

ITALGAS: CONSOLIDATED RESULTS AS OF 31 MARCH 2021 APPROVED

Milan, 05 May 2021 - The Italgas' Board of Directors, which met yesterday chaired by Alberto Dell'Acqua, has approved the consolidated results as of 31 March 2021 (unaudited).

Key figures

Consolidated economic and financial highlights:

- Total revenues: € 333.3 million (+1.9%)
- Gross operating margin (EBITDA): € 234.4 million (+3.3%)
- Operating profit (EBIT): € 129.9 million (+5.2%)
- Adjusted net profit: € 81.2 million (+7.8%)
- Technical investments: € 206.7 million (+0.5%)
- Cash flow from operating activities: € 309 million
- Net financial debt: € 4,617.6 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 4,542.6 million

Operating highlights including affiliates:

- Municipalities in gas distribution concessions: 1,888
- Number of active meters: 7.8 millions
- Gas distribution network: more than 73,300 Km

In a general context in which the effects of the health emergency persist, the performance achieved by Italgas in the first quarter of 2021 confirms the company's ability to generate solid economic-financial results, while ensuring the safety and continuity of the service and achievement of the objectives declared in its multi-year plan.

The € 206.7 million of investments made in the period (up 0.5% compared to the first quarter of 2020), devoted to digital transformation, development and modernisation of the networks, bears witness to this.

Around 203 km of new pipelines were laid in the first three months of 2021, 40 km of which in Sardinia, where the construction of distribution networks continued, with approximately 850 km completed overall out of a total of 1,100 km to be constructed.

The plan to replace traditional meters with latest generation smart meters is close to completion. The plan is part of the wider project for the digital transformation of the entire network managed. To date, this project has upgraded the technology of over 450 distribution networks.

The requirements related to net investments for the first quarter of 2021 were covered by the positive cash flow from operating activities, equal to € 309 million, with a Free Cash Flow of € 120.8 million.

The net financial position as of 31 March 2021 was € 4,617.6 million (€ 4,736.5 million as of 31 December 2020). The net financial position amounted to € 4,542.6 million (€ 4,660.2 million as of 31 December 2020), net of financial liabilities pursuant to IFRS 16 of € 75.0 million (€ 76.3 million as of 31 December 2020).

The EBITDA of the first quarter of 2021 amounted to € 234.4 million (up +3.3% compared to 31 March 2020) and adjusted net profit attributable to the Group was € 81.2 million (up +7.8% compared to the same period of the previous year).

Paolo Gallo, CEO of Italgas, commented:

«The positive results of the first quarter of 2021 demonstrate the solidity of our business and the practical nature of the measures implemented in terms of development and efficiency, despite an exceptionally difficult market context. We have achieved an EBITDA of around € 234 million, up 3.3% on last year, and Adjusted net profit of € 81.2 million, up 7.8%, after discounting the major repercussions of Resolution no. 570/2019/R/gas, which also continue into 2021. In this first part of the year, we realised investments for € 207 million, up if compared to the same period of 2020, an indication of the great commitment made to extend the "digital transformation", which will make our network ready to provide a whole range of different gases, including biomethane, hydrogen and synthetic methane, in order to facilitate the energy transition and encourage the decarbonisation of consumption. In this perspective, the acceleration of the Atem tendering mechanism envisaged by the PNRR will certainly play an important driving role in the trigger of new investments in the area and in achieving the "net carbon-zero" EU objectives by 2050».

Italgas Group structure as of 31 March 2021

The structure of the Italgas Group as of 31 March 2021 has not changed with respect to that in place at 31 December 2020.

Economic and financial highlights

This press release uses alternative performance indicators, including EBITDA (gross operating margin, calculated by subtracting operating costs from earnings), EBIT (operating income before taxes, calculated by subtracting operating costs, amortisation, depreciation and impairment from earnings) and Net financial debt (calculated as the sum of short- and long-term financial debt and financial liabilities pursuant to IFRS 16, net of cash and cash equivalents).

