

ITALGAS: CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2023 APPROVED

Milan, 25 October 2023 - Italgas' Board of Directors, chaired by Benedetta Navarra, met yesterday and approved the consolidated results of the first nine months and third quarter of 2023 (unaudited).

Key figures

Consolidated economic and financial highlight

- Total revenues: € 1,369.8 million (+26.0%)
- EBITDA: € 910.5 million (+15.9%)
- EBIT: € 536.7 million (+18.0%)
- Adjusted net profit attributable to the Group: € 316.7 million (+10.8%)
- Technical investments: € 589.1 million
- Cash flow from operating activities: € 398.1 million (€ 576.8 million +14.3% net of ESCo flow)
- Net financial debt (excluding the effects pursuant to IFRS 16): € 6,411.8 million
- Net financial debt: € 6,492.3 million

Operating Highlight¹

- Municipalities in gas distribution concessions: 2,050
- Number of active meters: 7.959 millions
- Gas distribution network: 81,760 Km

Sustainability highlights

- 106.4 10³ tCO₂ eq Scope 1 and 2 (+6.4%)
- Net energy consumption: 320.0 TJ (-14.1%)
- 81,824 km of network inspected (+23.7%)
- Fugitive emissions/km of network inspected: 64.7 Sm³/km (-10.8%)

¹ The figures as at 30 September 2023 also include affiliates.

In a context of high international tensions, with the inevitable impact on energy costs and financial markets, Italgas has maintained its uninterrupted growth trajectory for 27 consecutive quarters.

The first nine months of 2023 have witnessed an intensified operational activity within the Group, aimed at achieving the targets set in the 2023-2029 Strategic Plan and the Sustainable Value Creation Plan, with a particular focus on the digital transformation objectives of the network, a key enabler of the energy transition.

In line with the 2023-2029 strategic plan, but ahead of the projected timeline, on September 30th, the corporate simplification of the Depa Infrastructure Group was successfully completed. Specifically, the merger by absorption of EDA Thess and EDA Attikis into DEDA S.A. was finalized. As a result of this merger, DEDA is entrusted with the development and management of the gas distribution service in all regions of Greece where the Depa Infrastructure Group operates. Currently, the company manages approximately 7,700 kilometers of network and serves over half a million customers.

Meanwhile, the acquisition that was announced on March 14th by Veolia Environnement S.A. of the business division holding water concessions in Italy has now been successfully finalized. With a service reach extending to around 6.2 million individuals directly and indirectly, constituting 10% of Italy's population, this development situates NEPTA, the newly established company through the integration of these operations, as a significant player in the sector. The main developmental focus revolves around the digital transformation of water infrastructure, with the aim of reducing network losses and elevating service quality standards.

In the first nine months of the year, € 589 million of investments were made, mainly for the extension, digital transformation and repurposing of networks. More specifically, 679 kilometres of new gas pipelines were laid.

The contribution from activities in Greece has been significant, where an investment of approximately 74 million euros has led to the construction of 435 kilometres of new gas pipelines.

The EBITDA for the first nine months of 2023 amounted to € 910.5 million (+15.9% compared to 30 September 2022) and adjusted net profit attributable to the Group was € 316.7 million (+10.8% compared to 30 September 2022).

Cash flow from operating activities, net of the ESCo contribution, amounted to 576.8 million euros and fully offset investments related to gas distribution.

With reference to sustainability goals, the significant contribution of the various innovation, digitisation and energy efficiency initiatives, both in the industrial and civil sectors, as well as the training activities aimed at employees on energy efficiency issues, have allowed the Group to continue on its path towards reducing net energy consumption (-14.1%) as well as the ratio of fugitive emissions to kilometres of inspected network (-10.8%), even against the inclusion of the DEPA Infrastructure Group's contributions related to 2023.

Paolo Gallo, CEO of Italgas, commented:

“In the first nine months of 2023, the Italgas Group achieved strong and valuable performance, allowing continued growth even in an unstable socio-economic context due to the ongoing international tensions.

This success can be attributed to several factors: our vision that reaffirmed the pivotal role of gas distribution networks - smart, digital, and flexible - in a secure, sustainable, and competitive ecological transition. Furthermore, significant milestones already achieved in Greece, including the merger of three DSOs into a single operator, and in the water sector, with the successful completion of the acquisition of Veolia concessions.

All economic indicators have displayed double-digit growth, with EBITDA showing an increase of 15.9%, surpassing 900 million euros, and a Group Adjusted Net Profit of 316.7 million euros, up by 10.8% compared to the same period last year.

With nearly 600 million euros invested in the first nine months, the company intensified its efforts to expand and digitally transform gas networks, both in Italy and Greece, further promoting their evolution as a strategic driver to produce renewable gases like biomethane, synthetic methane, and hydrogen.

Digitization, decarbonization, circular economy, and training continue to be strategic factors for achieving our growth objectives. These targets will depend on our ability to continually raise the bar of innovation, leveraging our most valuable resource, our people”.

