108
Revenues from seconded personnel	114	97
Other revenues	1,998	1,031
	39,548	39,467

Income from safety recovery incentives, equal to € 13,183 thousand (€ 17,867 thousand in the first half of 2022), relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Refunds and operating charge-backs include € 6,610 thousand of reimbursements from suppliers related to faulty meters under warranty.

27) Operating costs

The breakdown of operating costs for the period, which totalled € 677,148 thousand, is shown in the following table:

(€ thousands)	First half of the year	
	2022	2023
Purchase costs for raw materials, consumables, supplies and goods	68,580	76,383
Costs for services	289,648	397,070
Costs for the use of third-party assets	48,328	43,477
Personnel cost	123,256	136,016
Allocations to/(releases from) provision for risks and charges	(1,543)	1,591
Allocations to/(releases from) provisions for doubtful debt		20
Other expenses	12,215	25,105
<i>To be deducted:</i>		
Increases for own work	(2,506)	(2,514)
- of which costs for services	(857)	(994)
- of which labour costs	(1,649)	(1,520)
	537,978	677,148

Operating costs relating to the construction and upgrading of gas and water service distribution infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amounted to € 345,456 thousand (€ 343,290 thousand for the first half of 2022) and are broken down as follows:

(€ thousands)	First half of the year	
	2022	2023
Purchase costs for raw materials, consumables, supplies and goods	48,688	63,818
Costs for services	230,183	221,250
Costs for the use of third-party assets	7,985	4,140
Personnel cost	53,225	55,406
Other expenses	3,209	842
	343,290	345,456

Costs for raw materials, consumables, supplies and goods, amounting to € 76,383 thousand (68,580 as at 30 June 2022), comprise the following:

(€ thousands)	First half of the year	
	2022	2023
Inventories	63,716	68,930
Purchase of gas		2,836
Purchase of water	1,294	1,392
Motive power	964	710
Purchase of fuel	2,606	2,515
	68,580	76,383

Inventories mainly refer to the purchase of meters.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure amounted to € 63,818 thousand (€ 48,688 thousand in the first half of 2022), recorded in accordance with IFRIC 12.

Costs for services of € 396,076 thousand relate to:

(€ thousands)	first half of the year	
	2022	2023
Project management and plant maintenance	221,001	318,309
Consultancy and professional services	26,917	31,149
Costs for personnel services	693	8,682
IT and telecommunications services	9,481	25,596
Electricity, water and other (utility) services	7,825	3,083
Insurance	2,827	3,695
Cleaning, security service and guard services	2,336	2,037
Advertising and entertainment	1,474	2,750
Costs for seconded personnel	374	1,029
Other services	26,531	18,414
Use of risk provision	(9,811)	(17,674)
	289,648	397,070
<i>To be deducted:</i>		
Increases for own work	(857)	(994)
	288,791	396,076

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure amounted to € 221,250 thousand (€ 230,183 thousand in the first half of 2022) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 318,309 thousand) essentially relate to the extension and maintenance of gas distribution plants and work carried out on buildings for the purpose of energy efficiency.

Costs for the use of third-party assets, of € 43,477 thousand, regard:

(€ thousands)	First half of the year	
	2022	2023
Patent, license and concession fees	41,070	39,036
Leases and rentals	7,350	4,464
Use of risk and charges provision	(92)	(23)
	48,328	43,477

Fees, patents and licences (€ 39,036 thousand) refer primarily to fees recognised to contracting parties for the running of gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure amounted to € 4,140 (€ 7,985 thousand in the first half of 2022) recognised in accordance with IFRIC 12.

Personnel cost, totalling € 134,496 thousand, breaks down as follows:

(€ thousands)	First half of the year	
	2022	2023
Wages and salaries	86,358	96,347
Social charges	26,335	28,194
Employee benefits	8,147	8,362
Other expenses	2,416	3,113
	123,256	136,016
<i>To be deducted:</i>		
Increases for own work	(1,649)	(1,520)
	121,607	134,496

The item includes costs relating to the construction and upgrading of gas distribution infrastructure amounted to € 55,406 thousand (€ 53,225 thousand in the first half of 2022) recognised pursuant to IFRIC 12.

