

**FIRST SUPPLEMENT DATED 4 MAY 2020
TO THE BASE PROSPECTUS DATED 16 OCTOBER 2019**



(Incorporated with limited liability in the Republic of Italy)

€5,000,000,000 Euro Medium Term Note Programme

This first supplement (the **First Supplement**) to the Base Prospectus dated 16 October 2019 (the **Base Prospectus**), constitutes a supplement pursuant to Article 23(1) of Regulation (EU) 2017/1129 and is prepared in connection with the €5,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Italgas S.p.A. (**Italgas** or the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this First Supplement.

This First Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus.

The Issuer accepts responsibility for the information contained in this First Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this First Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

With effect from the date of this First Supplement, the information set out in, or incorporated by reference into, the Base Prospectus shall be amended and/or supplemented, as the case may be, in the manner described below.

PURPOSE OF THE FIRST SUPPLEMENT

The purpose of this First Supplement is to (a) incorporate by reference the Issuer's audited consolidated annual financial statements for the financial year ended 31 December 2019 included in the Issuer's 2019 annual report (the **2019 Annual Report**); (b) update the disclosure in the "*Risk Factors*" section to reflect certain recent developments; (c) update the disclosure in the "*Description of the Issuer*" section to reflect certain recent developments; (d) update the disclosure in the "*Regulatory and Legislative Framework*" section to reflect certain recent developments; and (e) update the disclosure in the "*General information*" section to reflect certain recent developments.

(A) INCORPORATION BY REFERENCE

The information set out below supplements the sections of the Base Prospectus entitled "*Documents Incorporated by Reference*" on pages 38 to 40.

A copy of the 2019 Annual Report has been filed with the CSSF and, by virtue of this First Supplement, the information set out in the cross-reference list below, which is contained in the 2019 Annual Report (available at https://www.italgas.it/export/sites/italgas/italgas-gallery/Documenti_it/2019-Financial-Report-EMTN-V2.pdf), is incorporated by reference in, and forms part of, the Base Prospectus:

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(B) RISK FACTORS

The section of the Base Prospectus entitled "*Risk Factors*" shall be updated as follows:

- (i) On page 16 of the Base Prospectus, in the sub-section entitled "*Market and competition risks. Risks associated with the expiration and renewal of gas distribution concessions*", the fifth paragraph shall be deleted and replaced by the following:

"As at the date of this First Supplement, only 32 invitations have been published for a total of 33 ATEMs (Cremona 2 and Cremona 3 were grouped together), of which two were withdrawn, three others have been annulled by a judicial decision (Venezia 1, Alessandria 2 and Milano 1) and five were suspended by the contracting authority. Submissions by operators for five tenders: Udine 2, Torino1, Torino 2 (awarded to Italgas Reti), Valle d'Aosta (recently awarded to Italgas Reti) and Belluno (in the way of being awarded) and three pre-qualifications requests (Perugia 2, Udine 1 and Udine 3) have instead occurred. For a further ten invitations to tender, the bid submission dates, or rather the pre-qualification request dates, were postponed. Finally, the Region of Calabria has appointed commissioners ad acta, in order to start the tenders in two ATEMs (Cosenza 1 and Reggio Calabria – Vibo Valentia)."

- (ii) On page 19 of the Base Prospectus, in the sub-section entitled "*Regulatory risk*", the first and the second paragraphs shall be deleted and replaced by the following:

"With Resolution 570/2019/R/gas, as a result of the consultation process launched with Consultation Documents no. 170/2019/R/gas and 410/2019/R/gas, ARERA set the criteria for determining the tariffs for gas distribution and metering services for the fifth regulatory period.

The length of the regulatory period has been maintained at six years, from 1 January 2020 to 31 December 2025, divided into two half-periods of 3 years each."

- (iii) On page 19 of the Base Prospectus, the sub-section entitled "*Risk associated with subsidies regulatory policy*" shall be deleted and replaced by the following:

"Risk associated with subsidies regulatory policy

By Resolution n. 570/2019/R/gas public and private subsidies received from 2012 are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of invested capital and depreciation and, as consequence, subsidies are downgraded proportionally to the depreciation.

Regarding the "frozen subsidies", with Resolution 570/2019, ARERA adopted a time horizon for the full release of these subsidies aligned with the time horizon for the release of the subsidies subject to downgrade (about 34 years) in order to guarantee graduality and tariff stability.

For the subsidies stock existing at December 31st, 2011, the company could choose, in the fifth regulatory period (January 1st, 2020 – December 31st, 2025), two alternative methods:

- same approach as the one adopted in the third and fourth regulatory periods, therefore no subsidies downgrade, full deduction from the invested capital and no impact on depreciation, or*
- same approach as for the contributions received from 2012, therefore subsidies are deducted from the value of fixed assets both in calculating remuneration of the invested capital and*

depreciation, and then are downgraded gradually."

- (iv) On page 19 of the Base Prospectus, the sub-section entitled "*Risk associated with invested capital regulatory remuneration*" shall be deleted and replaced by the following:

"Risk associated with invested capital regulatory remuneration

With Resolution no. 128/2019/R/gas ARERA approved the provisional reference tariffs for the distribution and metering services for 2020 and with Resolution n. 107/2020/R/gas, the definitive reference tariffs for the distribution and metering services for 2019.

By Resolution no. 106/2020/R/gas, ARERA has redetermined the reference tariffs for distribution and metering services for the year 2018 for municipalities with the year of first supply starting from 2017, based on the provisions of Resolution no. 570/2019/R/gas, in relation to the unitary cap on the amount of costs recognised to cover capital costs relating to the distribution service for new investments. Therefore, ARERA has no longer provided for the application of the cap to the amount of recognised costs, for investments in municipalities with first supply in 2017 which are therefore remunerated on the basis of the costs actually incurred, while for investments in municipalities with first supply in 2018 the remuneration is based on a three-stage regime as established by Resolution 570/2019/R/gas:

- a) a first phase lasting three years (including the year of first supply) in which investments are fully recognized;*
- b) a second phase that starts in the fourth year of supply, in which a cap is applied based on a prospective assessment of the redelivery points that could potentially be connected to the network, based on the user penetration curves typical of each tariff area;*
- c) a third phase starting from the sixth year of supply, in which, if the cap is exceeded, the investments recognised from the first year of supply are retroactively reduced, with a three-year return plan.*

The application of this methodology introduces some elements of uncertainty about the return on new investments in municipalities with first supply from 2018 onwards.

