

**ITALGAS: CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER 2018 APPROVED**

*Milan, 5 November 2018* - Italgas's Board of Directors met today under the chairmanship of Lorenzo Bini Smaghi and approved the consolidated results for the first nine months and the third quarter of 2018<sup>1</sup>.

**Key figures**

Consolidated economic and financial highlights:

- Total revenue: €880.7 million (+5.5%)
- EBITDA: €629.2 million (+8.9%)
- EBIT: €333.9 million (+8.9%)
- Net profit: €226.4 million (+6.1%)
- Technical investments: €349.1 million
- Net cash flow from operating activities: €590 million
- Net financial debt<sup>2</sup>: €3,734.2 million

Operating highlights including unconsolidated investee companies:

- Gas concessions: no. 1,709
- Number of active meters: 7.5 million
- Gas distribution network: 67.9 thousand Km

Italgas's economic and financial results for the first nine months of 2018 confirm the positive performance achieved in the first six months and the improvement compared to the 2017 results.

The growth of the business is in line with the target set in the 2018-2024 Business Plan. Investment programs continue, including the initiatives related to the digitisation of the

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<sup>1</sup> Unaudited

<sup>2</sup> Excluding the debts for operating leases in accordance with IFRS 16. In fact, on 13 January 2016 IASB issued IFRS 16 - Leases accounting standard, already adopted by Italgas Group on 1 January 2018. The adoption of the principle determined the writing into financial liabilities of debt for leases of €43.1 million.

network, as well as the M&A transactions with the goal of a further consolidation of the Company market position.

A significant portion of investments concerned the plan to install smart meters replacing the traditional ones. In the first nine months of 2018, also considering the non-consolidated affiliates, 1.386 million were installed, 1.258 million of which replaced traditional meters, bringing the total to 4.283 million, equal to 53.2% of the entire meter fleet<sup>3</sup>. The target is to complete the substitution plan by early 2020. The installation of smart meters is part of the overall project to digitize the network, for which approximately 50 pilot projects have been launched throughout the country during 2018.

With over 67 thousand kilometres of managed network and 7.5 million redelivery points served in 1,709 concessions, Italgas confirms its position as leader in the sector in Italy, with a market share of over 34%<sup>4</sup>, and of third largest operator in Europe in terms of number of managed delivery points.

The requirements related to the net investments of the first nine months of 2018 were fully covered by the positive net cash flow from operating activities, equal to €590 million, with a Free Cash Flow - before M&A activities - equal to €250.4 million.

The net financial position as at 30 september 2018 was €3,734.2 million, substantially in line with the position at 31 december 2017 (€3,720.3 million).

As regards to the economic results, operating profit for the first nine months of 2018 amounted to €333.9 million (+8.9% compared to 30 september 2017) and net profit was €226.4 million (+6.1% compared to the same period of the previous year).

Following the downgrade announced on 23 October 2018 by Moody's Investor Services of the rating for Italian sovereign bonds to Baa3, stable outlook, from Baa2, a corresponding action was taken by the agency on the long-term rating of the Company, reduced to Baa2, stable outlook, from the previous Baa1 rating, in consideration of the relationship with the government credit rating.

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<sup>3</sup> Excluding non-consolidated affiliates, in the nine months of 2018 Italgas installed approximately 1.2 thousand new meters, 1.069 thousand of which replaced traditional meters, bringing the current total of meters installed to approximately 3.793 million, equal to approximately 52.7% of all meters.

<sup>4</sup> Operating data also including non-consolidated affiliates.

Paolo Gallo, CEO of Italgas, commented:

*«At the end of the first nine months Italgas shows a significant growth in its main economic indicators: EBITDA and EBIT both increased by 8.9% and Net Profit by 6.1%.*

*The strong cash flow generation enabled the financing of investment programmes, the corporate acquisition plan and the dividend distribution, maintaining the financial debt substantially in line with the values as at 31 december 2017.*

*These results allow us to confirm the targets set for 2018 in the Industrial Plan thanks to our continuous focus on operational efficiency and our commitment to carry out the planned investments, investments that have already produced a significant development of the networks and of the number of managed customers.*

*The digitization of the network and of the processes progresses as planned, the completion of the transition to the cloud will be completed in the coming days and our Digital Factory will be ready to go in November.*

*Over these nine months, we have started important organizational, technological and cultural transformations that will produce significant improvements in terms of infrastructure management, efficiency and above all quality of service».*

