



# — 2019 ... growing 3<sup>rd</sup> consecutive year

**2019 results came ahead of targets/guidance**

**Digital transformation is a value creation**

**Sardinia ~ 590km of pipelines completed as of now\***

**Toscana Energia and 3 tenders won**

**Strong financial structure - best in class cost of debt**

**Inclusion in the Dow Jones Sustainability Index World**

**We propose a  
DPS  
€0.256/share**

**+9,4% vs 2018**

**+23.1% vs 2017**

\* End of February 2020

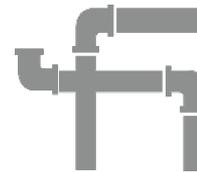
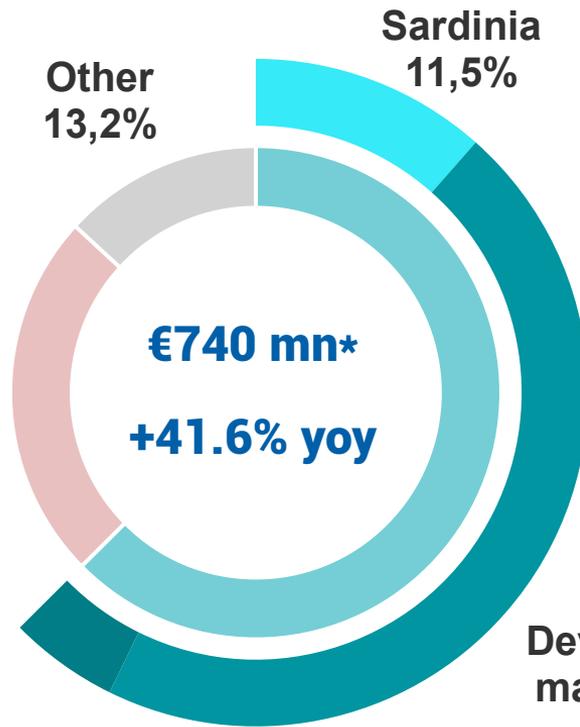
# — Impressive 2019 Capex



~ 2,057,400 new smart meters installed \*\*

Metering  
24,3%

Digitizati...



Total network capex  
63% of the total

933 km of new lines  
built of which 440 km  
in Sardinia at the end  
of 2019

Development,  
maintenance  
45,7%

\* It includes €24.7mn of Toscana Energia

\*\* Of which ~1,780,100 units related to the replacement of traditional meters, including affiliates

# Sardinia - a strategic role



Medea  
7 concessions in operation and  
10 under construction

		Today	→	Tomorrow
# customers		~ 45,000	→	Potential market ~200,000
Network km		~ 1,100	→	~ 2,000 FULLY DIGITIZED
Fuel	Concessions in operation	LPG / LPG air Until natural gas is not available in Sardinia	→	LNG\Natural Gas
	Under construction	n.a.	→	LNG\Natural Gas

~ 590 Km completed as of February 2020

# The digital transformation ... speeding up

## Digitization areas

### Asset



- Industrial IoT ✓
- Advanced Analytics / Big Data ✓

- ✓ 600 digital GRF at the end of 2019
- ✓ 360 district grids digitized
- ✓ 2.1 mn smart meters installed in 2019



### Process (staff&ops)



- Advanced Analytics / Machine Learning ✓
- Bots / Digital Assistants ✓
- Blockchain

### Cloud IoT Platform



### Workforce



- Mixed Reality ✓
- Wearables ✓
- Bots / Digital Assistants



SpaceOne



Mixed Reality

# — Control Room : new tools for emergency intervention

- Real-time network monitoring in enhanced Control Room
- New network analytics and prediction tools for safety and efficiency
- Emergency calls processing improvement and faster interventions

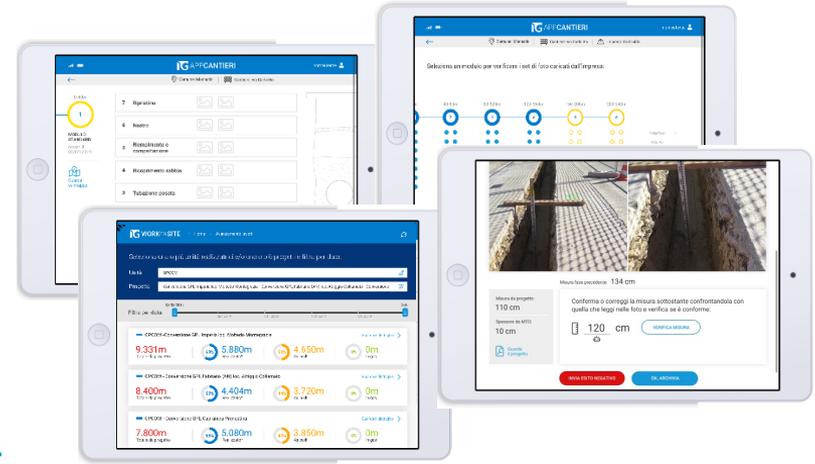
## Main benefits

- Improved visibility on network status and performance
- Faster emergency calls management
- More effective interventions



# — New remote construction sites supervision

- New operating model for worksites supervision and progress tracking for continuous feedback from external contractors
- Remote monitoring of safety and quality protocols
- Automatic recognition of technical specs



## Main benefits

- Reduction of validation process duration
- Works quality improvement resulting in less quality checks and reworks required afterwards
- Internalization of supervision activities



Safety and quality

Technical requirements

# — New technologies and tools.... to scale up in 2020

## Augmented Reality devices for remote support on the field

- **Vocal assistant** in step-by-step **guided procedures** for maintenance
- **Remote collaboration** through on-field real-time video-conferencing with remote experts
- **Innovative devices** to enable knowledge sharing