Italgas Reti has decided to start a proceeding against the Resolution no. 570/2019/R/gas. For further information please refer to the section "Material Litigation - Resolution no. 98/2019/R/gas ARERA and Resolution no. 128/2019/R/gas ARERA" below."

- (v) On page 22 of the Base Prospectus, in the sub-section entitled "*Risks associated with environmental protection and the restoration of polluted sites*", the reference to "*and sale*" in the last paragraph shall be deleted.

- (vi) On page 26 of the Base Prospectus, in the sub-section entitled "*Risks associated with the energy efficiency certificates market*", the following paragraphs shall be added after the paragraph beginning "*Italgas Reti has decided to start a proceeding [...] "*:

"With the judgment of TAR Lombardia N° 2538/2019 – 28 November 2019, the TAR accepts the recourse started by Italgas Reti during 2018, and in particular it defines:

- a) the cancellation of the MD 10 May 2018, only limited to the parts of the Cap of the tariff contribution at 250,00 € starting from 1 June 2018;*
- b) the cancellation of the following Resolutions and in particular the Resolution 487/2018/R/efr, also*

extended to the modifications introduced by the Resolution 209/2019/R/efr.

Following, the ARERA has published in February 2020 a DCO (Document for Consultation) N° 47/2020/R/efr in which it proposes a new calculation method of the tariff contribution for the obligation years starting from 2018 and simultaneously asks to the DSOs to have an opinion about it. Currently ARERA is evaluating all the answers received by the operators."

- (vii) On page 26 of the Base Prospectus, in the sub-section entitled "*Risks associated with the energy efficiency certificates market*", the last sentence in the paragraph beginning "*On 28 June 2018, the GSE started a control [...]*" shall be deleted and replaced by the following:

"For further information please refer to the section "Material Litigation -Other Proceedings - Seaside S.r.l / GSE – TAR Lazio" below."

- (viii) On page 26 of the Base Prospectus, in the sub-section entitled "*Risks associated with the energy efficiency certificates market*", the second to last paragraph shall be deleted and replaced by the following:

"The total obligation of the Italgas Group for the obligation year 2019 (which has begun on 1 June 2019 and will end only for the current year in 22 July 2020; it has been postponed due to the initiatives taken by the Italian Government during the Covid-19 pandemic) is equal to 948,473 EECs."

- (ix) On page 26 of the Base Prospectus, in the sub-section entitled "*Risks associated with the energy efficiency certificates market*", the following paragraph shall be inserted after the last paragraph:

"The total obligation of the Italgas Group for the obligation year 2020 is equal to 1,073,333 EECs."

- (x) On page 27 of the Base Prospectus, in the sub-section entitled "*Risks associated with the rating of the Issuer*", the first paragraph shall be deleted and replaced by the following:

As at the date of this Base Prospectus, the Issuer's long-term rating is "BBB+ - stable outlook" by Fitch Italia S.p.A. (Fitch) and "Baa2 - stable outlook" by Moody's Investors Service Ltd (Moody's) (each a Rating Agency and together the Rating Agencies). On 30 April 2020, notwithstanding the downgrading announced on 28 April 2020 by Fitch of Italian government bond to BBB- with stable outlook from BBB with negative outlook, the rating agency has also confirmed Italgas S.p.A. Long-Term Issuer Default Rating (IDR) at BBB+ with stable outlook. Both such Rating Agencies are established in the European Union and registered under the CRA Regulation, and included in the list of credit rating agencies published by the ESMA on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Generally, a credit rating assesses the credit worthiness of an entity and informs an investor about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

- (xi) On page 30 of the Base Prospectus, after the last paragraph entitled "*Structural subordination risks for the holders of the Notes*", the following paragraph shall be added:

"Risks associated with the so called "Corona virus disease" (COVID-19)

The diffusion of the health crisis deriving from the spread of the COVID-19, which was qualified as a pandemic by the World Health Organization (WHO) on 11 March 2020, is now having, and may have

for an unforeseeable period of time, important health, social and economic consequences worldwide, including Italy where Italgas Group is active.

In addition to the worsening of the global macroeconomic scenario and the risk of deterioration of the credit profile of a considerable number of countries (including Italy), the mentioned pandemic has already led to significant slowdowns in many business activities.

The ultimate severity and related consequences of the coronavirus COVID-19 disease is causing significant uncertainty in both domestic and global financial markets and could have an impact on the business environment as well as on the legal, tax and regulatory framework.

At this stage, therefore, it is difficult to predict the impact this situation may have on the Issuer business, operations, financial conditions and results."

(C) DESCRIPTION OF THE ISSUER

The section of the Base Prospectus entitled "*Description of the Issuer*" shall be updated as follows:

- (i) In page 102 of the Base Prospectus, in the sub-section entitled "*Overview*" the fourth, the fifth and the eleventh paragraphs shall be deleted and replaced by the followings:

*"As at the date of this Supplement, the Issuer holds directly 100% of the share capital of Italgas Acqua S.p.A. ("**Italgas Acqua**"), Seaside, Italgas Reti, 50,66% of the share capital of Toscana Energia, 51,85% of Gaxa S.p.A. (formerly Gaxa S.r.l. and before that, Medea Newco S.r.l.) and (indirectly, through its shareholding in Italgas Reti) 51,85% of the share capital of Medea. In turn, its subsidiary Medea holds 10% of Isgas trentatre S.p.A., Seaside holds 10% of Enerpaper S.r.l. and Toscana Energia holds 100% of Toscana Energia Green S.p.A., 42.96% of Gesam Reti S.p.A. and 30.045% of Valdarno S.r.l.*