Employee benefits (€ 8,362 thousand) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 3,113 thousand, in particular refer to charges for the incentive plan for senior executives (co-investment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the “Black-Scholes” economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

Average number of employees

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	30.06.2022	31.12.2022	30.06.2023
Executives	61	74	77
Middle Managers	313	378	375
Employees	2,129	2,488	2,459
Manual workers	1,331	1,457	1,337
	3,834	4,397	4,248

The average number of employees is calculated on the basis of the monthly number of employees for each category.

At 30 June 2023, there were 4,240 employees on average.

Allocations to/(releases) from provision for risks and charges, amounting to € 1,591 thousand (€ -1,543 thousand in the first half of 2022) are stated net of utilisations and refer mainly to the provision for risks and charges relative to legal disputes.

For more details on the changes in provisions for risks and charges, please refer to the note “Provisions for risks and charges”.

Other expenses, of € 25,105 thousand, are analysed below:

(€ thousands)	First half of the year	
	2022	2023
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	3,845	18,791
Indirect taxes, local taxes	3,171	3,580
Gas distribution service safety improvement penalties	4	
Other penalties	688	809
Other expenses	4,507	1,925
	12,215	25,105

The capital losses from the disposal/recovery of fixed assets (€ 18,791 thousand) mainly relate to the replacement of faulty meters and pipes and connections. Capital losses related to meters are offset in other items of the income statement (utilisation of the provision for risks related to the repair of faulty meters and other income related to refunds from suppliers for faulty meters).

28) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 257,705 thousand, breaks down as follows:

(€ thousands)	First half of the year	
	2022	2023
Depreciation	225,722	257,705
- Property, plant and equipment	8,361	8,874
- Right of use pursuant to IFRS 16	11,471	13,995
- Intangible assets	205,890	234,836
Impairment	998	
- Impairment of intangible assets	998	
	226,720	257,705

29) Financial Income (Expense)

Net financial expense, amounting to € 44,630 thousand, comprises:

(€ thousands)	First half of the year	
	2022	2023
Financial Income (Expense)	(28,184)	(45,771)
Financial expense	(28,328)	(47,897)
Financial income	144	2,126
Other financial income (expense)	310	930
Other financial expenses	(1,168)	(1,727)
Other financial income	1,478	2,657
Derivatives	1,548	211
	(26,326)	(44,630)

(€ thousands)	First half of the year	
	2022	2023
Financial Income (Expense)	(28,184)	(45,681)
Borrowing costs:	(28,328)	(47,897)
- Interest expense on bonds	(23,721)	(29,822)
- Commission expense on bank loans and credit lines	(3,769)	(713)
- Interest expense on credit line and loan expense due to banks and other lenders	(838)	(17,362)
Income on financial receivables:	144	2,126
- Interest income and other income on bank accounts	144	2,126
Other financial income (expense):	310	930
- Capitalised financial expense	735	715
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(138)	(1,370)
- Expense for right of use pursuant to IFRS 16	(104)	(491)
- Other expenses	(1,256)	(581)
- Other income	1,073	2,657
Derivatives	1,548	211
	(26,326)	(44,630)

30) Income (expense) from equity investments

Net expenses on equity investments, amounting to € 324 thousand, comprises:

(€ thousands)	First half of the year	
	2022	2023
Effect of valuation using the equity method	456	428
Net income from valuation using the equity method	456	428
Other income (expense) from equity investments	2,776	(752)
Dividends	47	25
Income (expenses) from sale of equity investments	2,670	
Other income (expense) from investments valued at fair value	59	(777)
	3,232	(324)

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note “Equity investments valued using the equity method”.