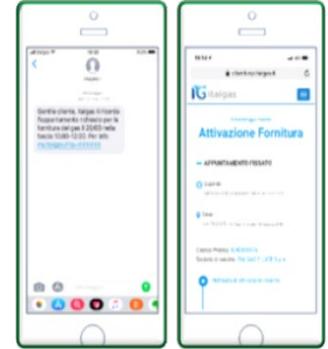


### *Main benefits*

- **Reduction of complex intervention duration**
- **Knowledge transfer** through best practices sharing and training acceleration
- **Efficiency improvement on the field**

## Enhanced dynamic dispatching of workers on the field

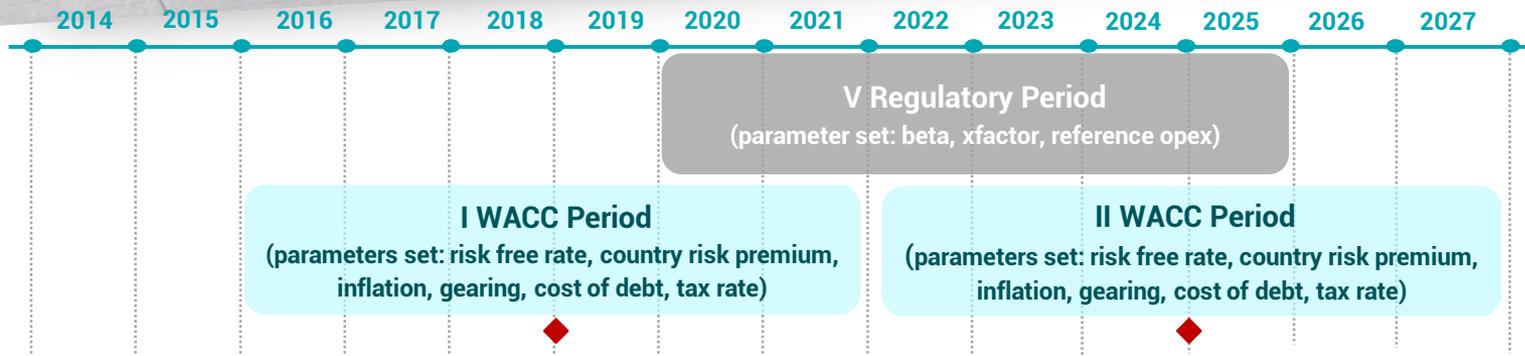
- **End-users experience enhancement** through real-time monitoring and notifications
- **Scheduling algorithm improvement** with dynamic reallocation of interventions
- Simplified **guided wizard** to close a technical interventions



### *Main benefits*

- **Increase in resources saturation**
- **Improved end-users experience**
- **Reduction of missed interventions**

# New regulatory period started in 2020



## V REGULATORY PERIOD MAIN DECISIONS

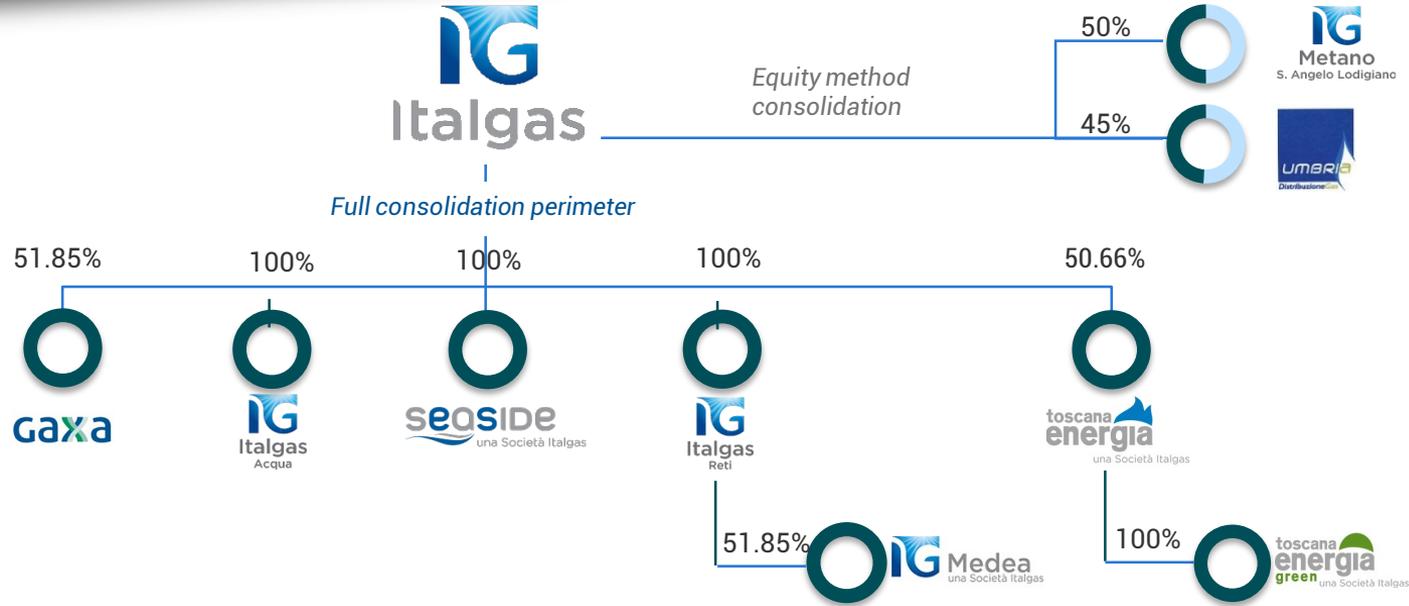


1. Confirms overall RAB methodology
2. **Allowed return:** 6.3% for both metering and distribution (un.beta alignment)
3. **Allowed opex:** €5.54/PdR reduction of the allowed cost of 2020 vs 2019; X factor set at 3.53% for distribution aiming at full profit sharing in six years
4. **Sardinia tariff equalisation** for the period 2020-22
5. **All capex:** RAB subsidies released in 34 years; recognition of not fully depreciated value of traditional meters; standard capex incentives from 2022 investments\*; unitary RAB cap applied to investment completed in 2018.