## Economic and financial highlights

### Reclassified Income Statement

Third quarter			First nine months		Change	Change %
2017	2018	(€ million)	2017	2018		
<b>265.7</b>	<b>281.3</b>	<b>Gas distribution regulated revenue</b>	<b>820.3</b>	<b>858.6</b>	<b>38.3</b>	<b>4.7</b>
247.4	251.6	<i>of which Gas distribution revenue</i>	746.1	753.8	7.7	1.0
18.3	29.7	<i>of which Other gas distribution regulated revenue</i>	74.2	104.8	30.6	41.2
4.7	7.0	Other revenue	14.7	22.1	7.4	50.3
<b>270.4</b>	<b>288.3</b>	<b>Total revenue (*)</b>	<b>835.0</b>	<b>880.7</b>	<b>45.7</b>	<b>5.5</b>
(82.6)	(83.3)	Operating costs (*)	(257.1)	(251.5)	5.6	(2.2)
<b>187.8</b>	<b>205.0</b>	<b>EBITDA</b>	<b>577.9</b>	<b>629.2</b>	<b>51.3</b>	<b>8.9</b>
(85.1)	(94.1)	Amortisation, depreciation and impairment	(271.2)	(295.3)	(24.1)	8.9
<b>102.7</b>	<b>110.9</b>	<b>EBIT</b>	<b>306.7</b>	<b>333.9</b>	<b>27.2</b>	<b>8.9</b>
(8.6)	(11.9)	Net financial expenses	(27.0)	(35.6)	(8.6)	31.9
5.3	5.6	Net income from equity investments	15.8	15.3	(0.5)	(3.2)
<b>99.4</b>	<b>104.6</b>	<b>Pre-tax profit</b>	<b>295.5</b>	<b>313.6</b>	<b>18.1</b>	<b>6.1</b>
(25.6)	(28.9)	Income tax	(82.2)	(87.2)	(5.0)	6.1
<b>73.8</b>	<b>75.7</b>	<b>Net profit</b>	<b>213.3</b>	<b>226.4</b>	<b>13.1</b>	<b>6.1</b>

(\*) Net of the effects of IFRIC 12 "Service Concession Agreements" (€299.6 million and €323.3 million respectively for the first nine months of 2018 and 2017).

**Total revenue** in the first nine months of 2018 amounted to €880.7 million, a €45.7 million increase, +5.5% compared with the corresponding period in the previous year, and refers mainly to gas distribution regulated revenue of €858.6 million (+€38.3 million in the first nine months, +4.7%; +€15.6 million in the third quarter, +5.9%). The increase in gas distribution regulated revenues (€ +38.3 million) derives from: (i) higher Gas distribution revenue (+€7.7 million in the first nine months, +1%; +€4.2 million in the quarter, +1.7%) and (ii) higher other gas distribution regulated revenue (+€30.6 million in the first nine months of 2018, +41.2%; +€11.4 million in the quarter, +62.3%).

The higher Gas distribution revenue, equal to €7.7 million, derives (i) for +€7.8 million from the increase in the total revenue limit, especially for new investments and the acceleration of the gas network in Southern Italy implemented in the second half of 2017, (ii) for +€6.7 million from the change in the scope of consolidation following the corporate acquisitions, offset by (iii) -€6.8 million of negative tariff adjustments.

Other gas distribution regulated revenue (€104.8 million) includes ancillary network services and other regulated revenues for €43.3 million (€40.3 million at 30 September 2017) as well as €61.5 million (€33.9 million in the same period of previous year) for the contribution in accordance with art. 57 of the ARERA resolution no. 367/14, relating to the replacement of traditional meters with digital ones.

This contribution relates to the recognition rate set for traditional meters replacement plan in the expectation of the completion of the replacement of all meters by early 2020. In this regard, it is noted that, having reached 52.7%, Italgas has nearly achieved the replacement obligations set by the Authority already in the first nine months of 2018 (50% of all G4 and G6 meters) to be reached by the end of 2018.

Other revenues for the first nine months of 2018 amounted to €22.1 million, up €7.4 million (+€2.3 million in the third quarter) primarily due to the change in the scope of consolidation, for +€4.9 million, of which €2.5 million for energy efficiency services and €2.4 million for LNG distribution and sale.

**Gross operating profit (EBITDA<sup>5</sup>)** of the first nine months of 2018 totalled €629.2 million, up €51.3 million (+8.9%) compared with the same period in 2017 (+€17.2 million in the third quarter; +9.2%). The change in operating costs (-€5.6 million; -2.2%) is primarily due to lower costs mainly for: i) IT external services (-€5.7 million), ii) lower materials and technical services (-€2.1 million), iii) lower leases due to IFRS 16 early adoption (-€3.1 million), iv) lower consultancies and services from third parties (-€1.9 million), v) lower net provisions for risks and future expenses (-€6 million), vi) lower capital losses on assets elimination (-€3.5 million), partially offset (+€11.2 million) by higher gross labour costs and lower portion of labour cost allocated to investing.