31) Income taxes

Income taxes for the year, amounting to € 85,152 thousand (€ 75,132 thousand as at 30 June 2022) comprise:

(€ thousands)	First half of 2022			
	IRES	IRAP	FOREIGN	Total
Current taxes	73,672	13,977		87,649
Current taxes for the year	73,684	13,846		87,530
Adjustments for current taxes pertaining to previous years	(12)	131		119
Deferred and prepaid taxes	(12,566)	49		(12,517)
Deferred taxes	(6,751)	(799)		(7,550)
Prepaid taxes	(5,815)	848		(4,967)
	61,106	14,026		75,132

(€ thousands)	First half of 2023			
	IRES	IRAP	FOREIGN	Total
Current taxes	83,974	14,799	5,748	104,521
Current taxes for the year	77,154	13,485	5,748	96,387
Adjustments for current taxes pertaining to previous years	6,820	1,314		8,134
Deferred and prepaid taxes	(20,855)	(998)	2,484	(19,369)
Deferred taxes	(7,608)	(843)	2,262	(6,189)
Prepaid taxes	13,247	155	(222)	13,180
	63,119	13,801	8,232	85,152

Income taxes include current taxes of € 104,521 thousand (€ 87,649 thousand as at 30 June 2022) and net deferred taxes of € 19,369 thousand.

The rates applied and provided for by the Italian tax regulations for current taxes are 24% for IRES and 4.2% for IRAP. The rate applied and provided for by the Greek tax regulations for current taxes is 22%.

32) Profit (loss) per share

The earnings per basic share, equal to € 0.26, was calculated by dividing the net profit attributable to Italgas (€ 213,229 thousand) by the weighted average number of Italgas shares outstanding during the period.

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 213,229 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.26 per share.

33) Information by business segment

With reference to the provisions of the IFRS 8 accounting standard governing segment reporting, the Italgas Group's segment information provides for a single operating segment relating to Gas Distribution and Metering, as a result of the aggregation of the activities carried out in Italy and Greece, following the acquisition of the DEPA Infrastructure Group finalised in 2022.

This representation reflects the structure of the reports that are periodically analysed by management for the purpose of managing and planning the Group's business.

In fact, the management considered that the two segments have similar economic characteristics considering that:

- gas distribution and metering in Italy and Greece are highly regulated sectors. In both cases the rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital;
- the way in which the rate of return (WACC) is determined is quite similar in both cases, and is therefore essentially able to neutralise differences in risk between the two countries,

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- the WACC values provided in the two tariff systems, 8.57% in Greece expressed in nominal pre-tax terms, and 5.6% in Italy expressed in real pre-tax terms, are fully comparable;
- DEPA Infrastructure Group's access to financial markets is beginning to benefit from being part of the Italgas Group, as it will be able to access financing conditions similar to those within the Group and, therefore, a more established and calmer situation than if left to the market alone.

Moreover, the gas distribution service in Italy and Greece has similar economic characteristics in terms of:

- nature of the products and services, i.e. gas distribution and metering. DEPA Infrastructure, through its subsidiaries, which are active in gas distribution and metering throughout Greece, operates a total of approximately 7,600 kilometres of network and more than 580,000 active re-delivery points;
- the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession. The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 140 Municipalities on the Greek peninsula, of which 105 are already in operation;
- type or class of customer according to their products or services, i.e. sales companies;
- methods used to distribute its products or provide its services; i.e. the transport of gas through local pipeline networks, and
- nature of the regulatory environment, i.e. the management of a regulated business with a similar risk profile.

In accordance with IFRS 8 "Operating Segments", the Group's identified segments as at 30 June 2023 are as follows:

- Gas distribution
- Energy efficiency
- Corporate and other sectors

(€ thousands)	Gas distribution	Energy efficiency	Corporate and other sectors	Total
30.06.2022				
Revenues	1,007,760	47,424	60,949	1,116,133
<i>to be deducted: inter-sector revenues</i>	(15,228)	(1,094)	(39,163)	(55,485)
Total revenues from third parties	992,532	46,330	21,786	1,060,648
EBITDA	512,726	8,376	1,568	522,670
Depreciation and impairment losses on property, plant, equipment and intangible assets	(223,211)	(1,645)	(1,864)	(226,720)
EBIT	289,515	6,731	(296)	295,950
Investments in property, plant and equipment and intangible assets	371,543	441	2,438	374,421
<i>to be deducted: Investment in property, plant and equipment and intangible assets inter-sector</i>				
Total investments in property, plant and equipment and intangible assets	371,543	441	2,438	374,421
30.06.2023				
Revenues	1,100,740	195,484	45,808	1,342,032
<i>to be deducted: inter-sector revenues</i>	(8,354)	(374)	(39,618)	(48,346)
Total revenues from third parties	1,092,386	195,110	6,190	1,293,686
EBITDA	577,298	38,253	987	616,538
Depreciation and impairment losses on property, plant, equipment and intangible assets	(254,367)	(1,647)	(1,691)	(257,705)
EBIT	322,931	36,606	(704)	358,833