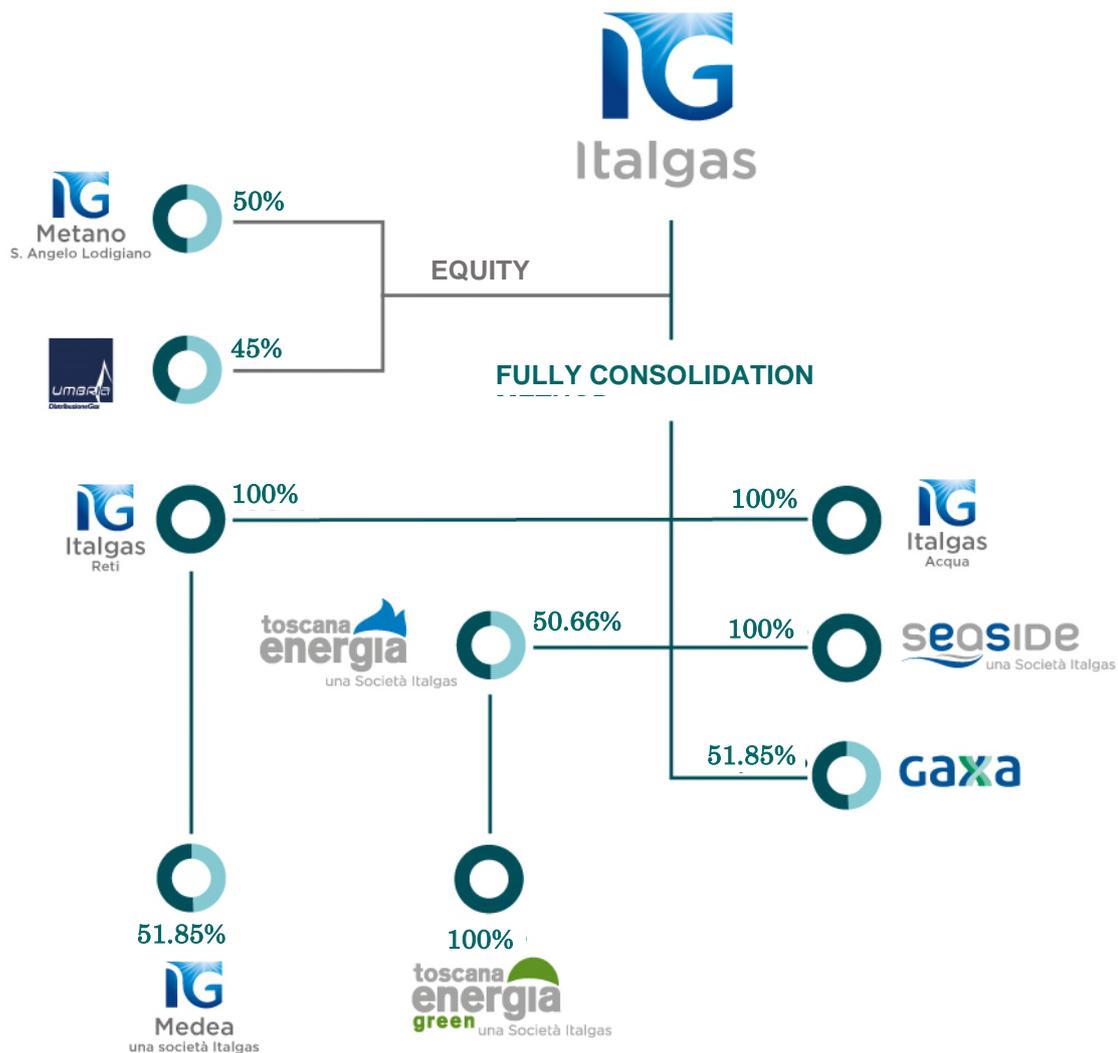
Italgas also holds (i) 45% of the share capital of Umbria Distribuzione Gas S.p.A and (ii) 50% of the share capital of Metano S. Angelo Lodigiano S.p.A..

*As at the date of this First Supplement on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the main shareholders directly or indirectly owning an interest greater than 3% of Italgas' share capital are (i) CDP, with an overall 39.55% stake of the ordinary share capital, held through CDP Reti S.p.A. and Snam, (ii) Lazard Asset Management with a stake of 8.4% of the ordinary share capital (iii) Mr. Romano Minozzi who holds, also through his companies Iris Ceramica Group S.p.A, GranitiFiandre S.p.A. and Finanziaria Ceramica Castellarano S.p.A., 4.29% of the ordinary share capital and (iv) BlackRock Inc. with a stake of 4.7% of the ordinary share capital¹. The remaining (free float) is held by other shareholders. The remaining (free float) is held by other shareholders. See "*Principal Shareholders*" below."*

- (ii) On page 106 of the Base Prospectus, in the sub-section entitled "*Group Structure*", the outline of the group structure shall be deleted and replaced by the following

"As at the date of this First Supplement, the Group Structure is as follows:

¹ For information concerning communications received pursuant to CONSOB Resolutions no. 21304 of 17 March 2020 and no. 21326 of 9 April 2020, please make reference to the website www.consob.it, "Relevant Shareholdings". Please note that the information on the website do not form part of the Base Prospectus and has not been scrutinized or approved by the competent authority.



(iii) On page 107 of the Base Prospectus, in the sub-section entitled "*Group Structure*", the reference to "*and sale*" and the following sentence in the fourth paragraph shall be deleted:

"which owns a LPG storage in Sassari of approx. 600 cubic metres."

(iv) On page 108 of the Base Prospectus, the sub-section entitled "*Group Structure*" shall be updated as follows:

1. The last sentence in the second paragraph shall be deleted.
2. The third paragraph shall be deleted and replaced by the following:

"On 7 May 2019 Medea Newco, a limited liability company entirely controlled by the Issuer, has been established and became operational starting from the beginning of 2020."

3. The last sentence in the fourth paragraph shall be deleted and replaced by the following:

"The agreement, concerning the purchase of stakes either in Medea and in Gaxa (formerly Medea Newco) was executed on 18 December 2019 as per what is explained hereinafter."

