



STRATEGIC PLAN 2021-27 EMPOWERING OUR FUTURE

Rome
15.06.2021



AGENDA

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SMART GAS
NETWORKS

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SCENARIO



ENERGY TRANSITION OUR FUTURE

“I want Europe to become the first climate neutral continent in the world by 2050”

U. Von Der Leyen
EU Commission, President
December 2019

“While we continue to battle the pandemic, we must also focus on our long-term challenges: this is why the Green Deal, as a growth strategy, remains our compass throughout the recovery”

F. Timmermans
EU Commission, Executive VP
December 2020

ENERGY TRANSITION KEY MILESTONES

EU committed to a carbon neutral economy by 2050
both politically and economically

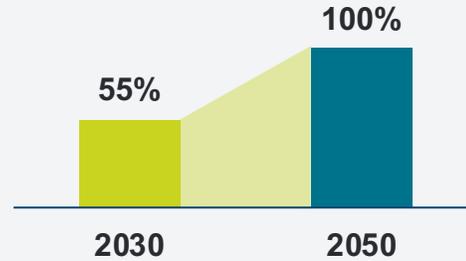


ENERGY TRANSITION AT THE CORE OF EU POLICIES

€175-290bn a year of incremental investments necessary to reach decarbonization goals

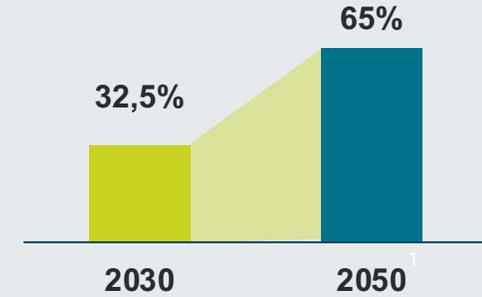
Contribution of all sectors is paramount

CO2 emissions cut vs 1990



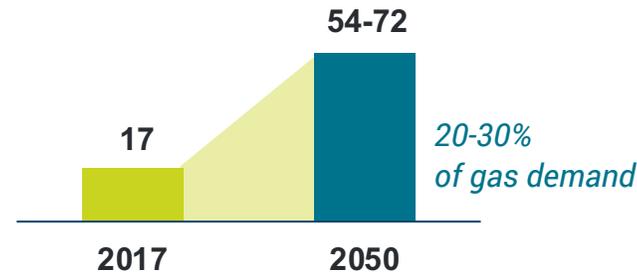
The EU is preparing a package of initiatives to reduce CO2. A general revision of gas market legislation is also targeted

Energy Efficiency vs 1990



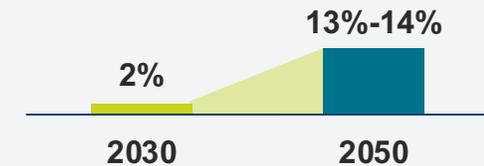
Ongoing revision of the European Energy Efficiency Directive

Biomethane consumption MTOE



The revision of the gas market legislation includes how to facilitate the uptake of renewable gases

Hydrogen in EU energy mix ~ 500 GW electrolysis capacity by 2050

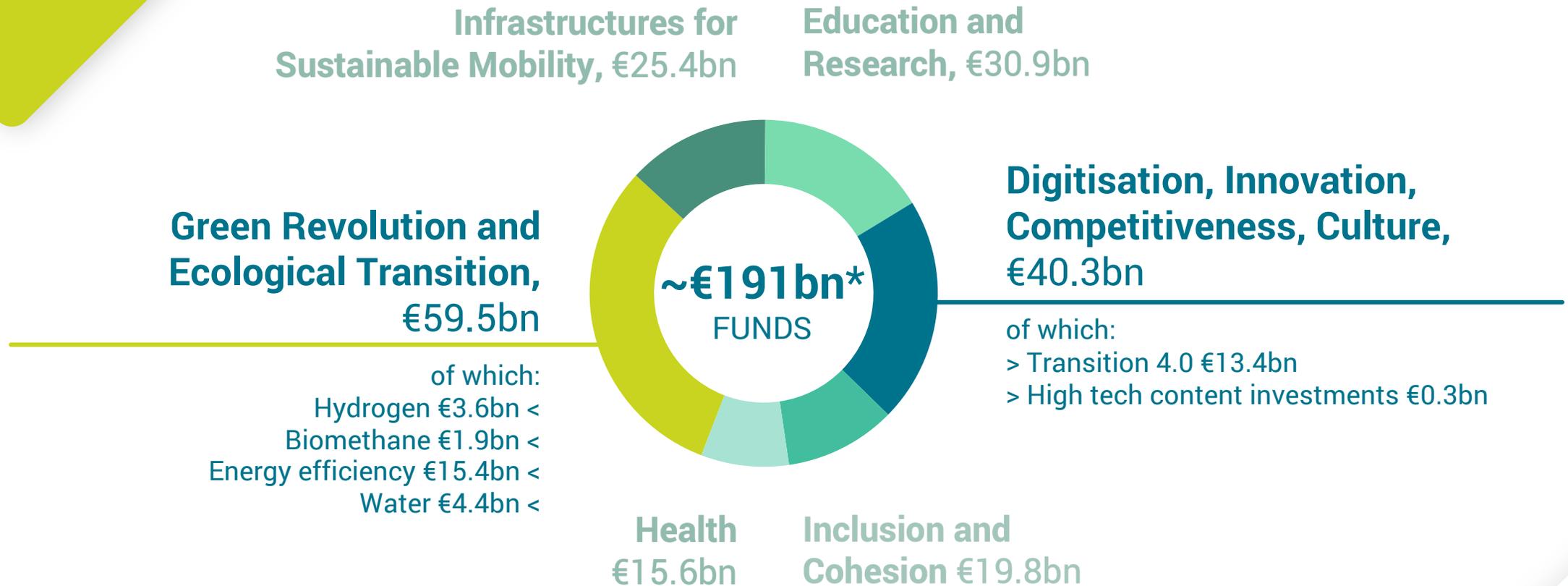


Hydrogen may be transported via repurposed natural gas pipelines and / or newly built pipelines

SCENARIO

ITALIAN PNRR RESOURCES AVAILABLE

Energy transition is a tool to support economic recovery Italian PNRR to make new resources available



* Resources being allocated through the Recovery and Resilience Facility, additional €30.6 billion funded through the Complementary Fund for a total amount of funds of €222bn;

IMPLICATIONS FOR GAS SECTOR OF EU ACTIONS

ENERGY TRANSITION

Gas to account for **20%** of 2050 European energy consumption

Green gases production should rapidly increase to meet decarbonization target

Gas mix to include **green hydrogen (33%)** and **biomethane/ blue hydrogen / e-gases (67%)**

Gas infrastructures should be able to **manage dynamic changes of gas blending**

Gas infrastructures strategic to ensure **efficiency of the energy system**

Entire gas value chain including both T&D and storage needs to evolve

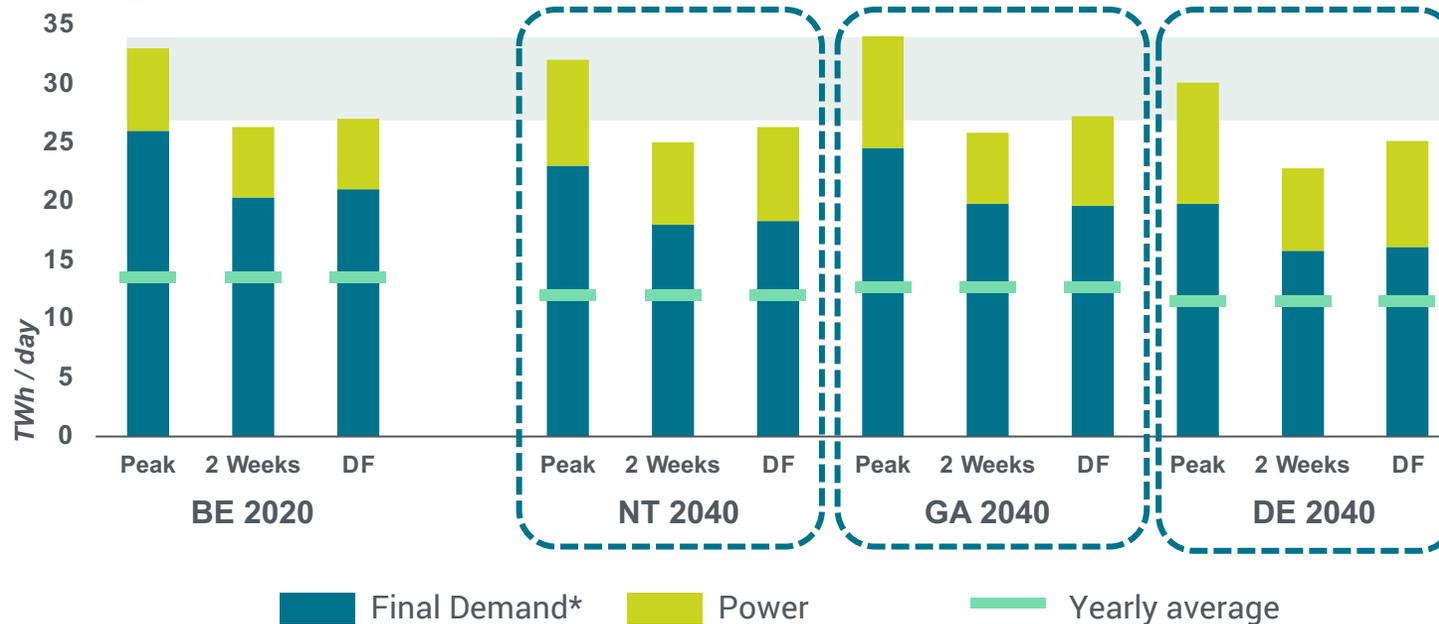
Investments needed to **guarantee flexibility**, through gas and electric systems integration

Gas and electric infrastructures should be able to **cooperate effectively** (“sector coupling”)

GAS DEMAND EXPECTATIONS REAFFIRMED

Gas to provide the needed energy supply flexibility

EU Gas demand – ENTSOG high demand cases analysis



Gas demand to become more dependent from RES performance at peaks

Cold spells coupled with low RES to require high gas peaking capacity also in 2040

Source: ENTSOG, Scenarios BE – Best estimate, NT – National Trends, GA – Global Ambition, DE – Distribution Energy

The "2-week demand" refers to a two-week period during a cold spell resulting in high heating demand.

"Dunkelflaute" expresses a climate case, where in addition to a 2-week cold spell, variable RES electricity generation is low due to the lack of wind and sunlight.

GAS NETWORKS

KEY ROLE IN ENERGY TRANSITION

Enable a cost-effective decarbonisation, balancing short-term and long-term needs of energy markets



ALREADY DEVELOPED,
STABLE AND WIDE-SPREAD INFRASTRUCTURE

~2mln km of pipelines
2,000 gas DSOs and 45 gas TSOs



ACCELERATOR IN THE DEVELOPMENT OF
RENEWABLE AND LOW CARBON GASES

NATURAL GAS

BIOMETHANE

HYDROGEN



STRATEGIC ROLE FOR FLEXIBILITY AND SECURITY
OF SUPPLY OVER TIME AND SPACE

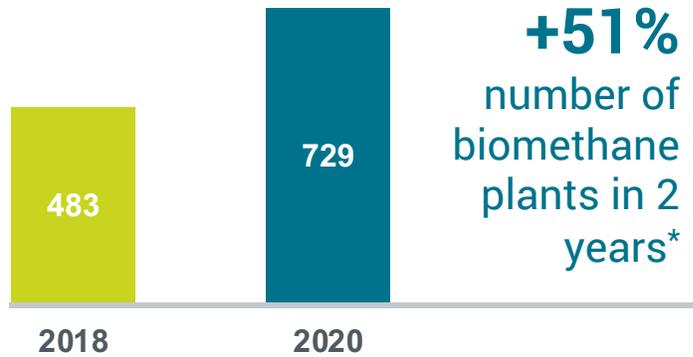
Schematic annual profile of
PV production vs gas load



2020-30 BIOMETHANE THE CLOSER VIABLE GREEN OPTION

**Biomethane accounts for 5% of EU gas demand,
It is the most significant green gas source
but still below its potential**

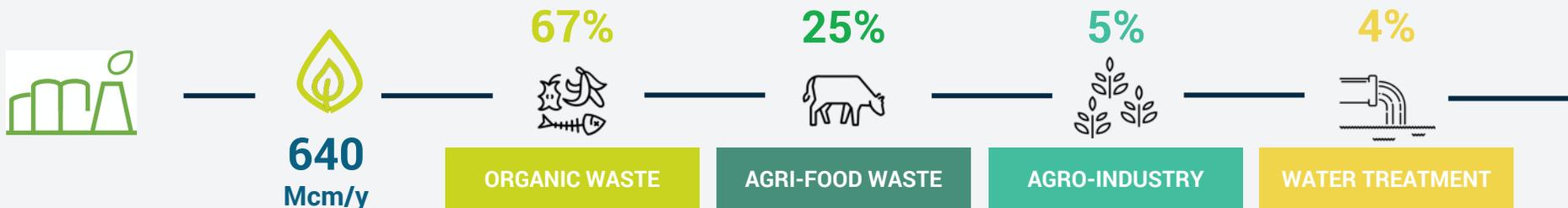
IN EUROPE CAPACITY KEEPS GROWING



AND PROSPECTS ARE ALSO STRONG IN ITALY

- Over 30 operative biomethane injection points on the Italian gas network
- ~90% biomethane plants produce methane from organic waste and agri-food waste sources
- Significant economic incentive framework (certificates guaranteed for 10 years)

ITALY
Current
production
potential**



SCENARIO

* EBA, ** Italgas' estimates based on the biomethane total volume production from 81 plants, either in operation (31) or in progress (50)