**Operating profit (EBIT)** in the first nine months of 2018 totalled €333.9 million, up €27.2 million, +8.9%, compared with the same period in 2017 (+€8.2 million in the third quarter; +8%). The rise is due to the increase of €50.3 million for the EBITDA, as indicated above, net of the increase of €24.1 million for amortisations, depreciations and impairments. The latter take into account the acceleration of depreciation (€71.7 million at 30 September 2018, €50.3 million in the same period of 2017), following the reduction in the useful life of the traditional meters to be replaced with electronic smart meters with the completion of the replacement of all meters expected by early 2020.

Furthermore, other amortisation and depreciation of +€5.5 million was recorded, compared to the same period in 2017, following the adoption of IFRS 16.

Following ruling no. 4104/2018 of the Council of State which established that the Municipality of Venice had already acquired, as part of the free of charge devolution, ownership of a portion of the network relative to the concession, the Company has arranged to accelerate the relative depreciation, equivalent to €4.5 million in the period.

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<sup>5</sup> This press release uses alternative performance indicators including EBITDA (gross operating margin, determined by subtracting operating costs from revenues) and EBIT (the sum of the values relating to operational management, calculated by subtracting operating costs, amortisations, depreciations and impairments from operating costs). The financial reporting NON-GAAP must be considered as complementary and does not replace the information drafted according to IAS - IFRS standards.

**Net profit** for the first nine months of 2018, amounting to €226.4 million, was up €13.1 million on the same period in 2017, equal to +6.1% (+€1.9 million in the third quarter; +2.5%), due to the effect of the above-mentioned increase in the operating profit of €27.2 million, partially offset by higher net financial charges (+€8.6 million) due to the greater use of long-term and fixed-rate financial instruments and higher income taxes (+€5 million), mainly due to the increase in the taxable income of the period.

## Reclassified Financial Statements

The Italgas Reclassified Financial Statements as at 30 September 2018, compared with that of 31 December 2017, is summarised as follows:

30.06.2018 (€ million)		31.12.2017	30.09.2018	Change
<b>5,119.3</b>	<b>Fixed capital</b>	<b>4,950.9</b>	<b>5,140.9</b>	<b>190.0</b>
256.9	Property, plant and equipment	224.6	<b>259.9</b>	35.3
4,786.0	Intangible assets	4,676.6	<b>4,803.0</b>	126.4
181.0	Equity investments	184.9	<b>186.5</b>	1.6
0.1	Financial receivables and securities instrumental for operating activities	0.1	<b>0.1</b>	
(104.7)	Net payables for investments	(135.3)	<b>(108.6)</b>	26.7
<b>(211.4)</b>	<b>Net working capital</b>	<b>71.1</b>	<b>(8.0)</b>	<b>(79.1)</b>
<b>(115.5)</b>	<b>Provisions for employee benefits</b>	<b>(116.1)</b>	<b>(113.2)</b>	<b>2.9</b>
<b>4,792.4</b>	<b>NET INVESTED CAPITAL</b>	<b>4,905.9</b>	<b>5,019.7</b>	<b>113.8</b>
	<b>Net equity (including third-party shareholder interests)</b>			
1,163.8	- pertaining to Italgas shareholders	1,185.6	<b>1,242.1</b>	56.5
0.1	- pertaining to third-party shareholders		<b>0.3</b>	0.3
<b>3,591.3</b>	<b>Net financial debt</b>	<b>3,720.3</b>	<b>3,734.2</b>	13.9
<b>37.2</b>	<b>Financial debt for operating leases in accordance to IFRS 16 (*)</b>		<b>43.1</b>	<b>43.1</b>
<b>4,792.4</b>	<b>COVERAGE</b>	<b>4,905.9</b>	<b>5,019.7</b>	<b>113.8</b>

(\*) Italgas has, since 1 January 2018, applied the IFRS 16 - Leases which, having eliminated the difference between financial and operating leases, determined the writing of debts for commitments to leasing companies with respect to the writing of Tangible fixed assets for the Right of use of relative goods for payments of operating leases.

**Net invested capital** as at 30 September 2018 amounts to €5,019.7 million and consists of the items listed below.

**Fixed capital** (€5,140.9 million) increased by €190 million compared with 31 December 2017, mainly due to the increase in intangible assets (+€126.4 million) and in property, plant and equipment (+€35.3 million) and the reduction in net financial payables relating to investment activities (+€26.7 million).

**Property, plant and equipment (tangible fixed assets) and intangible assets** amounted to €5,062.9 million. Intangible assets include services in concession, recorded pursuant to IFRIC 12 (€4.682.2 million). Tangible fixed assets refer primarily to buildings (€171.5 million), industrial and commercial equipment (€27.4 million) and assets recorded in accordance with IFRS 16 (€42.3 million, mainly leased buildings and motor vehicles).