4. The last sentence in the last paragraph shall be deleted.
5. The following paragraphs shall be inserted after the last paragraph:

"The following significant changes have occurred between the date of publication of the Base Prospectus and this Supplement:

(i) the company Mediterranea S.r.l. was merged by incorporation into Italgas Reti on 21 October 2019, with legal effect as of 1 November 2019;

(ii) on 15 November 2019, the Shareholders' Meeting of Medea Newco S.r.l. resolved to change its name to Gaxa S.r.l.;

(iii) on the same date, in order to comply with the Unbundling Regulation, which apply starting from the date on which Gaxa S.p.A. (formerly Gaxa S.r.l. and before that, Medea Newco S.r.l.) is able to sell natural gas in Sardinia, a partial demerger of the sale branch of Medea in favour of Medea Newco has been entered into, with effect as of 1 December 2019;

(iv) on 12 December 2019, Seaside purchased the 10% of the corporate capital of Enerpaper S.r.l., innovative start-up that holds a thermal insulation technology for buildings;

(v) on 18 December 2019, the Shareholders' Meeting of Gaxa S.r.l. resolved to change the company to a joint stock company with consequent change of company name and increase of the share capital (change with effect as of 14 January 2020);

(vi) according to the Agreement entered into on 1 August 2019 with fund Marguerite II, on 18 December 2019, the Luxembourg funds Marguerite Gas IV S.à r.l. and Marguerite Gas III S.à r.l. respectively purchased 48.15% of the share capital of Gaxa S.p.A. and Medea;

(vii) on 31 January 2020, upon the occurrence of certain conditions precedent, Italgas, A2A Calore e Servizi and Unareti finalized the agreements entered into on 8 October 2019 for the mutual transfer of some assets in order to strengthen their respective core businesses."

- (xii)** On page 113 of the Base Prospectus, in the sub-section entitled "*Health, Safety, Environment and Quality*", the following paragraph shall be added at the end:

"Due to the recent outbreak of the so called "Corona virus pandemic" and given that the measures for containing it set out by the competent authorities shall be promptly implemented after issuance, the Italgas Group has established a Crisis Committee that has the task of constantly monitoring the current scenario and defining actions accordingly.

As regard to the infectious viral pandemic, Italgas has adopted protocols concerning health, safety and organizational measures with reference to Authorities codes of conduct to counter the spread of Covid-19."

- (v)** On page 115 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*Criminal Proceedings*", under the heading "*Rome incident/via Parlatore*", the following sentence shall be inserted at the end of the paragraph:

"Following the further investigations, the Public Prosecutor filed, once again, a motion to dismiss for all the suspects. As a result of the opposition to the motion proposed by the offended parties, a new hearing is currently pending before the G.I.P."

- (vi) On page 116 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*Other Proceedings*", the last sentence in the paragraph headed "*Comune di Venezia / Italgas Reti: Trib. Venezia*" shall be deleted and replaced by the following:

"The following hearing, initially scheduled on 1 April 2020, for the admission of evidence supporting parties' statements, has been postponed to 23 December 2020."

- (vii) On page 116 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*Other Proceedings*", the paragraph headed "*Publiserizi S.p.A. / Italgas S.p.A.: Trib. Firenze*" shall be deleted and replaced by the following:

"On 25 July 2019, a writ of summons was served upon Italgas by Publiserizi S.p.A., which alleges violation of a shareholders' agreement signed between Italgas S.p.A., Publiserizi S.p.A. and other shareholder Municipalities of Toscana Energia on 28 June 2018, requesting that Italgas be ordered to execute the aforementioned shareholders' agreement and arrange compensation for the related damages. The first hearing, held on 14 January 2020 before the Court of Florence, was adjourned until 6 May 2020. Italgas S.p.A., which appeared before the court within the time prescribed by the law, raised all objections helpful in demonstrating that the counterparty's claims are groundless."

- (viii) On page 116 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*Other Proceedings*", the following paragraphs shall be inserted after the last paragraph:

"Italgas Reti S.p.A. / Comune di Roma: TAR Lazio

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific service contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business Plan, which is an integral part of the above-mentioned Contract, arbitrarily charged Italgas Reti with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed a recourse with the Lazio Regional Administrative Court on 11 January 2019 (RG no. 560/2019) for the cancellation of the notice with which the Municipality of Rome had started the procedure to apply liquidated damages and supplemented it on 30 August 2019 due to reasons added following further notices of the Municipality of Rome. On 19 December, the Municipality of Rome served the Managerial Resolution dated 6 September 2019 that i) quantified the alleged amount owed by Italgas Reti by way of liquidated damages for the supposed delay in implementing the business plan covered by the gas concession contract, ii) levied the bank guarantee issued to guarantee the proper execution of the above Service Contract, in case liquidated damages would not be paid within the deadline of 90 days from notification of the resolution. With its appeal (motivi aggiunti) of 20 January 2020 in the proceeding RG n. 560/2019, Italgas contested the above-mentioned Managerial Resolution at the Lazio Regional Administrative Court and asked for an interim measure aimed at suspending the Measure (provvedimento) in so far as it is illegitimate from different perspectives, including i) invalidity due to vagueness of the liquidated damages clause, ii) non-existence and/or in any case non-chargeability of the company for the non-fulfilments challenged by the Municipality of Rome, iii) waiver by the Municipality of Rome to promptly apply the liquidated damages clause, iv) violation of the procedure to impose such liquidated damages clause. In consideration of the introductory state of the proceedings,

while awaiting preliminary analyses and based on an outside legal opinion, the Company sees no risk of losing the case such as to record it in these financial statements. With Order (ordinanza) no. 1124/2020 published on 21 February 2020, the Lazio Regional Administrative Court raising doubts about the jurisdiction of the administrative court on this litigation, stayed the Measure with which the Municipality of Rome ordered Italgas Reti to pay liquidated damages until 18 March 2020, date on which the next meeting in chambers would be held. Such hearing was then postponed to 22 April 2020. In addition to that, Italgas Reti, on 18 April 2020, filed before the Supreme Civil Court (Corte Suprema di Cassazione) a request for a ruling on the jurisdiction (regolamento preventivo di giurisdizione), with the aim of obtaining a judgment on whether the competence on such litigation rests on a Civil Court or on an Administrative Court. By Order (ordinanza) no. 4140/2020, published on 23 April 2020, the Lazio Regional Administrative Court stayed the RG n. 560/2019 proceeding, pending the Supreme Civil Court decision, and did not confirm the interim measure initially issued by the above cited Order no. 1124/2020 of 21 February 2020. Italgas Reti will appeal the Order of 23 April 2020 before the Council of State (Consiglio di Stato). Furthermore Italgas Reti is evaluating the opportunity to file with the Civil Court of Rome a writ of summons with the aim of having it ascertained that the delay in the completion of the works is due to the Municipality and therefore its right to the reimbursement of the damages incurred.