2030-40 HYDROGEN MOMENTUM BUILDING

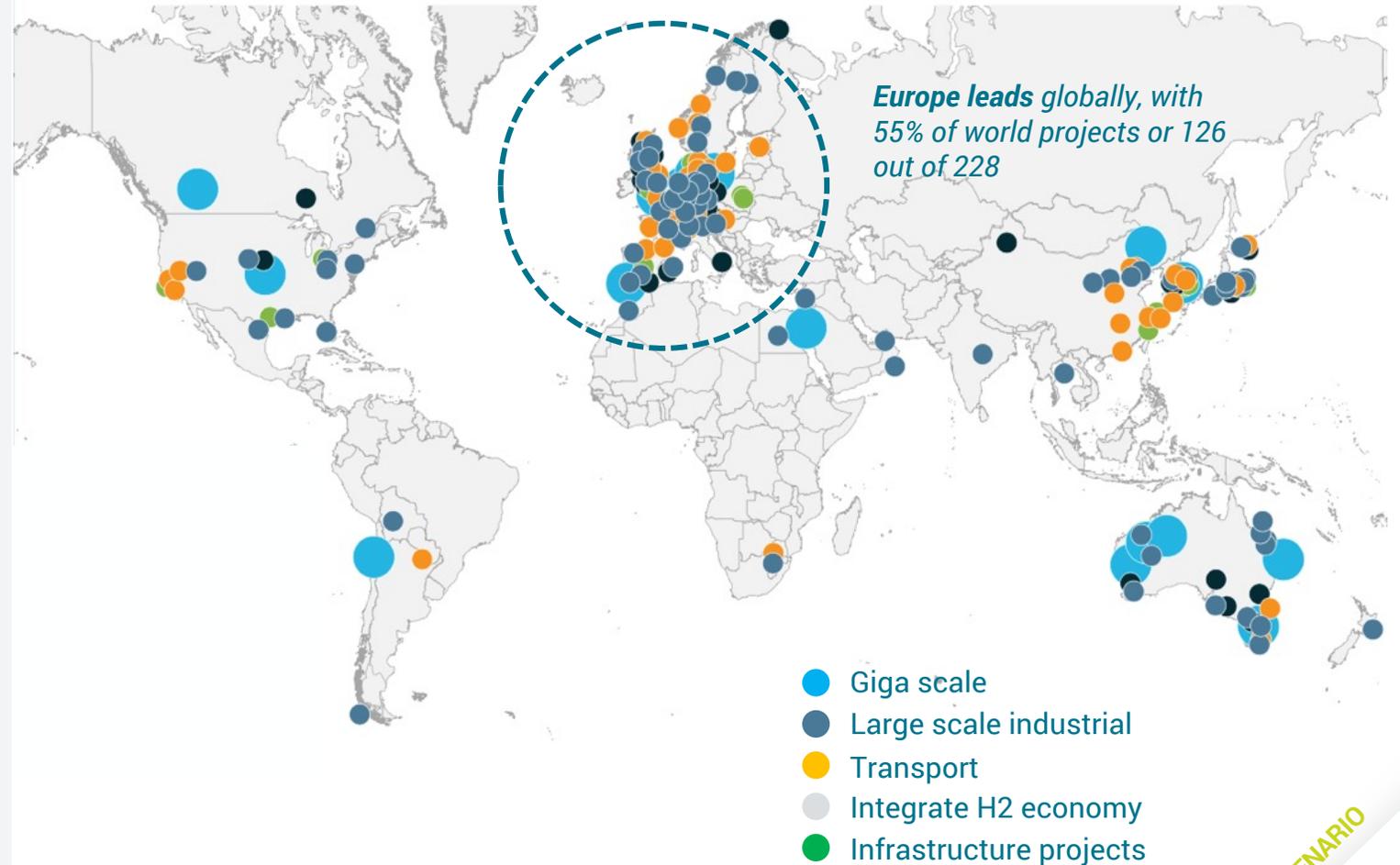
More than 200 projects for >\$80bn announced globally

EU leading the race also on the legislative side

Production costs could fall quicker than anticipated

but

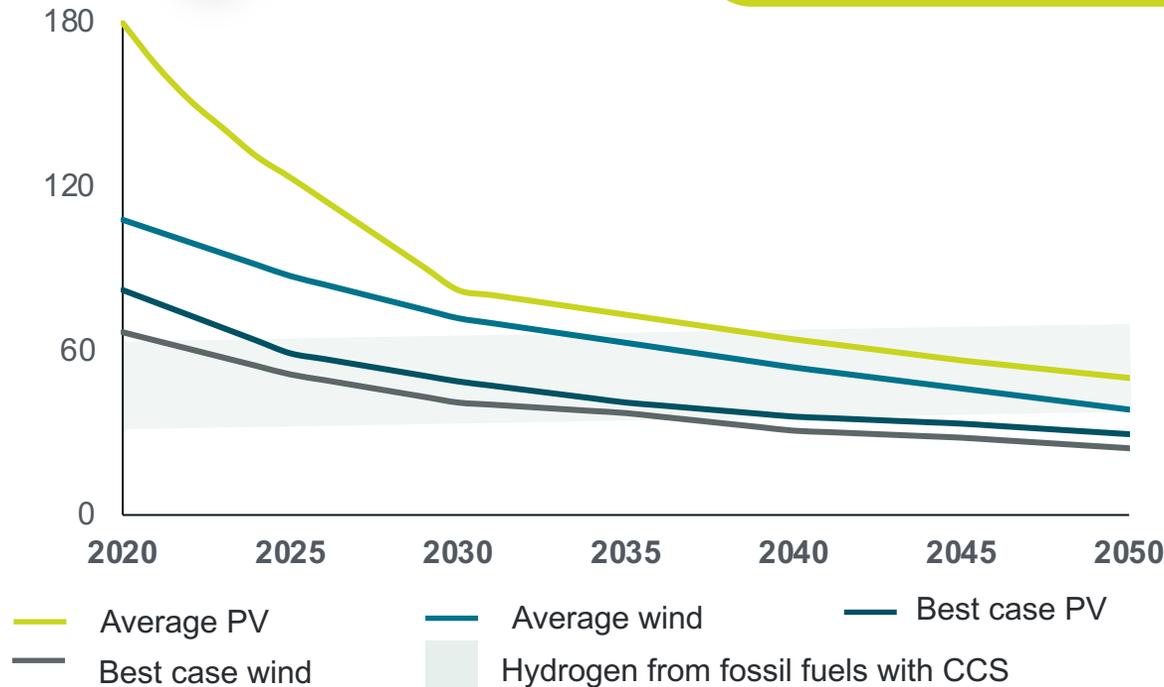
Green hydrogen is not expected to be competitive before 2030



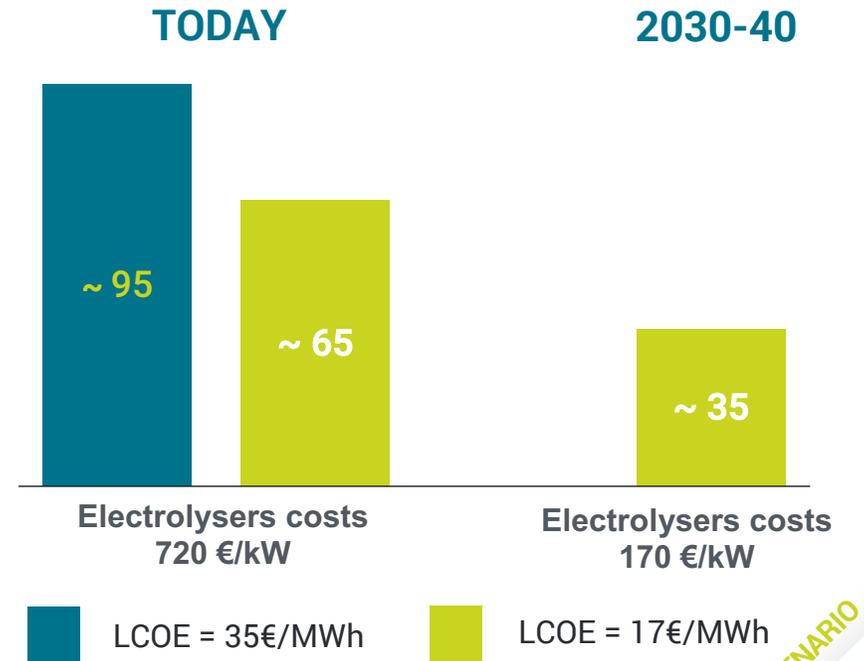
2030-40 GREEN HYDROGEN COST ISSUES TO BE ADDRESSED

Green hydrogen expected to become competitive
But this will require ~ 10 years for prices to fall

Green hydrogen production costs LCOE (€/MWh)



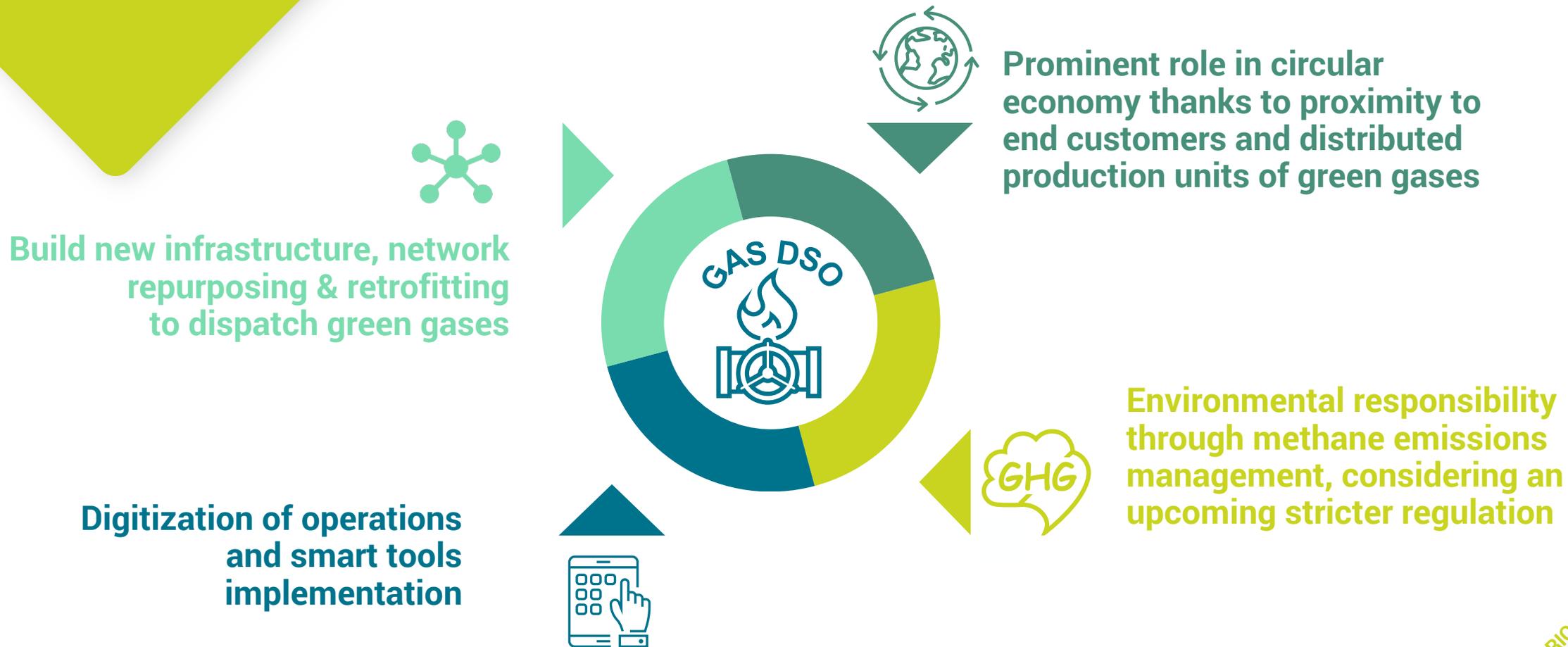
Assuming falling electrolyzers costs from 720 to 300 €/kW



SCENARIO

GAS DSOs NEW CHALLENGES AND OPPORTUNITIES

DSOs need to adapt their strategies
Networks upgrade necessary to distribute new gases,
to support energy efficiency and cut methane emissions



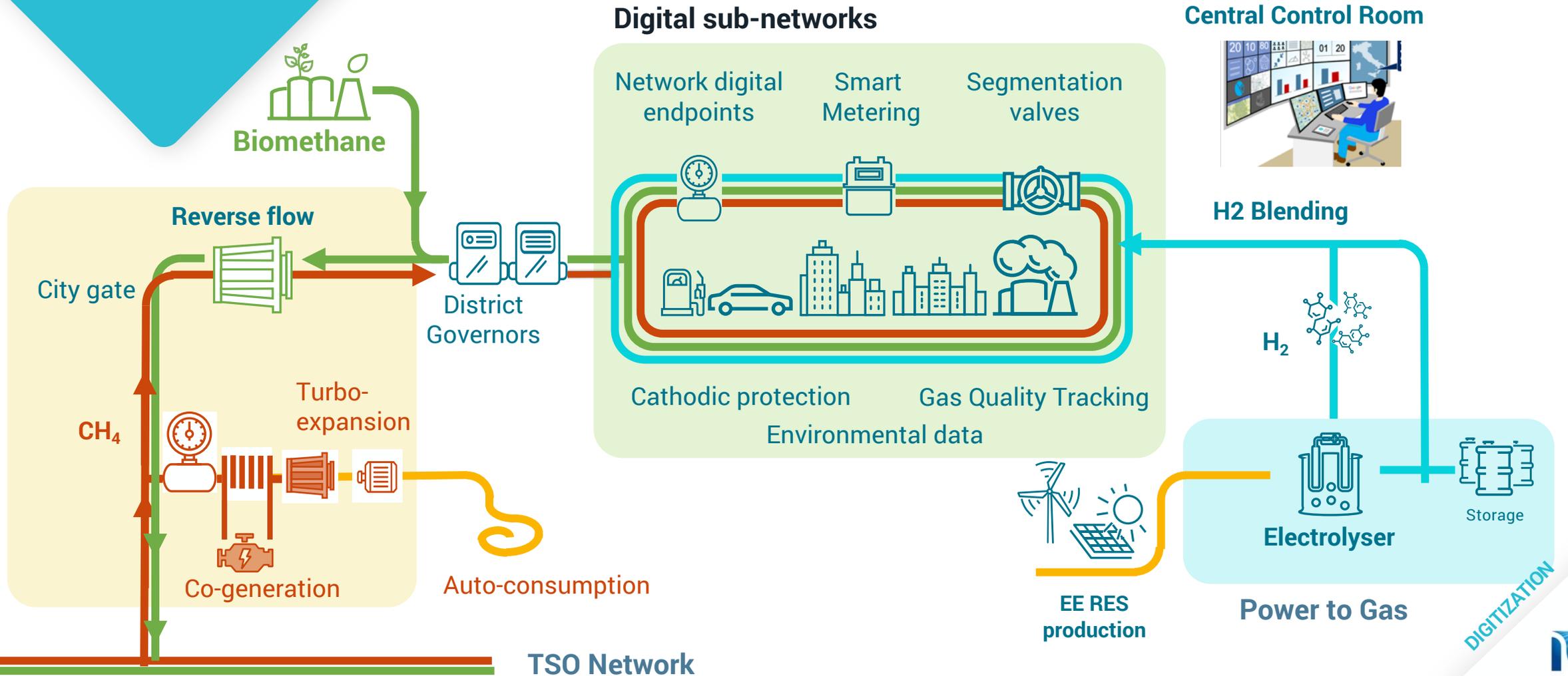


SMART GAS NETWORKS

NETWORKS

A TANGIBLE CHANGE IN PARADIGM

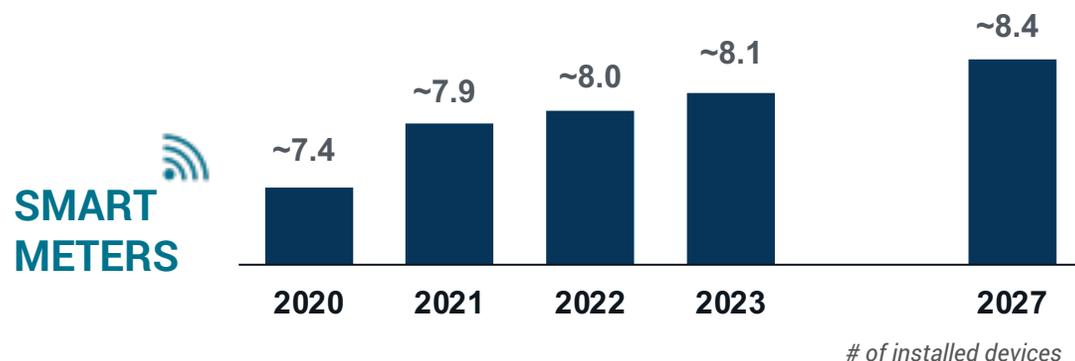
Upgrade and repurposing combined with digitization to allow distribution/injection of green gases as well as reduce costs, increase efficiency and reliability



