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Oggetto : ITALGAS: CONSOLIDATED RESULTS AS AT
31 DECEMBER 2023 APPROVED

Testo del comunicato

Vedi allegato

ITALGAS: CONSOLIDATED RESULTS AS AT 31 DECEMBER 2023 APPROVED

THE BOARD OF DIRECTORS HAS CONVENED THE SHAREHOLDERS' MEETING FOR 6 MAY 2024

Milan, 12 March 2024 - Italgas' Board of Directors, chaired by Benedetta Navarra, met today and approved the consolidated results as at 31 December 2023 and resolved to propose to the Shareholders' Meeting, called to meet on 6 May 2024, the distribution of a dividend of € 0.352 per share (+11% compared to 2022).

Highlights

- Adjusted total revenues: € 1,774.8 million (+15.4%)
- Adjusted EBITDA € 1,183.7 million (+9.3%)
- EBIT adjusted € 681.2 million (+9.4%)
- Adjusted net profit attributable to the Group: € 439.6 million (+11.1%)
- Technical investments: € 906.5 million (+11.3%)
- Cash flow from operating activities: € 555.2 million (€ 808.5 million, +22% net of ESCo flow)
- Net financial debt (excluding the effects pursuant to IFRS 16): € 6,555.2 million;
- Net financial debt: € 6,634.3 million;
- 150.3 10³ tCO₂ eq Scope 1 and 2, +1.5% on 2022¹;
- 129.0 10³ tCO₂ eq Scope 3 supply chain, -6.2% on 2022²;
- Net energy consumption: 425.0 TJ, -11.6% on 2022;

The results achieved in 2023 show all economic and financial indicators increasing and confirm the Group's growth path, uninterrupted since its return to the stock exchange in 2016, thanks to the strength of its performance and the effectiveness of the strategic choices made over time.

2023 was characterised by the intensification of operational activities aimed at achieving the targets of the 2023-2029 Strategic Plan and the Sustainable Value Creation Plan, with

¹ Scope 2 market-based. With the same GWP of methane used for the year 2022, total emissions would have decreased by -3.9% (GWP of methane for the year 2023 equal to 29.8, according to the Sixth Assessment Report from the IPCC AR6, equal to 28 for the year 2022, according to the Fifth Assessment Report from the IPCC AR5).

² Values referring to Italian Scope

particular reference to the objectives of digital transformation of the network, the main enabler of the ecological transition, in a context characterised by strong international tensions, with the inevitable repercussions on the cost of energy and financial market trends.

On 30 September, in line with the corporate simplification objectives announced to the market and ahead of targets, the merger of EDA Thess and EDA Attikis into Enaon EDA (formerly DEDA) was finalised. As a result of the merger, Enaon EDA now operates 7,700 km of network with more than half a million customers served. In February 2024, the Greek Regulatory Authority for Energy, Waste and Water, (RAAEW) formalised the level of the WACC for the years 2024 to 2026, set at 8.38%, within the document on distribution tariffs.

October saw the completion of the acquisition of the business unit related to the water concessions held in Italy by the Veolia Environnement S.A. Group. The transaction and the subsequent acquisition of the stake in Acqua Campania position the group among the leading players in the sector in Italy with 6.2 million customers served directly and indirectly. The Italgas development strategy in the water sector hinges mainly on the digital transformation of water infrastructures with the aim of reducing network losses and improving service efficiency and quality levels. The water tariff method, approved in October by ARERA for the fourth regulatory period 2024-2029, supports this strategy.

In 2023, € 906.5 million of investments were made (an increase of 11.3% compared to 2022), which made it possible to lay an additional 965 km of pipelines (of which 724 km are in operation). The contribution of activities in Greece was significant, where, against an total investment of around € 106.7 million, some 600 kilometres of gas pipelines were also laid.

The adjusted EBITDA of 2023 amounted to € 1,183.7 million (+9.3% compared to 31 December 2022) and adjusted net profit attributable to the Group was € 439.6 million (+11.1% compared to 31 December 2022). This results in the proposed distribution of a dividend per share of € 0.352, equivalent to a 65% payout, up 11% from 2022, and higher than the 4% CAGR floor of 2022.

Cash flow from operating activities, net of the ESCo contribution, amounted to € 808.5 million and fully offset investments in gas distribution.

Net debt excluding IFRS effects reached € 6,555.2 million, up from last year mainly due to the increase in working capital related to ESCo's Superbonus activities, which will be reabsorbed in the coming years.

With reference to sustainability objectives, the many training, innovation, digitisation and energy efficiency initiatives implemented in both the industrial and civil sectors have allowed the Group to continue on its path towards reducing net energy consumption (-11.6%) and the ratio of fugitive emissions to kilometres of inspected network (-19.6%), even against the inclusion of the Enaon Group's contributions for 2023.

At the end of December 2023, the Group had 4,297 employees, 59 more than at 31 December 2022. The presence of women in the company reached 20.3%, with women in positions of responsibility representing 28.8% of the company personnel in this role. The investment in training amounted to 173,330 hours of training provided (+30.9% compared to 2022), equivalent to an average of 40 hours per employee, of which 27,133 hours were to support digitisation.

Paolo Gallo, CEO of Italgas, commented:

“28 quarters of uninterrupted growth is an extraordinary result, all the more so for a Company such as Italgas, which predominantly operates in a sector that in recent years has had to deal with a particularly unstable international environment.

Over the past year, all major economic-financial indicators have grown significantly, with adjusted EBITDA rising 9.3%, almost reaching € 1.2 billion euros, and adjusted net profit attributable to the Group increasing 11% to € 439.6 million, resulting in a proposed dividend per share of € 0,352, up 11% from last year.

With more than € 900 million in investments, almost € 100 million more than in 2022, we further boosted the implementation of our plans to extend, repurpose and digitise a network that is ready to accommodate renewable gas. A commitment that this year also involved the territories served in Greece with around 600 km of new "digital native" networks capable of accelerating the transition to a zero-carbon economy.

And if 2022 marked the year of the Group's return abroad in the gas distribution sector, 2023 also saw it become one of the leading companies in the water sector with a presence stretching from Lazio to Campania and Sicily, totalling 6.2 million inhabitants served (directly or indirectly). A user basin that will soon experience the benefits of the technologies we are transferring from the gas sector with our execution capacity for an increasingly efficient service capable of returning value to the territories and communities.

With our vision of the future, based on drivers such as innovation, sustainability, circular economy and training, the Italgas Group is gradually taking the shape of a “network tech company”. In the space of just a few years, we have gone from being a gas company to also being a significant player in water, energy efficiency and IT, active in Italy and Greece, and considered a technology benchmark globally. An achievement made possible by the great commitment of our people and the desire to continue to be leaders of change”.