Italgas Group structure as at 30 September 2023

The structure of the Italgas Group at 30 September 2023 changed from that which existed at 31 December 2022. Specifically, effective at 10 July 2023 and 30 September 2023 respectively, the mergers of Janagas S.r.l. into Medea S.p.A. and the operating companies of the DEPA Group, EDA Thess and EDA Attikis, into DEDA Infrastructure were finalised.

Economic and financial highlights

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

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

Reclassified income statement

(€ million)						
Third quarter			First nine months		Abs.	Change
2022	2023		2022	2023	Change	%
328.1	364.4	Gas distribution regulated revenues	967.3	1,086.7	119.4	12.3
306.6	343.3	<i>of which distribution revenues</i>	898.0	1,026.5	128.5	14.3
21.5	21.1	<i>of which other distribution revenues</i>	69.3	60.2	(9.1)	(13.1)
51.5	73.6	Other revenues	119.7	283.1	163.4	-
379.6	438.0	Total revenues (*)	1,087.0	1,369.8	282.8	26.0
379.6	438.0	Adjusted total revenues (*)	1,087.0	1,369.8	282.8	26.0
(107.5)	(134.5)	Operating costs (*)	(301.6)	(459.3)	(157.7)	52.3
272.1	303.5	EBITDA	785.4	910.5	125.1	15.9
272.1	303.5	EBITDA adjusted	785.4	910.5	125.1	15.9
(113.2)	(125.6)	Amortisation, depreciation and impairment	(330.5)	(373.8)	(43.3)	13.1
158.9	177.9	EBIT	454.9	536.7	81.8	18.0
158.9	177.9	EBIT adjusted	454.9	536.7	81.8	18.0
(14.8)	(27.4)	Net financial expense	(41.1)	(72.0)	(30.9)	75.2
0.2	(0.3)	Net income (loss) from equity investments	3.4	(0.6)	(4.0)	-
-	-	<i>of which special items</i>	2.7	-	(2.7)	-
144.3	150.2	EBT	417.2	464.1	46.9	11.2
144.3	150.2	Adjusted EBT	414.5	464.1	49.6	12.0
(37.3)	(39.6)	Income taxes	(112.4)	(124.8)	(12.4)	11.0
107.0	110.6	Net profit	304.8	339.3	34.5	11.3
100.2	103.5	Net profit attributable to the Group	288.6	316.7	28.1	9.7
6.8	7.1	Net profit attributable to minority shareholders	16.2	22.6	6.4	39.5
107.0	110.6	Adjusted net profit	302.1	339.3	37.2	12.3
100.2	103.5	Adjusted net profit attributable to the Group	285.9	316.7	30.8	10.8
6.8	7.1	Adjusted net profit attributable to minority interests	16.2	22.6	6.4	39.5

(*) 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" (€ 506.5 and € 490.3 million respectively in the first nine months of 2023 and 2022), connection contributions (€ 14.3 and € 14.4 million respectively in the first nine months of 2023 and 2022), third-party reimbursements and other residual components (15.0 and 6.9 respectively in the first nine months of 2023 and 2022).

The **total revenues** at 30 September 2023 amount to € 1,369.8 million, up by € 282.8 million compared to the corresponding period of 2022 (+26.0%), and refer to natural gas distribution regulated revenues (€ 1,086.7 million) and other revenues (€ 283.1 million). As of 30 September 2023, revenues from the inclusion of the DEPA Infrastructure Group in the consolidation scope as from 1 September 2022 amounted to € 130.4 million while the activities in energy efficiency amount to € 263.7 million, driven by the progressive advancement of the "Super/ECobonus" related construction sites.

Gas distribution regulated revenues increased by € 119.4 million compared to the same period of 2022 due to an increase in distribution revenues (€ +128.5 million) partially offset by a reduction in other regulated distribution revenues (€ -9.1 million).

The increase in **distribution revenues** (+128.5 is mainly attributable to the consolidation of the DEPA Infrastructure Group (€ 115.8 million), the increase in RAB and the deflator (€ 39.6 million) the effects of ARERA resolution relating to smart reading/remote management

remuneration (€ +7.0 million), whose effects were partially offset by the loss of ATEM Naples 1 (-37.7 million euros). Finally, the increase in revenues due to inflation has little more than offset the X-factor.

The decrease in **other regulated revenues** (€ -9.1 million) is mainly related to lower revenues for customer services and as well as lower incentives for leak detection mainly attributable to the positive adjustments recorded in 2022 related to previous periods.

Other revenues increase by € 163.4 million compared to the same period in 2022, mainly due to the increase in energy efficiency activities (€ 172.9 million).

Operating costs amounted to € 459.3 million, increasing by € 157.7 million compared to the corresponding 2022 period, mainly due to the increase in activities related to energy efficiency by 133.7 million euros, the consolidation of DEPA Infrastructure Group by 32.4 million euros and partially offset by lower costs related to the sale of Gaxa (-9.7 million euros).

The **gross operating profit (EBITDA)** achieved at 30 September 2023 totalled € 910.5 million, up by € 125.1 million (+15.9%) compared to the same period of 2022 (€ 785.4 million). This change includes € 85.1 million resulting from the consolidation of the DEPA Infrastructure Group, € 37.6 million resulting from ESCo activities², and the growth of gas distribution in Italy net of the sale of ATEM Naples.