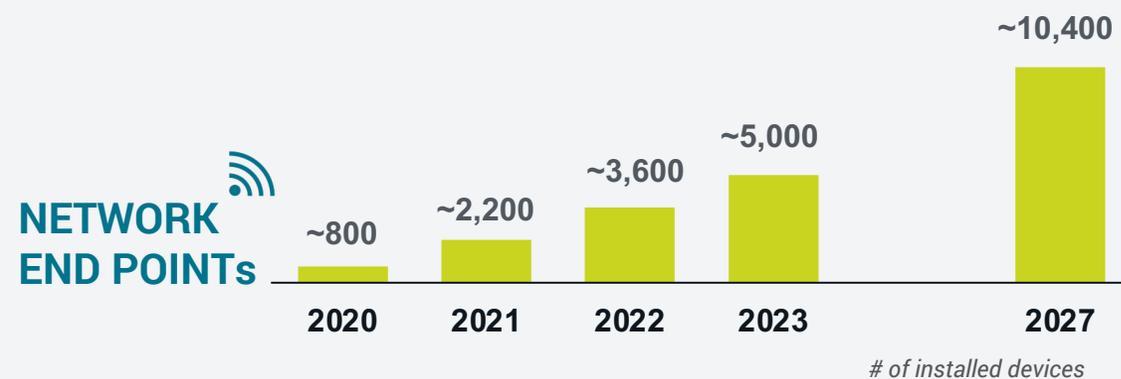
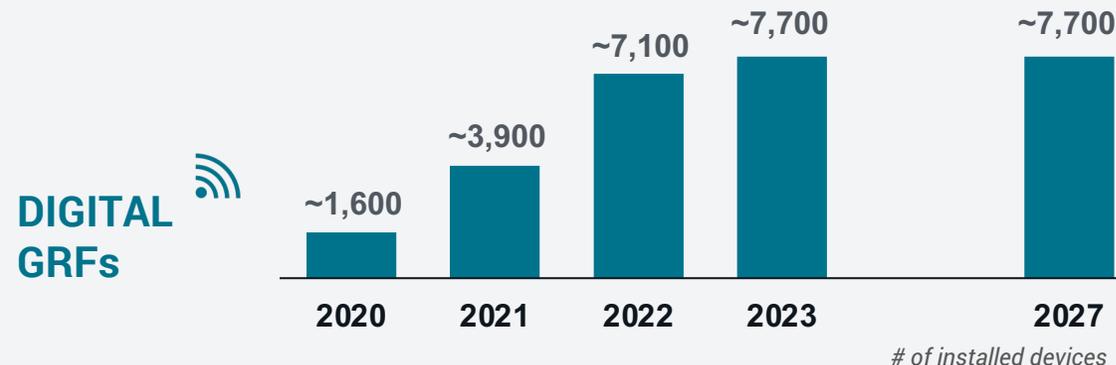
DIGITIZATION CAPEX ASSETS NUMBERS



Smart meters replacement plan near completion



Step-up in digitization deployment



**+5,000 digital assets, including gas analysers
segmentation valves and odorization plants**

DIGITIZATION CORNERSTONE OF OUR CAPEX PLAN

Digitization to benefit the gas distribution system in several ways



Safer operations

Safer operations foster service continuity



Consumption data

More accurate and updated consumption data enable proactive behaviors and predictive maintenance



Efficiency gains

Efficiency gains both on opex and capex resulting in savings for the system



Strict emission control

Crucial for reaching EU ambitious decarbonization targets



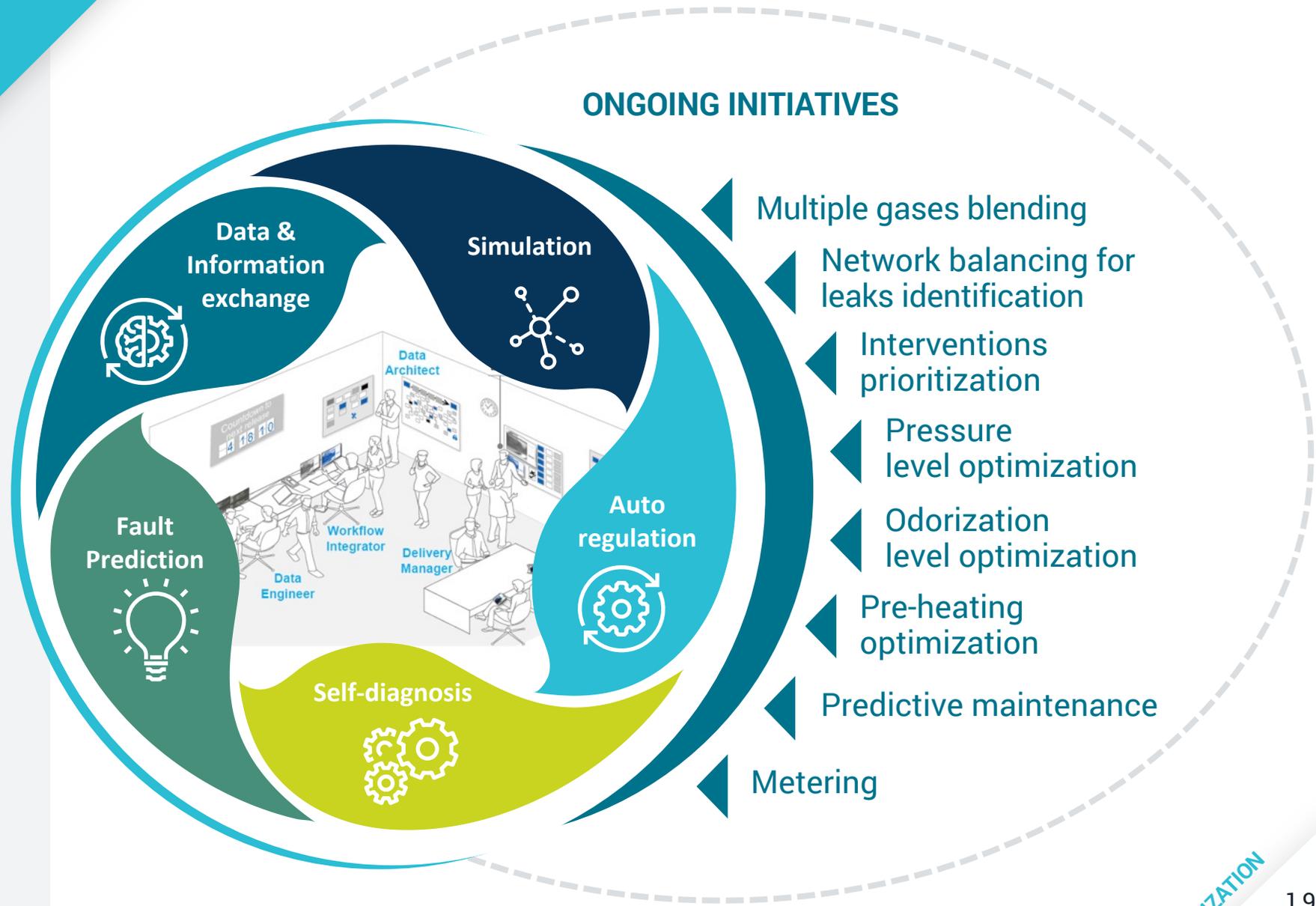
Green gases

Enabler for injection of renewable and low carbon gases

DIGITIZATION

IoT, BIG DATA AND DIGITAL FOR GAS SMART NETWORKS

Smart gas networks enable an evolution in infrastructure management towards real-time, optimized and seamless operations



R&D
LEVERAGE ON
DISTINCTIVE
CAPABILITIES

Pursue technical innovation
Targeting several research projects
towards the future of the network

~€40mn
CAPEX

ITALGAS LAB
REVAMPING



P2G PROJECT



DESIGN NEW
ITALGAS SMART
METER



Other
INNOVATION
projects



2030-40 HYDROGEN ITALGAS H₂ PROJECT



Sestu

Owned RES Plant 1 MW

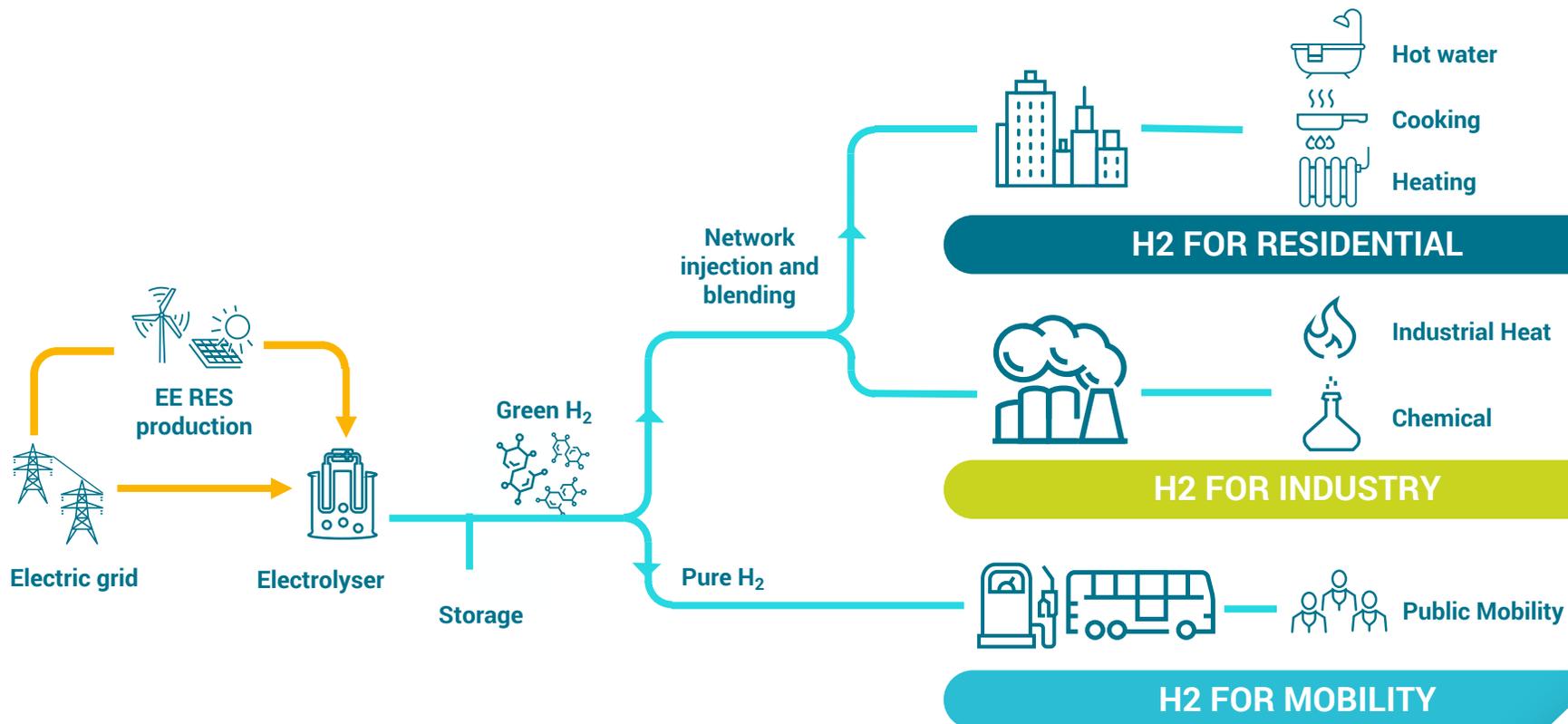
Electrolyzer 0.5 MW

Refuelling station 200 kg/d

Basic design completed;
permitting & procurement ongoing
expected to be in operation in 2022

H₂ P2G project aimed at testing the entire green hydrogen value chain, including implications on equipment

Shortlisted by MISE as eligible for European funds (IPCEI)



R&D DESIGN NEW DIGITAL SMART METERS

Development of a new hydrogen ready smart meter to improve performance, guarantee security and benefit from standardisation