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

Reclassified income statement

(€ million)	First quarter		Abs. change	Change %
	2020 (**)	2021		
Gas distribution regulated revenue	315.3	321.0	5.7	1.8
<i>of which distribution revenue</i>	294.9	298.0	3.1	1.1
<i>of which other distribution revenue</i>	20.4	23.0	2.6	12.7
Other revenues	11.8	12.3	0.5	4.2
Total revenues (*)	327.1	333.3	6.2	1.9
Operating costs (*)	(100.2)	(98.9)	1.3	(1.3)
EBITDA	226.9	234.4	7.5	3.3
Amortisation, depreciation and impairment	(103.4)	(104.5)	(1.1)	1.1
EBIT	123.5	129.9	6.4	5.2
Net financial expense	(13.4)	(20.0)	(6.6)	49.3
<i>of which special items</i>		(6.4)	(6.4)	
Net income from equity investments	0.9	0.6	(0.3)	(33.3)
Gross profit	111.0	110.5	(0.5)	(0.5)
Adjusted gross profit	111.0	116.9	5.9	5.3
Income taxes	(30.1)	(29.5)	0.6	(2.0)
<i>of which special items</i>		(1.5)	(1.5)	
Adjusted income taxes	(30.1)	(31.0)	(0.9)	3.0
Net profit	80.9	81.0	0.1	0.1
Net profit attributable to the Group	75.3	76.3	1.0	1.3
Net profit attributable to minority interests	5.6	4.7	(0.9)	(16.1)
Adjusted net profit	80.9	85.9	5.0	6.1
Adjusted net profit attributable to the Group	75.3	81.2	5.9	7.8
Adjusted net profit attributable to minority interests	5.6	4.7	(0.9)	(16.1)

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 184.9 and € 180.2 million respectively in the first quarter of 2021 and 2020), connection contributions and some residual components (€ 5.5 and € 5 million respectively in the first quarter of 2021 and 2020) and net margin relating to Energy Efficiency Certificates (EECs).

(**) As of 31 March 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the income statement items, the items relating to Operating costs (-€ 0.4 million), Amortisation, depreciation and impairment (+€ 1.1 million) and Income taxes (-€ 0.2 million) were adjusted as of 31 March 2020.

The **total revenues** of the first quarter of 2021 amount to € 333.3 million, up by € 6.2 million compared to the corresponding period of 2020 (+1.9%) and refer to natural gas distribution regulated revenues (€ 321.0 million) and other revenues (€ 12.3 million).

Gas distribution regulated revenue increased by € 5.7 million compared to the corresponding period of 2020, due to an increase in distribution revenue (€ 3.1 million) and an increase in other distribution revenue (€ 2.6 million).

The increase in **distribution revenue** (€ 3.1 million) is mainly attributable to the change in the tariff components (€ 4.3 million) net of the adjustments relating to previous years (€ -1.1 million).

The increase in **other distribution revenue** (€ 2.6 million) is linked to the contribution pursuant to article 57 of ARERA Resolution no. 367/14 and further modifications, relating to the replacement of traditional meters with electronic ones (€ 3.3 million as of 31 March 2021; € 2.5 million as of 31 March 2020), higher revenues from services to customers (€ 1.5 million) and

higher ARERA incentives (€ 1.2 million), partially offset by lower revenues for gas interruption activities (-€ 0.9 million). The changes introduced by Resolution no. 570/2019/R/gas resulted in a lower recognition, in terms of allowed opex, approximately 2 million euros compared to the corresponding period of 2020.

Other revenues amounted to € 12.3 million as of 31 March 2021. The € 0.5 million increase compared to the corresponding period of 2020 is mainly associated to the energy efficiency activities increase.

Operating costs as of 31 March 2021 amounted to € 98.9 million, down by € 1.3 million compared to the first quarter of 2020, mainly due to lower i) net external costs (€ 0.3 million), ii) net costs in connection with Energy Efficiency Certificates (€ 2 million), iii) other costs and provisions (€ 1.1 million), partially offset by increased net staff costs (€ 1.6 million) and concession charges (€ 0.4 million).