◆ 3 years updates of CAPM parameters

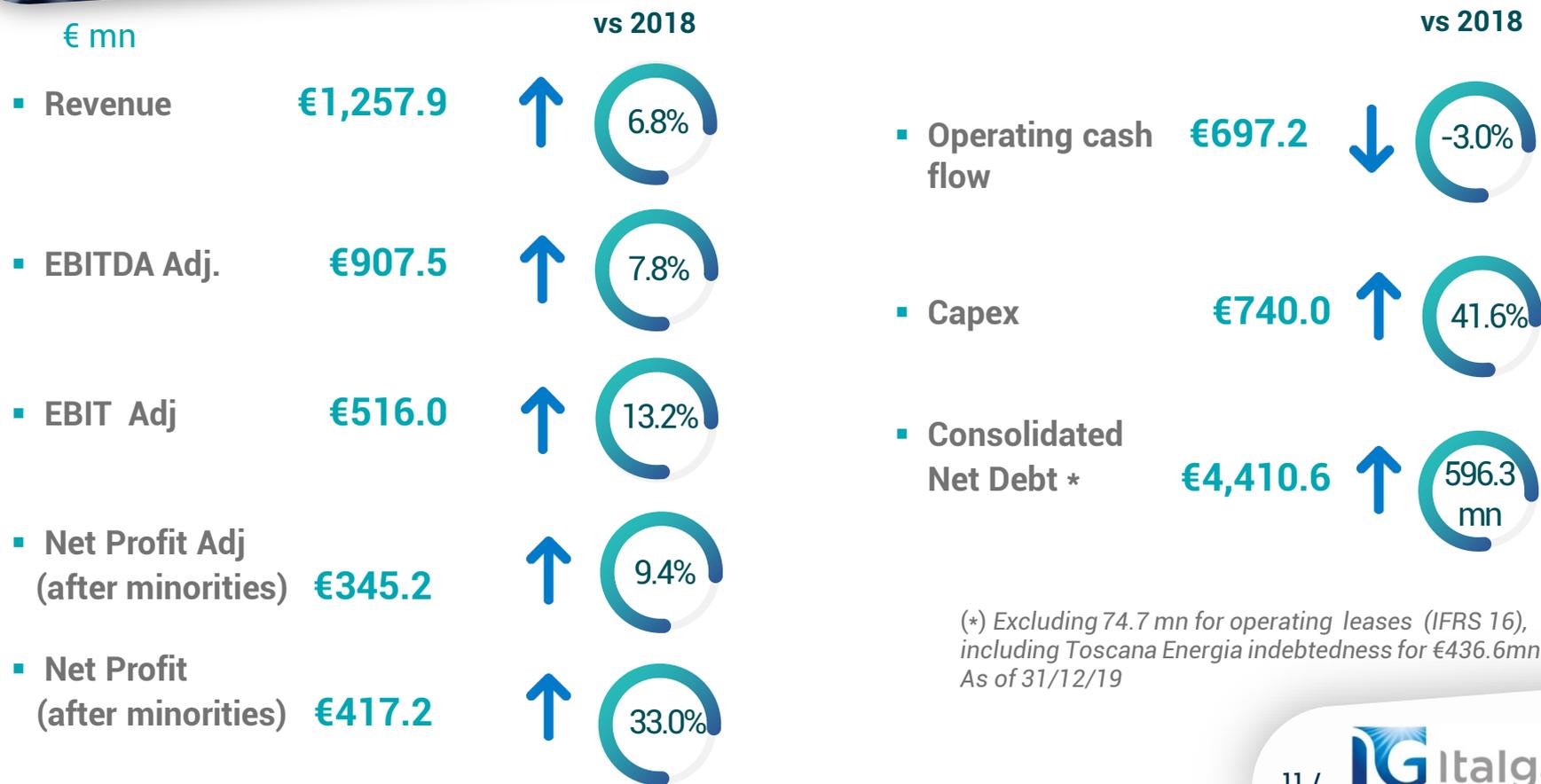
\* Criteria to be defined

# — Lean Corporate



Corporate simplification completed

# — 2019 ... growing 3<sup>rd</sup> consecutive year



(\* Excluding 74.7 mn for operating leases (IFRS 16), including Toscana Energia indebtedness for €436.6mn As of 31/12/19

# Income Statement

€mn	2018	2019	Change
Revenues	1,178.1	1,257.9	79.8
Operating expenses	- 338.6	- 350.4	- 11.8
<b>EBITDA</b>	<b>839.5</b>	<b>907.5</b>	<b>68.0</b>
<b>EBITDA adjusted</b>	<b>842.0</b>	<b>907.5</b>	<b>65.5</b> ↑ 7.8%
Depreciation & amortisation	- 386.0	- 391.5	- 5.5
<b>EBIT</b>	<b>453.5</b>	<b>516.0</b>	<b>62.5</b>
<b>EBIT adjusted</b>	<b>456.0</b>	<b>516.0</b>	<b>60.0</b> ↑ 13.2%
Net interest income (expenses)	- 47.0	- 69.3	- 22.3
<i>of which special items</i>		- 18.3	- 18.3
Net income from associates	20.0	100.8	80.8
<i>of which special items</i>		85.9	85.9
<b>EBT</b>	<b>426.5</b>	<b>547.5</b>	<b>121.0</b>
Income taxes	- 112.8	- 123.9	- 11.1
<b>NET PROFIT before minorities</b>	<b>313.7</b>	<b>423.6</b>	<b>109.9</b>
<b>NET PROFIT after minorities</b>	<b>313.7</b>	<b>417.2</b>	<b>103.5</b> ↑ 33.0%
<b>Net Profit Adjusted before minorities</b>	<b>315.5</b>	<b>351.6</b>	<b>36.1</b>
<b>Net Profit Adjusted after minorities</b>	<b>315.5</b>	<b>345.2</b>	<b>29.7</b> ↑ 9.4%