SECURITY

INNOVATION

Security by design



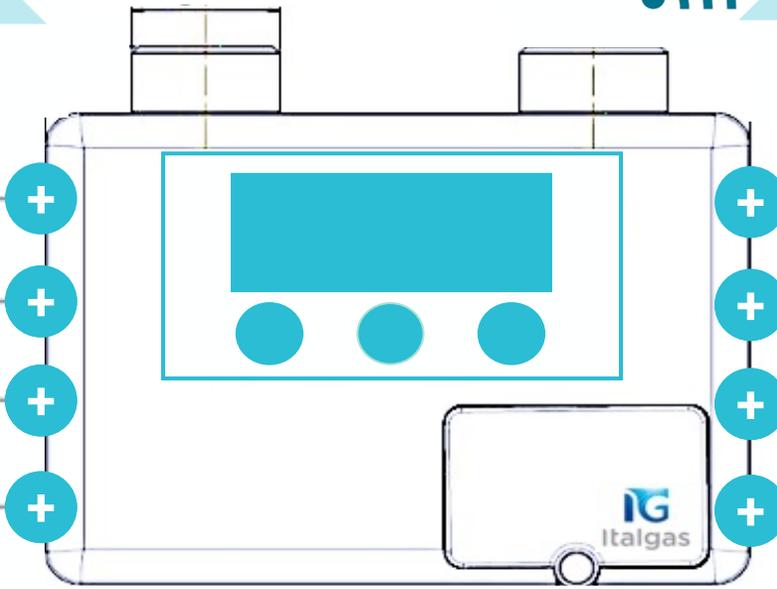
Long-lasting battery



Remote Control



Advanced safety



SMART METER
NEXT GENERATION

Sustainability



Modular Design



Connectivity



Gas blending



METER

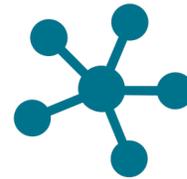
NETWORK, REPURPOSING & UPGRADE

Network spending, well balanced between repurposing and extensions

~€3.4bn
CAPEX



Repurposing and upgrade



Extensions and new grids



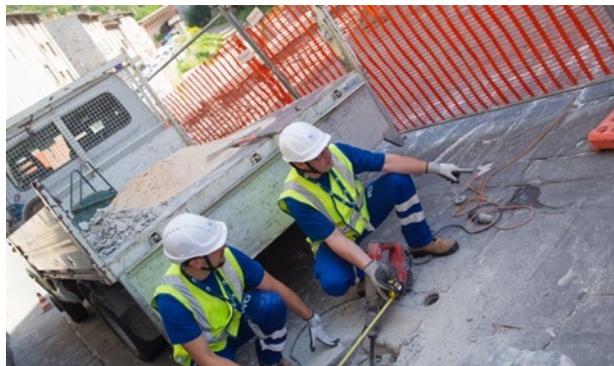
Maintenance of existing network



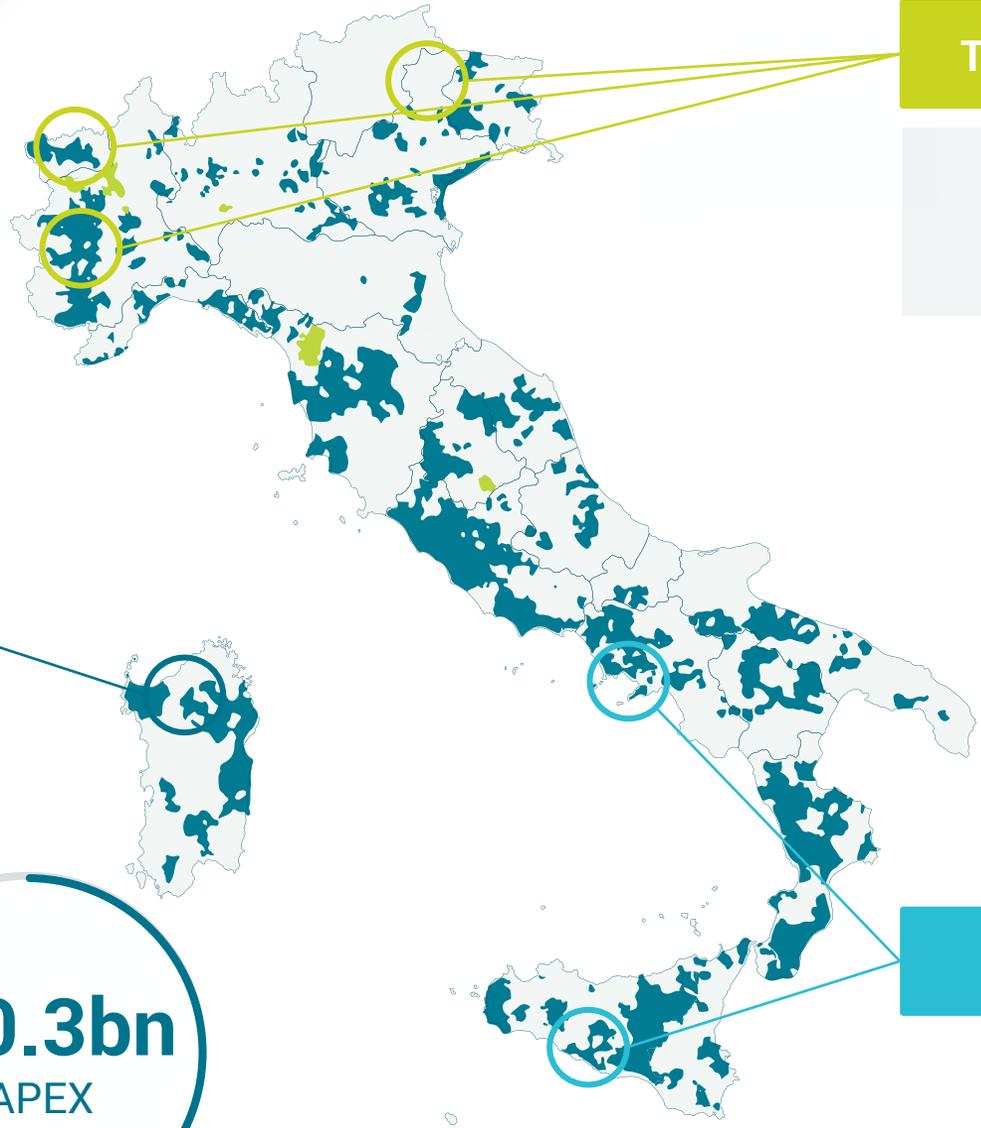
Sardinia new grids



Technical Innovation and energy efficiency



NETWORK DEVELOPMENT TO ALLOW GAS TO REACH NEW CUSTOMERS



TORINO, VALLE D'AOSTA, BELLUNO

Network development of won tenders

~€1bn
CAPEX

SARDEGNA

New fully digital native network

900km built starting from 2018
out of 1,100km of new grid planned

45k active meters*
potential market 200.000**

~€0.3bn
CAPEX

EXISTING NETWORK

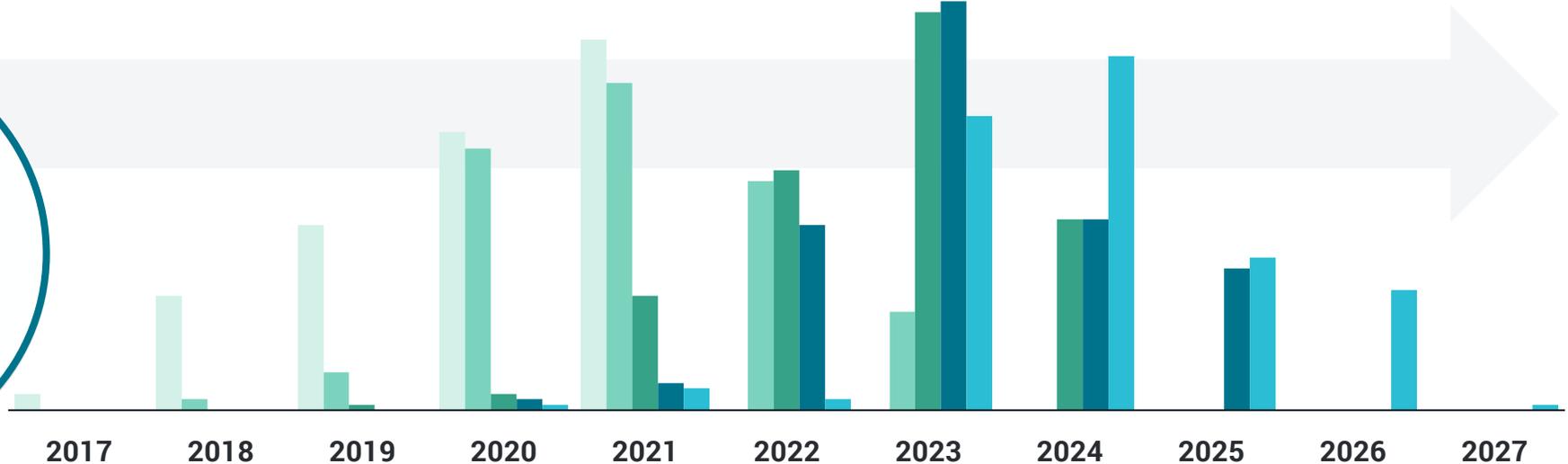
* LPG / GNL to be converted to GNL / Natural gas ** GNL / natural gas

TENDERS THE TIMELINE

Opportunity for investment and digital transformation,
but timing subject to political decisions

2024 peak year in terms of expected awarded tenders

~€2.2bn
CAPEX



2017-23 Plan 2018-24 Plan 2019-25 Plan 2020-26 Plan 2021-27 Plan

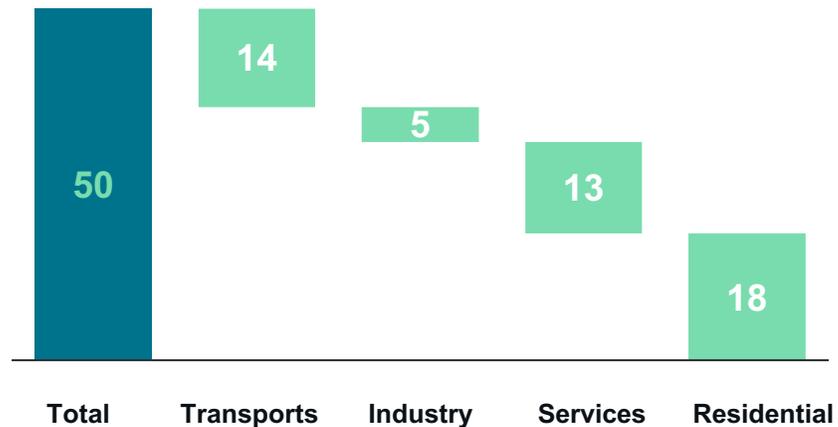


ESCO

ESCO STRONG ENERGY SAVINGS MARKET OUTLOOK

Outlook for the Italian energy efficiency market is very strong
Efficiency in residential buildings is core to achieve EU targets
Highly fragmented market

Target of energy savings by 2030 per sector* (TWh)



€220bn investments expected by 2030



**Residential sector accounts for
~35% of the 2030 target**

12
mn

Residential buildings in Italy

60%

Older than 45 years

>25%

Currently very low energy efficiency
needs robust requalification
initiatives

Delivering on announced strategy



NOW 1 COMPANY

- **Seaside** and Toscana Energia Green completed the merger
- **High potential** thanks to complementary businesses (geography, customer base)
- Focus on **Buildings energy renovation** and **Digital Services**

INTERNAL EFFORT

- Support Italgas energy transition, providing services within the Group
- Key asset for tenders

EXTERNAL OPPORTUNITIES

- M&A initiatives to expand the scale of services offered and to consolidate a fragmented sector gaining economies of scale
- **Ceresa acquisition**

ESCO FROM NEW OPPORTUNITY TO REALITY

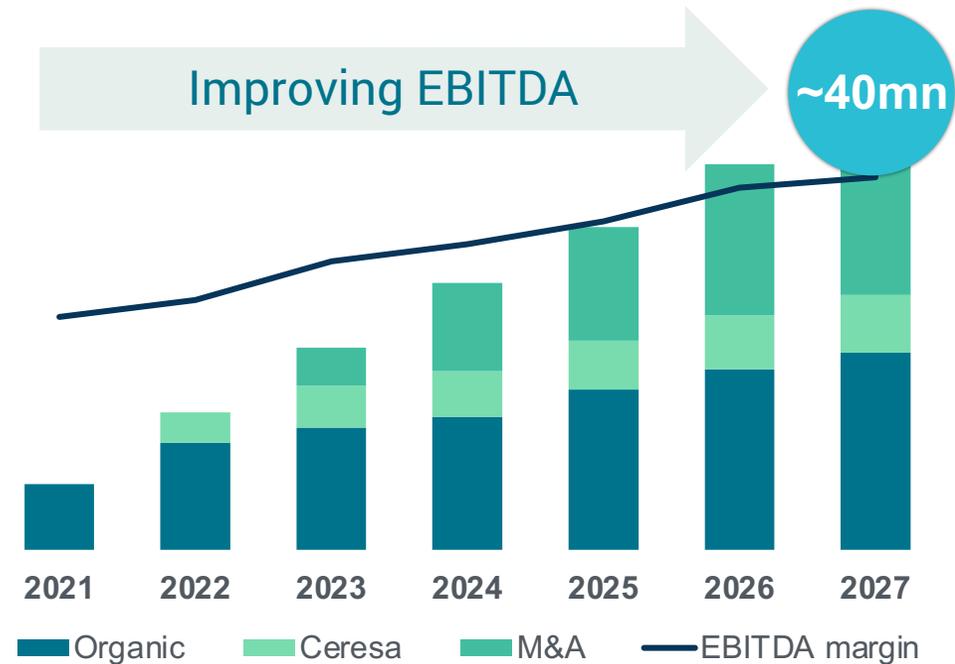
Growing EBITDA contribution

REVENUES
>€700mn
TOTAL
CUMULATED
POTENTIAL*

~€100mn
CAPEX*

M&A: CERESA (14/06/21)

- Operates in buildings energy efficiency with a focus on heat management
- Founded in 1921
- Mainly operates in the Northwest Italy with 27 employees.
- Serves a large customer portfolio (3,651 customers, mainly in individuals and condominiums).