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Investments in property, plant and equipment and intangible assets	392,528	1,116	4,532	398,176
<i>to be deducted: Investment in property, plant and equipment and intangible assets inter-sector</i>				
Total investments in property, plant and equipment and intangible assets	392,528	1,116	4,532	398,176

34) Information by geographical area

In accordance with Subsection 33 of IFRS 8, revenues, non-current assets and investments by geographic area are shown below:

(€ thousands)

30.06.2023	Italy	Greece
Revenues	1,166,588	127,098
Non-current assets	8,260,801	1,107,809
Investments in tangible and intangible assets	348,947	49,229

35) Related party transactions

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas' related parties, based on the current ownership structure, are represented by Italgas' associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm's length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference in particular to the balances exposed towards the Eni Group and Enel Group, the underlying relations refer to the natural gas distribution service business, according to the terms of the Network Code, defined by the Regulatory Authorities for Energy, Networks and the Environment. The Network Code regulates the non-discriminatory conditions, including tariffs, applicable to distribution users. These relations shall take the form of ordinary transactions concluded at arm's length conditions insofar as part of the core

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operating business of the Group, as envisaged by the Italgas Compliance Standard “Transactions involving the interests of the Directors and Statutory Auditors and Related Party Transactions”.

Commercial and other transactions

Commercial and other transactions are analysed below:

(€ thousands)	30.06.2022			First half of the year				
				2022			2022	
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenues (b)	
			Assets	Services	Other	Services	Other	
Parent company								
- Cassa Depositi e Prestiti		95			24			
		95			24			
Companies under joint control and associates								
- Umbria Distribuzione Gas	1,161				(5)	415	53	
- Metano Sant'Angelo Lodigiano	884				(3)	262	26	
- Gesam Reti	1,242					29	3	
- Gaxa	352	8		12		435	12	
- Enerpaper		1,099			2,046			
	3,639	1,107		12	2,038	1,141	94	
Companies owned or controlled by the State								
- Eni Group	49,979	32,416		1,826	441	175	213,572	2,013
- Snam Group	251	625			137	1	120	18
- Enel Group	7,110	6,058			73	80	47,383	547
- Anas Group	13	630			8	252		
- Ferrovie dello Stato Group	238	149			6			
- GSE Gestore Servizi Group	1,789				14	73,167	3,052	
- Poste italiane Group	4	138			16			
- Terna Group	(66)							17
- Saipem Group		53						
	59,318	40,069		1,826	695	73,675	264,127	2,595
Other related parties								
- Eur Group		4						
- Valdarno		260			291	2		
- Gruppo Valvitalia		673		910		2		
- Unicredito	10							
- Personal protective equipment		7		1	6	2		
- Toledo Scarl		27			15			
- M.T. Manifattura Tabacchi		19			89			
- Oper Fiber	1							

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- Ferrovienord						6		
E-Distribution	1				62		1	
Lt S.r.l.		83				141		
	12	1,073	-	911	604		13	
Total	62,969	42,334	-	2,749	3,361	73,688	265,268	2,689