Economic and financial highlights

Reclassified income statement

(€ million)	2022	2023	Abs. change	% Change
Regulated revenues	1,313.5	1,493.9	180.4	13.7
<i>of which distribution revenues</i>	1,225.8	1,363.2	137.4	11.2
<i>of which Other distribution revenues</i>	87.7	130.7	43.0	49.0
<i>of which special items</i>	-	42.7	42.7	-
Other revenues	242.4	323.6	81.2	33.5
<i>of which special items</i>	18.6	-	(18.6)	-
Total revenues (*)	1,555.9	1,817.5	261.6	16.8
Adjusted total revenues (*)	1,537.3	1,774.8	237.5	15.4
Operating costs (*)	(454.6)	(609.9)	(155.3)	34.2
<i>of which special items</i>	-	(18.8)	(18.8)	-
EBITDA	1,101.3	1,207.6	106.3	9.7
Adjusted EBITDA	1,082.7	1,183.7	101.0	9.3
Amortisation, depreciation and impairment	(459.9)	(526.4)	(66.5)	14.5
<i>of which special items</i>	-	(23.9)	(23.9)	-
EBIT	641.4	681.2	39.8	6.2
Adjusted EBIT	622.8	681.2	58.4	9.4
Net financial expense	(56.3)	(98.2)	(41.9)	74.4
Net income from equity investments	3.4	3.1	(0.3)	(8.8)
<i>of which gas distribution</i>	3.4	1.5	(1.9)	(55.9)
<i>of which special items</i>	2.7	-	(2.7)	-
<i>of which integrated water service</i>	-	1.6	1.6	-
Gross profit	588.5	586.1	(2.4)	(0.4)
Adjusted gross profit	567.2	586.1	18.9	3.3
Income taxes	(152.4)	(118.6)	33.8	(22.2)
<i>taxation related to special items</i>	(1.5)	-	1.5	-
Adjusted income taxes	(150.9)	(118.6)	32.3	(21.4)
Net profit	436.1	467.5	31.4	7.2
Net profit attributable to the Group	407.3	439.6	32.3	7.9
Net profit attributable to minority shareholders	28.8	27.9	(0.9)	(3.1)
Adjusted net profit	416.3	467.5	51.2	12.3
Adjusted net profit attributable to the Group	395.7	439.6	43.9	11.1
Adjusted net profit attributable to minority interests	20.6	27.9	7.3	35.4

(*) 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" (€ 727.8 and € 787.1 million respectively in 2022 and 2023), connection contributions (€ 19.2 and € 19.2 million respectively in 2022 and 2023), repayments from third parties and other residual components (€ 9.6 and € 15.0 million respectively in 2022 and 2023).

Adjusted³ total revenues as at 31 December 2023 amounted to € 1,774.8 million, an increase of € 237.5 million compared to the corresponding period of 2022 (+15.4%) and refer to regulated revenues (€ 1,451.2 million) and other revenues (€ 323.6 million). As at 31 December 2023, revenues from the Enaon Group amounted to € 168.6 million, while revenues from energy efficiency activities amounted to € 298.9 million, driven by the completion of the construction sites related to the "Super/Ecobonus".

³ For details on special items, please refer to the section "Reconciliation of reported EBIT and net profit with adjusted EBIT and net profit" in this press release.

Adjusted regulated revenues increased by € 137.3 million compared to the corresponding period of 2022 mainly due to the increase in distribution revenues (€ +137.4 million).

The increase in **distribution revenues** (€ +137.4 million) is mainly attributable to the consolidation of the Enaon Group (€ +115.6 million), the increase in the RAB and the deflator (€ +45.6 million), and the effects of the ARERA Resolution relating to smart reading/remote management parametric remuneration (€ +9.3 million), effects that were partially offset by the absence of revenues from ATEM Naples 1 (€ -46.0 million). Finally, the increase in revenues due to inflation slightly more than offset the X-factor.

Other adjusted revenues (€ 323.6 million) increased by € 99.8 million compared to 2022, mainly due to the increase in energy efficiency activities partially offset by the absence of the capital gain resulting from the sale of ATEM Naples 1.

Adjusted operating costs as at 31 December 2023 amounted to € 591.1 million, an increase of € 136.5 million compared to the corresponding 2022 period, essentially driven by the increase in the energy efficiency activity in the amount of € 116.7 million and the consolidation of the Enaon Group in the amount of € 34.2 million, partially offset by lower costs related to the sale of Gaxa (€ -11.0 million).

Adjusted EBITDA as at 31 December 2023 amounted to € 1,183.7 million, an increase of € 101.0 million (+9.3%) compared to the corresponding 2022 period (€ 1,082.7 million). This change includes € 83.1 million from the consolidation of the Enaon Group, € 26.3 million resulting from ESCo⁴ activities and the growth of gas distribution in Italy net of the sale of ATEM Naples 1.

Adjusted amortisation, depreciation and impairment amounted to € 502.5 million as at 31 December 2023, an increase of € 42.6 million (+9.3%) compared to the corresponding 2022 period, mainly due to investments made in 2023 and the change in the scope of consolidation related to the Enaon Group (€ 26.5 million).

Adjusted EBIT as at 31 December 2023 amounted to € 681.2 million, an increase of € 58.4 million compared to 31 December 2022 (+9.4%). This change includes € 56.5 million resulting from the consolidation of the Enaon Group, € 25.9 million resulting from ESCo activities, net of the impact of the sale of the gas distribution service in ATEM Naples 1.

Net financial expense as at 31 December 2023 amounted to € 98.2 million, up by € 41.9 million on the same period of the previous year. The increase is mainly attributable to the new bond issue carried out in June 2023 in the amount of € 500 million, to the full-year impact of

⁴ Please refer to the relevant section for more details on the change in EBITDA by segment.

the new EIB loan signed in December 2022 for Geoside projects, to the costs of assigning the VAT credit resulting from the application of the so-called “Bonus Gas”, Enaon Group's contribution and to the change in interest rates on the variable component of debt.

The **adjusted net income from equity investments** as at 31 December 2023 amounted to € 3.1 million and refers to the contribution of affiliated companies valued using the equity method; in particular, the water companies contributed € 1.6 million from the date of acquisition (Acqualatina for € 1.1 million and Siciliacque for € 0.5 million). For more details, please refer to the analysis by business segment.

Adjusted income taxes as at 31 December 2023 amounted to € 118.6 million, a decrease of € 32.3 million compared to the corresponding figure for the previous year, mainly due to the benefit associated with the patent box (€ 39.4 million).

Adjusted Net profit as at 31 December 2023 amounted to € 467.5 million (+12.3%). **Adjusted net profit attributable to the Group** as at 31 December 2023 amounted to € 439.6 million and increased by 11.1% compared to 31 December 2022 (€ 395.7 million).

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

Italgas' management assesses Group performance on the basis of alternative performance indicators⁵ not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components classified in the special items for the year 2023, with an impact of € 23.9 million on EBITDA and nil on EBIT, relate to the effects arising from the implementation of Resolution no. 737/2022/R/gas in terms of the recognition of the residual value of smart meter of a class not exceeding G6 produced up to the year 2016 and entered into operation by the year 2018 (revenue: € 42.7 million and charges and impairments relating to defective smart meters in the same amount overall).

It should be noted that the income components classed among special items in 2022, amounted to € 21.3 million.