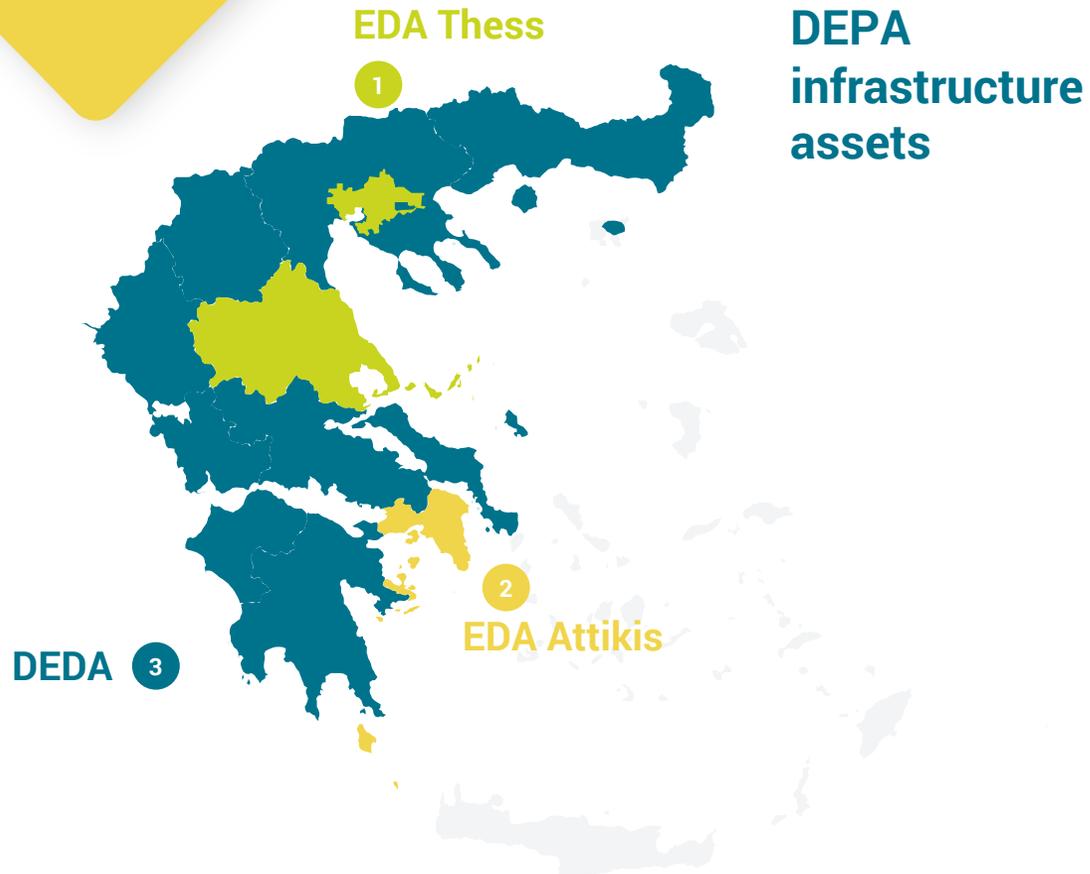
* Whole ESCO business,

NEW OPPORTUNITIES



POTENTIAL GROWTH OUTSIDE ITALY MONITORING OPPORTUNITIES

Italgas has been shortlisted for DEPA privatization in Greece
Offer due date July 15, closing expected before year end



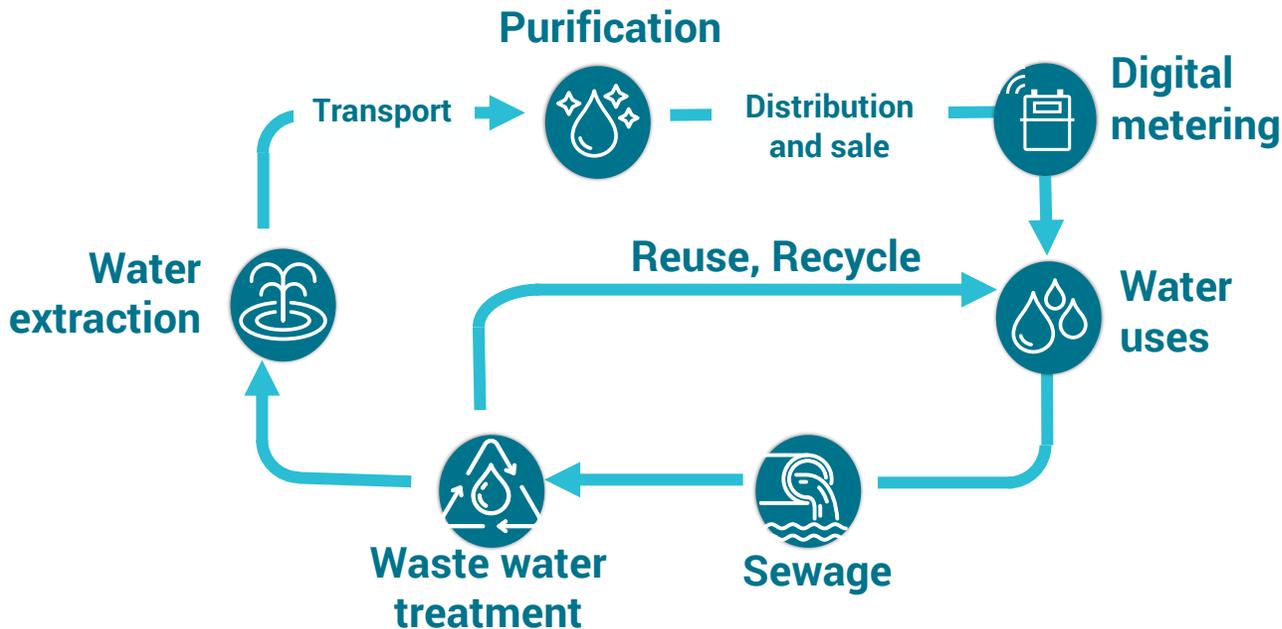
FITS WITH INVESTMENT CRITERIA

- Comparable sovereign risk
- Ability to exercise an industrial role
significant network development
digital transformation
- Visible and established regulatory framework
- Similar-risk adjusted returns to Italy

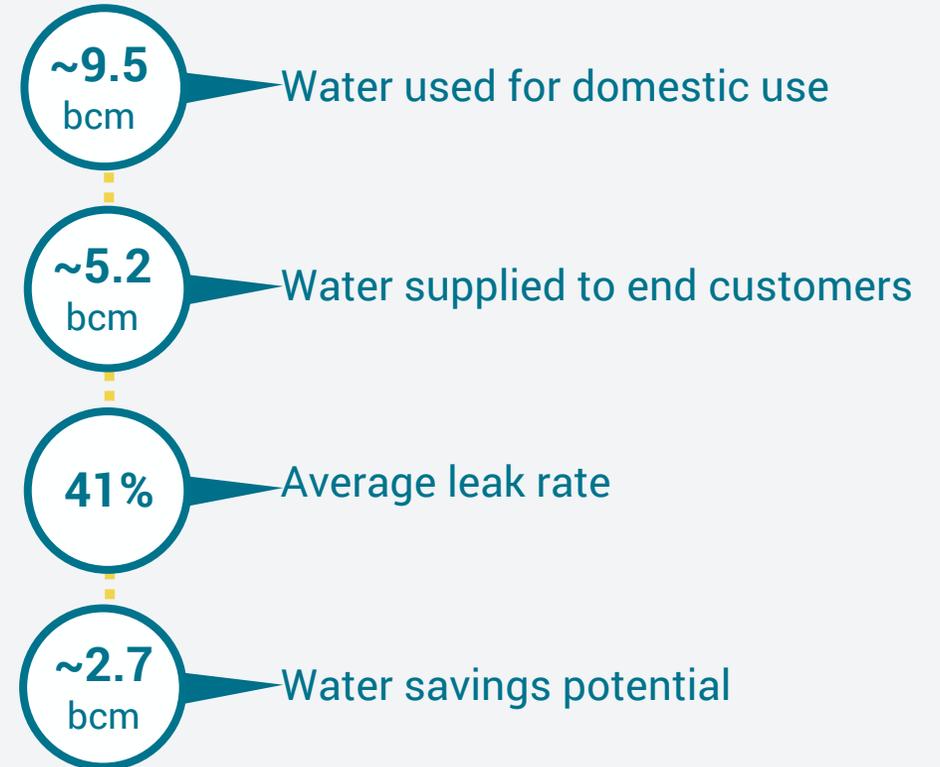
WATER CONFIRMING TARGETS

Total water distribution market in Italy 27bcm, of which 20% for civil uses

Integrated water services system (SII)*



Distribution and sale



WATER

WATER CONFIRMING TARGETS



Best practices in gas network management applied to water networks

REVENUES
>€250mn
CUMULATED
POTENTIAL
2021-27

ITALGAS ACQUA

Serving 5 municipalities
in the province of Caserta
100% of the network remotely controlled

ADVANTAGES

- ★ **Deep understanding** of the regulation and knowledge of the business
- ★ **Expertise in managing** pipeline networks
- ★ **Opportunity to digitise** new grids replicating what already done by Italgas
- ★ **Solid expertise** in water leakages management and reduction, also thanks to **Takadu** partnership
- ★ **Sustainability** focus

2019 Network Assessment
2020 Network Design

Plan Period
CEM technology implementation
NB-IoT smart meters deployment

NEWCO ICT ACCELERATOR OF INNOVATION

Competence centre for the entire group,
unlocking value of proprietary solutions
in the market



NEWCO ICT

**Rationalisation of all
ICT activities** previously run by
different group entities into a
NewCo fully owned by Italgas

ADVANTAGES

- ✓ **Agile vehicle**
- ✓ **Acceleration** of technological innovation and digitization
- ✓ **Simplified ICT organization**
- ✓ **Unique reference** for companies of the Group
- ✓ **Clearer focus** on economics

Potential to sell technological solutions developed
and tested by Italgas to third Parties

DESIGNED FOR ITALGAS



Innovate

- **Test and learn**
- **Customization and development** of proprietary solutions
- **Piloting**



Run and improve

- **Roll-out at scale** to capture operational efficiencies
- **Monitoring** for continuous improvements and
- **Evolved operating model**

OFFERED TO THIRD PARTIES



Go to market

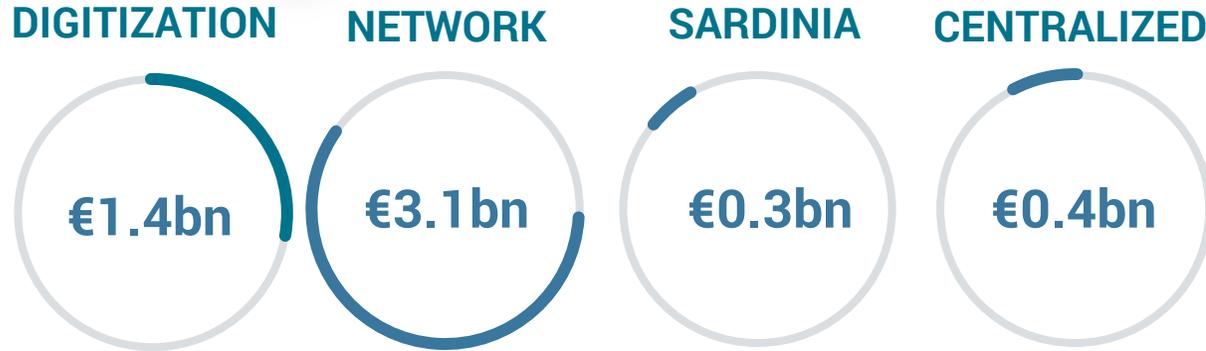
- Productization of selected solutions for third parties such as:
- **SaaS solutions** supporting client's needs
 - **Turn-key services** offered by Italgas
 - **Opportunity** to leverage the Italgas agile delivery model in the Digital Factory

FINANCIALS



CAPEX PLAN 2021-27 OVERVIEW

€7.9bn total capex, +5.2% vs 2020-26



€ 5.2 bn related to gas distribution base perimeter

EXPANSION OF GAS DISTRIBUTION PERIMETER⁽¹⁾

€0.4
bn

M&A & development

DIVERSIFIED ACTIVITIES

€0.2
bn

M&A & development
Energy efficiency
Water
Retail

TENDERS

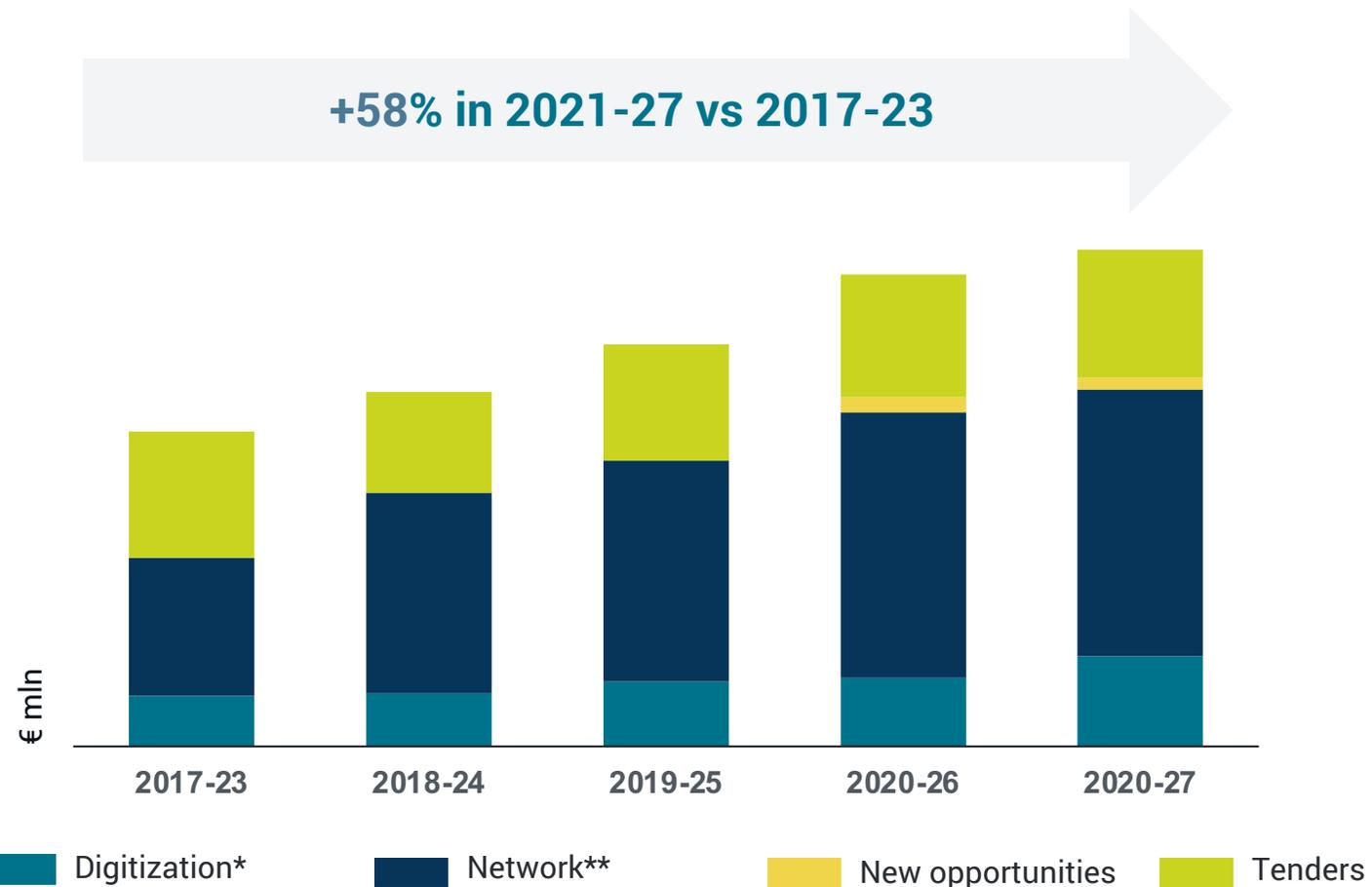
€2.2bn

Net capital deployed
and induced capex

⁽¹⁾ €0.4bn is M&A in the No Tenders scenario, while in the Tender scenario is reduced to €0.3bn