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

(€ thousands)	30.06.2023			2023			2023	
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenues (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		358			45		218	
		358			45		218	
Companies under joint control and associates								
- Umbria Distribuzione Gas	3,470				(4)		1,387	37
- Metano Sant'Angelo Lodigiano	785				(2)		222	13
- Gesam Reti	90						29	3
- Enerpaper	329	879				2,870		
- Energie Rete Gas	3,333	647					647	117
	8,007	1,526			2,864	647	2,782	170
Companies owned or controlled by the State								
- Eni Group	32,258	36,280		4,668	431	174	(145,521)	2,699
- Snam Group	301	432			126		121	12
- Enel Group	12,921	9,126			32	131	(84,343)	749
- Anas Group	264	871			4	169		281
- Ferrovie dello Stato Group	278	187			4	182	17	155
- GSE Gestore Servizi Group	1,919	1,053			30	14,351	2,961	1
- Poste italiane Group	3	118			111			
- Saipem Group	3	27						3
	47,947	48,094		4,668	738	15,007	(226,765)	3,900
Other related parties								
- Zecca dello Stato [Italian State Mint]	(1)							
- Eur Group		4						
- Gruppo Valvitalia		962		3,198				
- Oper Fiber	1							6
- UniCredit Previdenza		134						
- Personal protective equipment		6				6		
- E-Distribution	2	(1)				59		

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- Servizio Elettrico Nazionale				1			
- Ferrovienord S.p.A.		5				6	
- CESI - Giacinto Motta		13					
- Assicurazioni Generali	1,946						612
- Valdarno		(114)					
- Trevi		37					
	1,948	1,046		3,198	66	6	618
Total	57,902	51,024		7,866	3,713	15,878	(223,983)

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

Companies under joint control and associates

The main receivable commercial relations mainly concern IT and staff services to Umbria Distribuzione Gas, Metano Sant'Angelo Lodigiano, as well as technical services to Energie Rete Gas.

Companies owned or controlled by the State

The main receivable commercial transactions refer to:

- the distribution of natural gas to the Eni Group and Enel Group.

The main payable commercial transactions refer to:

- the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

- acquisition of Energy Efficiency Certificates.

Financial transactions

Financial transactions can be broken down as follows:

(€ thousands)	30.06.2022		First half of the year 2022	
	Receivables	Payables	Income	Expense
Other companies				
- Sace				487
Total				487

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(€ thousands)	30.06.2023		First half of the year 2023	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	636			
	636			
Companies under joint control and associates				
- Energie Rete Gas	2,126			
	2,126			
Companies owned or controlled by the State				
- Snam Group		1,266		
		1,266		
Other companies				
- Acqua Campania	120			
	120			
Total	2,882	1,266		

Relations with the parent company CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

Companies under joint control and associates

The main financial transactions with Energie Rete Gas relate to a shareholder loan agreement.

Other companies

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Impact of related-party transactions or positions on the statement of financial position, income statement and statement of cash flows

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2022			30.06.2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Current financial assets	5,770	2,246	38.93%	125,952	2,126	1.69%
Trade and other receivables	1,142,950	28,586	2.50%	703,698	57,620	8.19%
Other current non-financial assets	80,775	4	0.00%	155,214		0.00%
Other non-current financial assets	22,945	612	2.67%	20,858	756	3.62%
Other non-current non-financial assets	153,575	232	0.15%	221,782	282	0.13%
Short-term financial liabilities	142,437	118	0.08%	514,243	550	0.11%
Trade and other payables	1,197,117	440,040	36.76%	760,950	51,024	6.71%
Other current non-financial liabilities	30,072	194	0.65%	7,006		0.00%
Long-term financial liabilities	6,402,913	(2,048)	(0.03)%	6,475,863	716	0.01%

The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	First half of the year 2022			First half of the year 2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	1,021,100	265,268	25.98%	1,254,219	(223,893)	(17.85)%
Other revenues and income	39,548	2,689	6.80%	39,467	4,688	11.88%
Costs for raw materials, consumables, supplies and goods	68,580	2,749	4.01%	76,383	7,866	10.30%
Costs for services	288,791	3,361	1.16%	396,076	3,713	0.94%
Costs for leased assets	48,328	385	0.80%	43,477	351	0.81%
Personnel cost	121,607		0.00%	134,496		0.00%
Other expenses	12,215	73,303	600.11%	25,105	15,527	61.85%
Financial expense	29,496	468	1.59%	49,624		0.00%
Financial income	1,622		0.00%	4,783		0.00%