The analysis of the change in Property, plant and equipment and in Intangible assets is reported below:

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
<b>Balance as at 31 December 2017</b>	<b>224.6</b>	<b>4.569.0</b>	<b>107.6</b>	<b>4.901.2</b>
<b>Right to use as at 1 January 2018</b>	<b>32.8</b>			<b>32.8</b>
Investments	20.5	303.6	25.0	349.1
Amortisation, depreciation and impairment	(19.7)	(248.6)	(27.0)	(295.3)
- of which measuring instruments		(110.3)		(110.3)
- of which amortisation in accordance with IFRS 16	(5.5)			(5.5)
Change in the scope of consolidation	1.9	77.5	15.2	94.6
Contributions		(18.3)		(18.3)
Other changes	(0.2)	(1.0)		(1.2)
<b>Balance as at 30 September 2018</b>	<b>259.9</b>	<b>4.682.2</b>	<b>120.8</b>	<b>5.062.9</b>

Investments in the first nine months of 2018, amounting to €349.1 million, concern primarily the replacement of the meters, the placement/replacement of the gas networks and the increases for the period relating to leases in accordance with IFRS 16 of €15 million.

Equity investments (€186.5 million) include the measurement based on equity method and refer to Toscana Energia (€184.1 million), Umbria Distribuzione Gas (€1.3 million), and Metano Sant'Angelo Lodigiano (€1.1 million).

### Net working capital

30.06.2018 (€ million)	31.12.2017	30.09.2018	Change
190.0 Trade receivables	406.5	<b>279.7</b>	(126.8)
30.8 Inventories	22.4	<b>29.6</b>	7.2
50.6 Tax receivables	45.2	<b>52.8</b>	7.6
125.7 Accruals and deferrals from regulated activities	78.5	<b>140.4</b>	61.9
129.1 Other assets	197.3	<b>158.9</b>	(38.4)
(217.0) Trade payables	(184.1)	<b>(206.1)</b>	(22.0)
(203.2) Provisions for risks and charges	(208.3)	<b>(189.3)</b>	19
(82.9) Deferred tax liabilities	(94.8)	<b>(81.2)</b>	13.6
(89.2) Net tax payables	(15.9)	<b>(56.0)</b>	(40.1)
(141.0) Other liabilities	(175.7)	<b>(133.9)</b>	41.8
(4.3) Assets (liabilities) for derivative instruments		<b>(2.9)</b>	(2.9)
<b>(211.4)</b>	<b>71.1</b>	<b>(8.0)</b>	<b>(79.1)</b>

Compared to 31 December 2017, the change of - €79.1 million in the Net working capital mainly derives from: (i) the decrease in trade receivables (-€126.8 million), reflecting in particular the effects of the seasonality of volumes transported on behalf of the sales companies, (ii) the reduction in operating activities (-€38.4 million) mainly reflecting the



lower receivables from CSEA linked to Energy Efficiency Certificates, (iii) the increase of trade payables (+€22 million), in particular to suppliers, (iv) higher net debt position for tax accounts (+€18.9 million), (v) higher liabilities for derivative instruments (+€2.9 million) relating to an Interest Rate Swap contract for the coverage of a variable rate EIB loan, (vi) the increase in accruals and deferrals from regulated activities (+€61.9 million) mainly due to estimated tariff recognition in line with applicable rules relating to the plan to replace traditional meters with electronic ones, (vii) lower other operating liabilities (-€41.8 million), mainly due to lower net payables to the CSEA relating to distribution components, (viii) lower provisions for risks and charges (-€19 million), particularly in relation to the use of provisions for contractual charges (€7.4 million), for environmental risks (€3.1 million), and for redundancy incentives (€3.5 million), (ix) higher inventories (+€7.2 million), primarily for gas meters.

Note that the Company has finalised factoring agreements with financial counterparties on the basis of which the Company's receivables can be factored without recourse. Specifically, a number of transactions for the assignment of receivables regarding the third quarter 2018 were completed in connection with: i) components related to ancillary system charges on the gas distribution tariffs for €27.9 million and ii) trade receivables related to the gas distribution, maturing 1 October 2018, for a total of €45.1 million. Tax receivables for a total of €15.2 million were also factored.

### Net financial debt

30.06.2018	(€ million)	31.12.2017	30.09.2018	Change
<b>3,680.6</b>	<b>Financial and bond debt</b>	<b>3,723.2</b>	<b>3,737,5</b>	<b>14.3</b>
15.3	Short-term financial debt (*)	106.1	71,5	(34.6)
3,665.3	Long-term financial debt	3,617.1	3,666,0	48,9
<b>(89.3)</b>	<b>Financial receivables and cash and cash equivalents</b>	<b>(2.9)</b>	<b>(3,3)</b>	<b>(0.4)</b>
(89.2)	Cash and cash equivalents	(2.8)	(3,2)	(0.4)
(0.1)	Securities not held for transactions	(0.1)	(0,1)	
<b>3,591.3</b>	<b>Net financial debt</b>	<b>3,720.3</b>	<b>3,734,2</b>	<b>13.9</b>
37.2	Financial payables for leases in accordance with IFRS 16		43,1	43.1
<b>3,628.5</b>	<b>Net financial debt (including effects deriving from IFRS 16)</b>	<b>3,720.3</b>	<b>3,777,3</b>	<b>57.0</b>

(\*) Includes the short-term portion of long-term financial debt.