# — Consolidated Revenues

€mn

	2018	2019	Change
<b>Regulated revenues</b>	<b>1,145.0</b>	<b>1,198.0</b>	<b>53.0</b>
Distribution	1,007.3	1,100.2	92.9
Tariff contribution for meters replacement	71.5	22.9	- 48.6
Other distribution revenues	66.2	74.9	8.7
<b>Other revenues</b>	<b>33.1</b>	<b>59.9</b>	<b>26.8</b>
<b>TOTAL REVENUES</b>	<b>1,178.1</b>	<b>1,257.9</b>	<b>79.8</b>

# Consolidated Revenues

€mn



# — Consolidated Opex

€mn

## Gas Distribution activities

Fixed costs

Net labour cost

Net external cost

Variable costs

Other costs

Tee

Concessions fees

## Other activities

Net labour cost

Net external cost

## TOTAL COSTS

## Special Items

## TOTAL COSTS adjusted

2018

2019

Change

318.7

246.7

140.9

105.8

4.8

10.2

2.3

54.7

19.9

3.7

16.2

338.6

2.5

336.1

322.7

240.5

141.2

99.3

6.2

5.5

7.8

62.7

27.7

5.0

22.7

350.4

-

350.4

4.0

- 6.2

0.3

- 6.5

1.4

- 4.7

5.5

8.0

7.8

1.3

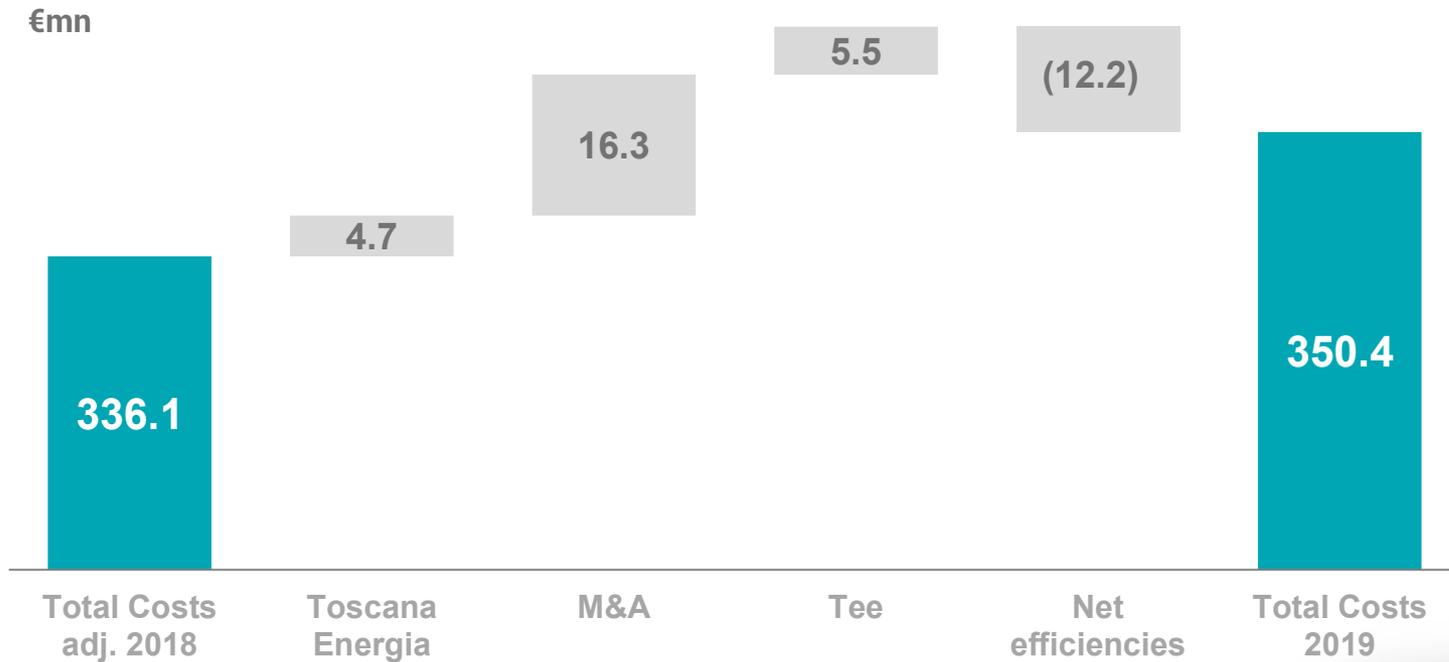
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11.8