⁵ For the definition of alternative performance indicators, please refer to the specific chapter “Alternative performance indicators” in this press release. The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business. The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

(€ million)	2022	2023
Total revenues	1,555.9	1,817.5
<i>Excluding special items</i>	(18.6)	(42.7)
- capital gain from the transfer and sale of Medea's transport assets to ERG	(5.1)	-
- recognition of Janagas' assets at fair value	(13.5)	-
- contribution pursuant to ARERA Resolution no. 737/2022/R/gas	-	(42.7)
Adjusted total revenues	1,537.3	1,774.8
Total operating costs	(454.6)	(609.9)
- smart meter charges	-	18.8
Adjusted total operating costs	(454.6)	(591.1)
EBITDA	1,101.3	1,207.6
<i>Excluding special items</i>	(18.6)	(23.9)
Adjusted EBITDA	1,082.7	1,183.7
Amortisation, depreciation and impairment	(459.9)	(526.4)
- depreciation and impairment related to smart meters	-	23.9
Adjusted amortisation, depreciation and impairment	(459.9)	(502.5)
EBIT	641.4	681.2
<i>Excluding special items</i>	(18.6)	-
Adjusted EBIT	622.8	681.2
Net financial expense	(56.3)	(98.2)
Net income from equity investments	3.4	3.1
<i>Excluding special items</i>	(2.7)	-
- capital gain from the sale of the controlling interest in Gaxa	(2.7)	-
Adjusted net income from equity investments	0.7	3.1
Gross profit	588.5	586.1
<i>Excluding special items</i>	(21.3)	-
Adjusted gross profit	567.2	586.1
Income taxes	(152.4)	(118.6)
<i>Excluding special items</i>	1.5	-
Net profit (loss)	436.1	467.5
Net profit (loss) attributable to the Group	407.3	439.6
Net profit (loss) attributable to minority interests	28.8	27.9
Adjusted net profit (loss)	416.3	467.5
Adjusted net profit (loss) attributable to the Group	395.7	439.6
Adjusted net profit (loss) attributable to minority interests	20.6	27.9

Reclassified Statement of Financial Position

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

(€ million)	31.12.2022	31.12.2023	Abs. change
Fixed capital (*)	8,120.6	8,421.4	300.8
Property, plant and equipment	379.0	386.0	7.0
Intangible assets	7,975.5	8,250.3	274.8
Equity investments	66.2	153.0	86.8
Financial receivables and securities instrumental to operations	3.4	2.6	(0.8)
Net payables related to investments	(303.5)	(370.5)	(67.0)
Net working capital	340.0	872.3	532.3
Provisions for employee benefits	(69.9)	(65.3)	4.6
Assets held for sale and directly related liabilities	-	6.6	6.6
NET INVESTED CAPITAL	8,390.7	9,235.0	844.3
Shareholders' equity	2,390.6	2,600.7	210.1
- attributable to the Italgas Group	2,108.3	2,280.0	171.7
- attributable to minority shareholders	282.3	320.7	38.4
Net financial debt	6,000.1	6,634.3	634.2
FUNDING	8,390.7	9,235.0	844.3

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

The **net invested capital** at 31 December 2023 amounted to € 9,235.0 million and consists of the items outlined below.

Fixed capital (€ 8,421.4 million) was up by € 300.8 million on 31 December 2022.

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

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance as at 31 December 2022	379.0	7,670.6	328.0	8,354.5
Investments	61.5	795.6	49.4	906.5
- of which IFRS 16	37.0	-	-	37.0
Amortisation, depreciation and impairment	(70.4)	(413.4)	(42.6)	(526.4)
- of which amortisation and depreciation pursuant to IFRS 16	(29.7)	-	-	(29.7)
Contributions	-	(42.9)	-	(42.9)
Disposals and sales	(2.4)	(64.4)	(0.4)	(67.2)
Restated assets held for sale	-	(6.6)	-	(6.6)
Other changes	18.3	(24.6)	1.6	(4.7)
Balance at 31 December 2023	386.0	7,914.3	336.0	8,636.3

Intangible fixed assets (€ 8,250.3 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,914.3 million).

Tangible fixed assets (€ 386.0 million), which mainly relates to property, plant and equipment, recorded an increase of € 7.0 million principally due to investments for the period of € 61.5 million (of which € 37.0 million related to the application of IFRS 16) partially offset

by depreciation of € 70.4 million (of which € 29.7 million related to the right of use under IFRS 16).

Equity investments (€ 153.0 million) increased by € 86.8 million, mainly due to the acquisition of the water companies (Acqualatina for € 32.6 million and Siciliacque for € 52.8 million).

Consolidated net working capital at 31 December 2023 is broken down as follows:

(€ million)	31.12.2022	31.12.2023	Abs. change
Trade receivables	315.7	694.3	378.6
Inventories	120.5	79.1	(41.4)
Tax receivables	116.7	319.6	202.9
Other assets	1,003.7	434.5	(569.2)
Trade payables	(709.4)	(278.3)	431.1
Provisions for risks and charges	(144.3)	(109.9)	34.4
Deferred tax liabilities	(91.6)	(47.8)	43.8
Tax payables	(28.2)	(30.2)	(2.0)
Other liabilities	(243.1)	(189.0)	54.1
	340.0	872.3	532.3

Compared to 31 December 2022, net working capital increased by € 532.3 million mainly due to: i) higher trade receivables (€ 378.6 million) mainly due to the increase in receivables from sales companies of € 252.4 million, receivables from CSEA for equalisation of € 41.6 million and receivables related to the “Super/ECobonus” of € 87.8 million; ii) increase in net tax assets (€ 244.7 million) mainly attributable to the higher tax receivable from the “Super/ECobonus” of € 221.2 million; iii) a decrease in other assets (€ 569.2 million) essentially with respect to the CSEA for ancillary components of the distribution billing⁶ and incentives; iv) a decrease in trade payables (€ 431.1 million) due to the cancellation of the debt position with sales companies (€ 445.9 million) mainly for “Bonus Gas” and UG2 offset by the reduction in payables to suppliers (€ 14.9 million); v) a reduction in other liabilities (€ 54.1 million) mainly related to the loan to Italgas Newco S.p.A. by the shareholder Phaeton Holding SA (€ 34.8 million) and other ancillary billing components (€ 13.6 million).

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, transactions for the assignment of extraordinary VAT receivables totalling € 118.2 million were finalised during the year.

Net financial debt

(€ million)	31.12.2022	31.12.2023	Abs. change
Financial and bond debt	6,510.8	6,920.3	409.5
Short-term financial debt (*)	121.1	1,000.3	879.2
Long-term financial debt	6,317.7	5,840.9	(476.8)
Finance lease payables - IFRS 16	72.0	79.1	7.1

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

Funding derivative contracts Cash flow Hedge	(52.5)	(31.8)	20.7
Short-term contracts	(17.1)	(18.1)	(1.0)
Long-term contracts	(35.4)	(13.7)	21.7
Financial receivables and cash and cash equivalents	(458.2)	(254.2)	204.0
Cash and cash equivalents	(451.9)	(250.0)	201.9
Financial receivables	(6.1)	(4.2)	1.9
Securities not instrumental to operations	(0.2)	-	0.2
Net financial debt (**)	6,000.1	6,634.3	634.2
Finance lease payables - IFRS 16	72.0	79.1	7.1
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	5,928.1	6,555.2	627.1

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

(**) As at 31 December 2022, net financial debt does not include liabilities of € 34.8 million 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 31 December 2023, € 24.8 million of the liability was converted into equity.

As at 31 December 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 79.1 million (€ 72.0 million as at 31 December 2022), amounted to € 6,555.2 million, up by € 627.1 million from 31 December 2022 (€ 5,928.1 million).