**Net financial debt** was €3,734.2 million as at 30 September 2018, by €13.9 million greater than as at 31 December 2017. Including the effects deriving from the application of IFRS 16, amounting to €43.1 million, Net financial debt was €3,777.3 million.

Financial payables and bonds as at 30 September 2018, totalling €3,737.5 million (€3,723.2 million as at 31 December 2017), were denominated in euros and referred mainly

to bonds (€2,903.2 million), loan agreements concerning European Investment Bank (EIB) funding (€783.9 million) and funding (€50.4 million).

The increase in financial payables and bonds, amounting to €14.3 million, derives from the long-term financial payables (+€48.9 million), partially offset by the decrease in short-term financial payables (-€34.6 million). The change in long-term financial liabilities is mainly due to the reopening, on 30 January 2018, of the bond issue originally issued on 18 September 2017 (€500 million, with expiry on 18 January 2029, with a coupon equivalent to 1.625%) for a nominal value of €250 million and to early repayment of a term loan of €200 million in relation to the original expiry date of October 2019.

As at 30 September 2018 the breakdown of debt by type of interest rate, net of the lease liabilities pursuant to IFRS 16, is as follows:

(€ million)	31.12.2017	%	30.09.2018	%
Fixed rate	2,651.9	71.2	3,263.2	87.3
Floating rate	1,071.3	28.8	474.3	12.7
<b>Gross financial debt</b>	<b>3,723.2</b>	<b>100.0</b>	<b>3,737.5</b>	<b>100.0</b>

Fixed rate financial liabilities amount to €3,263.2 million and relate to bonds (€2,903.2 million) and an EIB loan expiring in 2037 (€360 million), finalised on 19 December 2017 and converted to a fixed rate in January 2018 through an Interest Rate Swap derivative contract expiring in 2024.

Fixed rate financial liabilities have increased by €611.3 million compared to 31 December 2017 mainly due to the effect of the above-mentioned Interest Rate Swap operations and the above-mentioned reopening of the bond issue for nominal value of €250 million.

Floating rate financial liabilities totalled €474.3 million, down by €597 million mainly as a result of the above-mentioned operations.

As at 30 September 2018, Italgas had unused committed long-term credit lines amounting to €1.1 billion.

As at 30 September 2018, there were no loan agreements containing financial covenants and/or secured by collateral. Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 30 September 2018, these commitments were met.

## Reclassified Statement of Cash Flows

Third quarter			First nine months	
2017	2018	(€ million)	2017	2018
73.7	75.7	<b>Net profit</b>	213.3	226.4
		<i>Adjusted:</i>		
86.6	89.5	- Amortisation, depreciation and other non-monetary components	273.2	287.1
(5.2)	(5.6)	- Losses (gains) from equity investments	(15.8)	(15.3)
33.5	39.2	- Interest and income taxes	102.9	117.0
(133.4)	(172.3)	Change in working capital due to operating activities	(150.7)	48.8
(8.4)	(68.8)	Dividends, interest and income taxes collected (paid)	(47.8)	(74.0)
<b>46.9</b>	<b>(42.3)</b>	<b>Net cash flow from operating activities</b>	<b>375.2</b>	<b>590.0</b>
(95.5)	(106.8)	Technical investments	(327.0)	(315.8)
0.4	0.2	Disinvestments	0.6	0.2
3.2	5.9	Other changes relating to investment activities	3.2	(24.0)
<b>(45.0)</b>	<b>(143.0)</b>	<b>Free cash flow before M&amp;A transactions</b>	<b>52.0</b>	<b>250.4</b>
(1.1)		Change in scope of consolidation	(1.1)	(72.3)
		Acquisition of business unit		(23.8)
<b>(46.1)</b>	<b>(143.0)</b>	<b>Free cash flow</b>	<b>50.9</b>	<b>154.3</b>
46.0	56.7	Change in short- and long-term financial debt (*)	111.3	14.8
	0.1	Equity cash flow	(161.8)	(168.2)
<b>(0.1)</b>	<b>(86.3)</b>	<b>Net cash flow for the period</b>	<b>0.4</b>	<b>0.4</b>

(\*) Net of financial payables for lease pursuant to IFRS 16.