The **EBITDA** achieved as of 31 March 2021 totalled € 234.4 million, up by € 7.5 million (+3.3%) compared to the same period of 2020.

Amortisation, depreciation and impairment (€ 104.5 million) increased by € 1.2 million compared to the first quarter of 2020, mainly due to investments made in the previous financial year, partially offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 0.2 million as of 31 March 2021; € 6 million for the first quarter of 2020).

The **EBIT** achieved as of 31 March 2021 totalled € 129.9 million, up by € 6.4 million (+5.2%) compared to the EBIT of same period of 2020 (€ 123.5 million).

Net financial expense (€ 20.0 million) increased by € 6.6 million compared to the corresponding period of 2020, due to costs deriving from the bond buyback transaction completed in February 2021 (€ 6.4 million).

Adjusted¹ net financial expense increased by € 0.2 million compared to the corresponding period of 2020.

As of 31 March 2021, **net income from equity investments** amounted to € 0.6 million, down by € 0.3 million compared to the same period in 2020.

Income taxes for the first quarter of 2021 amounted to € 29.5 million.

¹ Italgas' management assesses Group performance on the basis of alternative performance indicators not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

The **net profit attributable to the Group** amounted to € 76.3 million. The **adjusted net profit attributable to the Group** was € 81.2 million, up by 7.8% compared to the first quarter of 2020 (31 March 2020: € 75.3 million).

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

The income components classified as special items in the first quarter of 2021 concern increased costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021, net of related taxes (€ 1.5 million). The effect on adjusted net profit was € 4.9 million.

Reclassified Statement of Financial Position

The Italgas' Reclassified Statement of Financial Position as of 31 March 2021, compared with that as of 31 December 2020, is summarised below:

(€ million)	31.12.2020 (*)	31.03.2021	Abs. change
Fixed capital	6,707.2	6,792.3	85.1
Property, plant and equipment	369.9	367.7	(2.2)
Intangible assets	6,511.5	6,614.2	102.7
Equity investments	34.2	34.8	0.6
Financial receivables and securities held for operations	0.2	0.2	0.0
Net payables for investments	(208.6)	(224.6)	(16.0)
Net working capital	111.2	(10.1)	(121.3)
Provisions for employee benefits	(104.6)	(103.1)	1.5
Assets held for sale and directly related liabilities	0.1	0.1	0.0
NET INVESTED CAPITAL	6,713.9	6,679.2	(34.7)
Shareholders' equity	1,977.4	2,061.6	84.2
- attributable to the Italgas Group	1,737.5	1,817.0	79.5
- attributable to minority shareholders	239.9	244.6	4.7
Net financial debt	4,736.5	4,617.6	(118.9)
COVERAGE	6,713.9	6,679.2	(34.7)

(*) As of 31 March 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of December 31st, 2020.

The **net invested capital** at 31 March 2021 amounted to € 6,679.2 million and consists of the items outlined below.

The **fixed capital** (€ 6,792.3 million) increased by € 85.1 million compared to 31 December 2020, mainly due to the increase in intangible assets (€ 102.7 million), net of the increase in net payables related to investments (€ 16 million).

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

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2020 (*)	369.9	6,332.6	178.9	6,881.4
Investments	7.6	185.6	13.5	206.7
- of which IFRS 16	1.6			1.6
Amortisation, depreciation and impairment	(9.5)	(84.6)	(10.4)	(104.5)
- of which D&A pursuant to IFRS 16	(5.5)			(5.5)
Change in the scope of consolidation		1.6		1.6
Subsidies		(2.6)		(2.6)
Other changes	(0.3)	(3.2)	2.7	(0.8)
- of which disposals	(0.5)	(0.3)		(0.8)
- of which reclassifications	0.2	(2.9)	2.7	
Balance at 31 March 2021	367.7	6,429.4	184.7	6,981.8

(*) As of 31 March 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the item relating to intangible assets (-€ 5.1 million) was adjusted as of December 31st, 2020.