CAPEX PLAN 2021-27 +58% IN 5 YEARS

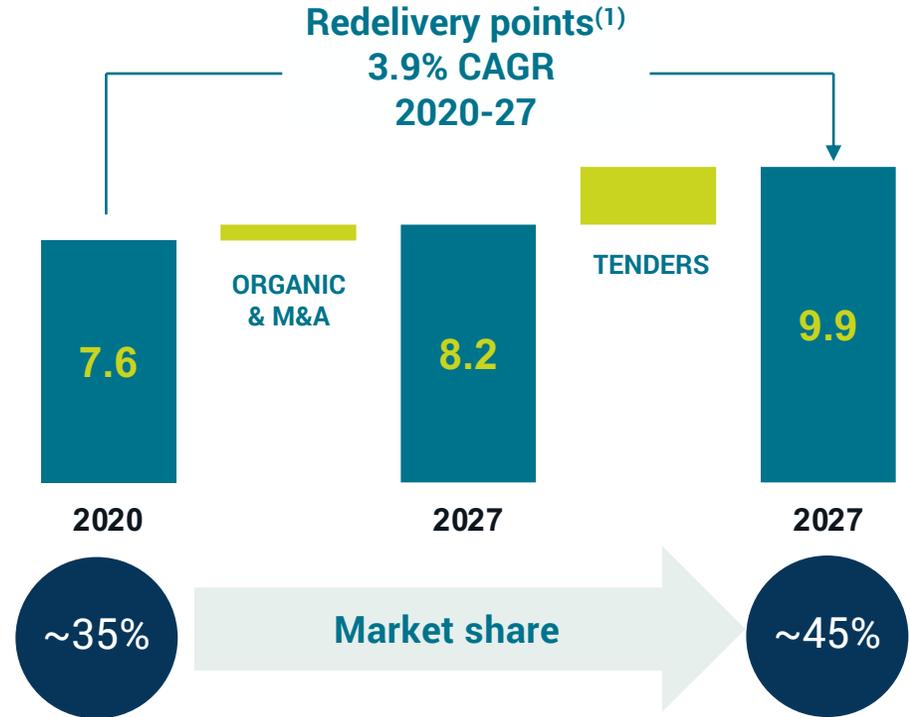
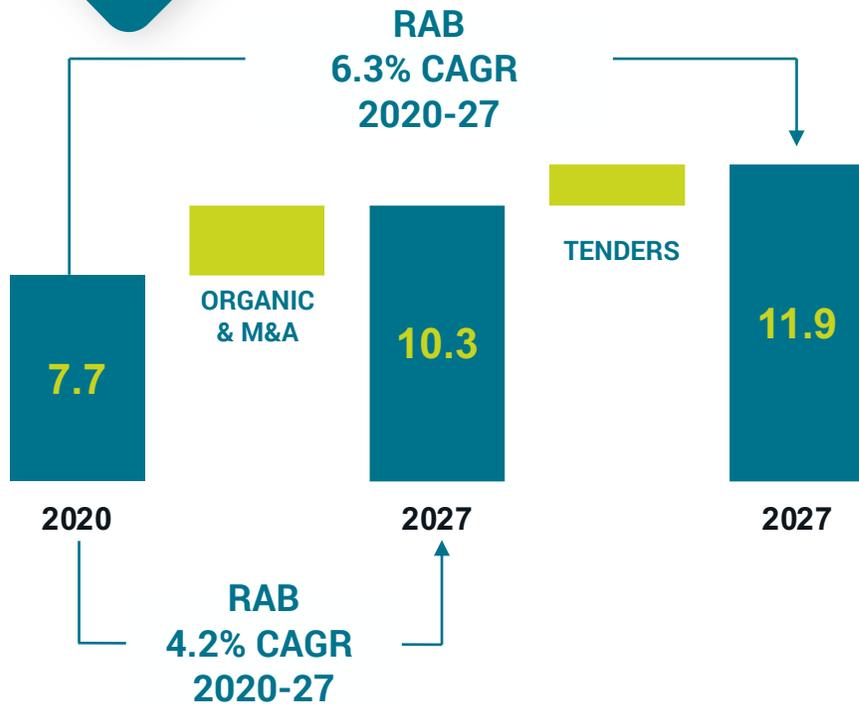
Increase in spending related to core assets and digitization



(*) Including metering (**) Including centralised capex, Sardinia, expansion of gas distribution perimeter

GROWTH SUPERIOR RAB GROWTH

Growth in RAB and redelivery points driven by organic investments, M&A and tenders



⁽¹⁾ millions

RAB referred to the year end T - revenues in the year T+1, gas distribution only
Average deflator over the plan period assumed at 1.8%, starting from 1.2% in 2021

STRONG COMMITMENT NEW ENVIRONMENTAL TARGETS SET

Major step ahead in our commitment to the environment

Identified specific initiatives, made possible also by digitization

Picarro boosts emissions reduction



Scope I and II GHG emissions reduction⁽¹⁾

10³t CO2 eq

FY 2020

Gas leaks

-30%

Civil and Industrial Gas Consumption

Vehicles

FY 2027

Net Energy Consumption⁽¹⁾

TJ

FY 2020

Electricity

-25%

Civil and Industrial Gas Consumption

Vehicles

FY 2027

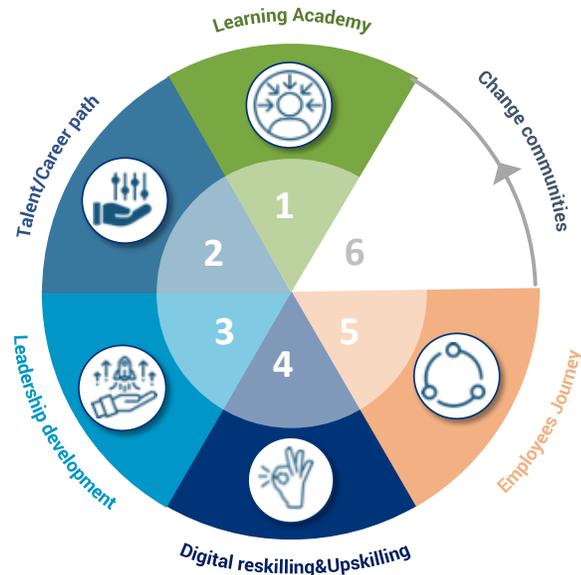
⁽¹⁾ Unchanged perimeter, ie excluding M&A and tenders

HRO STRATEGY TO SUPPORT GROWTH

3 pillars HRO based strategy designed to sustain people development and industrial growth

ENGAGEMENT & CHANGE MANAGEMENT

Strengthen engagement and facilitate change management



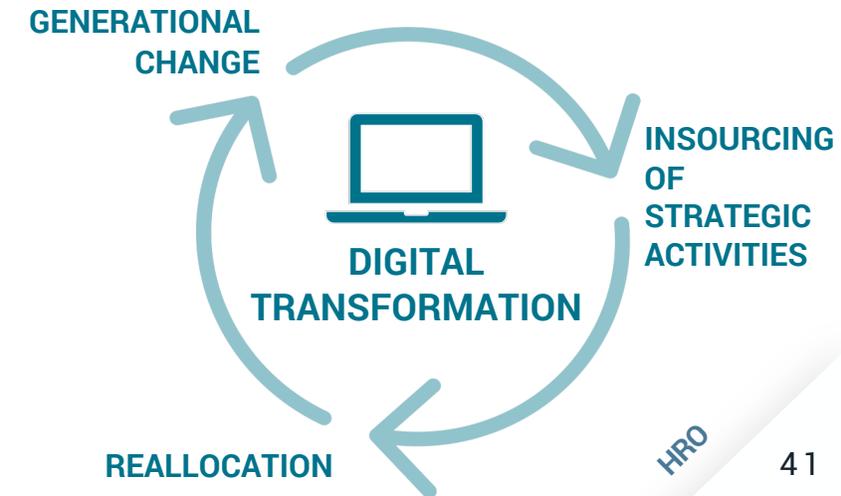
SUSTAINABILITY & INCLUSION

Improve business sustainability and inclusion

- Smart working, start from home & office transformation
- Safety focus
- Listening (Inclusion Manager), Welfare upgrade
- Ambassadors & contamination
- Employee as a stakeholder

OPERATIONAL EFFICIENCIES

Operational efficiencies leveraging on digitization



INSOURCING OF STRATEGIC ACTIVITIES

Insourcing of core activities previously managed by 3rd Parties
New activities created by digitization
People reskilling and upskilling to empower strategic know-how
and deliver excellence

ACTIVITIES ALREADY INSOURCED

2021

TO BE INSOURCED OVER PLAN PERIOD

-  ✓ • Leak detection and repair
-  ✓ • Metrological inspections
-  ✓ • Quote issuing activity
-  ✓ • On-site inspections
-  ✓ • Smart meters batteries replacement
-  ✓ • Risers



- Construction engineering

Currently externalized



- Digitized assets maintenance

New, driven by digitization

+

- New activities yet to be identified



Leveraging on people growth and HR

HRO

PEOPLE KEY TARGETS



100 digital
50 sustainability
30 inclusivity

ambassadors

Increase in Smart Office
& Smart working

Top 10 Talent attraction
brand awareness

Development of Italgas
Academy

Gender equality new hires	50%	Women in responsibility roles	25%
Total hours to training in 2021-27 ...	600k hours	Employees in welfare	>75%
<i>... of which digital learning</i>	250k hours	Learning hours/employee/yr	38 hours
Engagement in Net Promoter Score (NPS)	>80%	New hires under 30 years old	60%