## Change in net financial debt

Third quarter			First nine months	
2017	2018	(€ million)	2017	2018
<b>(45.0)</b>	<b>(143.0)</b>	<b>Free cash flow before M&amp;A transactions</b>	<b>52.0</b>	<b>250.4</b>
(1.1)		Change due to acquisition of equity investments	(1.1)	(96.1)
	0.1	Equity cash flow	(161.8)	(168.2)
<b>(46.1)</b>	<b>142.9</b>	<b>Change in net financial debt excluding liabilities deriving from IFRS 16</b>	<b>(110.9)</b>	<b>(13.9)</b>
	(5.9)	Change in financial liabilities deriving from IFRS 16		(43.1)
<b>(46.1)</b>	<b>137.0</b>	<b>Change in net financial debt</b>	<b>(110.9)</b>	<b>(57.0)</b>

Net cash flow from operating activities in the first nine months of 2018 amounted to €590 million and completely covered the funding of net investments, net of grants and contributions, and the change in relative payables, equal to €339.6 million, generating a free cash flow before the M&A transactions of €250.4 million. Following the M&A transactions and the dividend distribution relative to the 2017 result, the increase in net financial liabilities is of -€13.9 million, excluding the effect deriving from the change due to the adoption of IFRS 16 relating to leases liabilities (€43.1 million).

## Key operating figures

### Investments

In the first nine months of 2018 technical investments were made amounting to €349.1 million (including fixed assets in accordance with IFRS 16 of €15 million).

Third quarter			First nine months			
2017	2018	(€ million)	2017	2018	Change	Change %
<b>52.5</b>	<b>64.4</b>	<b>Distribution</b>	<b>163.6</b>	<b>179.2</b>	<b>15.6</b>	<b>9.5</b>
47.3	59.5	Network maintenance and development	141.4	161.8	20.4	14.4
5.2	5.8	New networks	22.2	14.8	(7.4)	(33.3)
	1.1	Digitalisation		2.6	2.6	
<b>46.2</b>	<b>34.1</b>	<b>Metering</b>	<b>161.9</b>	<b>128.6</b>	<b>(33.3)</b>	<b>(20.6)</b>
<b>5.2</b>	<b>20.7</b>	<b>Other investments</b>	<b>21.0</b>	<b>41.3</b>	<b>20.3</b>	<b>96.7</b>
<b>103.9</b>	<b>121.2</b>		<b>346.5</b>	<b>349.1</b>	<b>2.6</b>	<b>0.8</b>

**Investments in distribution** (€179.2 million) mainly related to development projects (extensions and new networks) and the renovation of old sections of pipe, including the replacement of cast-iron pipes.

**Metering investments** (€128.6 million) primarily relate to the plan to replace traditional meters with electronic meters, as part of the remote-reading plan. The Company has installed approximately 1,197 thousand new meters in the period, of which 1,069 thousand are replacing traditional meters. The decrease in measurement investments is mainly linked to the reduction in unit cost for the installation of meters.

**Other investments** (€41.3 million) mainly concerned IT, property and vehicle investments (also including IFRS 16 adoption).

## Key operating figures

Financial year		First nine months			
2017		2017	2018	Change	Change %
6.59	Active meters (million)	6.54	<b>6.62</b>	0.1	1.2
1,500	Concessions for gas distribution (number)	1,472	<b>1,601</b>	129	8.8
57,773	Gas distribution network (km) (a)	57,181	<b>59,488</b>	2,307	4.0

(a) The data refers to kilometres of Italgas operating networks.

### **Meters**

As at 30 September 2018, the number of active meters at delivery points amounted to 6.62 million (6.59 as at 31 December 2017). Also considering affiliates, the total number of active meters is 7.47 million.

### **Municipality areas under concession and tenders per area**

As at 30 September 2018, Italgas was the gas distribution service concession holder in 1,601 municipalities (1,500 as at 31 December 2017), of which 1,513 operative (1,484 as at 31 December 2017). The higher number of concessions is essentially due to the change in the scope of consolidation. Also taking affiliates into account, the number of concessions totals 1,709, of which 1,621 are operative.

### **Gas distribution network**

The gas distribution network as at 30 September 2018 covered 59,488 km, up to 1,575 kilometres (57,773 km as at 31 December 2017). Also taking affiliates into account, the distribution network spans 67,901 kilometres.

### **Main events in the first nine months of 2018**

- Italgas Acqua S.p.A. established on 1 January 2018, following the proportional partial demerger of Italgas Reti to a newco through assignment to the latter of the “former Napoletanagas water business unit”.
- On 26 January 2018, the acquisition of the Amalfitana Gas business unit was finalised for natural gas distribution activities in three ATEMs in Campania and Basilicata.
- On 30 January 2018 Italgas successfully arranged the reopening of €250 million of the previous bond issue of 18 September 2017 (€500 million, maturing 18 January 2029 and a coupon of 1.625%). The secondary market performance of the original issue allowed an improvement of the reopening terms compared to that issue, with a 58 bps spread on the mid-swap rate compared to the original 72 bps. Moreover, in January 2018 an Interest Rate Swap transaction in derivatives was completed with maturity in 2024, used to transform the entire EIB loan for the Gas Network Upgrade amounting to €360 million from floating rate to fixed rate.
- On 31 January 2018, Italgas finalised the acquisition of the business unit of AEnergia Reti S.r.l., relating to the distribution network serving the Municipality of Portopalo di Capo Passero (Siracusa).