Amortisation, depreciation and impairment (€ 373.8 million) increased by € 43.3 million (+13.1%) on the same period of 2022, mainly due to the investments made in the first nine months of 2023 and the change in the scope of consolidation connected with the DEPA Infrastructure Group (€ 24.2 million).

The **EBIT** at 30 September 2023 amounted to € 536.7 million, with an increase of € 81.8 million compared to 30 September 2022 (+18.0%). This change includes € 60.9 million resulting from the consolidation of the DEPA Infrastructure Group, € 37.3 million resulting from ESCo activities, net of the impact of the sale of gas distribution service in ATEM Naples 1.

Net financial expense at 30 September 2023 amounted to € 72.0 million, up by € 30.9 million on the same period of the previous year. The increase is mainly due to financing transactions in the last 12 months, extraordinary factoring of VAT due to "bonus gas", as well as to the change in interest rates on the variable portion of debt and finally to the change in the scope of consolidation due to the entry of the DEPA Infrastructure Group.

Net income from equity investments at 30 September 2023 amounted to € 0.6 million and refers to the contribution of equity investments accounted for using the equity method.

² Please refer to the relevant section for more details on the change in EBITDA by segment.

Income taxes came to € 124.8 million, up € 12.4 million compared to the same value of the previous year, essentially because of the higher period result.

Adjusted Net profit at 30 September 2023 amounted to € 339.3 million (+12.3%).

Adjusted net profit attributable to the Group at 30 September 2023 amounted to € 316.7 million, increased by 10.8% compared to 30 September 2022 (€ 285.9 million).

Reclassified Statement of Financial Position

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

(€ million)	31.12.2022	30.09.2023	Var. ass.
Fixed capital (*)	8,120.6	8,312.4	191.8
Property, plant and equipment	379.0	385.0	6.0
Intangible assets	7,975.5	8,128.3	152.8
Equity investments	66.2	66.1	(0.1)
Financial receivables and securities instrumental to operations	3.4	3.5	0.1
Net payables related to investments	(303.5)	(270.5)	33.0
Net working capital	340.0	715.2	375.2
Provisions for employee benefits	(69.9)	(67.7)	2.2
Attività destinate alla vendita e passività direttamente associabili	-	14.1	14.1
NET INVESTED CAPITAL	8,390.7	8,974.0	583.3
Shareholders' equity	2,390.6	2,481.7	91.1
- attributable to the Italgas Group	2,108.3	2,167.0	58.7
- attributable to third party shareholders	282.3	314.7	32.4
Net financial debt**	6,000.1	6,492.3	492.2
FUNDING	8,390.7	8,974.0	583.3

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

(**) The item: i) includes the effects of applying IFRS 16 amounting to € 80.5 million (€ 72.0 million as 31 December 2022); ii) As of December 31, 2022, net financial debt does not include liabilities of 34.8 million euros related to a subordinated shareholder loan from Italgas NewCo to its shareholder Phaeton Holding SA, which is convertible into shares. As of September 30, 2023, the liability has been partially converted into equity.

The **net invested capital** at 30 September 2023 amounted to € 8,974.0 million and consists of the items outlined below.

Fixed capital (€ 8,312.4 million) was up by 191.8 million euros on 31 December 2022.

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

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2022	379.0	7,670.6	328.0	8,354.5
Investments	44.5	514.5	30.0	589.1
- of which IFRS 16	29.1	-	-	29.1
Amortisation, depreciation and impairment	(34.6)	(306.3)	(32.9)	(373.8)
- of which D&A pursuant to IFRS 16	(21.4)	-	-	(21.4)
Contribution	-	(30.6)	(0.3)	(30.9)
Divestments and alienations	(1.3)	(24.3)	(0.1)	(25.7)
Reclassification to Assets held for sale		(11.9)		(11.9)
Other changes	(2.7)	(10.5)	2.0	(11.2)
Balance at 30 September 2023	385.0	7,801.6	326.7	8,513.3

Intangible fixed assets (€ 8,128.3 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12 (€ 7,801.6 million).

Tangible fixed assets (€ 385.0 million), which mainly relates to property, plant and equipment, recorded an increase of € 6.0 million principally due to investments for the period of € 44.5 million (of which € 29.1 million related to the application of IFRS 16) partially offset by depreciation of € 34.6 million (of which € 29.1 million related to the right of use under IFRS 16).

Equity investments (€ 66.1 million) were essentially unchanged.