The **equity investments** item (€ 34.8 million) refers mainly to the Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano and Enerpaper equity investments, consolidated using the equity method.

Net working capital

(€ million)	31.12.2020 (*)	31.03.2021	Abs. change
Trade receivables	462.2	465.5	3.3
Inventories	101.2	108.0	6.8
Tax receivables	66.5	58.3	(8.2)
Accruals and deferrals from regulated activities	202.8	206.0	3.2
Other assets	148.3	146.2	(2.1)
Trade payables	(303.0)	(286.4)	16.6
Provisions for risks and charges	(202.6)	(199.6)	3.0
Deferred tax liabilities	(55.2)	(49.4)	5.8
Tax payables	(45.7)	(78.8)	(33.1)
Other liabilities	(263.4)	(379.9)	(116.5)
	111.2	(10.1)	(121.3)

(*) As of 31 March 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the item relating to tax assets (+€ 1.5 million) was adjusted as of December 31st, 2020.

Compared to 31 December 2020, **working capital** fell by € 121.3 million, mainly as a result of:

- i) greater trade receivables (€ 3.3 million);
- ii) an increase in inventories (€ 6.8 million) predominantly in relation to gas meters;
- iii) an increase in net tax liabilities (€ 35.6 million) due mainly to higher tax payables deriving from the income for the period;
- iv) an increase in accruals and deferrals from regulated activities (€ 3.2 million) due to receivables relating to the contribution for meters pursuant to article 57;
- v) a decrease in other assets (€ 2.1 million) mainly relating to the decrease in receivables from the CSEA;
- vi) an increase in trade payables (€ 16.6 million);
- vii) a decrease in provisions for risks and charges (€ 3 million), mainly linked to the use of the

provision for risks for operational restoration of metering instruments; viii) an increase in other liabilities for the period (€ 116.5 million), as a result of payables due to the CSEA, mainly linked to the additional distribution components (€ 79 million) and net payables to Municipalities (€ 9.7 million).

The company finalised non-recourse factoring agreements with financial counterparties during the quarter.

Net financial debt

(€ million)	31.12.2020	31.03.2021	Abs. change
Financial and bond debt	5,405.1	5,514.5	109.4
Short-term financial debt (*) (**)	677.7	56.2	(621.5)
Long-term financial debt	4,651.1	5,383.4	732.3
Finance lease payables - IFRS 16	76.3	75.0	(1.3)
Financial receivables and cash and cash equivalents	(668.6)	(897.0)	(228.4)
Cash and cash equivalents (**)	(663.5)	(891.9)	(228.4)
Financial receivables	(5.0)	(5.0)	-
Securities not held for operations	(0.1)	(0.1)	-
Net financial debt	4,736.5	4,617.6	(118.9)
Finance lease payables - IFRS 16	76.3	75.0	(1.3)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,660.2	4,542.6	(117.6)

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

(**) The items are stated net of the effects of factoring transactions, the underlying assets of which were collected on 31 March 2021 and repaid to the factor in the first working days of April 2021.

Net financial debt as of 31 March 2021 amounted to € 4,617.6 million, down by € 118.9 million (€ 4,736.5 million as of 31 December 2020). Excluding the effects deriving from the application of IFRS 16, amounting to € 75 million, the net financial debt came to € 4,542.6 million (€ 4,660.2 million at the end of 2020).

Financial and bond debt as of 31 March 2021, amounting to € 5,514.5 million (€ 5,405.1 million as of 31 December 2020), was denominated in euros and relates to bonds (€ 4,566.4 million), loan agreements concerning European Investment Bank (EIB) funding (€ 869.5 million), liabilities pursuant to IFRS 16 (€ 75 million) and bank loans (€ 3.6 million).

Cash, amounting to € 891.9 million, up by € 228.4 million compared to 31 December 2020 thanks to the positive cash flow of the quarter and the financing resulting from the bond issue transaction carried out in February 2021, is held in current accounts and fixed-term deposits that can be immediately available with leading banks.