Gross financial and bond debt as at 31 December 2023 totalled € 6,920.3 million (€ 6,510.8 million as at 31 December 2022) and refer to: bonds (€ 4,992.3 million), loan agreements with the European Investment Bank (EIB) (€ 890.5 million), payables to banks (€ 958.4 million) and financial liabilities pursuant to IFRS 16 (€ 79.1 million).

Cash and cash equivalents and **financial receivables** amounted to € 254.2 million and decreased by € 204.0 million compared to 31 December 2022.

As at 31 December 2023, the breakdown of gross financial debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2022	%	31.12.2023	%
Fixed rate	5,905.8	90.7%	6,361.7	91.9%
Floating rate	605.0	9.3%	558.6	8.1%
Gross financial debt	6,510.8	100.0%	6,920.3	100.0%

Fixed-rate financial liabilities amounted to € 6,361.7 million and mainly refer to bonds (€ 4,992.3 million), five EIB loans (€ 790.4 million), bank loans (€ 499.9 million) and financial liabilities pursuant to IFRS 16 (€ 79.1 million). The increase in fixed-rate financial liabilities (€ 455.9 million) is mainly due to the effect of the 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 € 558.6 million and refer mainly to bank loans and Bond Loans taken out by the Greek group Enaon (€ 458.6 million) and an EIB loan (€ 100.0 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 31 December 2023, there were no loan agreements containing financial covenants, with the exception of an EIB loan with a nominal value of € 90 million signed by Toscana Energia. As at 31 December 2023, these commitments were respected.

Reclassified Statement of Cash Flows

The reclassified statement of cash flows provided is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁷, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ thousands)	2022	2023
Net profit	436.1	467.5
Net profit excluding the Energy Efficiency Sector (ESCo)	418.3	433.6
Correction:	-	-
- Amortisation and depreciation and other non-monetary components	469.9	525.5
- Net capital losses (capital gains) on asset sales and eliminations	(30.8)	19.1
- Interest and income taxes	208.7	216.6
Change in working capital due to operating activities	(311.5)	(470.7)
Dividends, interest and income taxes collected (paid)	(200.7)	(202.8)
Cash flow from operating activities	571.7	555.2
Cash flow from operating activities net of flow from the energy efficiency sector (ESCo)	661.4	808.5
Technical investments	(766.1)	(844.3)
Other changes related to investments activities	47.8	61.5
Divestments and other changes	325.4	20.6
Free cash flow before M&A transactions	178.8	(207.0)
Free cash flow before Merger and Acquisition net of flow from the Energy Efficiency Sector (ESCo)	270.2	46.4
Companies included in the scope of consolidation	(958.7)	(76.9)
Acquisition of companies, plant and financial assets	(23.1)	(1.4)
Free cash flow	(803.0)	(285.3)
Free cash flow net of flow from the energy efficiency sector (ESCo)	(711.6)	(31.9)
Change in short- and long-term financial debt and financial receivables	132.1	384.9
Reimbursements of financial liabilities for leased assets	(27.9)	(31.0)
Capital contribution from third parties	12.3	-

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

Equity cash flow	(253.3)	(270.5)
Other changes	-	-
Net cash flow for the year	(939.8)	(201.9)
Net cash flow from the net energy efficiency year (ESCo)	(848.4)	51.5

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

Change in net financial debt

(€ thousands)	2022	2023
Free cash flow before M&A transactions	178.8	(207.0)
Change due to acquisitions of equity investments, business units and assets	(981.9)	(78.3)
Increase in finance lease payables	(29.9)	(36.9)
Equity cash flow	(253.3)	(270.5)
Capital contribution from third parties	12.3	-
Other changes (Difference between interest accounted for, and paid fair value of derivatives)	59.8	(41.5)
Change in net financial debt	(1,014.2)	(634.2)

Cash flow from operating activities amounted to € 555.2 million. Net of the cash flow absorbed by the ESCo as at 31 December 2023, the cash flow from operations related mainly to gas distribution activities amounted to € 808.5 million (up 22.2% compared to the same period in 2022). Taking into account the payment of the dividend of € 270.5 million, the increase in net financial debt amounted to € 634.2 million, including IFRS 16.

Key operating figures

Investments

In 2023, technical investments were made for € 906.5 million (31 December 2022: € 814.3 million), of which € 37.0 million relating to investments accounted for in accordance with IFRS 16.

(€ million)	2022	2023	Abs. change	% Change
Distribution	520.4	538.9	18.5	3.6
Network development and maintenance	473.5	420.7	(52.8)	(11.2)
New networks	46.8	118.2	71.4	-
Digitisation	235.7	283.4	47.7	20.2
Other assets	165.2	152.4	(12.8)	(7.7)
Metering	43.3	110.0	66.7	-
Processes	27.2	21.0	(6.2)	(22.8)
Other investments	58.2	84.2	26.0	44.7
- of which Real Estate	6.8	13.3	6.5	95.6
- of which ICT	18.2	26.2	8.0	44.0
- of which the effect of IFRS 16	26.0	37.0	11.0	42.3
	814.3	906.5	92.2	11.3

Distribution investments (€ 538.9 million, +3.6% compared to the same period in 2022) recorded the installation of an additional 965 km of pipeline (of which 724 km are in operation). The increase compared to the corresponding period of 2022 was driven by the inclusion of the

Greek companies in the scope of consolidation, which in 2023 recorded the installation of an additional 598 km of pipeline (of which 433 km are in operation).

Investments in digitisation (€ 283.4 million, +20.2% 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 metering⁸.

Summary of the key operating figures

Key operating figures gas distribution – Italgas Group and affiliates (Italy)

	2022	2023	Abs. change	% Change
Active meters (millions) *	7.377	7.375	(0.002)	(0.0)
Municipalities with gas distribution concessions (no.)	1,904	1,905	1	0.1
Municipalities with gas distribution concessions in operation (no.)	1,845	1,861	16	0.9
Distribution network in operation (kilometres)	73,818.3	74,109.7	291.4	0.4
Gas distributed (million cubic metres)	8,228.5	7,178.3	(1,050.2)	(12.8)

Key operating figures gas distribution – Italgas Group (Greece)

	2022	2023	Abs. change	% Change
Active meters (millions)	0.582	0.599	0.017	2.9
Municipalities with gas distribution concessions (no.)	145	145	-	-
Municipalities with gas distribution concessions in operation (no.)	105	106	1	1.0
Distribution network in operation (kilometres)	7,491.0	7,924.0	433.0	5.8
Gas distributed (million cubic metres)	271.8	967.0	695.2	-

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

	2022	2023	Abs. change	% Change
Active meters (millions)	7.959	7.974	0.015	0.2
Municipalities with gas distribution concessions (no.)	2,044	2,050	6	0.3
Municipalities with gas distribution concessions in operation (no.)	1,950	1,967	17	0.9
Distribution network in operation (kilometres)	81,309.3	82,033.7	724.4	0.9
Gas distributed (million cubic metres)	8,500.3	8,145.3	(355.0)	(4.2)

⁸ As at 31 December 2023, the plan to replace traditional meters with smart meters in Italy, including affiliated companies, reached a total of 7.7 million smart meters installed (almost all of those active). As at 31 December 2023, the digital meter stock installed by the Enaon Group amounted to 64.4 thousand units.