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table:

(€ thousands)	First half of the year	
	2022	2023
Revenues and income	267,957	(219,295)
Costs and charges	(79,798)	(27,457)
Change in current financial assets		120
Change in trade and other current receivables	163,544	(29,034)
Change in non-current financial assets		(144)
Change in other assets	(10)	(46)
Change in trade and other payables	5,360	(393,016)
Change in other current liabilities	126	(194)
Net cash flow from operating activities	357,179	(669,066)
Net investments		
Net cash flow from investment activities		
Dividends distributed to minority shareholders	(94,382)	(101,496)
Increase (decrease) in financial debt	(1,351)	3,196
Net cash flow from financing activities	(95,733)	(98,300)
Total cash flows to related entities	261,446	(767,366)

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	First half of the year 2022			First half of the year 2023		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	465,184	357,179	76.78%	326,625	(669,066)	
Cash flow from investment activities	(347,523)			(497,698)		
Cash flow from financing activities	(167,686)	(95,733)	57.09%	185,025	(98,300)	

36) Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the period.

37) Positions or transactions arising from atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the period.

38) Significant events after year end

No significant events occurred after the end of the financial year other than those indicated in this note and in the chapter “Other information” contained in the Directors’ Report.

39) Publication of the Condensed Consolidated Half-Year Financial Statements

The Condensed Consolidated Half-Year Financial Statements were authorised for publication by the Board of Directors of Italgas at its meeting of 25 July 2023. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.

Certification of the condensed financial statements pursuant to Article 154-bis, paragraph 5 of Legislative Decree 58/1998 (Consolidated Finance Act)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Gianfranco Maria Amoroso, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify:
 - the adequacy, considering the Company's characteristics, and
 - the effective implementation
 of the administrative and accounting procedures for the preparation of the condensed half-year financial statement as at 30 June 2023 in the first half of 2023.
2. The administrative and accounting procedures for the preparation of the condensed half-year financial statement at 30 June 2023 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a benchmark framework for the control system generally accepted at international level.
3. It is also certified that:
 - 3.1 The condensed half-year financial statements as at 30 June 2023:
 - a) were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) are consistent with the accounting books and records;
 - c) are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.
 - 3.2 The Interim Directors' Report includes a reliable analysis of the references to important events which occurred in the first six months of the year and their incidence on the Condensed Consolidated Half-Year Financial Statement, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The Interim Directors' Report also includes a reliable analysis of the information on relevant transactions with related parties

25/07/2023

Chief Executive Officer

Paolo Gallo

Executive responsible for preparing
the corporate accounting documents

Gianfranco Maria Amoroso

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Italgas S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Italgas S.p.A. and subsidiaries (the "Italgas Group") as of June 30, 2023, which comprise the statement of financial position, the income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the six-month period then ended, and the explanatory notes. The Directors of Italgas S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Italgas Group as of June 30, 2023, are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
August 1, 2023

This report has been translated into the English language solely for the convenience of international readers.



ANNEXES TO THE NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS

Annexes to the Notes to the condensed consolidated financial statements

Companies and equity investments of Italgas S.p.A. as at 30 June 2023

In compliance with the provisions of Consob communication DEM/6064293 of 28 July 2006 and of articles 38 and 39 of Italian Legislative Decree 127/1991, the list of subsidiary and related companies of Italgas S.p.A as at 30 June 2023, as well as other relevant shareholdings, are reported below.

The name, registered office, share capital, shareholders and respective percentages of ownership are reported for each company. For companies consolidated using the line-by-line method, the consolidated percentage pertaining to Italgas and the segment to which they belong is indicated. The measurement criterion is indicated for companies not consolidated using the line-by-line method.