The breakdown of debt by type of interest rate as of 31 March 2021 is as follows:

(€ million)	31.12.2020	%	31.03.2021	%
Fixed rate	4,676.3	86.5	5,386.9	97.7
Floating rate	728.8	13.5	127.6	2.3
Gross financial debt	5,405.1	100.0	5,514.5	100.0

Fixed-rate financial liabilities amounted to € 5,386.9 million and refer to bonds (€ 4,566.4 million), three EIB loans (€ 745.5 million) and financial liabilities pursuant to IFRS 16 (€ 75 million).

Fixed-rate financial liabilities increased by € 710.6 million compared to 31 December 2020, primarily due to the “dual-tranche” bond issue maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the redemption of bond units relating to securities maturing in January 2022 and March 2024 for a total of € 255.7 million.

Floating-rate liabilities stood at € 127.6 million and were down by € 601.2 million due to the decreased use of bank credit lines.

As of 31 March 2021, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

Some of these contracts require, inter alia, compliance with: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As of 31 March 2021, these commitments were respected.

Reclassified Statement of Cash Flows

(€ million)	First quarter	
	2020	2021
Net profit	80.9	81.0
<i>Correction:</i>		
- Depreciation and amortisation and other non-monetary components	102.6	102.9
- Net capital losses (capital gains) on asset sales and eliminations	0.3	0.4
- Interest and income taxes	43.5	49.5
Change in working capital due to operating activities	(36.4)	94.5
Dividends, interest and income taxes collected (paid)	(13.4)	(19.3)
Cash flow from operations (*)	177.5	309.0
Technical investments	(197.7)	(202.9)
Other changes related to investments activities	(10.7)	4.8
Divestments and other changes	1.0	11.5
Free cash flow before M&A transactions	(29.9)	122.4
Change in scope of consolidation	-	-
of which:		
-price paid for equity	0.0	0.0
-takeover of payables of acquired companies	0.0	0.0
Acquisition of business units and plants	(6.3)	(1.6)
Free cash flow	(36.2)	120.8
Change in short- and long-term financial debt and financial receivables	(8.1)	110.8
Reimbursements of financial liabilities for leased assets	(3.7)	(3.2)
Equity cash flow	-	-
Net cash flow in the financial year	(48.0)	228.4

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

Change in net financial debt

(€ million)	First quarter	
	2020	2021
Free cash flow before M&A transactions	(29.9)	122.4
Change due to acquisitions of equity investments, business units and assets	(6.3)	(1.6)
Change in finance lease payables	(5.3)	(1.9)
Equity cash flow	0.0	0.0
Change in net financial debt	(41.5)	118.9

The cash flow from operations in the first quarter of 2021 amounted to € 309 million and made it possible to fully finance the flow from net investments, totalling € 186.6 million, generating a free cash flow before M&A transactions of € 122.4 million. As of 31 March 2021, the cash outflow from M&A transactions amounted to € 1.6 million.

Taking into account the effect arising from the application of IFRS 16 for liabilities for leases (-€ 1.6 million), net financial debt decreased by € 118.9 million. Without taking this effect into account, the change in net financial debt amounted to € 117.6 million.

Key operating figures

Investments

During the first quarter of 2021, technical investments were made for an amount of € 206.7 million (first quarter 2020: € 205.6 million, up 0.8%), of which € 1.6 million due to assets pursuant to IFRS 16.