- 2.5

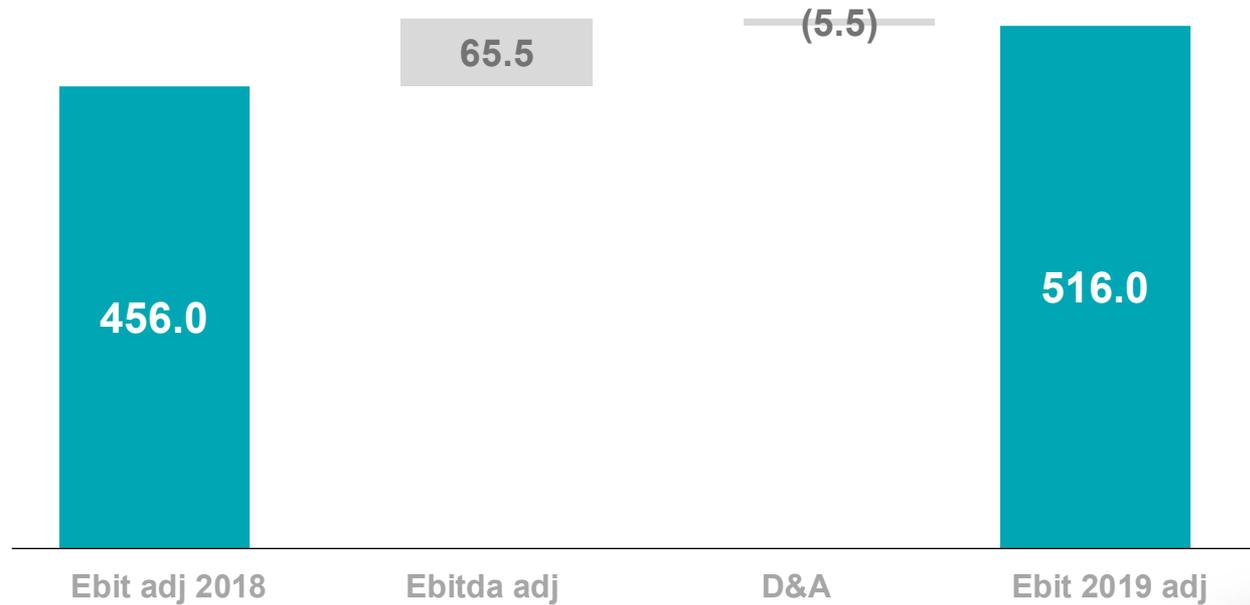
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# — Consolidated Opex