Italgas Group structure as at 31 December 2023

The structure of the Italgas Group as at 31 December 2023 changed, compared to that in place as at 31 December 2022, due to:

- the merger by incorporation of Janagas into Medea, with legal effect from 10 July 2023 and accounting and tax effects from 1 January 2023;
- the merger by incorporation of Greek companies EDA Thess and EDA Attikis (operating companies of the DEPA Infrastructure Group) into DEDA, effective as at 30 September 2023; on 14 February 2024, the company name of DEPA Infrastructure was changed to Enaon and DEDA was changed to Enaon EDA;
- the acquisition, finalised on 16 October 2023, from the Veolia. Group of the business unit to which the concessions held in Italy in the water sector belonged, which was merged into Italgas Acqua S.p.A., whose company name was changed to Nepta S.p.A.

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"⁹. 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 for its customers in the residential and industrial sectors.

"Corporate and other sectors" includes the services performed for third parties by the Parent Company Italgas.

The following is provided for the main sectors identified and the reference indicators.

Gas distribution sector

⁹ With regard to the services provided to third parties by the Parent Company Italgas, taking into account the residual nature of the values and deletions, no evidence is provided in this document.

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

(€ million)	2022	2023
Total adjusted revenues (regulated and unregulated)	1,373.4	1,480.8
Adjusted EBITDA	1,056.8	1,132.5
Adjusted EBIT	603.5	636.9
Adjusted EBITDA margin (%)	77%	77%
Adjusted EBIT margin (%)	44%	44%
Net invested capital	8,081.8	8,382.3

Energy efficiency sector

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

(€ million)	2022	2023
Total revenues	155.8	298.9
Adjusted EBITDA	28.3	54.6
Adjusted EBIT	25.3	51.2
Adjusted EBITDA margin (%)	18%	18%
Adjusted EBIT margin (%)	16%	17%

Integrated Water Service Sector

In order to provide a broader representation of the business, a table related to 2023* period is shown in which the data, with reference to the integrated water sector, of the operating companies Acqualatina and Siciliacque with a view to full consolidation (2023 100%) and pro-rata (2023 pro-rata) basis from the date of acquisition, therefore, to the last quarter of 2023¹⁰.

(€ million)	2023* 100%	2023* pro-rata
Total revenues	56.2	34.9
EBITDA	12.5	6.9
EBIT (operating profit)	4.9	2.3
Net profit	1.9	0.6
Net profit attributable to the Group	0.6	0.6
EBITDA margin (%)	22%	20%
EBIT margin (%)	9%	7%

* Unaudited values

Alternative performance indicators

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting from net profit income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment), EBIT (operating income, calculated by subtracting from net profit income taxes, net income from

¹⁰ In addition to Acqualatina and Siciliacque, the fully consolidated companies (Nepta, Acqua, Idrolatina and Idrosicilia) are included. On the other hand, in the reclassified income statement table, the result of Acqualatina and Siciliacque is included in net income from equity investments.

equity investments and net financial expense) and net financial debt (calculated as the sum of short- and long-term financial debt, net of cash and cash equivalents, cash flow hedges and current financial assets).

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

Strategic Plan and Sustainable Value Creation Plan: the integration that really allows us to be “builders of the future”

For some time now, Italgas has chosen to integrate its industrial development and sustainability strategy. With its Sustainable Value Creation Plan, based on the three pillars Planet, People, Partnership (for a sustainable future together), the Italgas Group has given itself precise lines of action with clear commitments and measurable targets. By integrating the Strategic Plan and the Sustainable Value Creation Plan, the Group not only creates economic value, but also manages to generate virtuous short- and medium-to-long-term impacts on tangible and intangible capitals used in production processes.

Below are some of the main results achieved during 2023 for each sustainability target¹¹, in addition to those already mentioned in the highlights.

Italgas for the future of the planet

To facilitate the energy transition and decarbonisation, the Group continues to work on increasing the flexibility of the infrastructure, ensuring the necessary connections for the distribution of biomethane and hydrogen, and preserving the environment.

Some of the main targets achieved in 2023 are:

- DANA (Digital Advanced Network Automation), the innovative digitised gas network command and control system has managed 414 of the 803 plants of the Italgas Group's network in Italy;
- the distribution network (plants included) has achieved total compatibility with a 2% hydrogen blend of H₂-NG; for a 10% blend, the compatibility of the various types of plants and network components is between 40% and 100%;
- more than 7,000 Nimbus smart meters, designed with a “Design for Environment” perspective, have been installed and activated;
- 15,000 new users were connected to the Group natural gas distribution networks expansions, thus replacing more polluting sources, allowing sector coupling and reducing costs for customers;
- 99.2% of the annual waste produced by the Group and 97.3% of that produced by its contractors was sent for recovery.

¹¹ For more details on the targets and KPI calculation methodology, please refer to the 2023-2029 Sustainable Value Creation Plan <https://www.italgas.it/wp-content/uploads/sites/2/2023/10/Sustainable-Value-Creation-Plan.pdf>

Italgas for the future of people

To guarantee citizens a quality, reliable and safe service, the Group has:

- inspected 120% of the networks for the planned inspection for gas leaks;
- guaranteed 99.0% of interventions with arrival on site for emergency intervention within 60 minutes.

To enhance diversity, support equal opportunities and inclusion, and to promote employee and staff safety, the Group has:

- worked on digital skills and repositioning the skills of its people on higher value-added activities, providing 40 hours of training per year per employee;
- strengthened the process of promoting female managers and supporting equal opportunities, including at salary level. In addition, Italgas S.p.A. has obtained the UNI/PdR125:2022 certification;
- organised numerous initiatives to ensure safety and the accident frequency index has fallen to 1.22, down from 2.02 in 2022.

Italgas for a sustainable future together

With a view to promoting a culture of innovation, the Group evaluated 1,118 innovative SMEs and start-ups for collaborations, including through advisors, incubators and university scouting in Europe, USA and Asia.

Disseminating the culture of sustainability along the supply chain, the Group has:

- involved and trained 90% of strategic sustainability suppliers on ESG issues;
- carried out 24 specific audits on ESG issues on strategic suppliers for sustainability.

Finally, the Group continued on its path of supporting employment and the economy of the municipalities in which it operates, selecting twice as many suppliers in the area from among SMEs as in 2022.

The path to decarbonisation

The complex geopolitical context of recent years has further confirmed the key role of the gas distribution network, provided that it is smart, digital and flexible, and therefore ready to accommodate renewable gases such as biomethane and hydrogen.

In the fight against climate change, the Italgas Group has chosen to play a leading role in the energy efficiency sector, focusing on technological innovation as a driver that can enable the ecological transition.

The Group has set itself challenging targets, aiming to reduce CO₂ emissions and energy consumption ahead of the EU's 2030 targets¹² and, in line with the timeframe set by the Green Deal, the Group also aims to achieve the 2050 “Net Zero Carbon” target for Scope 1, Scope 2 (market-based) and Scope 3 (supply chain) emissions.

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. Group figures are presented below, which also include Enaon's contribution for the entire year 2023¹³.