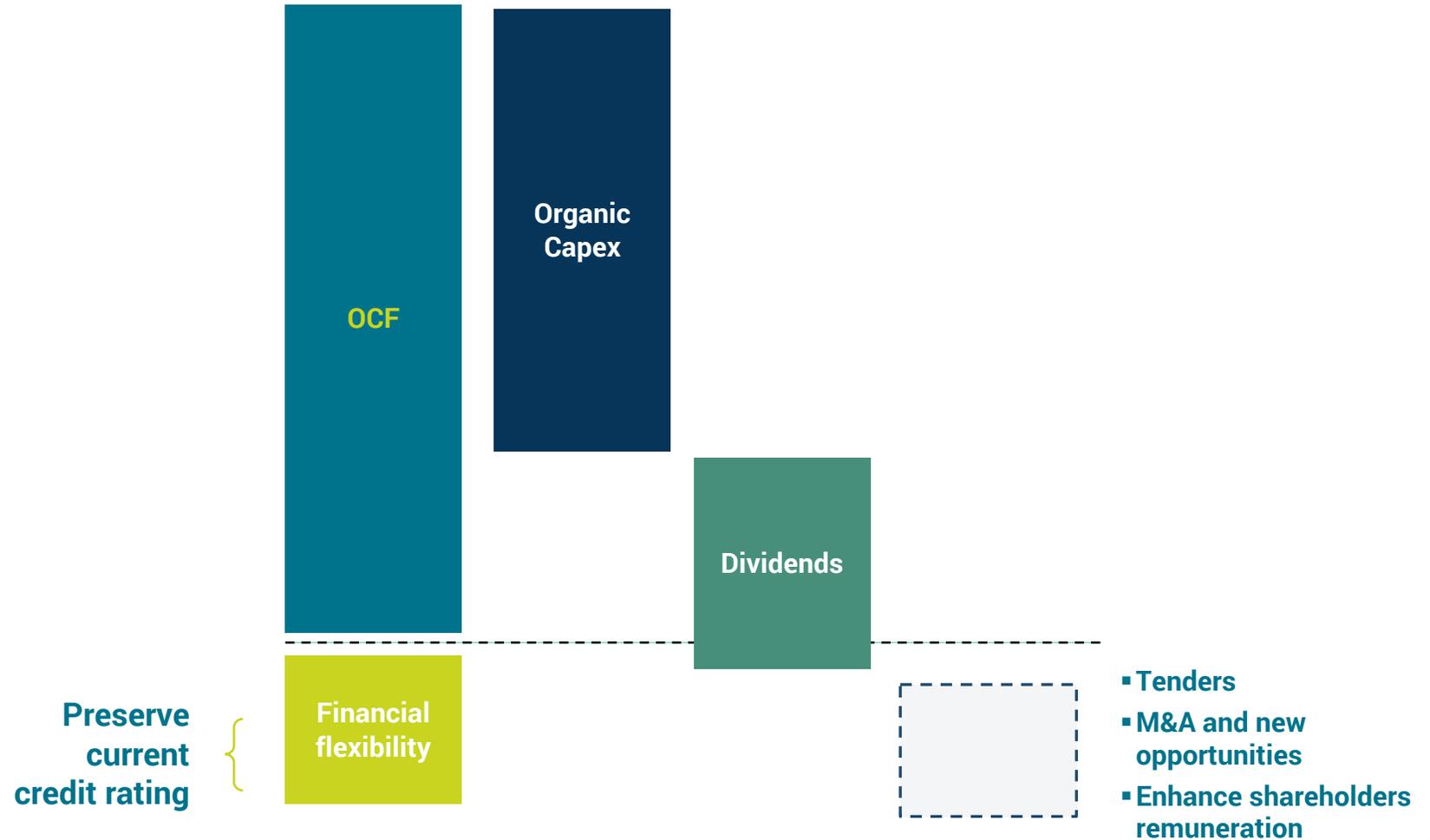
FINANCIAL STRATEGY

A KEY SOURCE OF VALUE CREATION

Sustainable finance sources

Support capex growth maintaining flexibility

Preserve a solid investment grade profile



FINANCIAL STRATEGY

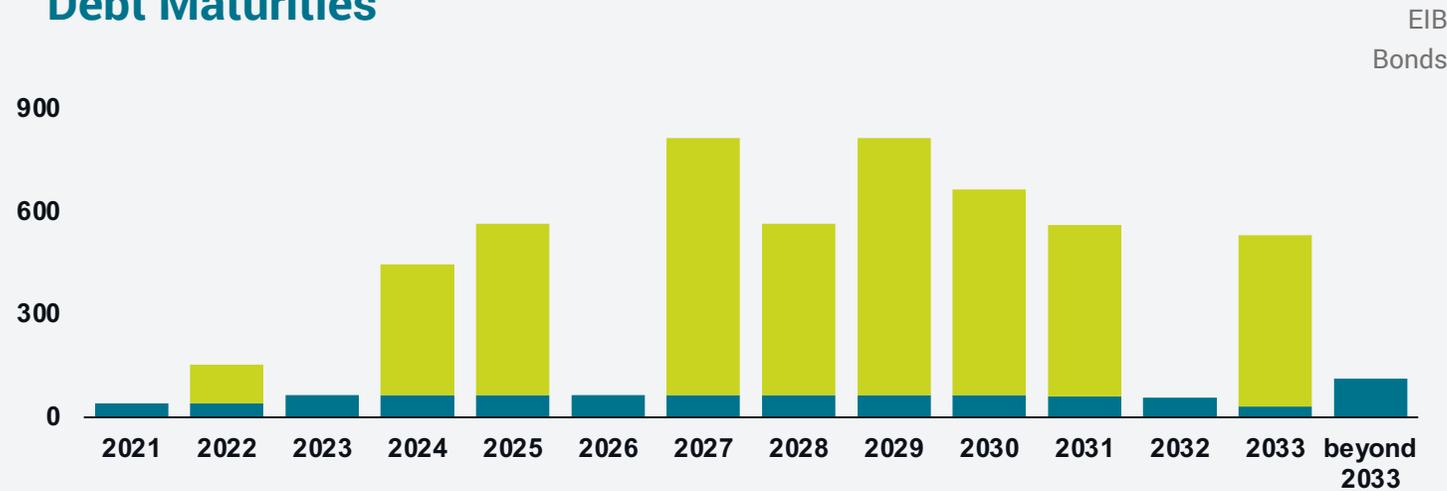
A KEY SOURCE OF VALUE

Limited refinancing needs and ample liquidity buffer

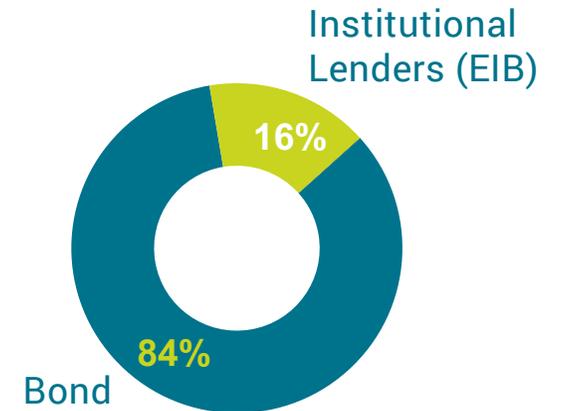
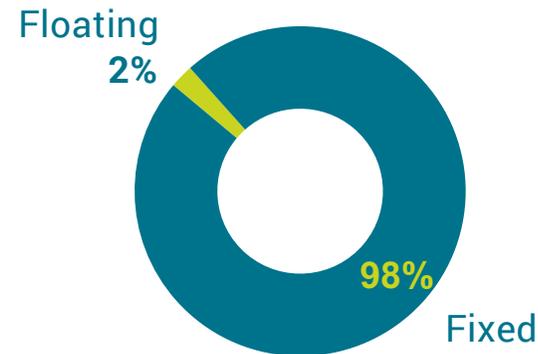
Low exposure to interest rates volatility and long debt tenor

Best in class cost of debt of ~1% over plan period

Debt Maturities



1Q 2021 Gross Debt Structure*



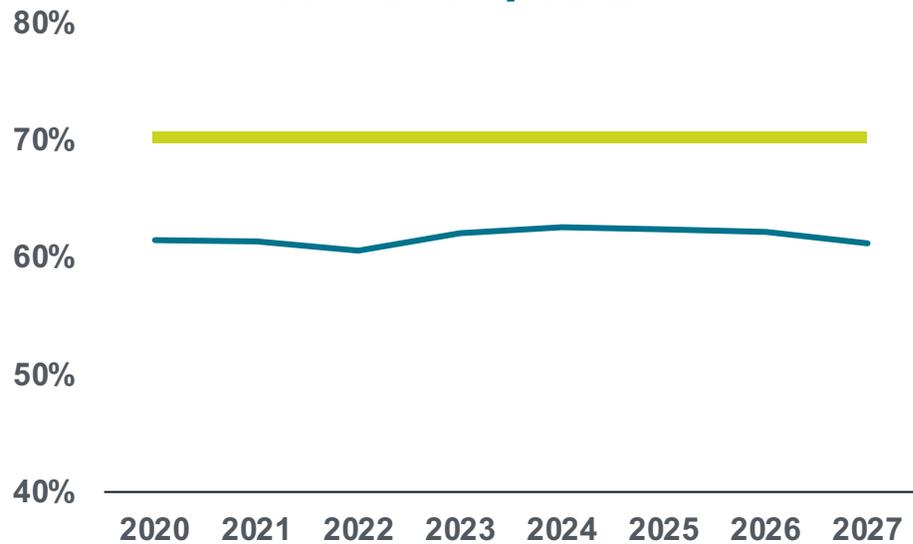
(* excluding IFRS16)

CREDIT METRICS

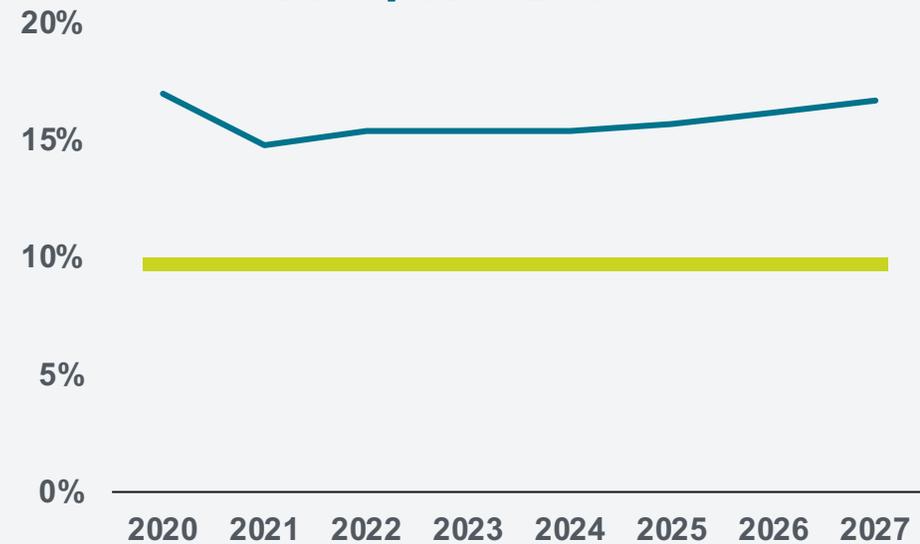
MOODY'S Baa2
FITCH BBB+

Credit metrics remain within range throughout the plan

Net Debt / RAB



FFO / Net Debt



DIGITIZATION A SOURCE OF VALUE CREATION



~ €60mn capex impact



- ✓ **ICT:** cloud adoption and reduction of software development requests



- ✓ **Network:** more efficient maintenance capex through workforce re-organization and intervention optimisation

~ €190mn P&L impact



- ✓ **ICT:** cloud adoption to drive opex reduction



- ✓ **Operation:** savings from activities to end-users, penalties reduction, grid maintenance efficiencies



- ✓ Increase of **ARERA incentives** thanks to leak detection activity and digital equipment

(*) Cumulated over 2021-27 compared with a scenario of no digitization investments, more than €260mn since 2019

DISTRIBUTION COSTS

FURTHER EFFICIENCIES WITH TENDERS

Efficiencies driven by technological innovation and digitization

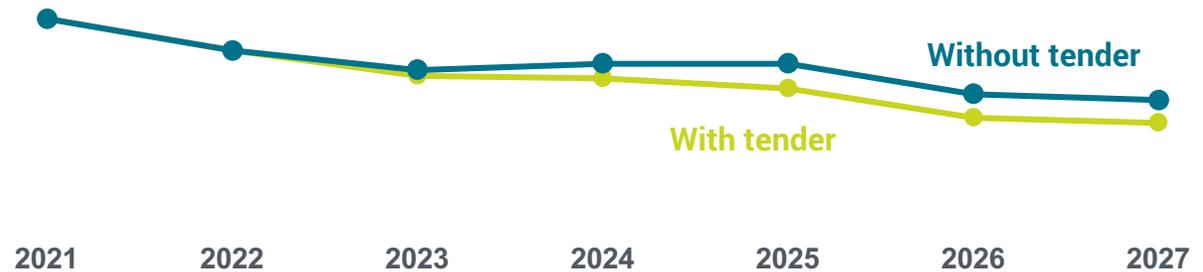
Offset X-factor impact

Tenders will drive higher economies of scale and optimised geographical footprint

Distribution operating expenses without tenders*



Unit cost per redelivery point**



(*) without M&A and other activities, (**) net of pass through

GUIDANCE

2021

2024

2027

€ mn

Revenues	>1.35bn	Revenues	~1.9bn	~2.1bn
EBITDA	~1.0bn	EBITDA	~1.37bn	~1.6bn
EBIT	560-580	EBIT/RAB*	~7.5%	~8.2%
Capex	850-900	Consolidated RAB	10.5bn	11.9bn
Net Debt with IFRS 16	~5bn	FFO / RAB	10%	10%
Leverage	~61%	Leverage	~62%	~60%

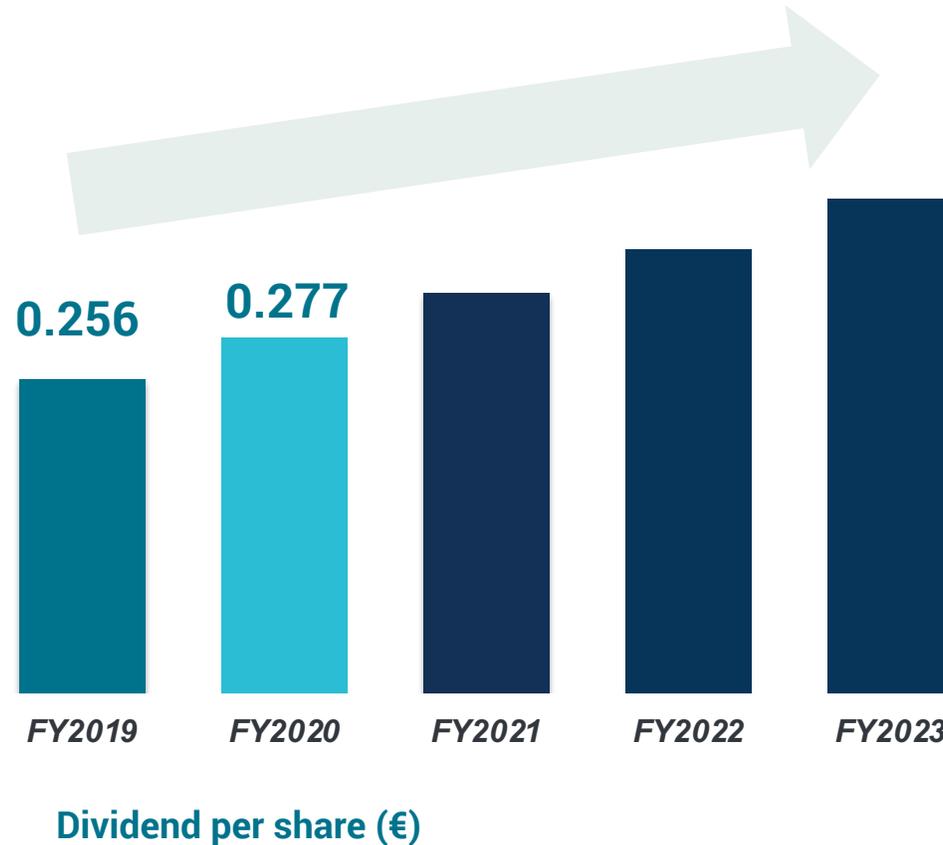
* Gas distribution only

DIVIDEND POLICY CONFIRMED

Dividend policy allows shareholders
to benefit from growth potential

Higher between

- ✓ DPS equal to 65% payout on Adjusted Net Income
- ✓ DPS 2019 +4% per annum





Foster Energy Transition

Foster the development, injection and at scale usage of green gases.

Smart Gas Networks

Network upgrade and repurposing to reduce costs, increase efficiencies and resilience, enable green gases distribution, via digital transformation.



Emission reduction and energy efficiency

Decarbonization of operations and full deployment of energy efficiency initiatives within the Group and versus the external market

External growth / New opportunities

M&A initiatives (in Italy and abroad), tenders to grow in the gas distribution, leverage on existing internal capabilities to grow further (Water, ICT)

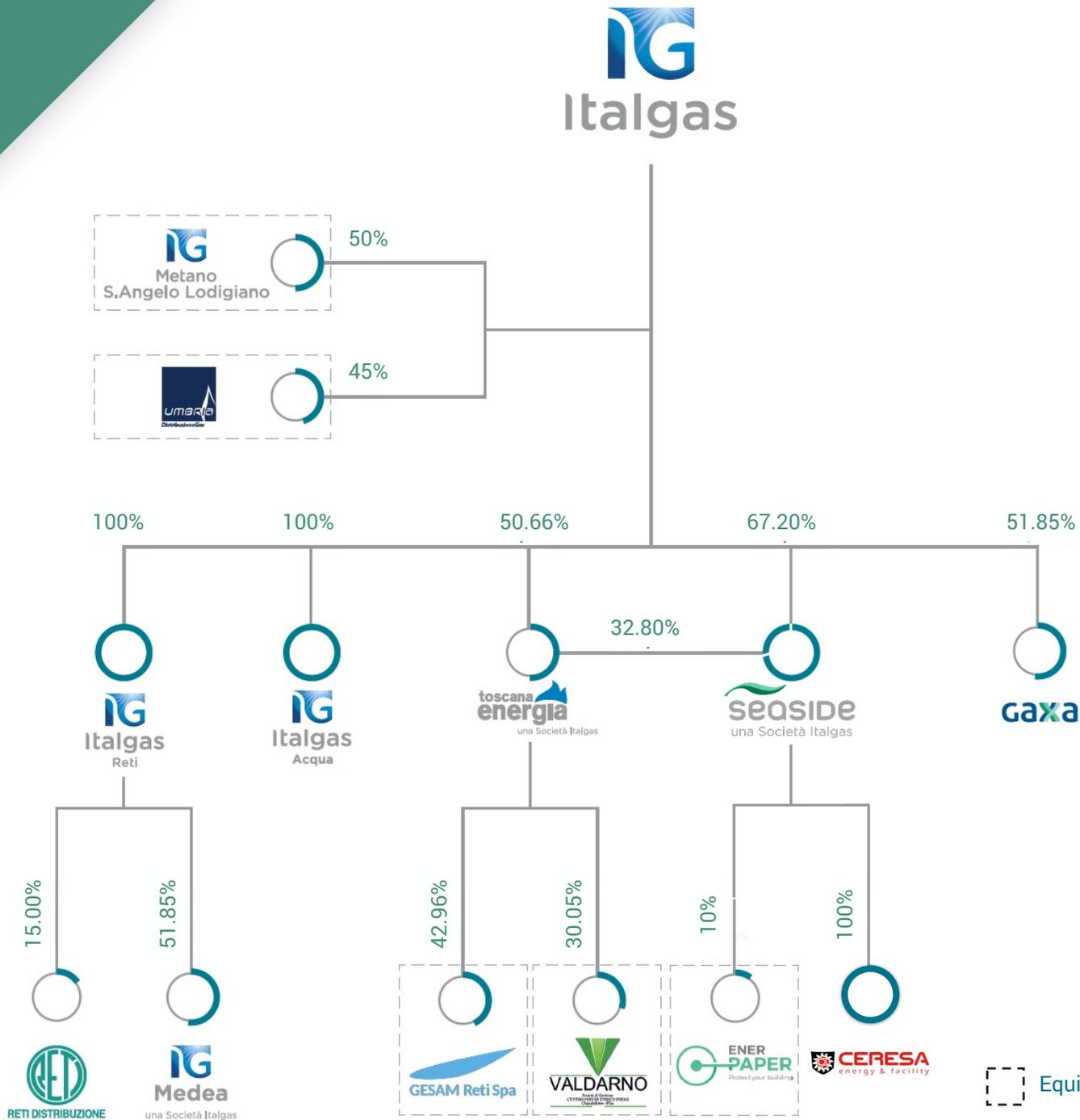


Financial Structure & Shareholders' Returns

To ensure value creation, support growth opportunities and guarantee a robust shareholder's return