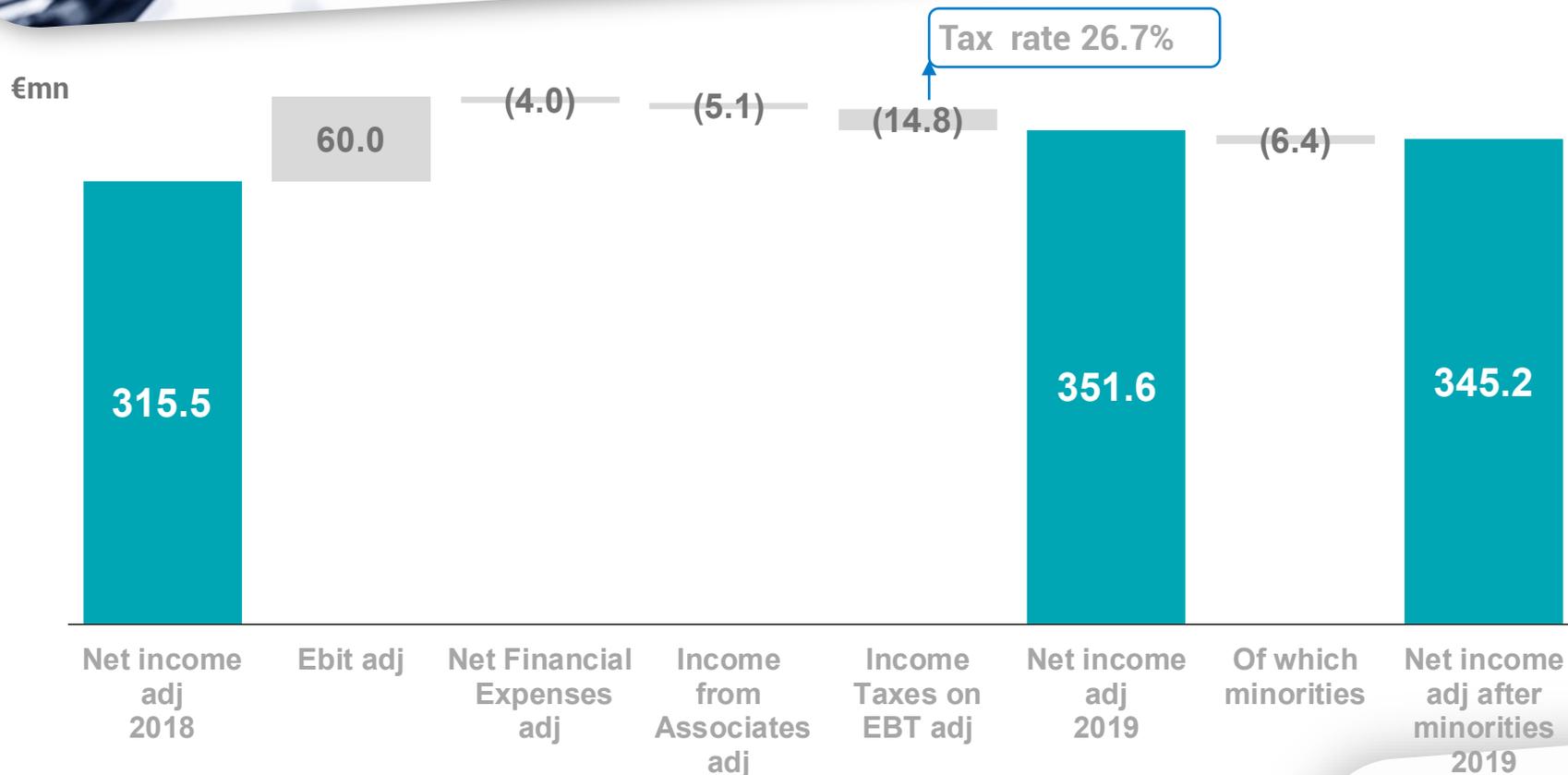


# — Ebit adj: +13.2% vs 2018

€mn



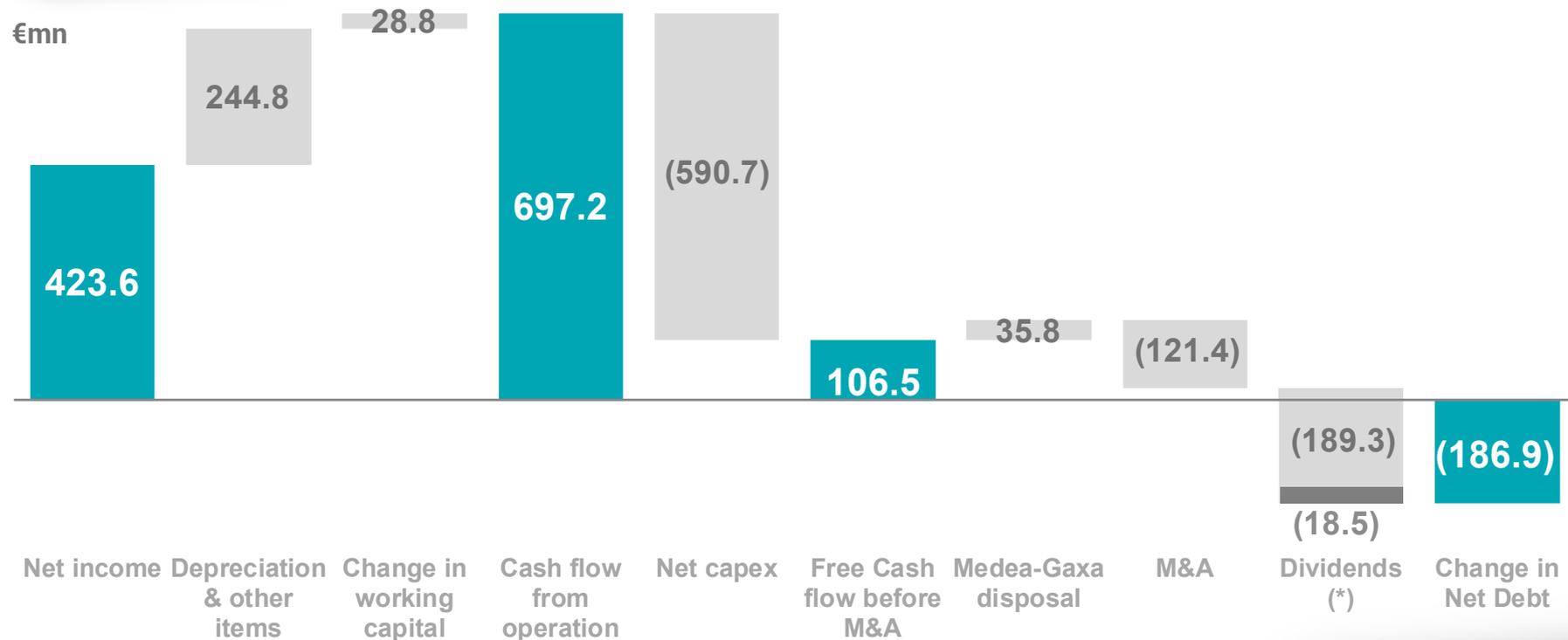
# — Net income adj: +9.4% vs 2018



2019 Adjusted Net Financial Expenses exclude €18.3 mn pre-tax negative cost related to liability management

2019 Adjusted Net Income excludes also €85.9 mn positive capital gain on Toscana Energia

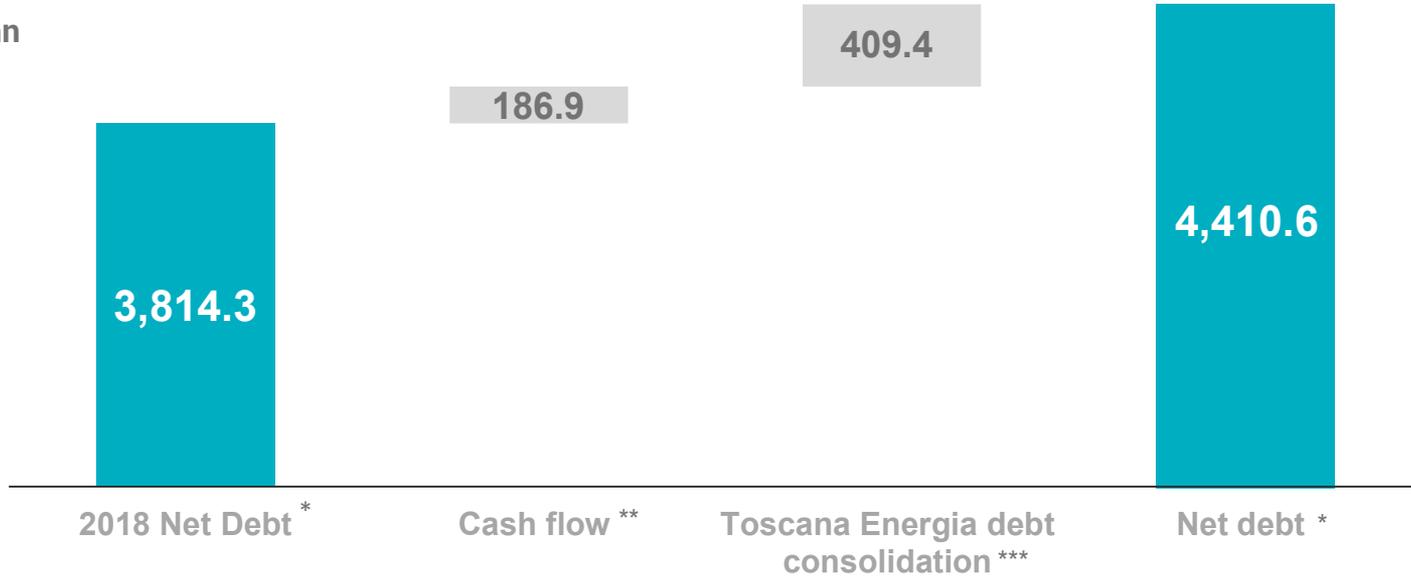
# Consolidated Cash Flow



(\*) €189.3 mn Dividends to Italgas shareholders  
 €18.5 mn Special Dividend paid by Toscana Energia (quota of minorities)