Consolidated **net working capital** at 30 September 2023 amounts to € 715.2 million and is broken down as follows:

(€ million)	31.12.2022	30.09.2023	Abs. change
Trade receivables	315.7	610.7	295.0
Inventories	120.5	116.4	(4.1)
Tax receivables	116.7	262.1	145.4
Accruals and deferrals from regulated activities	188.6	183.5	(5.1)
Other assets	815.1	266.8	(548.3)
Trade payables	(709.4)	(256.1)	453.3
Provisions for risks and charges	(144.3)	(114.2)	30.1
Deferred tax liabilities	(91.6)	(66.1)	25.5
Tax payables	(28.2)	(70.3)	(42.1)
Other liabilities	(243.1)	(217.6)	25.5
	340.0	715.2	375.2

Compared to 31 December 2022, net working capital increased by € 375.2 million mainly due to: i) higher trade receivables (€ 295.0 million) mainly as a result of higher receivables from CSEA for 120 million (of which 111.3 was for equalisation), the increase in receivables from sales companies for € 90 million and the increase in receivables related to the “Super/ECobonus” (€ 89.0 million); ii) increase in net tax assets (€ 128.8 million) mainly due to the higher tax receivable resulting from the “Super/ECobonus” amounting to 153.8 million euros, partially offset by higher income tax liabilities related to the result for the period (24.3 million euros); iii) decrease in other assets (€ 548.3 million) essentially due to receivables from CSEA for ancillary distribution components³; iv) decrease in trade payables (€ 453.3 million) mostly due to the reduction in payables to sales companies (€ 445.8 million, essentially for Bonus gas and UG2) offset by the reduction in payables to suppliers; v) decrease in provisions for risks and charges (€ 30.1 million).

It should be noted that the Group has finalized factoring agreements with financial counterparties under which receivables claimed by the Company itself and its subsidiaries can be assigned without recourse. In the third quarter, the transaction was finalized for the assignment of VAT receivables for totalling € 34.1 million.

Net financial debt

(€ million)	31.12.2022	30.09.2023	Abs. change
Financial and bond debt	6,510.8	6,946.7	435.9
Short-term financial debt (*)	121.1	493.5	372.4
Long-term financial debt	6,317.7	6,372.7	55.0
Finance lease payables - IFRS 16	72.0	80.5	8.5
Funding derivative contracts Cash flow Hedge	(52.5)	(44.8)	7.7
Short-term contracts	(17.1)	(21.6)	(4.5)
Long-term contracts	(35.4)	(23.2)	12.2
Financial receivables and cash and cash equivalents	(458.2)	(409.6)	48.6
Cash and cash equivalents	(451.9)	(400.3)	51.6
Financial receivables	(6.1)	(9.3)	(3.2)
Securities not instrumental to operations	(0.2)	-	0.2
Net financial debt (**)	6,000.1	6,492.3	492.2
Finance lease payables - IFRS 16	72.0	80.5	8.5
Net financial debt (excluding the effects pursuant to IFRS 16) (**)	5,928.1	6,411.8	483.7

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

(**) 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 of 30 September 2023, the majority of the liability had been converted into equity for € 24.8 million.

³ 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.

At 30 September 2023, **net financial debt**, excluding the impacts of financial liabilities pursuant to IFRS 16 of € 80.5 million (€ 72.0 million as at 31 December 2022), amounted to € 6,411.8 million, up by € 483.7 million from 31 December 2022 (€ 5,928.1 million).

Gross financial and bond debt at 30 September 2023 totalled € 6,946.7 million (€ 6,510.8 million as at 31 December 2022) and refer to bonds (€ 4,980.2 million), loan agreements with the European Investment Bank (EIB) (€ 929.5 million), loans with banks (€ 956.6 million) and financial liabilities pursuant to IFRS 16 (€ 80.5 million).

Cash and cash equivalents and **financial receivables** amounted to € 409.6 million and decrease by € 48.6 million compared to 31 December 2022.

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

(€ million)	31.12.2022	%	30.09.2023	%
Fixed rate	5,905.8	90.7	6,385.2	91.9
Floating rate	605.0	9.3	561.5	8.1
Gross financial debt	6,510.8	100.0	6,946.7	100.0

Fixed-rate financial liabilities amounted to € 6,385.2 million and mainly refer to bonds (€ 4,980.2 million), five EIB loans (€ 826.2 million), bank loans (€ 498.3 million) and financial liabilities pursuant to IFRS 16 (€ 80.5 million). The increase in fixed-rate financial liabilities (€ 479.4 million) is mainly due to the effect of the recent bond issue for a nominal € 500 million maturing in September 2032, partially offset by the repayment of capital of EIB loans.

Floating-rate financial liabilities amounted to € 561.5 million and refer mainly to bank loans (€ 458.2 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.

At 30 September 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.

At 30 September 2023, these commitments were respected.