(€ million)	First quarter		Abs. change	Change %
	2020 (**)	2021		
Distribution	155.0	171.7	16.7	10.8
Network maintenance and development	110.6	140.9	30.3	27.4
- of which digitisation	17.4	29.5	12.1	69.5
New networks	44.4	30.8	(13.6)	(30.7)
- of which Sardinia	41.3	25.7	(15.6)	(37.9)
Metering	29.7	18.4	(11.3)	(38.0)
Other investments	20.9	16.6	(4.3)	(20.6)
- of which Real Estate	7.1	6.2	(0.9)	(12.7)
- of which ICT	7.7	8.5	0.8	10.4
- of which due to the effect of IFRS 16	5.4	1.6	(3.8)	(70.2)
	205.6	206.7	1.1	0.5

(**) As of 31 March 2021, the Group stated under operating costs the expenses relating to the legally required periodic checks of conversion devices in the meters installed at the re-delivery points. In order to ensure comparability with the details of the Investment items, the corresponding investment item (-€ 0.4 million) was adjusted accordingly as of 31 March 2020.

Metering investments (€ 18.4 million) are down on the corresponding period of 2020, as they relate to the final phase of the plan to replace traditional meters, which is nearing completion. In the first quarter of 2021 the Company installed 262 thousand new meters, of which 106 thousand to replace traditional meters and 156 thousand for the repair of digital meters with anomalies². At the end of the first quarter of 2021, within the plan to replace traditional meters with smart meters, a total of 7.5 million smart meters had been installed (88.8% of the total number of meters and 99.6% of the active meter stock). Investments in digitisation (€ 29.5 million, up 69.5%) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.

² Also taking into account the affiliates, over which Italgas does not exercise control, 295 thousand new meters were installed during the period, bringing the total number of smart meters installed as of 31 March 2021 to 7.6 million (87.7% of the total number of meters and 98.4% of the active meter stock).

Key operating figures – Italgas Group

	First quarter		Change Abs.	Change %
	2020	2021		
Active meters (millions)	7.585	7.597	0.0	0.2
Installed meters (millions)	8.483	8.526	0.0	0.5
Municipalities with gas distribution concessions (no.)	1,825.0	1,827.0	2.0	0.1
Municipalities with gas distribution concessions in operation(no.)	1,739.0	1,744.0	5.0	0.3
Distribution network (kilometres)	70,721.0	71,442.0	721.0	1.0
Gas distributed (million cubic metres)	3,497.5	3,540.9	43.4	1.2

Key operating figures – Italgas Group and affiliates

	First quarter		Change Abs.	Change %
	2020	2021		
Active meters (millions)	7.706	7.750	0.0	0.6
Installed meters (millions)	8.616	8.696	0.1	0.9
Municipalities with gas distribution concessions (no.)	1,839.0	1,888.0	49.0	2.7
Municipalities with gas distribution concessions in operation(no.)	1,753.0	1,805.0	52.0	3.0
Distribution network (kilometres)	71,981.0	73,319.0	1,338.0	1.9
Gas distributed (million cubic metres)	3,587.9	3,643.0	55.1	1.5

Main events of the first quarter of 2021

Corporate transactions and concessions

- The acquisition of Mediterranea Energia’s business branch relating to the gas concession in the **Municipality of Olevano sul Tusciano (SA)** was **finalised** on 28 January 2021, following the framework agreement signed between Italgas and CONSCOOP on 28 December 2018. The network spans around 26 kilometres, covering a potential catchment area of 2500 households overall. Furthermore, as part of the aforesaid agreement, the parties agreed that by the deadline of 5 July 2021 and once certain conditions precedent have been met, Italgas will acquire the entire equity investment in **Isgas 33**, in which it currently owns a minority stake of 10%.
- The public session on the “Open tender procedure for the concession of the natural gas distribution service in the Naples 1 - City of **Naples and coastal plant ATEM**” was held on 29 January 2021. This ATEM encompasses approximately 370,000 re-delivery points. In this context, the tender committee announced that it would verify the appropriateness of the bids received and suspended tender operations pending the outcome of these checks. On 14 April 2021, the tender committee acknowledged that both bids had been found to be adequate and made a proposal to award the contract to another operator, having verified that the requirements declared during the tender had been met.