# — Consolidate Net Debt

€mn



\* Excluding financial debts for operating leases (IFRS 16)

\*\* including Toscana Energia 4Q cash flow

\*\*\* Debt at 30 September 2019

# — Debt Structure: solidity and efficiency

Further lengthen debt maturity in 4Q thanks to liability management

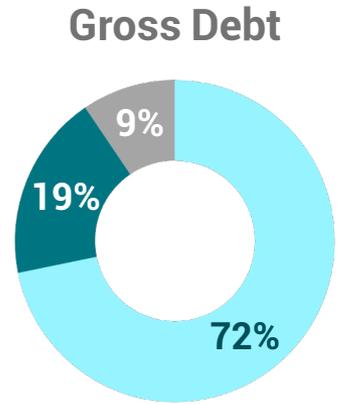
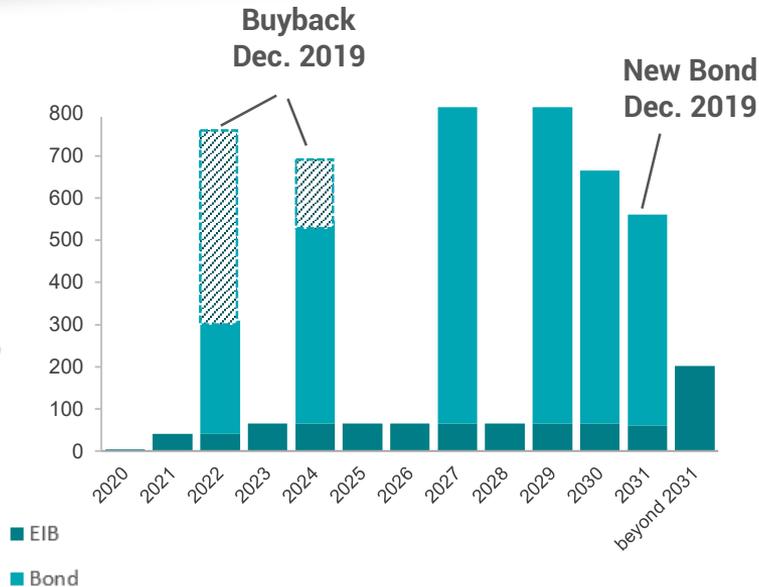
- **Bonds Buyback**

- ✓ € 481.6 mn coupon 0.5%, maturity 2022

- ✓ € 169.1 mn coupon 1.125%, maturity 2024

- **Bond issuance**

- ✓ € 500 mn, coupon 1%, December 2031 (12 yrs)



- Bond
- Institutional Lenders Financing (EIB)
- Banking Lines

**Net debt €4.4bn\***  
**Cost of debt: ~1.1%**  
**Fixed rate debt: ~ 88%**  
**Liquidity & undrawn committed funds €0.5 bn**

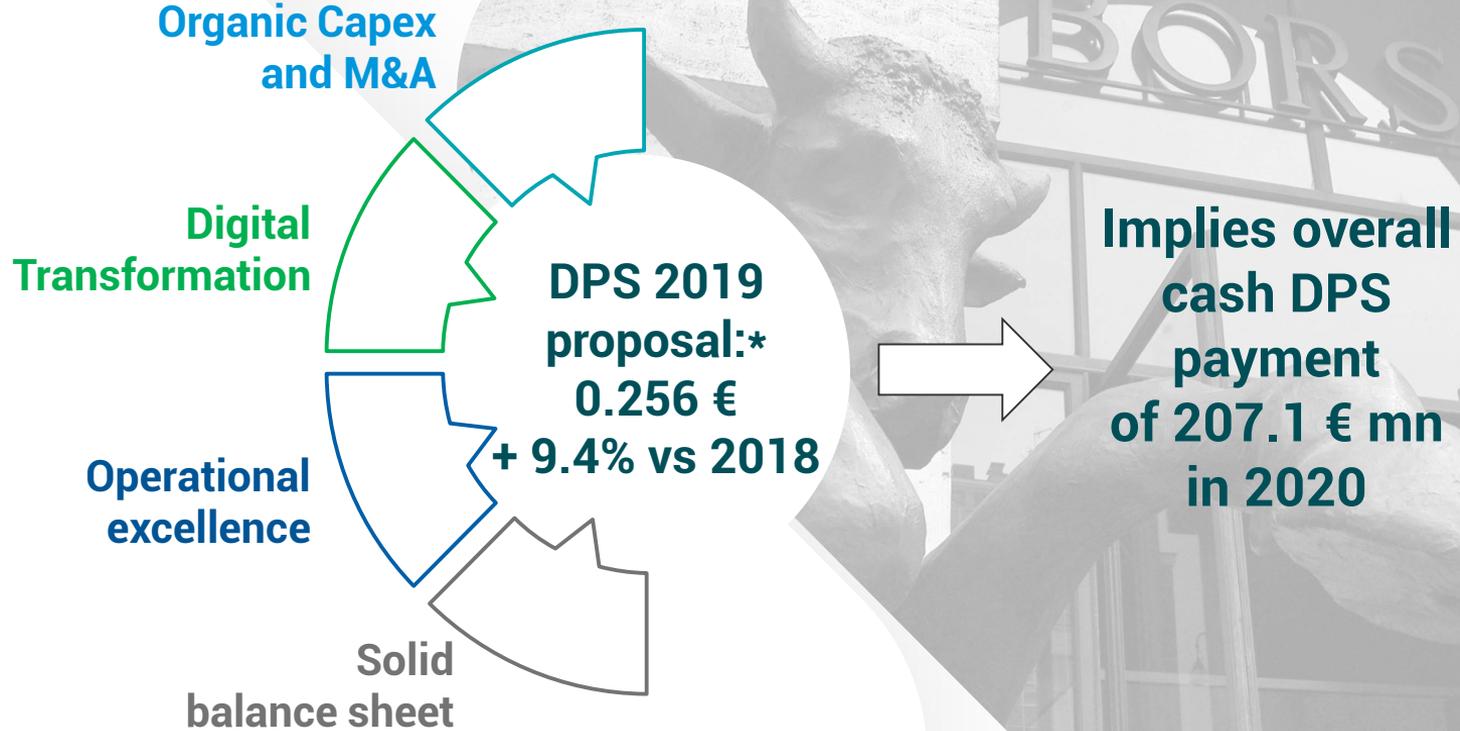
(\* Excluding 74.7 mn for operating leases (IFRS 16))