- On 28 February 2018, 100% of the share capital of Ichnusa Gas S.p.A. was acquired, a holding with control of 12 companies granted concessions for the installation and operation of gas distribution networks in 74 municipalities of Sardinia.
- On 13 March 2018, 100% of Seaside S.r.l., an Energy Service Company (ESCO) providing energy efficiency services, was acquired.
- On 6 April 2018, the acquisition of 100% of Medea S.p.A. was finalised, an LPG distribution and sale company based in Sassari, which currently serves 13,000 customers in a potential catchment area of almost 30,000 users and which distributes on average a volume of over 5 million cubic metres of LPG every year.
- On 1 May 2018 the merger by incorporation of Enerco Distribuzione S.p.A. and SGS S.r.l. into Italgas Reti S.p.A., effective from 1 January 2018 for accounting and tax purposes, was finalised.
- On 31 May 2018, a controlling share of 98% of the share capital of 6 companies operating in Southern Italy, together holding 7 concessions for the construction and management of the gas network in 16 municipalities, was acquired from CPL Concordia. The relevant companies are Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Progas Metano S.r.l., Grecanica Gas S.r.l., Favaragas Reti S.r.l., and Sicilianagas Reti S.r.l.
- On 1 June 2018 the merger by incorporation of Acam Gas S.p.A. into Italgas Reti S.p.A., effective from 1 January 2018 for accounting and tax purposes, was finalised.
- On 22 June 2018 a binding agreement was signed with CPL Concordia for the purchase of: (i) a controlling share, equivalent to 60%, of EGN S.r.l. ("European Gas Network"), a company that directly and indirectly manages 60,000 users and 37 gas distribution concessions in Sicily, Calabria and Campania, (ii) 100% of the company Naturagas S.r.l., manager of the methane gas distribution service in San Giuseppe Vesuviano (Naples), with 2,700 users, and (iii) 100% of Fontenergia S.r.l., holder of the distribution service concession in Catchment Area 22 in Sardinia, with over 7,000 users temporarily served with LPG.
- Effective from 25 September 2018, the partial and proportional demerger of the equity investment held by Italgas Reti S.p.A. in Toscana Energia S.p.A., Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A. to Italgas S.p.A.

On 4 July 2018, ruling no. 4104/2018 was filed by the Council of State, rejecting the appeal lodged by Italgas Reti against the verdict of the TAR Veneto no. 654/2017, confirming the acquisition free of charge by the Municipality of Venice of the assets included in “block A”, as well as the obligation on the part of the Company to pay a fee for the use of the portion of network subject to free transfer. The Company is evaluating the possible legal remedies against the ruling by the Council of State. Against a fee request by the Municipality of Venice equivalent to the tariff remuneration for the assets of “block A”, in the absence of specific reference regulations the Company, which in any case already pays an annual fee of €0.5 million for the entire concession, is unable, so far, to reliably calculate the amount of the liability according to the terms of said ruling. Nonetheless, the Company has arranged to accelerate the depreciation of the portion of network relating to “block A”, for a value equal to €4.5 million in the period.

The Decree of 10 May 2018, adopted by the Minister for Economic Development and by the Minister for the Environment, which modifies and updates the Ministerial Decree of 11 January 2017, which determined the national quantitative objectives for energy savings for the years 2017 to 2020 and the approved new Guidelines for the preparation, execution and assessment of energy efficiency projects was published in the Official Gazette no. 158 of 10 July 2018. The adoption of the provision was made necessary to make it possible or in any case favour the fulfilment of energy efficiency obligations on the part of gas and electricity distribution companies, provide stability to the market and stop the continuous increases in the price of the Energy Efficiency Certificates.

The Decree, on which opinions by the relevant parliamentary Committees and the Authority, agreement by the Joint Conference and registration in the Court of Auditors have been obtained, has been in force from the day after publication, that is to say from 11 July 2018, and applies, with some exceptions, to all the projects submitted pursuant to the Ministerial Decree of 11 January 2017.

The Ministerial Decree includes many of the observations formulated in the opinion issued by ARERA with deed no. 265/2018/I/EFER, relating mainly to the procedures for exchange and valuation of Energy Efficiency Certificates and the measures designed to provide corporate information on parties participating in the market.

On 27 September 2018 ARERA published Resolution 487/2018 which defines the tariff contribution to cover the costs incurred by electricity and natural gas distributors, subject to the obligations under the efficiency securities mechanism pursuant to the aforementioned Ministerial Decree of 10 May 2018.