The companies of Italgas S.p.A. as at 30 June 2023 are broken down as follows:

CONSOLIDATING COMPANY

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion	Sector of activity
Italgas S.p.A.	Milan	EUR	1,003,227,568.76	CDP Reti S.p.A.	25.99%	100.00%	full consolidation	Corporate and other sectors
				Snam S.p.A.	13.47%			
				Minority shareholders	60.54%			

SUBSIDIARY COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion	Sector of activity
Italgas Reti S.p.A.	Turin	EUR	252,263,314	Italgas S.p.A.	100.00%	100.00%	full consolidation	Gas distribution
Italgas Acqua S.p.A.	Milan	EUR	50,000	Italgas S.p.A.	100.00%	100.00%	full consolidation	Corporate and other sectors
Geoside S.p.A.	Casalecchio di Reno (BO)	EUR	57,089,254	Italgas S.p.A.	67.22%	83.82%	full consolidation	Energy efficiency
				Toscana Energia S.p.A.	32.78%			
Medea S.p.A.	Sassari	EUR	95,500,000	Italgas Reti S.p.A.	51.85%	51.85%	full consolidation	Gas distribution
				Minority shareholders	48.15%			
Toscana Energia S.p.A.	Florence	EUR	146,214,387	Italgas S.p.A.	50.66%	50.66%	full consolidation	Gas distribution
				Minority shareholders	49.34%			
				Italgas S.p.A.	90.00%			
Italgas Newco S.p.A.	Milan	EUR	50,000,000			90.00%	full consolidation	Gas distribution
				Minority shareholders	10.00%			
Bludigit S.p.A.	Milan	EUR	11,000,000	Italgas S.p.A.	100.00%	100.00%	full consolidation	Gas distribution

DEPA Infrastructure S.A.	Athens	EUR	79,709,919	Italgas Newco S.p.A.	100.00%	90.00%	full consolidation	Gas distribution
EDA Attikis S.A.	Lykovrisi	EUR	243,811,712	DEPA Infrastructure S.A.	100.00%	90.00%	full consolidation	Gas distribution
DEDA S.A.	Athens	EUR	89,333,720	DEPA Infrastructure S.A.	100.00%	90.00%	full consolidation	Gas distribution
EDA Thess S.A.	Menemeni	EUR	247,127,605	DEPA Infrastructure S.A.	100.00%	90.00%	full consolidation	Gas distribution
Immogas S.r.l.	Florence	EUR	1,718,600	Toscana Energia S.p.A.	100.00%	50.66%	full consolidation	Gas distribution
Janagas S.r.l.	Rome	EUR	10,000	Medea S.p.A.	100.00%	51.85%	full consolidation	Gas distribution

ASSOCIATED AND JOINT CONTROL COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	Consolidation method or measurement criterion
Metano Sant'Angelo Lodigiano S.p.A. (a)	Sant'Angelo Lodigiano (LO)	EUR	200,000	Italgas S.p.A.	50.00%	shareholders' equity measurement
				Minority shareholders	50.00%	
Umbria Distribuzione Gas S.p.A. (a)	Terni	EUR	2,120,000	Italgas S.p.A.	45.00%	shareholders' equity measurement
				Minority shareholders	55.00%	
Energie Rete Gas S.r.l. (a)	Milan	EUR	11,000,000	Medea S.p.A.	49.00%	shareholders' equity measurement
				Minority shareholders	51.00%	
Gesam Reti S.p.A.	Lucca	EUR	20,626,657	Toscana Energia S.p.A.	42.96%	shareholders' equity measurement
				Minority shareholders	57.04%	
Gaxa S.p.A.	Cagliari	EUR	100,000	Italgas S.p.A.	18.18%	shareholders' equity measurement
				Minority shareholders	81.82%	
Enerpaper S.r.l.	Turin	EUR	20,156	Geoside S.p.A.	20.01%	shareholders' equity measurement
				Minority shareholders	79.99%	

(a) company subject to joint control

OTHER COMPANIES

Name	Registered office	Currency	Share capital	Shareholders	% ownership	Consolidation method or measurement criterion
Reti Distribuzione S.r.l.	Ivrea (TO)	EUR	20,000,000	Italgas Reti S.p.A.	15.00%	fair value measurement
				Minority shareholders	85.00%	
Picarro Inc.	Santa Clara (USA)	Dollar		Italgas S.p.A.	6.00%	fair value measurement
				Minority shareholders	94.00%	