- The bid review procedure for the tender for management of the natural gas distribution service in the territorial area of **Turin 1**, which encompasses the regional capital and the municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Torino and Nichelino, was **officially concluded** on 4 March 2021. The only bid received, which had been submitted by Italgas Reti, was deemed valid in all legal respects. The tender committee therefore proposed to award the tender to the Company. The Contracting Authority is currently carrying out the procedures in preparation for the final awarding of the tender. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow Italgas Reti to seamlessly continue managing the service in an area where it has operated since 1837 and for which an investment plan worth around € 357 million has been envisaged.
- On 10 March 2021, as part of the **2018-2020 Co-investment Plan** approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, The Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves. Following the capital increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares.

Legal and Regulatory

- **Resolution no. 550/2020/r/efr**, with which the tariff contribution for Energy Efficiency Certificates was determined for the year 2019, was **contested** on 12 February 2021. At present, the hearing on the merits has not yet been scheduled.
- On 18 February 2021, a **ruling was issued**, with which the Regional Administrative Court of Lombardy declared that ARERA Resolution no. 270/2020/R/efr did not violate the judgement of the previous Regional Administrative Court of Lombardy ruling no. 2358/2019 on EECs. The latter states that Italian Ministerial Decree of 10 May 2018, in the part where it sets the cap on the tariff recognition of costs incurred for the purchase of certificates at € 250/EEC, unlawfully exceeded the tariff powers granted to ARERA. The setting of a date for a new hearing for the decision on the matter is pending.
- On 2 March 2021, **Resolution no. 74/2021/S/gas was published**, with which ARERA issued Italgas Reti a fine, deeming the company to be in breach of the provisions on the Regulation of the Quality of Gas Distribution and Metering services for the 2014-2019 period, as well as of the Guidelines of the Italian Gas Committee (CIG), regarding the emergency intervention service. On 19 April 2021, Italgas Reti contested the aforesaid resolution, and the setting of a date for the hearing is currently pending.
- On 3 March 2021, the **investigation** launched by the AGCM into the alleged abuse of a dominant position in certain municipalities in the **Venice 1 ATEM** was **successfully closed**.
- With reference to the rehearing before the Council of State requested by the municipalities belonging to the **Belluno ATEM** against ruling no. 1208 of 7 December 2020, with which the Regional Administrative Court of Veneto declared the appeal against the awarding of the

tender to Italgas Reti to be inadmissible, at the hearing of 4 March 2021, the Council of State took note of the waiving of the interlocutory application by the municipalities (the appellants), and set the date for the hearing on the merits at 7 October 2021.

- The following have been published by ARERA:
 - **Resolution no. 117/2021/R/gas**, on 23 March 2021, setting out the final reference tariffs for gas distribution and metering services for 2020;
 - **Resolution no. 122/2021/R/gas**, on 29 March 2021, setting out the provisional reference tariffs for gas distribution and metering services for 2021.
- A ruling was issued on 31 March 2021, with which the **Regional Administrative Court of Lombardy** rejected the appeal brought against the **Aosta Municipal Authority** by one of the other operators participating in the tender procedure for annulment of the decision awarding the tender to Italgas Reti. The legitimacy of awarding the tender to Italgas Reti was therefore confirmed.

Other events

- The launch of the fixed-rate 7- and 12-years “**dual tranche**” **bond issue**, for a total of **€ 500 million each**, with an annual coupon of 0% and 0.5% respectively, was successfully completed on 5 February 2021, with a view to pre-funding prospective financial requirements and extending the maturity profile. On the same date, a **bond buyback transaction** was launched, relating to two bond issues - one for an original nominal value of € 750 million maturing in January 2022, and one for an original nominal value of € 650 million maturing in March 2024. The buyback was finalised on 16 February 2021 with a total nominal buyback value of approximately € 256.0 million.
- As a result of the aforesaid transaction on the capital market, taking into account the financing from the dual-tranche bond issue on 12 March 2021, Italgas cancelled the “**Revolving Credit Facility**” of **€ 500 million**, maturing in October 2021.
- On 8 March 2021, a collaboration agreement was entered into with **Jemena**, a leading Australian company in the energy infrastructure sector. The agreement is aimed at exchanging knowledge and experience relating to network management, focusing on technological innovation and decarbonisation in particular.
- On 26 March 2021, an exclusive agreement was **entered into** with **Energie Rete Gas**, the gas transportation company of Gruppo Energetica, for the infrastructure in operation, under construction and being developed in **Valle d’Aosta**. Subject to certain conditions precedent, the agreement is aimed at the acquisition by Italgas of around 150 kilometres of Energie Rete Gas-owned networks in operation, under construction and being developed in 12 municipalities in Valle d’Aosta, which will become an integral part of the Italgas distribution network in Valle d’Aosta, the ATEM where Italgas was recently awarded the area tender. The transaction value includes RAB of around € 16 million for networks currently in operation. This is set to increase to approximately € 85 million with the completion of the networks under construction and being developed.