Seaside S.r.l / GSE – TAR Lazio

With reference to the monitoring initiated by the GSE on 55 packages of energy efficiency projects relating to the subsidiary company Seaside, in the months of March and April 2019 notices of cancellation for 2 packages of projects were received as well as the request of the supplementary documentation for the remaining projects. Seaside lodged a recourse before the Lazio (Rome) Regional Administrative Court against the April notification for the annulment of the same and additional reasons (motivi aggiunti) were subsequently filed against the further measures related to the April notification. In a communication dated 17 February 2020, the GSE notified the results of its monitoring on the remaining 53 files, highlighting the failure to meet requirements for the recognition of incentives on all the files examined. The GSE also specified that it was obliged to recover the amount already paid, in accordance with reimbursement methods that would be notified in subsequent communications. Seaside, which is carrying out all the necessary technical and legal studies to accurately challenge the detailed observations put forward by the GSE, will in due time assess the opportunity of filing a recourse before the Competent Regional Administrative Court."

- (ix) On page 116 of the Base Prospectus, in the sub-section entitled "Material Litigation" – "ARERA Proceedings", the following paragraph shall be inserted after the fourth paragraph:

"With executive resolution 13/2018/efr of 7 February 2018, the ARERA started a proceeding against Italgas Reti regarding alleged violation on Energy efficiency mechanism in 2016. Despite the detailed argumentation of Italgas Reti presented in specific memorandum, with resolution 415/2019/S/efr of 23 October 2019, ARERA ordered Italgas Reti to pay a fine of 1,614,000. On this ruling it has been commenced a proceeding which is currently pending before the competent Administrative Court. The first hearing has not been scheduled yet."

- (x) On page 117 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*ARERA Proceedings*", under the heading "*Resolution no. 98/2019/R/gas ARERA and Resolution no. 128/2019/R/gas ARERA*", the following sentence shall be inserted at the end of the last paragraph:

"The recourse has been transposed before the competent Administrative Court. The first hearing has not been scheduled yet."

- (xi) On page 117 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*ARERA Proceedings*", the following paragraph shall be inserted after the paragraph heading "*Resolution no. 98/2019/R/gas ARERA and Resolution no. 128/2019/R/gas ARERA*":

"Resolution no. 570/R/gas/2019

A proceeding was started against ARERA Resolution no. 570/R/gas/2019 before the Lombardy (Milan) Regional Administrative Court, notified on 24 February 2020, challenging the legitimacy of various points, including the planned reduction of operating costs recognised to the distributor, the reduced return on invested capital in metering activities, confirmation of the cap on investments in start-up areas, the planned single tariff for Sardinia using a balancing mechanism limited only to the first three years, and the inclusion of an x factor that remains constant for the entire regulatory period. The first hearing has not been scheduled yet."

- (xii) On page 117 of the Base Prospectus, in the sub-section entitled "*Material Litigation*" – "*AGCM Proceedings*", the paragraph headed "*Proceeding A 527 of 12 March 2019*" shall be deleted and replaced by the following:

"By Measure (provvedimento) dated 12 March 2019, pursuant to art. 14 of Italian Law 287/90, the AGCM initiated a preliminary investigation against Italgas Reti, Ireti and 2i Rete Gas for alleged abuse of a dominant position aimed at "not allowing or delaying the start of administrative procedures preparatory to organization of the procedure to award the gas distribution service in ATEM Genova 1". In particular, Italgas Reti was accused of not having provided the Contractor with information on the year of laying individual sections of the network before 2006 in the Municipalities where it is the concession holder (Campo Ligure, Campomorone, Ceranesi, Cicagna, Masone, Pieve Ligure and Rossignone). By Measure dated 2 September 2019, the Antitrust Authority decided to publish the commitments submitted respectively by Ireti, 2i Rete Gas and Italgas Reti.

By Measure dated 21 January 2020, the AGCM concluded its investigation, making the commitments submitted by Italgas Reti, Ireti and 2i Rete Gas mandatory, without confirming any unlawful conduct by them and, consequently, applying no sanctions. The final version of the commitments proposal submitted by Italgas - integrated after performing the market test - envisages that every time a specific request is received from a contractor/grantor, within 60 days of the request and in relation to Municipalities for which it is concession holder of the natural gas distribution service, Italgas Reti must provide the set of documents including mapping, on open and editable media, as well as available information relating to the description of networks and systems involved in the natural gas distribution service, stating the year of construction and their construction, functional and conservational characteristics, with specific indication - to the extent known to Italgas Reti - of the year of laying, also for sections of the network dating to before 2006."

- (xiii) On page 118 of the Base Prospectus, in the sub-section "*Principal Shareholders*", the fourth and fifth paragraphs shall be deleted and replaced by the following:

"As at the date of this First Supplement on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the main shareholders directly or indirectly owning an interest greater than 3% of Italgas' share capital are (i) CDP, with an overall 39.55% stake of the ordinary share capital, held through CDP Reti S.p.A. and Snam, (ii) Lazard Asset Management with a stake of 8.4% of the ordinary share capital (iii) Mr. Romano Minozzi who holds, also through his companies Iris Ceramica Group S.p.A, GranitiFiandre S.p.A. and Finanziaria Ceramica Castellarano S.p.A., 4.29% of the ordinary share capital and (iv) BlackRock Inc. with a stake of 4.7% of the ordinary share capital. The remaining (free float) is held by other shareholders².