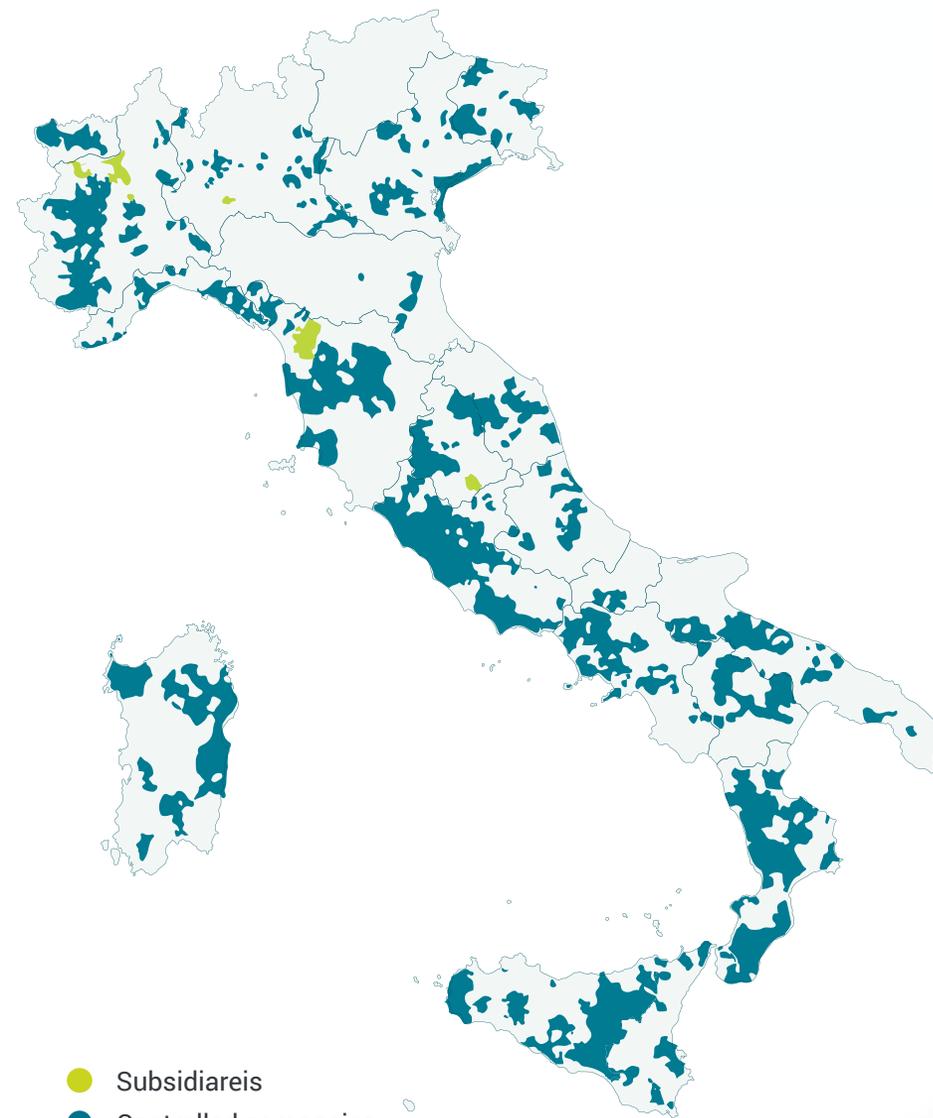
APPENDIX

GROUP STRUCTURE



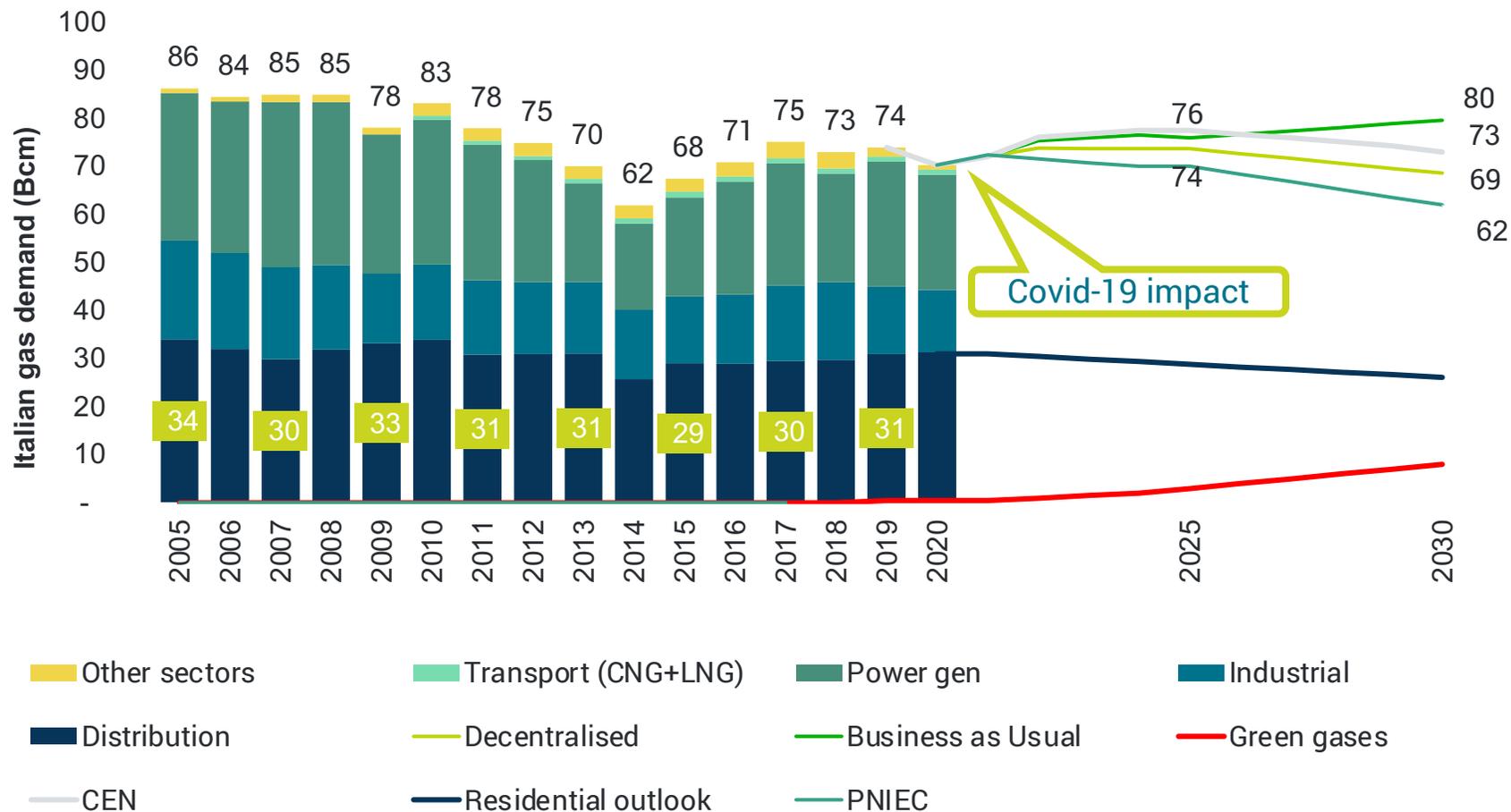
MAIN NUMBERS

	OPERATING HIGHLIGHTS (TOTAL)	OF WHICH AFFILIATES
Network length	73,319 km	1,877 km
Municipalities	1,888	61
Redelivery Points	7.750 mn	0.153 mn
Market Share ⁽¹⁾	35%	0.1%



ITALY GAS DEMAND EXPECTATIONS REAFFIRMED

Networks to accommodate new green gases



SUSTAINABILITY

AT THE CORE OF OUR ACTIONS

Committed to performance improvement and ESG culture. New targets set integrating Sustainability Plan pillars

SUSTAINABLE
DEVELOPMENT
GOALS



ENVIRONMENT

- **Decarbonization of operations and reduction of energy consumption**
Network digitization to accommodate green gases
- Ongoing **Sardinia methanization**
- Scale-up of the **Power to Gas project**

SOCIAL

- **People empowerment and safety**, also considering impact from COVID-19
- **Diversity and equal opportunities** promotion
- **Improvement of the relation** with final customers, sales companies and suppliers
- Promotion of **social innovation through education** (digital divide, cultural projects)

GOVERNANCE

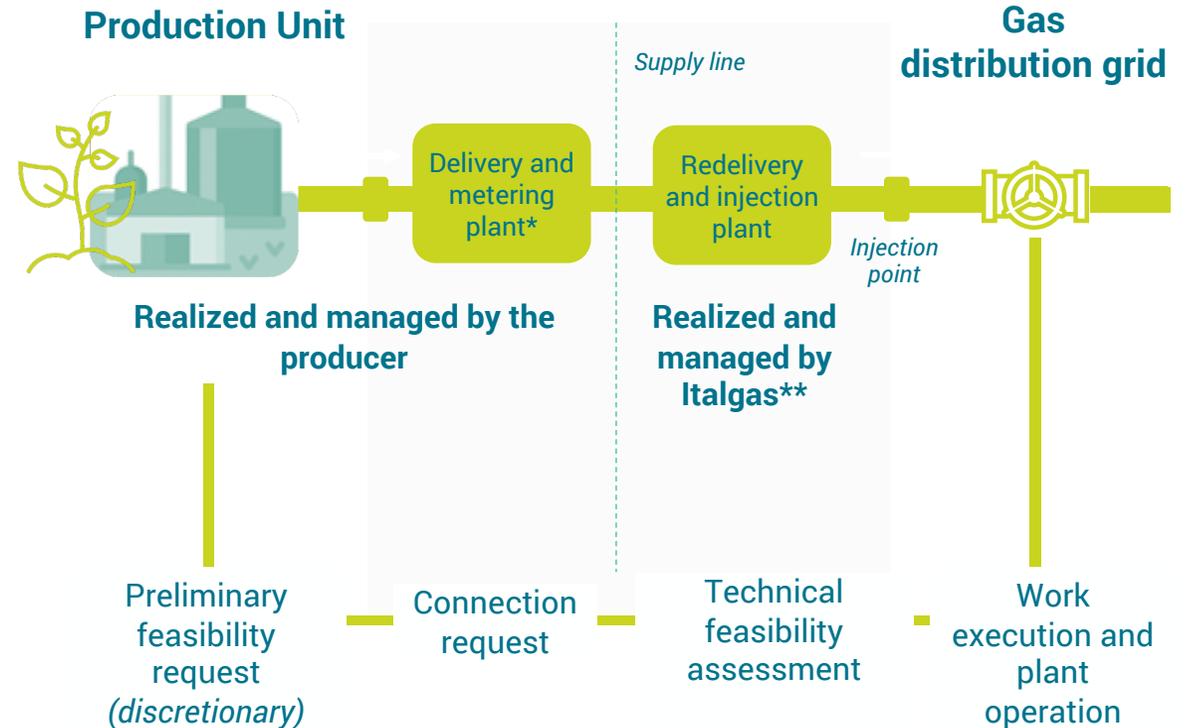
- **ESG KPIs in top management remuneration**
- **Integrated Annual Report**
- **67% Independence of the board**
- Improved focus on **ESG and climate change issues in Enterprise Risk Management**
- Valorisation of **sustainability and gas advocacy on national and international round tables** (e.g. GD4S and OGMP)

2020-30 BIOMETHANE THE CLOSER VIABLE GREEN OPTION



Connections requests keep raising. Italgas received 38 preliminary requests for connections since 2017.
Need to consider "reverse flow ops"

Technical cycle



Economic cycle

33

5

* criteria set by Italgas, ** economic contribution from the biomethane supplier

DISCLAIMER

Italgas's Manager, Giovanni Mercante, in his position as manager responsible for the preparation of financial reports, certifies pursuant to paragraph 2, article 154-bis of the Legislative Decree n. 58/1998, that data and information disclosures herewith set forth correspond to the company's evidence and accounting books and entries. This presentation contains forward-looking statements regarding future events and the future results of Italgas that are based on current expectations, estimates, forecasts, and projections about the industries in which Italgas operates and the beliefs and assumptions of the management of Italgas. In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature. Words such as 'expects', 'anticipates', 'targets', 'goals', 'projects', 'intends', 'plans', 'believes', 'seeks', 'estimates', variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Italgas's actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions globally, political, economic and regulatory developments in Italy and internationally. Any forward-looking statements made by or on behalf of Italgas speak only as of the date they are made. Italgas does not undertake to update forward-looking statements to reflect any changes in Italgas's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Italgas may make in documents it files with the Italian Securities and Exchange Commission and with the Italian Stock Exchange.



 Italgas