Reclassified Statement of Cash Flows

The reclassified statement of cash flows 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 flow⁴, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First nine months	
	2022	2023
Net profit	304.8	339.3
Net profit without the Energy Efficiency Sector (ESCo)	294.6	303.6
Adjusted:		
- Amortisation and depreciation and other non-monetary components	334.8	375.2
- Net capital losses (capital gains) on asset sales and eliminations	3.6	3.5
- Interest and income taxes	153.5	197.6
Change in working capital due to operating activities	(248.8)	(394.5)
Dividends, interest and income taxes collected (paid)	(92.6)	(123.0)
Cash flow from operating activities*	455.3	398.1
Cash flow from operating activities without the Energy Efficiency Sector (ESCo)	504.8	576.8
Technical investments	(520.6)	(543.4)
Other changes related to investments activities	(27.5)	(32.9)
Divestments and other changes	25.6	(0.5)
Free cash flow before M&A transactions	(67.1)	(178.7)
Free cash flow before M&A without the Energy Efficiency Sector (ESCo)	(16.2)	1.5
Companies included in the scope of consolidation	(763.9)	-
Acquisition of companies, plant and financial assets	(22.5)	-
Free cash flow	(853.6)	(178.7)
Free cash flow without the Energy Efficiency sector (ESCo)	(802.7)	1.5
Change in short- and long-term financial debt and financial receivables	84.4	414.7
Reimbursements of financial liabilities for leased assets	(20.9)	(21.1)
Capital contribution from third parties	0.3	-
Equity cash flow	(250.0)	(266.5)
Net cash flow for the year	(1,039.8)	(51.6)
Net cash flow for the year without Energy Efficiency Sector (ESCo)	(988.6)	128.8

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

⁴ 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).

Change in net financial debt

(€ million)	First nine months	
	2022	2023
Free cash flow before M&A transactions	(67.1)	(178.7)
Change due to acquisitions of equity investments, business units and assets	(786.4)	-
Increase in finance lease payables	(13.1)	(29.6)
Equity cash flow	(250.1)	(266.5)
Capital contribution from third parties	0.3	-
Other changes (Difference between interest accounted for, and paid fair value of derivatives and other)	-	(17.4)
Change in net financial debt	(1,116.4)	(492.2)

The cash flow from operating activities amounts to 398.1 million euros. Net of the flow absorbed by the ESCO as of September 30, 2023, cash flow from operations, mainly referred to gas distribution, stands at 576.8 million euros (+14.3% compared to the same period of 2022).

Taking into account payment of the dividend for € 266.5 million, net financial debt increased by € 492.2 million including IFRS 16.

Key operating figures

Investments

In 2023, technical investments were made for € 589.1 million (30 September 2022: € 546.7 million), of which € 29.1 million relating to investments accounted for in accordance with IFRS 16. The subsidiaries of DEPA Infrastructure made € 74.5 million in investments (increasing compared to the same period of 2022, when the company was not yet part of Italgas Group, except for single month of September).

(€ million)

	First nine months		Abs. change	% Change
	2022	2023		
Distribution	358.0	346.5	(11.5)	(3.2)
Network development and maintenance	319.6	271.9	(47.7)	(15.0)
New networks	38.4	74.6	36.2	94.3
Digitisation	157.8	180.6	22.8	14.5
Other assets	111.8	107.5	(4.3)	(3.8)
Metering	31.2	59.1	27.9	89.4
Processes	14.7	13.9	(0.8)	(5.3)
Other investments	30.9	62.0	31.2	-
- of which Real Estate	3.5	6.6	3.1	90.2
- of which ICT	13.0	14.8	1.8	13.5
- of which the effect of IFRS 16	11.3	29.1	17.8	-
	546.7	589.1	42.4	7.8

Distribution investments (€ 346.5 million, -3.2% on the same period of 2022), which recorded the installation of an additional 679 km of pipeline and 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 project.

Investments in digitisation (€ 180.6 million, +14.5% 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 metering⁵.

⁵ At 30 September 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). At 30 September 2023, the digital meter stock installed by the DEPA Infrastructure Group amounted to 54.9 thousand units out of a total of 629.3 thousand installed meters.

Key operating figures – Italgas Group and affiliates (Italy)

	First nine months		Abs. change	% Change
	2022	2023		
Active meters (millions)*	7.737	7.372	(0.366)	(4.7)
Municipalities with gas distribution concessions (no.)	1,899	1,905	6	0.3
Municipalities with gas distribution concessions in operation (no.)	1,839	1,848	9	1.2
Managed distribution network (kilometres)	74,862.2	73,991.5	(870.7)	(1.2)
Gas distributed (million cubic metres)	5,871.7	4,695.0	(1,176.7)	(20.0)

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

Key operating figures – Italgas Group (Greece)

	First nine months		Abs. change	% Change
	2022	2023		
Active meters (millions)	0.572	0.587	0.016	2.7
Municipalities with gas distribution concessions (no.)	140	145	5	3.6
Municipalities with gas distribution concessions in operation (no.)	105	106	1	1.0
Managed distribution network (kilometres)	7,669.0	7,769.0	100.0	1.3
Gas distributed (million cubic metres)	832.0	701.0	(131.0)	(15.7)

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

	First nine months		Abs. change	% Change
	2022	2023		
Active meters (millions)	8.309	7.959	(0.350)	(4.2)
Municipalities with gas distribution concessions (no.)	2.039	2.050	11	0.5
Municipalities with gas distribution concessions in operation (no.)	1.944	1.954	10	0.5
Managed distribution network (kilometres)	82,531.2	81,760.5	(770.7)	(0.9)
Gas distributed (million cubic metres)	6,703.7	5,396.0	(1,307.7)	(19.5)

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", "Corporate and other sectors".

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 in the residential and industrial sectors and pursues the Group's efficiency and sustainability targets, while continuing to play a leading role in the achievement of 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. Given the residual nature of "Corporate and Other Sectors" and the deletions, no evidence is provided in this document.