As at the date of this Base Prospectus, based on information in Issuer's shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to the Issuer, as far as the Issuer is aware, the shareholders owning interests in excess of 3% of the Issuer's ordinary shares are as follows:

<i>Declarant</i>	<i>Direct shareholder</i>	<i>Proportion of ordinary share capital (%)</i>
<i>CDP</i>	<i>CDP Reti</i>	26.05
	<i>Snam</i>	13.50
<i>Lazard Asset Management</i>	<i>Lazard Asset Management</i>	8.4
<i>Romano Minozzi</i>	<i>Finanziaria Ceramica Castellarano S.p.A.</i>	0.23
	<i>Granitifandre S.p.A.</i>	0.02
	<i>Iris Ceramica Group S.p.A.</i>	1.89
	<i>Romano Minozzi</i>	2.15
<i>BlackRock Inc.</i>	<i>BlackRock Institutional Trust Company</i>	3.02
	<i>BlackRock Advisors Limited</i>	1.35
	<i>BlackRock A.M Deutschland</i>	0.2

"

- (xiv) On page 118 of the Base Prospectus, in the sub-section "*Principal Shareholders*", the following sentence shall be inserted at the end of the sixth paragraph:

"Given such provision, the Italgas Shareholders' Agreement was automatically renewed for a further

² For information concerning communications received pursuant to CONSOB Resolutions no. 21304 of 17 March 2020 and no. 21326 of 9 April 2020, please make reference to the website www.consob.it, "Relevant Shareholdings". Please note that the information on the website do not form part of the Base Prospectus and has not been scrutinized or approved by the competent authority.

three years period."

- (xv) On page 118 of the Base Prospectus, in the sub-section "*Principal Shareholders*", the following sentence shall be inserted at the end of the paragraph beginning "*On 1 August 2019, CDP specified that [...]*":

"Even after such requalification, there are no shareholders exercising the direction and coordination activities referred to in Articles 2497 et seq. of the Italian Civil Code over Italgas."

- (xvi) On page 120 of the Base Prospectus, in the sub-section entitled "*Code of Ethics, Principles of the Internal Control, and Enterprise Risk management system and the management system for the prevention and fight against corruption*" the following sentence shall be inserted at the end of the last paragraph:

"The aforementioned certification has been confirmed, for the second consecutive years, on 6 December 2019 by DNV. Furthermore, the Issuer obtained its extension to the "anti-corruption government" of all the companies of the Group, as well as for the subsidiary Italgas Reti S.p.A. Among the strengths of the management system put in place by the Issuer, DNV recognized the consolidated corporate precautions aimed at preventing and mitigating the risk of corruption as well as the sensitivity and awareness of Issuer's people about the importance of its role in risk management. The extension of the certification perimeter will allow to achieve the certification of the anti-corruption management systems adopted and effectively implemented by all Group companies. This milestone will constitute a further guarantee and recognition of the adequacy and effectiveness of the safeguards adopted by the Issuer in order to prevent and combat corruption."

- (xvii) On page 125 of the Base Prospectus, in the sub-section entitled "*Principal Activities of the Directors outside the Issuer's Group*", the reference to "*Paolo Gallo*" contained in the table shall be deleted.

- (xviii) On page 135 of the Base Prospectus, the sub-section entitled "*Conflicts of Interest*" shall be deleted and replaced by the following:

"Conflicts of Interest

Except for what is stated below, there are no potential conflicts of interest between any duties towards Italgas of the members of the Board of Directors, members of the Board of Statutory Auditors and Managers with Strategic Responsibilities of Italgas and their private interests and/or other duties.

Paolo Gallo, CEO and General Manager of Italgas, starting from 14 January 2020, is no longer Chairman of the Board of Directors of Italgas Reti.

As decided by the Board of Directors on 20 December 2016 and confirmed on 24 January 2019, the guidelines on the maximum number of offices a director or auditor can hold in other "significant companies" shall not apply for offices hold in companies belonging to the Italgas Group.

Maurizio Dainelli, member of the Board of Directors of Italgas, is also a manager at CDP.

Yunpeng He, member of the Board of Directors of Italgas, is also a member of the Board of Directors of CDP Reti and Snam.

Antonio Paccioretti, General Manager Finance and Services, is also Chairman of the Board of Directors of Italgas Reti and Medea and a member of the Board of Directors of Toscana Energia.

Paolo Luigi Bacchetta is CEO of Italgas Reti.

Pier Lorenzo Dell'Orco, Executive Vice President Commercial Development, is also a member of the Board of Directors of Seaside.

Nunziangelo Ferrulli, Executive Vice President Institutional Relations and Regulatory Affairs, is also a member of the Board of Directors of Italgas Acqua and Italgas Reti.

Raffaella Marcuccio, Executive Vice President Procurement and Material Management, is also a member of the Board of Directors of Toscana Energia.

Alessio Minutoli, Senior Vice President Legal, Corporate and Compliance Affairs, is also Chairman of Gaxa.

Chiara Ganz, Executive Vice President Relations and Communication, is also member of the Board of Directors of Gaxa and Gesam Reti."

- (xix) On page 136 of the Base Prospectus, in the sub-section entitled "*Managers with Strategic Responsibilities*", the following words shall be inserted in the paragraph beginning "*Antonio Paccioretti (General Manager Finance and Services).*" after the words "*He sits on the Board of Directors of Italgas Reti*":

"(as Chairman)"

- (xx) On page 137 of the Base Prospectus, in the sub-section entitled "*Managers with Strategic Responsibilities*", the sentences in the paragraph beginning "*Pier Lorenzo Dell'Orco (Head of Commercial Development).*" after the words "*[...] the group's entry into the energy efficiency sector.*" shall be deleted and replaced by the following:

"He has been a member of the Board of Directors of the Italgas group-controlled company Seaside S.r.l. since the beginning of 2018. Starting from the beginning of 2018 until December 2019 he was a member of the Board of Directors of Medea S.p.A. and between May 2019 and November 2019 he was sole director of Medea Newco S.r.l. Starting in May 2018 he has taken over the responsibility of Head of Commercial Development, reporting directly to the CEO of Italgas S.p.A."

- (xxi) On page 138 of the Base Prospectus, in the sub-section entitled "*Managers with Strategic Responsibilities*", the last sentence in the paragraph beginning "*Raffaella Marcuccio (Head of Procurement and Material Management).*" shall be deleted and replaced by the following:

"She sits on the Board of Directors of Toscana Energia."