Net energy consumption (TJ) ¹⁴	2022 ¹⁵	2023 ¹⁶	Abs. change	% Change
Fuel energy consumption for industrial use	243.8	221.8	(22.0)	(9.0)
Fuel energy consumption for civil use	32.9	22.1	(10.8)	(32.8)
Fuel energy consumption for vehicles ¹⁷	116.0	116.8	0.8	0.7
Net electricity consumption for industrial use	52.1	32.1 ¹⁸	(20.0)	(38.4)
Net electricity consumption for civil use	35.6	32.0	(3.6)	(10.1)
Thermal energy consumption for civil use	0.3	0.2	(0.1)	(33.3)
	480.7	425.0	(55.7)	(11.6)

In 2023, energy consumption amounted to 425.0 TJ, a clear improvement compared to 2022 (-55.7 TJ, corresponding to -11.6%). The reduction on the Italian scope (-70.7 TJ equal to -15.0%) was added to the contribution on the Greek scope (23.7 TJ) for the whole 2023.

This result was achieved thanks to the continuation of measures to improve the efficiency of the plants serving the Group's industrial and civil assets, the digitisation of process monitoring and regulation and, lastly, the self-consumption of electricity produced in the city gates equipped with turbo-expanders and co-generation.

All of the variations described above are reflected in the changes in the related greenhouse gas emissions reported in the following paragraph; finally, emissions from the consumption of electricity for civil and industrial use remain extremely low, as a result of the reduction in

¹²Please refer to the 2023-2029 Sustainable Value Creation Plan <https://www.italgas.it/wp-content/uploads/sites/2/2023/10/Piano-di-Creazione-di-Valore-Sostenibile.pdf>

¹³In contrast to 2022, where it had been incorporated for only four months (date of acquisition 1 September 2022).

¹⁴This refers to total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted.

¹⁵Greek scope included from September 2022.

¹⁶The 2023 consumption values have been calculated using the ISPRA 2023 conversion factors - Table of national standard parameters: standard parameters - fuels/materials.

¹⁷For the Italian scope, as of 2022, it has been possible to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account.

¹⁸18.2 TJ of electricity produced by plants equipped with turbo-expanders and co-generation plant were subtracted.

consumption and the supply of electricity from certified renewable sources for almost all volumes in Italy and for some buildings in Greece.

Greenhouse gas emissions

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

Scope 1 and 2 CO₂eq emissions are presented below, including those of Enaon for the whole of 2023¹⁹.

Scope 1 and Scope 2 ²⁰ (thousand tCO ₂ eq)				
	2022 ²¹	2023 ²²	Abs. change	% Change
Fugitive gas emissions (Scope 1) ²³	126.3	130.3	4.0	3.2
Emissions from gas consumption for industrial use (Scope 1)	13.9	12.6	(1.3)	(9.4)
Emissions from gas consumption for civil use (Scope 1)	1.8	1.2	(0.6)	(33.3)
Emissions from fuel consumption for vehicles (Scope 1) ²⁴	5.6	5.6	-	-
Emissions from electricity consumption for industrial use (Scope 2)	-	0.1	0.1	-
Emissions from electricity consumption for civil use (Scope 2)	0.5	0.5	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	148.1	150.3	2.2	1.5

In 2023, total emissions amounted to 150.3 10³ tCO₂eq. The figure shows a slight increase over 2022, i.e. +2.2 10³ tCO₂eq, corresponding to +1.5%, depending on:

- -14.0 10³ tCO₂eq – reduction in Italy of the contribution of fugitive emissions;
- -2.4 10³ tCO₂eq – reduction in Italy linked to reduced consumption;
- +10.6 10³ tCO₂eq – increase in overall emissions in Greece due to the different consolidation period (one year in 2023, compared to four months in 2022);
- +8.0 10³ tCO₂eq – increase in the contribution of fugitive emissions over the entire scope, due to the increase in GWP considered for methane.

¹⁹ In contrast to 2022, where it had been incorporated for only four months (date of acquisition 1 September 2022).

²⁰ Scope 2 market-based.

²¹ Greek scope included from September 2022.

²² The 2023 emission values for gas and heat consumption were calculated using the ISPRA 2023 Emission Factors – Table of national standard parameters: standard parameters – fuels/materials. In addition, the latest Global Warming Potential of methane of 29.8 was used for fugitive emissions (source: Sixth Assessment Report from the IPCC AR6).

²³ Thanks to the collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for 2023 also include the estimate of emissions from permeation, operational, due to maintenance on reduction units and for meter replacements (about 1.26% of total fugitive emissions).

²⁴ As of 2022, it has been possible to subdivide the mileage for private and business use of cars so that only the consumption and emissions for business use would be taken into account. The reduction of private use kilometres resulted in the following reductions: -3.2 million km in 2022 and -1.7 in 2023; -8.6 TJ in 2022 and -3.2 in 2023; -0.45 10³ ton CO₂ in 2022 and -0.11 in 2023.

This significant result, in terms of saving fugitive emissions into the atmosphere, was mainly achieved thanks to two factors:

- an intense monitoring initiative, which led to the inspection of 120% of the Group's networks for the planned search of gas leaks (an activity that also made it possible to act promptly in investigating, locating and repairing leaks)²⁵;
- adoption of a predictive network maintenance model that, by combining the physical characteristics of networks (e.g. age, material and pressure) with the outcome of the processing of the data obtained in the field by the intensive leak detection programme, will identify areas with a high opportunity for replacement with a view to predictive management and maintenance.

²⁵ Fugitive emissions per km of network (scm/km) are equal to 72.8 for the entire Group in 2023, a reduction of 19.6% compared to the 2022 data, relating only to the Italian perimeter.

Main events of 2023

Extraordinary transactions and area tenders

- In March 2023, Italgas entered into exclusive negotiations with the Veolia Environnement S.A. Group for the 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.

On 9 June, Italgas and Veolia signed the sale and purchase agreement and, following the conclusion of the procedure with the Licensing Authorities, the acquisition of the business unit, to which the concessions held in Italy in the water sector belonged, was completed on 16 October 2023, merging it with the concessions of Caserta and its province into Italgas Acqua S.p.A. At the same time, the Extraordinary Shareholders' Meeting of Italgas Acqua S.p.A. resolved to change the company name to Nepta S.p.A.
- On 13 April 2023, the subsidiary Italgas Reti signed an agreement for the distribution of natural gas in ATEM Turin 1, following the award of related area tender. The contract, effective from 1 May 2023 and with a duration of 12 years, involves a single management of the gas distribution service for all the Municipalities of the ATEM.
- In June 2023, the merger by incorporation of Janagas S.r.l. into Medea S.p.A. was finalised, with legal effect from 10 July 2023 and accounting and tax effects from 1 January 2023.
- With effect date 30 September, the merger by incorporation of Greek companies Gas Distribution Company Thessaloniki-Thessaly Single Member S.A. ("EDA Thess") and Attiki Natural Gas Distribution Single Member Company S.A. ("EDA Attikis") into Public Gas Distribution Single Member S.A. ("DEDA"), operating companies of the DEPA Infrastructure Group, was finalised with effect from 30 September 2023. As a result of the merger, DEDA takes over all the rights, obligations and in general all the legal relationships that were held by the merged operating companies. On 14 February 2024, the company name of DEPA Infrastructure was changed to *Enaon Sustainable Networks Single Member Société Anonyme* ("Enaon") and DEDA to *Enaon EDA hellenic gas distribution Company Single Member Société Anonyme* ("Enaon EDA").
- The evaluation process is currently in progress for the call for the selection for the ATEM CATANZARO – CROTONE tender, for which Italgas Reti submitted the bid in September 2023.
- On 29 November 2023, the Municipality of La Spezia contracting authority officially awarded Italgas Reti the tender for the management of the natural gas distribution service in the territorial area of "La Spezia", which encompasses the regional capital and 32 municipalities of the province. With the awarding of the ATEM, consisting of

approximately 110 thousand customers served, Italgas is able to provide continuity in the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments amounting to approximately € 230 million.