Significant events occurring after the end of the quarter

Corporate transactions and concessions

- The merger by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was **completed** on 26 April 2021, with legal effect as of 1 May 2021.
- Italgas' Shareholders' Meeting held on 20th April 2021 approved the **2021-2023 Co-investment Plan** and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a nominal maximum amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal and Regulatory

- On **16 April 2021**, the **Regional Administrative Court of Veneto** upheld Italgas' appeal against the public shareholders of BIM Infrastrutture led by the Feltre Municipal Authority, reiterating what had already been stated in the ruling of December 2020.

Coronavirus emergency and business outlook

As we all know, the so-called Coronavirus Emergency unfolded in Italy in February 2020, with the spread of infection and the necessary emergency measures taken by the Health and Government Authorities to contain the spread.

Although this state of emergency continues into the current year, the Company has not noted any major adverse effects, to date, on the development and investment initiatives as a result of the deteriorating macroeconomic situation. By leveraging digitisation processes, measures have been implemented to ensure the continuity and effectiveness of worksite activities and interventions at customer premises, while operating in complete safety and in compliance with the terms set out in the company plans.

With reference to the customer base / sales company and their solvency, it is noted that the rules for user access to the gas distribution service are established by ARERA and are regulated in the Network Code. At present, the Company does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 890 million as of 31 March 2021; (ii) there are limited requirements to refinance debt (the first bond repayment is due in January 2022 for a total of around € 112 million), (iii) the bonds issued by Italgas as of 31 March 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

Any downgrading of the rating of Italgas or of any guarantors in excess of pre-established thresholds, could lead to the issuance of guarantees for certain lenders or a rise in the spreads applied. As of 31 March 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

The success of the “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of € 500 million each, implementing the EMTN Programme, as well as the confirmation on 3 December 2020 of the rating by Fitch (BBB+, stable outlook) and Moody’s (Baa2, stable outlook), bear witness to the Company’s financial soundness and confirm its ability to access the capital market.

With reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the limitations imposed by the aforementioned health emergency, the Company has not found any evidence to date to suggest significant negative effects on the 2021 results.

However, the Company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook in the periods to come, should the health emergency situation persist or return to a critical state.

In this context, Italgas will therefore continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving service quality, streamlining processes and operating costs, whilst paying constant attention to development opportunities. With specific regard to investments, Italgas expects to continue to carry out its plan targeted primarily at the implementation of network digitisation projects natural gas distribution of Sardinia, plus the normal maintenance and development of the networks managed.

Italian Legislative Decree no. 25 of 15 February 2016, effective from 18 March 2016, which implemented European Directive 2013/50/EU of 22 October 2013 (new Transparency Directive), eliminated the obligation to publish the interim directors' report, previously provided for by Art. 154-ter, paragraph 5 of the Consolidated Finance Act.

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

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

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

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

Conference call

At 3 p.m. CET today, a conference call will be held to present the results of the first quarter of 2021 to financial analysts and investors. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

The manager responsible for preparing the accounting and corporate documents, Giovanni Mercante, declares, pursuant to paragraph 2, Article 154-bis of the Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

Disclaimer

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