- (xxii) On page 138 of the Base Prospectus, in the sub-section entitled "*Managers with Strategic Responsibilities*", the table shall be deleted and replaced by the following:

Name	Company	Office/Stake held	Status of the office / stakeholding as at the date of this First Supplement
Antonio Paccioretti	Italgas Reti	Chairman of the BoD	In office
	Medea	Chairman of the BoD	In office
	Toscana Energia	Director	In office
Paolo Lugi Bacchetta	Italgas Reti	Chief Executive Officer	In office
Pier Lorenzo Dell'Orco	Seaside	Director	In office
Nunziangelo Ferrulli	Italgas Acqua	Director	In office
	Italgas Reti	Director	In office

Raffaella Marcuccio	Toscana Energia	Director	In office
Chiara Ganz	Gesam Reti	Director	In office
	Gaxa	Director	In office
Alessio Minutoli	Gaxa	Chairman	In office

(D) REGULATORY AND LEGISLATIVE FRAMEWORK

The section of the Base Prospectus entitled "*Regulatory and Legislative Framework*" shall be updated as follows:

- (i) On page 151 of the Base Prospectus, in the section entitled "*Regulatory - Tariffs*", the table shall be deleted and replaced by the following:

End of TARIFF regulatory period	End of the first half-period: 31 December 2022 End of the second half-period: 31 December 2025
Calculation of net invested capital recognised for regulatory purposes (RAB)	Reevaluated historical cost Parametric method for centralised assets
Return on net invested capital recognised for regulatory purposes (real pre-tax WACC)	Distribution: 6.3% (year 2020-2021) Metering: 6.3% (year 2020-2021)
Incentives on new investments	Remuneration of investment year t-1 for time lag recognition
Efficiency factor (X FACTOR)	3.53% on distribution operating costs 1.57% on commercialization operating costs 0% on metering operating costs

- (ii) On page 152 of the Base Prospectus, in the section entitled "*Regulatory - Tariffs*", the second paragraph shall be deleted and replaced by the following:

"With Resolution 583/2015/R/com, published on 2 December 2015, as amended by Resolution 570/2019/R/gas, ARERA issued the criteria to calculate and update the WACC for the gas and electricity regulated businesses for the period ranging from 1 January 2016 to 31 December 2021. Such criteria establish that the parameters to determine the WACC are the same for the gas and electricity regulated businesses, other than those that are specific to the individual business (asset beta and gearing), with a three-year updating period. In particular the criteria avoid differences between regulated businesses' returns due to specific and non-recurring conditions of the financial markets. By Resolution 570/2019/R/gas, ARERA decided to align (by reducing) the parameter reflecting the systemic risk of the gas metering activity to that of distribution. It resulted in a downward shift of the beta parameter negatively affecting the metering WACC which, in turn, fell from 6.8% to 6.3%."

- (iii) On 152 of the Base Prospectus, in the section entitled "*Regulatory - Tariffs*", the sub-section headed "*Gas Distribution Tariffs*" shall be deleted and replaced by the following:

"Gas Distribution Tariffs

With Resolution 570/2019/R/gas, published on 27 December 2019 ARERA defined the tariff criteria for the distribution and metering services on the local distribution networks for the fifth regulatory period (1 January 2020 to 31 December 2025) divided into two half-period of three years each. In summary, the Resolution provides for:

- recognition of the net invested capital in site by the re-evaluated historical cost methodology and of the net invested capital with respect to centralised operations (non-industrial buildings, ICT assets, vehicles and other fixed assets) by the parametric methodology;*

- *the base return rate (WACC) of net invested capital (RAB) is set at 6.3% in real terms before taxes both for the distribution service and metering service;*
- *recognition of the operating costs of distribution operations on a parametric basis and differentiated for each operating company depending on company size and density of the customers connected to the network;*
- *recognition of the operating costs of metering and sales operations using equal parametric components for all companies;*
- *recognition of investments in smart meters is obtained by using a weighted average of the standard cost (30%) and the actual cost (70%);*
- *the revenues associated with new investments are paid starting from the first year following that in which the costs were incurred ("spending") and are guaranteed regardless of the volumes transported;*
- *the price cap method for updating the tariffs is applied to revenue relating to operating costs, which are indexed to inflation and reduced by a fixed annual productivity return coefficient set at 3.53% for operating costs of large companies relating to distribution, 0% for operating costs relating to metering and 1.57% for operating costs relating to commercialization. The productivity factors might be updated in the second half period by the ARERA, if deemed necessary;*
- *the revenue components which are related to returns and depreciation are determined on the basis of the annual update of net capital invested (RAB). As in the fourth regulatory period, the depreciation is not subject to the price-cap mechanism and calculated on the basis of the useful economic and technical life of the distribution infrastructure which is 50 years;*
- *in relation to the recognition of the residual costs of traditional meters lower than or equal to G6 replaced with smart meters, an amount is recognized for the recovery of non-depreciation (IRMA), to be paid to the distribution companies over five years, equal to the difference between the residual non-depreciated value, calculated by applying the pro-tempore regulatory useful life in force and the residual value, calculated by applying a useful life of 15 years; there is also provision for the recovery of non-depreciation for traditional meters installed in the period 2012-2014 replaced with smart meters;*
- *confirmation of an equalisation mechanism, managed by the ARERA through the Cassa Conguaglio Settore Elettrico (Electricity Equalisation fund– now Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation fund), to guarantee equivalence between the revenue obtained by each company by application of the mandatory tariff, which, naturally, does not reflect the specific costs of each company, and the costs recognised for such company, using the reference tariff; and*
- *public and private contributions received from 2012 are deducted from the value of fixed assets, both for the purpose of calculating the remuneration of the invested capital and for the purpose of calculating the depreciation and are downgraded by the amount deducted from the depreciation. As for the fourth regulatory period, a portion of the existing stock is immediately released while the remaining portion is subject to a release over time (the so called "frozen portion"). The time horizon adopted for the full release of these subsidies is aligned with the*

time horizon for the release of the subsidies subject to downgrade (about 34 years) in order to guarantee graduality and tariff stability;

- *with regard to the methanization of Sardinia, the establishment of a Sardinian tariff area by providing, for a period of three years, an equalisation mechanism that makes it possible to equalise the tariff for Sardinia with the ones applied in the South area;*
- *confirmation of a unitary cap on the amount of costs recognised to cover capital costs relating to the distribution service for new investments in municipalities with first supply in 2018 to be applied according to a three steps-regime:*
 - *a first phase lasting three years (including the year of first supply) in which investments are fully recognized;*
 - *a second phase that starts in the fourth year of supply, in which a cap is applied based on a prospective assessment of the redelivery points that could potentially be connected to the network, based on the user penetration curves typical of each tariff area;*
 - *a third phase starting from the sixth year of supply, in which, if the cap is exceeded, the investments recognised from the first year of supply are retroactively reduced, with a three-year return plan."*

- (iv) On page 153 of the Base Prospectus, in the section entitled "*Regulatory - Tariffs*", sub-section "*Tariff Regulation of distribution and metering services for the regulatory period 2014-2019 for distribution service on ATEM*", the first, the second and the third paragraphs shall be deleted and replaced by the following:

"Resolution No. 570/2019/R/gas defines the tariff regulation of distribution and metering services for the regulatory period 2020-2025 also regarding the provisions related to the distribution services on ATEM.