# — Balance Sheet

€mn

	2018 Dec, 31st	2019 Dec, 31st	Change
<b>Net invested capital</b>	<b>5,193.5</b>	<b>6,280.2</b>	<b>1,086.7</b>
Fixed capital	5,284.1	6,335.0	1,050.9
Tangible fixed assets	259.2	350.0	90.8
Net intangible fixed assets	4,982.8	6,176.1	1,193.3
Net payables investments	- 133.1	- 225.0	- 91.9
Equity-accounted and other investments	175.2	33.9	- 141.3
Net working capital	5.7	56.3	50.6
Receivables	737.1	841.9	104.8
Liabilities	- 731.4	- 785.6	- 54.2
Provisions for employee benefits	- 107.9	- 113.2	- 5.3
Assets held for sale and directly related liabilities	11.6	2.1	- 9.5
<b>Net financial debt</b>	<b>3,814.3</b>	<b>4,410.6</b>	<b>596.3</b>
<b>Financial debt for operating leases (IFRS 16)</b>	<b>49.9</b>	<b>74.7</b>	<b>24.8</b>
<b>Shareholders' equity</b>	<b>1,329.3</b>	<b>1,794.9</b>	<b>465.6</b>

# — Dividend Policy ...



**...delivers additional value to shareholders**

\* Payable on May 20<sup>th</sup> 2020



## Q & A





# Annexes



# The leading Italian natural gas distributor



	Base line	Of w affiliates
Network length	71,761 km	1,259 km
Municipalities	1,830	14
Redelivery Points	8.597 mn	0.133 mn
Market Share <sup>1</sup>	35%	0.1%
Gas distributed <sup>2</sup>	8.9 Bcm	0.1 Bcm
Employees	4,140	44

Note: (1) Calculated by redelivery points

(2) Annual Volume

Source: Data updated December 2019

# Income Statement

€mn	2018 4 <sup>th</sup> Quarter	2019 4 <sup>th</sup> Quarter	Change	Of which Toscana Energia:
Revenues	293.5	341.0	47.5	34.8 €mn
Operating expenses	- 83.2	- 94.2	- 11.0	-4.7 €mn
<b>EBITDA</b>	<b>210.3</b>	<b>246.8</b>	<b>36.5</b>	
Depreciation & amortisation	- 90.7	- 107.7	- 17.0	-12.4 €mn
<b>EBIT</b>	<b>119.6</b>	<b>139.1</b>	<b>19.5</b>	
Net interest income (expenses)	- 11.4	- 32.1	- 20.7	
<i>of which special items</i>		- 18.3	- 18.3	
Net income from associates	4.7	83.6	78.9	
<i>of which special items</i>		85.9	85.9	
<b>EBT</b>	<b>112.9</b>	<b>190.6</b>	<b>77.7</b>	
Income taxes	- 25.6	- 29.6	- 4.0	
<b>NET PROFIT before minorities</b>	<b>87.3</b>	<b>161.0</b>	<b>73.7</b>	
<b>NET PROFIT after minorities</b>	<b>87.3</b>	<b>154.6</b>	<b>67.3</b>	
<b>Net Profit Adjusted after minorities</b>	<b>89.1</b>	<b>82.6</b>	<b>- 6.5</b>	

# — Income Statement

€mn	2019 1 <sup>st</sup> Quarter	2019 2 <sup>nd</sup> Quarter	2019 3 <sup>rd</sup> Quarter	2019 4 <sup>th</sup> Quarter
Revenues	310.8	298.6	307.5	341.0
Operating expenses	- 91.6	- 83.9	- 80.7	- 94.2
<b>EBITDA</b>	<b>219.2</b>	<b>214.7</b>	<b>226.8</b>	<b>246.8</b>
Depreciation & amortisation	- 95.6	- 96.7	- 91.5	- 107.7
<b>EBIT</b>	<b>123.6</b>	<b>118.0</b>	<b>135.3</b>	<b>139.1</b>
Net interest income (expenses)	- 12.2	- 11.9	- 13.1	- 32.1
<i>of which special items</i>				- 18.3
Net income from associates	5.8	6.0	5.4	83.6
<i>of which special items</i>				85.9
<b>EBT</b>	<b>117.2</b>	<b>112.1</b>	<b>127.6</b>	<b>190.6</b>
Income taxes	- 30.9	- 32.2	- 31.2	- 29.6
<b>NET PROFIT before minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>161.0</b>
<b>NET PROFIT after minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>154.6</b>
<b>Net Profit Adjusted after minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>82.6</b>

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