Innovation, digitisation of the corporate networks and processes

In 2023, the digital transformation of assets and processes continued, as confirmed by the 2023-2029 Business Plan presented on 15 June 2023, further strengthening the operational cyber protection capabilities of the digital infrastructure and data managed by the Group.

Under the impetus of the Digital Factory, innovation continues to produce tangible results.

Examples of this are:

- DANA (Digital Advanced Network Automation), the innovative command and control system for the digitised gas network, which in spring 2023 was also connected to a biomethane production plant that came into operation and was connected to the Italgas network. Thanks to DANA, it is not only possible to remotely monitor and intervene on all the assets of the distribution network, minimising reaction time and environmental impact, but also to constantly acquire all the Big Data coming from the territory in real time, which are channelled into a unique innovative environment, the CIR (Plant and Network Control), or Command and Control Centre for Plants and Networks.
- CAPEXFORCE, a new application for the planning and management of investments and works of high and medium complexity that increases the level of coordination of the Departments involved in Italgas investments, with the aim of simplifying the planning and execution of works.
- *Digital Supplier Journey*, developed to support Staff processes, which in 2023 saw, among other activities, the launch of the new supplier portal “supplyhub” which allows Italgas’ network of companies to find all the operational tools to manage the contract and the entrusted works.
- Nimbus, the new hydrogen-friendly smart meter, is designed to improve performance and ensure safety. It combines state-of-the-art communication technology, environmentally sustainable design and operational efficiency.

Rating and optimization of the debt structure

- On 1 June 2023, in implementation of the EMTN (Euro Medium Term Notes), 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 on 8 June 2032.

- On 29 September 2023, Italgas' Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019, 2020, 2021 and 2022, confirming the maximum nominal amount of € 6.5 billion, which was subscribed on 24 October 2023.
- On 20 November 2023, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.
- On 21 November 2023, the rating agency Moody's Investors service (Moody's) confirmed the long-term credit rating of Italgas as Baa2, revising the outlook from negative to stable. The rating action followed Moody's change of outlook from negative to stable for the Italian government's Baa3 debt rating on 17 November.

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, integrated with the Strategic Plan, defines ambitious actions and targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates.
- 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.
- In May 2023, Italgas ranked first among the only two Italian companies included by the American magazine Newsweek in its annual ranking of the "100 Global most loved workplaces", the list of companies most loved by their employees. The ranking takes into account a wide range of elements related to employee satisfaction and opinion, including the level of respect, cooperation, support and sense of belonging, and leadership of the CEO.
- On 5 June 2023, Italgas joined the Istituto Grandi Infrastrutture (IGI) as a member of the Board of Governors, with the aim of promoting innovation and efficiency in the implementation of large-scale infrastructure, with a focus on the energy sector.

- On 12 June 2023, Italgas and the City of Turin presented the project for the new Italgas hub dedicated to innovation, which will be built in Corso Regina Margherita. The hub 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, it will host the group's Cyber Range, where the cyber security and resilience features of new-generation digital equipment and systems will be developed and tested.
- On 15 June 2023, Italgas presented to analysts, investors and the press the Group's Strategic Plan for the period 2023-2029, approved on the same date by the Company's Board of Directors. The 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.
- On 27 July 2023, the Italgas share was confirmed for the seventh consecutive year among the members of the FTSE4Good Index Series, which groups together, on a global level, the best companies capable of standing out for their attention to sustainable economic development. The current review resulted in a sustainable performance rating for Italgas of 4.3 points (from a maximum of 5), an improvement on the previous score of 4.2. The result achieved places Italgas above the average for Italian companies and above the average for its sector internationally, confirming the Group's strong commitment to the well-being of people, safeguarding the planet and promoting partnerships for sustainable development, pillars of its Sustainable Value Creation Plan.
- On 7 September 2023, Italgas obtained the UNI/PdR 125:2022 certification for gender equality, which recognises the ability of organisations to adopt a systemic approach and cultural change that is capable of creating inclusive and equal working environments. The important result, achieved after an intensive internal audit process, was certified by DNV, an independent body operating in more than one hundred countries in the fields of certification, assurance and risk management services.
- On 19 October 2023, following the audit conducted by the independent certifier DNV, Italgas confirmed its certification of the management system for preventing and combating corruption adopted by the UNI standard: ISO 37001:2016.
- On 14 November 2023, Italgas and Coldiretti signed a protocol for the development of biomethane, with the aim of supporting the establishment of new plants, the conversion of biogas plants and connection to distribution networks.
- On 4 December 2023, Italgas and Tokyo Gas Network signed a Memorandum of Understanding at the Italian Embassy in Tokyo to initiate collaboration in the strategic

areas of gas distribution and aimed at the development of joint projects in the field of innovation and digitisation.

Legal and Regulatory Framework

- On 29 December 2023, the Council of State, confirming the Regional Administrative Court of Lombardy's ruling, rejected ARERA's appeal and cancelled the effectiveness of certain provisions of the Resolutions no. 603/2021/R/com and no. 604/2021/R/com relating to the disclosure and assessment obligations imposed by the Authority on distribution companies regarding the biennial prescription on the consumption of electricity and gas.
- 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, 2017, 2018 and 2019 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. On 7 February 2024, the System Services and Energy Monitoring Department of the Authority communicated its positive assessment of the arguments and evidence produced by Italgas, at the same time proposing to the Board the full recognition of the premiums for a total amount of € 4,049.9 million.
- On 25 July 2023, with Resolution no. 340/2023/R/efr, the Authority determined the tariff contribution to be recognised for the mandatory year 2022 as the sum of the cap of € 250/EEC and the additional unit contribution of € 0.68/EEC, to be recognised in the event the average market price of the securities is greater than the cap, as defined in Resolution no. 270/2020/R/efr.

With Resolution no. 454/2023/R/efr of 10 October 2023, the Authority increased the unit tariff contribution paid on account as follows:

- a value equal to the total unit contribution paid in the previous obligation year, to be applied to a maximum quantity of EEC equal to 50% of the target for the current year only;
- a value equal to € 240/EEC, for the remaining quantity.

In Resolution no. 3/2023 of 31 October 2023, the Authority defined the national energy efficiency quantitative obligations of natural gas end uses to be achieved in 2023 by distributors with more than 50,000 end users connected to its distribution network as at 31 December 2021. For subsidiaries and associates of Italgas S.p.A., the quantitative obligation for 2023, expressed as a number of White Certificates, is: a) 345,378 for Italgas Reti; b) 49,277 for Toscana Energia and c) 2,693 for Umbria Distribuzione Gas.

On 31 May 2023, the Italgas Group cancelled a total of 59,931 EECs and additionally purchased 940 EECs from the GSE. In the November 2023 interim cancellation session, relating to the 2023 obligation year (1 June 2023 – 31 May 2024), the Italgas Group purchased and cancelled a total of 219,597 EECs.