The provisions related to the distribution services on ATEM shall be applied from the entrusting date, as resulting from the service contract stipulated by the contracting authority (stazione appaltante) and by the incoming operator. The main aspects of the document are described below:

- *the initial value, recognised for tariff purposes, of the Local Net Invested Capital being transferred for consideration to the incoming operator should be determined based on:*
 - (a) *the Reimbursement Value paid to the outgoing operator pursuant to Article 5 of MD 226, in the event that the outgoing operator is different to the incoming operator, determined as the reconstruction value carried forward, net of depreciation and contributions received; or*
 - (b) *in all other cases, the value of the Local Net Invested Capital, calculated based on the criteria used by the ARERA to determine distribution tariffs;*
- *at the end of the first concession period (12 years), the value of the Local Net Invested Capital will be determined, in both cases (a and b), as the sum of two components:*
 - (a) *the residual value of the existing stock of assets at the start of the concession period, valued based on the amount to be reimbursed pursuant to Article 5 of MD 226, taking into account amortisation and depreciation, as well as disposals recognised for tariff purposes during the concession period; and*

- (b) *the residual value of new investments made during the concession period and in existence at the end of the period, calculated pursuant to the applicable tariffs regulation;*
- *for determining the annual depreciation allowed for tariffs purposes, the extension of the useful regulators lives shall apply, in accordance with the values adopted by MD 226 and starting from the awarding of concessions area by tender;*
- *the operating costs relating to the distribution service in case of distribution service on ATEM are set by Resolution 570/2019/R/Gas according to the size and density of the ATEM. The annual rate of reduction of the unit costs which shall cover the operating costs of the distribution service, to be applied for updates of the tariffs for the first two years following the year of entrusting of the service by tender shall be equal to 0%. For the subsequent years, the annual rate of reduction will be equal to that provided for the local distribution networks for distribution companies belonging to the size category more than 300,000 delivery points served*
- *ARERA shall define and publish: i) no later than 15 December of each year the mandatory tariffs for distribution and metering services, to be applied to the following year; ii) no later than 31 March of the year "t", on a provisional basis, the relevant tariffs for the year "t", calculated on the basis of the pre-final financial data for the year "t-1"; iii) no later than 28 February of the year "t+1", on a definitive basis, the relevant tariffs for the year "t", calculated on the basis of the pre-final financial data for the year "t-1".*

With Resolution 583/2015/R/com, published on 2 December 2015, as amended by Resolution no. 570/2019/R/gas, ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period ranging from 1 January 2016 to 31 December 2021. For the years 2016, 2017 and 2018 the base return rate (WACC) is set at 6.1% for distribution business and 6.6% for metering business. For 2019 WACC is set at 6.3% for distribution business and 6.8% for metering business. For 2020 and 2021 WACC is set at 6.3% for distribution business and metering business, as ARERA deemed necessary to align the parameter reflecting the systemic risk of the metering and distribution activities."

- (v) On page 156 of the Base Prospectus, in the section entitled "Regulatory - Tariffs", sub-section "Tariff Regulation of distribution and metering services for the regulatory period 2014-2019 for distribution service on ATEM", the following paragraphs shall be inserted after the last paragraph:

"With Resolution no. 571/2019/R/gas, published on 27 December 2019, the ARERA has approved the mandatory tariffs for natural gas distribution and metering services for 2020.

With Resolution no. 106/2020/R/gas, published on 3 April 2020, the ARERA has redetermined the reference tariffs for gas distribution and metering services for the years 2009-2018, based on the data correction requests by some distribution companies. The Resolution also redetermined the reference tariffs for distribution and metering services for the year 2018 for municipalities with the year of first supply starting from 2017, based on the provisions of Resolution no. 570/2019/R/gas.

With Resolution no. 107/2020/R/gas, published on 3 April 2020, the ARERA has approved the definitive reference tariffs for the distribution and metering services for 2019.

With resolution no. 116/2020/R/com, published on 3 April 2020, the ARERA has set out temporary exceptions to the credit recovery discipline applicable to users of gas distribution network. Among all measures introduced, the most relevant one relates to the exclusion of the credit enforcement mechanism (e.g. surety enforcement, formal notice, contract termination) once the level of total invoiced in April is paid in due time and for the minimum threshold of 80%.

With Resolution no. 127/2020/R/gas, published on 15 April 2020, the ARERA has approved the provisional reference tariffs for natural gas distribution and metering services for 2020.

With Resolution no. 128/2020/R/gas, published on 15 April 2020, the ARERA has redetermined the tariff options for 2020 by distinguishing, with effect from 1 January 2020, the municipalities served with propane air from the municipalities served with LPG."

(E) GENERAL INFORMATION

The section of the Base Prospectus entitled "*General Information*" shall be updated as follows:

- (i) On page 173 of the Base Prospectus, in the section entitled "*General Information*", the paragraph entitled "*Significant or Material Adverse Change*" shall be deleted and replaced by the following:

Significant or Material Adverse Change

There has been no significant change in the financial performance or position of the Italgas Group since 31 December 2019 and no material adverse change in the financial position or prospects of the Italgas Group since 31 December 2019."

* * *

GENERAL INFORMATION

To the extent that there is any inconsistency between (a) any statement in this First Supplement or any statement incorporated by reference into the Base Prospectus by this First Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this First Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

Copies of the Base Prospectus, this First Supplement and all documents incorporated by reference in the Base Prospectus by means of First Supplement can be obtained from the registered offices of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and are available on the website of the Luxembourg Stock Exchange at *www.bourse.lu*.