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

Gas distribution sector

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

(€ million)	First nine months		Abs. change	% Change
	2022	2023		
Total adjusted revenues (regulated and unregulated)	986.7	1,094.4	107.7	10.9
Adjusted gross operating margin (adjusted EBITDA)	766.2	854.4	88.2	11.5
Adjusted operating profit (adjusted EBIT)	440.3	485.7	45.4	10.3
Adjusted EBITDA margin (%)	78%	78%	-	-
Adjusted EBIT margin (%)	45%	45%	-	-
Net invested capital	8,272.6	8,544.6	272.0	3.3

Energy efficiency sector

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

(€ million)	First nine months		Abs. change	% Change
	2022	2023		
Adjusted total revenues	91.6	263.7	172.1	-
Adjusted gross operating margin (adjusted EBITDA)	16.8	54.4	37.6	-
Adjusted EBIT	14.6	51.9	37.3	-
Adjusted EBITDA margin (%)	18%	21%	2%	12.5
Adjusted EBIT margin (%)	16%	20%	4%	23.5

"The path to decarbonization: the winning choice of integrating the Strategic Plan and the Sustainable Value Creation Plan."

The fast-paced evolution of the geopolitical landscape has reaffirmed the pivotal role of gas distribution networks, provided they are smart, digital, and flexible, allowing them to accommodate renewable gases such as biomethane and hydrogen.

In the fight against climate change, the Italgas Group has also chosen to take a leading role in the field of energy efficiency, focusing on technological innovation as a driver capable of enabling the ecological transition.

In this regard, the 2023-2029 Strategic Plan encompasses a series of investments aimed at promoting the extension and digital transformation of the gas infrastructure in Italy and Greece, driving the circular economy, particularly within the biomethane sector, and diversifying the portfolio of activities.

The ESG criteria adopted are an integral part of the development strategies, in coherence with the Sustainable Value Creation Plan⁶, integrated with the Strategic Plan⁶, which addresses all sustainability issues related to the business.

Climate change targets relate to the entire Group (Italy and Greece) with the goal of reducing CO₂ emissions and energy consumption, ahead of the EU's 2030 targets.

More specifically, the Group has set a target to reduce, by 2028 and 2030, climate-changing emissions (Scope 1 and Scope 2 market-based) respectively by 34% and 42%, and net energy consumption by 27% and 33% compared to 2020 levels⁷ based on specific initiatives (e.g. energy efficiency, timely inspection, leak detection and repair, smart maintenance to reduce fugitive emissions). Regarding Scope 3 (supply chain) greenhouse gas emission target, it is foreseen a 30% reduction by 2028 and 33% reduction by 2030 compared to 2020 (assuming the same baseline and scope defined for the previous targets), through increased engagement with its suppliers. Finally, in line with the main timetables defined by the Green Deal, the Group aims to achieve the "Net Zero Carbon" target by 2050 regarding Scope 1, Scope 2 (market-based) and Scope 3 (supply chain) emissions, also leveraging on ongoing initiatives for the distribution of green gases and carbon removal activities starting from 2030.

⁶ https://www.italgas.it/wp-content/uploads/sites/2/2023/06/15-06-2023-Strategic-Plan-2023-29-Italgas_v12.pdf

⁷ Total energy consumption minus total self-produced and consumed electricity. The perimeter is the same as the scope of consolidation as of 31st of March 2023. Any changes as a result of M&A and ATEM tenders, where relevant, will be taken into account in the revision of targets.

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 nine months of 2023 is presented below, which also takes into account the contribution of the DEPA Infrastructure Group, which was not included in the figure referring to the third quarter of 2022 (acquisition finalised on 1 September 2022).

Net energy consumption (TJ) ⁸	First nine months		Abs. change	% Change
	2022	2023		
Fuel energy consumption for industrial use	188.0	163.3	(24.7)	(13.1)
Fuel energy consumption for civil use	26.9	15.5	(11.4)	(42.4)
Fuel energy consumption for vehicles ⁹	92.0	88.1	(3.9)	(4.2)
Net electricity consumption for industrial use ¹⁰	39.5	26.1	(13.4)	(33.9)
Net electricity consumption for civil use	26.1	26.8	0.7	2.7
Thermal energy consumption for civil use	0.2	0.2	0.0	0.0
	372.7	320.0	(52.7)	(14.1)

The first nine months of 2023 were characterised by a reduction in net energy consumption, which amounted to 320.0 TJ (-14.1% compared to the corresponding period of 2022, even against an increase of 18.1 TJ due to the inclusion of the DEPA Infrastructure Group).