- On 28 November, the Council of State partially upheld the appeal of ARERA against the ruling of the Regional Administration Court of Milan on Resolution no. 570/2019/R/gas and related RTDG (Regulation of Tariffs for Gas Distribution and Metering Services). In particular, the Council of State upheld the ARERA appeal in relation to the matter of the Beta parameter, maintaining that the regulation introduced with Resolution no. 570/2019/R/gas must be supported by an adequate investigation; in relation to the matter of the IRMA (amount for the recovery of non-depreciation), maintaining that such item must be debt of value in nature and not currency and, as such, should only be revalued, without accruing legal interest pursuant to Article 1282 of the Italian Civil Code. The Council of State then confirmed the ruling of the Regional Administrative Court of Lombardy in the part where Resolution no. 570/2019 was deemed illegitimate due to lack of transparency and justification regarding the determination of the recognised operating costs (COR), the actual operating costs (COE), and the x-factor. The grounds for criticism proposed by ARERA against the chapter of the ruling of the Regional Administrative Court of Milan were then declared inadmissible due to lack of interest. The Court deemed the lack of RIA (regulatory impact analysis) illegitimate.
- On 19 September, with Resolution no. 409/2023/R/gas, the Italian Authority corrected the calculation errors relating to the determination of the recognised operating costs and the X-factor, in compliance with the rulings of the Regional Administrative Court of Lombardy, which partially upheld the appeals of a number of operators, including Italgas, for the annulment of the 2020-2025 RTDG set forth in Resolution no. 570/2019/R/gas. In particular, the resolution redetermines the values of the unit fees that cover the operating costs recognised for the gas distribution service for the years 2020 to 2023, for the municipal or supra-municipal management and for the area management, as well as the annual rate of reduction of the unit costs recognised for the purpose of covering the operating costs (X-factor), at the rate of 3.39% instead of the previous 3.53%.
- Resolution no. 1/2023 – DINE defined the operating procedures for recognising the residual costs of smart meters installed up to 2018, with a manufacturing year no later than 2016, and decommissioned before the end of their useful life for tariff purposes. The Authority shall prepare another data acquisition phase relating to smart meter

decommissioning, through an extraordinary session of GAS RAB data collection, with the publication of the related operating instructions.

- Resolution no. 556/2023/R/com updated, for the year 2024, the parameters provided for the verification of the activation of the trigger mechanism, based on which the conditions are verified for the annual update of the WACC. The resolution therefore set the WACC for the natural gas distribution and metering service at 6.5% for the year 2024. In February 2024, Italgas Reti appealed the resolution, and it is currently awaiting the setting of the hearing.
- On 14 December 2023, with Resolution no. 590/2023/R/gas, the Authority approved the list of applications submitted by operators to the pilot projects for the optimisation of the management and innovative use of infrastructures in the natural gas sector and the relative incentive mechanism provided for by Resolution no. 404/2022/R/gas. In particular, with regard to the applications submitted by Italgas, the Authority admitted the following projects to testing and incentives:
 - Digital Reverse Flow, falling under Project Area 1 – methods and tools for optimised grid management, aimed at feeding unused biomethane back into the network at a local level, for which a tariff contribution of € 1.4 million is recognised;
 - 3D Asset Mapping falling under Project Area 3 – innovation interventions on the regulated infrastructures of the natural gas supply chain, aimed at increasing energy efficiency, to which a tariff contribution of € 1.8 million is allocated.
- Resolution no. 631/2023/R/gas approved, for the year 2024, the mandatory tariffs for the natural gas distribution, metering and marketing services. In January 2024, Italgas Reti appealed the resolution, and it is currently awaiting the setting of the hearing.
- The proceedings on the substance of the matter concerning the redetermination of the amount owed to Italgas Reti by the operator that was awarded the ATEM Naples 1 contract by way of reimbursement value is currently suspended because, at the request of the Judge, proceedings have been commenced before the Court of Cassation to determine the jurisdiction of the Civil Court or, alternatively, of the Administrative Court.
- With Resolution no. 639/2023/R/IDR of 28 December 2023, the Authority approved the water tariff method for the fourth regulatory period 2024-2029 (MTI-4), defining the rules for calculating the costs that are eligible for recognition in the tariff.
- The Greek Regulatory Authority for Energy, Waste and Water (RAEWW), with Decision no. E-71/2023, announced the RAB (Regulated Asset Base) for 2023 for the Enaon

Group's DSOs, 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.

Significant events after year end

Extraordinary transactions and area tenders

- On 31 January 2024 Italgas, through its subsidiary Italgas Reti, acquired 47.9% of the shares of Acqua Campania S.p.A. held by Vianini Lavori S.p.A., following the exercise of its pre-emption right.
- Following the award of the tender in 2020 and the signing of the Service Contract, the transfer of the management of the natural gas distribution networks of the Belluno ATEM to Italgas Reti was made official on 1 February 2024. The concession has a duration of 12 years and provides for the implementation of an important investment programme totalling approximately € 135 million.

Rating and optimization of the debt structure

- On 1 February 2024, as part of its EMTN Programme renewed by resolution of the Board of Directors on 29 September 2023, Italgas successfully completed the launch of a bond issue maturing on 8 February 2029, with a fixed rate and for a total amount of € 650 million, an annual coupon of 3.125%.
- On 8 March 2024, Italgas signed a €600 million Sustainability Linked financing agreement with a pool of Italian and international banks, with a maximum maturity of 5 years. This is a Revolving Credit Facility that will enable the Group to access a new source of financing to support future needs.

Legal and Regulatory Framework

- On 30 January 2024, the Authority published Resolution no. 26/2024/R/idr with which it initiated a procedure aimed at defining and introducing the incentive mechanism to favour water resilience, provided for in the updating of the regulation of technical quality as per Resolution no. 637/2023/R/idr, with a view to mitigating, also through the development of large strategic works, the effects of climate change.
- On 6 February 2024, the Authority published Resolution no. 37/2024/R/idr and Resolution no. 39/2024/R/idr concerning, respectively, the commencement of proceedings for the quantitative assessments, for the two-year period 2022-2023, provided for by the incentive mechanism for the contractual and technical quality of the integrated water service.

- On 1 February 2024, Regulatory Decision no. E-14/2024 of the Greek Regulatory Authority for Energy, Waste and Water, (RAEWW) was published in the Official Journal, which formalised, within the distribution tariff document, the WACC of 8.38% to be applied to DSOs in Greece for the period 2024-2026.
- On 6 February 2024, Italgas was confirmed for the second consecutive year by CDP (Carbon Disclosure Project) in the “Climate A list” which groups together the best players globally in terms of transparency and performance in combating climate change.
- On 7 February 2024, Italgas was included for the fifth 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 also confirmed its leadership with inclusion in the “Top 1% S&P Global ESG Score”, category, based on the results of the Corporate Sustainability Assessment (CSA) 2023.

Business Outlook

In line with that set out in the 2023-2029 Strategic Plan, Italgas will continue to pursue its objectives, mainly aimed at strengthening, development and digital transformation of gas distribution assets in Italy and Greece, establishing itself as a key player in the water distribution and energy efficiency sectors.

The Group will maintain a leading role in achieving the European Union's climate goals, further advancing the decarbonization of the sector through the development of renewable gas and improving the flexibility and resilience of the energy system. At the same time, the Group will guarantee energy security and cost competitiveness, benefiting businesses and consumers.

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

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

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

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

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

Conference call

At 3 p.m. CET today, a conference call will be held to present the results of 31 December 2023 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

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

Disclaimer

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