Fuel energy consumption for industrial use recorded a decrease for the first nine months of 2023 (-13.1%, from 188.0 TJ to 163.3 TJ, including the increase of 2.2 TJ related to the Greek scope). This result was achieved thanks to the continuation of the efficiency measures implemented on the Group's plant fleet, such as the replacement of natural gas preheating boilers and the installation of optimised gas preheating sections, and the digitisation of monitoring and control processes, which allowed for more efficient operations. The specific consumption of the pre-heating process (cubic metres of natural gas consumed for pre-heating per thousand cubic metres of gas injected into the network) recorded a slight decrease for the Group¹¹, from a value of 1.06 to 1.05, despite the effect of additional gas consumption

⁸ These represent total energy consumption, from which any self-produced and self-consumed electricity consumption is subtracted. The values for the first nine months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in the figure referring to the third quarter of 2022 (acquisition finalised on 1 September 2022).

⁹ In 2023, consumption and emissions from personal use of mixed-use cars, amounting to 7.28 TJ and 0.32 thousand tCO₂eq, were only excluded for the first nine months of 2023, due to the implementation of a new company policy that allows for the timely tracking of business trips in mixed-use vehicles. The corresponding values for the first nine months of 2022 are 7.83 TJ of consumption and 0.33 thousand tCO₂eq of emissions.

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

¹¹ Referring to Toscana Energia and Italgas Reti. If plants equipped with turbo-expanders and co-generation plants were to be excluded, specific consumption would fall from 1.28, for the first nine months of 2022 - recalculated with the same perimeter adopted for 2023 - to 1.09, for the first nine months of 2023.

due to the operation of plants equipped with turbo-expanders and cogeneration activated in 2023, the same plants that resulted in a simultaneous production for self-consumption of 11.05 TJ of electricity in the first nine months of 2023.

In relation to fuel energy consumption for civil use, in the first nine months of 2023, there was a decrease of 42.4% compared to the same period of the previous year (from 26.9 TJ to 15.5 TJ, despite the contribution of 1.9 TJ relating to the Greek scope), at the same time as a slight overall increase in electricity consumption, equal to 2.7% (from 26.1 TJ to 26.8 TJ, an increase determined solely by the contribution of 5.3 TJ related to the Greek scope). The reduction in total energy consumption for civil use (-10.7 TJ related to gas and electricity consumption, also including the Greek scope) is related to the constant process of optimising and renewing the real estate assets, in addition to their “smart” management based on the continuous digitised monitoring of the main parameters of the offices and their consumption (with the resulting improvement in energy performance).

The Group's industrial consumption of electricity decreased by 33.9% (from 39.5 TJ to 26.1 TJ, of which 0.5 TJ related to the Greek scope)¹², a reduction mainly attributable to plant efficiency improvements in the management of water distribution and the self-consumption of electricity produced in citygates equipped with turbo-expanders combined with co-generation plants.

Finally, energy consumption from automotive fuel decreased by 4.2% (from 92.0 TJ to 88.1 TJ, despite a contribution of 8.2 TJ related to the Greek scope). 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 monitoring construction sites), which overall lead to a significant reduction in the number of field trips by operational staff.

The changes described above, with regard to the consumption of gas for civil and industrial use and those relating to automotive fuels, are found in similar changes in the related greenhouse gas emissions shown in the table 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 consumption and the supply of electricity from certified renewable sources for almost all volumes in Italy.

¹² 11.05 TJ of electricity produced by plants equipped with turbo-expanders and co-generation plants 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 nine months of 2023, which also take into account the contribution of the DEPA Infrastructure Group, which was not included in the figure referring to the Q3 2022 (acquisition finalised on 1 September 2022).

Scope 1 and Scope 2 ¹³ (thousand tCO ₂ eq)	First nine months		Abs. change	% Change
	2022	2023		
Fugitive gas emissions (Scope 1)	83.2	91.6	8.4	10.1
Emissions from gas consumption for industrial use (Scope 1)	10.6	9.3	(1.3)	(12.3)
Emissions from gas consumption for civil use (Scope 1)	1.5	0.9	(0.6)	(40.0)
Emissions from fuel consumption for vehicles (Scope 1) ¹⁴	4.5	4.2	(0.3)	(6.7)
Emissions from electricity consumption for industrial use (Scope 2)	-	0.1	0.1	-
Emissions from electricity consumption for civil use (Scope 2)	0.2	0.3	0.1	50.0
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	100.0	106.4	6.4	6.4

The increase in total emissions in the first nine months of 2023 compared to the first nine months of 2022 (+6.4%) is a consequence 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 nine months of 2022) and fugitive emissions in the Italian scope, as a result of the increased kilometres of network investigated in the areas with the highest leakage recorded in 2022. With reference to the Greek scope, the kilometres of network investigated amount to 5,799 and the parameter of emissions per kilometre inspected is 94.8 Sm³/km. In Italy, significant efforts to reduce fugitive emissions led to an increase in the investigated network of 76,025 km in 2023 (+14.9% compared to the 66,167 km surveyed in 2022). Looking more specifically at the KPIs characteristic of the process, in the first nine months of 2023 there was a 14.1% decrease in the ratio of leaked gas to kilometres of network investigated for the Italian scope, the value of which fell from 72.5 Sm³//km in the first nine months of 2022 to 62.3 Sm³/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) with the outcome of the processing of data obtained in the field via the intensive leak detection programme, will identify the areas potentially at risk of leakage and the related probability of emissions, with a view to predictive management and maintenance.

¹³ Scope 2 market-based. The figures for the first nine months of 2023 take into account the contribution of the DEPA Infrastructure Group, which was not included in the figure referring to the third quarter of 2022 (acquisition finalised on 1 September 2022).

¹⁴ In 2023, consumption and emissions from personal use of mixed-use cars, amounting to 7.28 TJ and 0.32 thousand tCO₂eq, were only excluded for the first nine months of 2023, due to the implementation of a new company policy that allows for the timely tracking of business trips in mixed-use vehicles. The corresponding values for the first nine months of 2022 are 7.83 TJ of consumption and 0.33 thousand tCO₂eq of emissions.

Main events of 2023

Extraordinary transactions and area tenders

- In June 2023, the merger by incorporation of Janagas S.r.l. into Medea S.p.A., it was finalised, effective 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.

- In September 2023, the merger by incorporation of EDA Thess and EDA Attikis into 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.

Innovation, digitisation of the corporate networks and processes

In the first nine months 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.

- 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.

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.

Energy efficiency

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. The tariff contribution is provided for in the amount of € 250.68/EEC and is equal to 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

On 3 August 2023, by means of Consultation Document no. 382/2023/R/efr, the Authority, in order to alleviate the financial exposure of operators complying with their obligations, deemed it appropriate to increase the unit value of the tariff contribution paid on account, to a value of € 240.00/EEC compared to the current contribution of € 200.00/EEC.

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 one of 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 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.
- 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.

Legal and Regulatory Framework

- On 23 May 2023, the Regional Administrative Court of Lombardy rejected the appeal brought by Italgas Reti against Resolution no. 525/2022/R/gas concerning the "Provision on the application of the cap on the tariff recognition of investments in start-up locations" and Resolution no. 528/2022/R/gas containing the "Criteria for the formulation of observations to the calls for tenders for the award of the natural gas distribution service in the locations identified by Article 114-ter of Decree-Law no. 34 of 19 May 2020".
- On 17 May 2023, the Court of Naples dismissed the appeal for preventive technical assessment brought by Italgas Reti before the Court of Naples concerning the admission of a technical expert's report for the purpose of redetermining the amount owed to Italgas Reti by the operator who was awarded the ATEM Naples 1 contract by way of redemption value. The proceedings on the merits are pending before the Court of Naples with the first hearing set for 30 November 2023.
- The Authority notified the Council of State of its appeal against the sentence of the Regional Administrative Court of Lombardy which, in its ruling of January 2023, upheld the appeal brought by Italgas Reti for the annulment of **Resolutions no. 603/2021/R/com** and **no. 604/2021/R/com**, with which the Authority had imposed communication obligations on distribution companies regarding the two-yearly prescription of electricity and gas consumption. At present, the next hearing is scheduled for 24 October 2023.
- In February 2023, Italgas Reti challenged Resolution no. 654/2022/R/com, by which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of the TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for in Article 8 of the TIWACC 2022-2027 for the updating of the WACC for the sub-period 2022-2024, the calculation of the WACC resulting from the updating of the relevant financial parameters results in a change, for each service, of less than 50 bps (basis point) 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.
- The Italian Authority with **Resolution no. 409/2023/R/gas** 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%;
 - postpones the redetermination of the definitive reference tariffs for the gas distribution service for the years 2020, 2021 and 2022 to the outcome of the appeal proceedings, which are still pending, and which were brought by the Authority, in the event of a negative outcome, against the five sentences on which the Regional Administrative Court of Lombardy has ruled so far.

The Italgas Group, given the definition of calculation parameters, included these adjustments on results of September 2023.

- On October 12, 2023, Determination 01/2023 "Recognition of the residual value of smart meters of class minor or equal to G6 pursuant to Article 57, paragraph 4, of the RTDG" was published, which establishes the operating procedures in order to recognize the residual costs of smart meters installed until 2018, with year of manufacture no later than 2016, and dismissed earlier

than the end of the tariff lifespan as provided for in Resolution 737/2022/R/GAS by which ARERA established the recognition of the residual value of smart meters that have already been dismissed or will be dismissed in the future earlier than the end of the regulatory useful life. The Italgas Group is analysing the Determination and is defining the revenues that will be recognized on fourth quarter of 2023.

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Significant events after year end

On October 16, 2023, the acquisition from Veolia Environnement S.A. Group of the business unit responsible for the concessions held in the water sector in Italy.

The acquisition, announced on 14 March, was finalized following clearance of the Granting Authorities.

With this transaction, Italgas launches its strategy to expand its presence in the water sector; as of today, the Group serves - both directly and indirectly - 6.2 million individuals, equivalent to approximately 10% of the Italian population

The name of the Group's company, which will now encompass all water-related activities, including the concessions in Caserta and its province, will also be changed: it will be called Nepta to emphasize the connection with the mythological world of water through a name that also echoes a reference to technology in line with the future of the networks entrusted to the Italgas Group.

Business Outlook and Russia – Ukraine Conflict

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.

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 of 30 September 2023, of € 400.3 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.

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 03:00 pm CET today, a *conference call* will be held to present the results as at 30 September 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.