In summary, it introduces:



- a cap on the contribution recognized by ARERA of € 250 per Energy Efficiency Certificate;
- the possibility of purchasing Energy Efficiency Certificates on credit from the GSE at a price of €260 per certificate, after at least 18% of the obligation has been reached;
- the contribution is calculated as the weighted average of the stock exchange transactions and bilateral transactions.

To date, regulatory amendments introduced by the Ministerial Decree and the ARERA Resolution have not helped to resolve the numerous issues that have characterised the Energy Efficiency Certificate mechanism in recent months. The stock market is still suffering from a lack of liquidity, as demonstrated by the fact that, in the period 1 June 2018 - 30 September 2018 the volume of certificates traded was 882,579 (-52% compared to the same period of 2017), while prices showed an increasing trend, with an average period of €255.25 per certificate. Furthermore, limitations imposed on the inclusion of bilateral contracts for calculating the contribution as well as the lack of transparency of the terms of their financial settlement, can be assumed to distort the calculation of the reference contribution, bringing it well below the threshold of €250 per certificate.

On 9 October 2018, Italgas was compelled to challenge the Ministerial Decree of 10 May 2018 before the Lazio Regional Administrative Court, appealing both the provision that the tariff contribution must be calculated taking into account also the bilateral contracts as well as the provision setting the minimum threshold for accessing the mechanism for purchasing Energy Efficiency Certificates from the GSE.

In order to meet the contingent liabilities that would result from fulfilling the Energy Efficiency Certificate purchase obligations, the Income statement prudently recognises a provision, deemed appropriate in relation to the Company's purchase obligations.

### **Significant events after the closing of the first nine months of 2018**

With the Resolution 494/2018/E/gas of 9 October 2018 - "Closing of the fact-finding investigation on the subject of investments of regulated companies pursuant to the Authority's deliberations 177/2016/E/gas and 220/2017/R/gas, relating to data and information communicated to the Authority by Italgas and Napoletana Gas", the Authority approved the final report of the fact-finding investigation referred to in Resolutions no. 177/2016/E/gas and 220/2017/R/gas, concerning the audit of data and information relating to investment costs disclosed by Italgas Reti and Napoletana Gas for the purpose of their recognition in the gas distribution tariffs. The investigation included specific analyses on:

- the capitalisation of public land occupation costs (known as “COSAP”) for the municipality of Rome, in relation to the investments declared to the Authority from 2009 to 2013;
- the suitability of the economic and financial valuation of the gas distribution network, with specific regard to the sections of the network noted by the Italgas Judicial Administrators;
- the accuracy of information communicated to the Authority for purposes of the incentive mechanisms envisaged by the Regulation on Gas Distribution Service Quality, with particular reference to service obligations.

In summary, the Authority highlights the following findings that emerged from the audits conducted as part of the investigation:

- the investigation confirmed, with reference to the years 2009 and 2010, the framework already outlined in the investigation concluded with Resolution 520/2014/E/gas, against which the Company has filled an appeal before the Lombardy Regional Administrative Court, which is currently being developed;
- similar evaluations about the inadequacy of the material provided by the Company were made with reference to Cosap for the years 2011-2013;
- with regard to the locations indicated by the Italgas technical consultant, the Company, where it has identified construction issues, has performed specific interventions to make the sites compliant with the primary technical regulations.
- lastly, in acknowledging the declarations provided by Italgas on the security of the networks at these locations, the Authority notes that the Company has prudently undertaken specific monitoring actions (intensification of the leak search programmes and the measurements of odourisation levels). The technical controls carried out by the Authority in certain locations included in the investigation did not reveal any non-compliance in the area of odourisation.

Following the downgrade announced on 23 October 2018 by Moody's Investor Services of the rating for Italian sovereign bonds to Baa3, stable outlook, from Baa2, a corresponding action was taken by the agency on the long-term rating of the Company, reduced to Baa2, stable outlook, from the previous Baa1 rating, in consideration of the relationship with the sovereign credit rating.

Moody's Investor Services underlines that Italgas strategic position, its leadership in the Italian gas distribution sector and its totally regulated revenue, together with a solid liquidity position and limited exposure to the risk of volatility in the financial markets, make possible to position the rating of the Company a notch above the sovereign credit rating.

## Business Outlook

Italgas will continue to pursue the objectives on Business Plan: investments, streamlining and digitalisation of the processes, operating costs efficiency and attention to development opportunities by M&A operations and participation in the tenders for concession of natural gas distribution services.

With specific reference to **technical investments** in tangible and intangible fixed assets, in 2018 and on a like-for-like basis, Italgas envisions expenses largely in line with the previous year.

During 2018, additional **development initiatives for external lines** will continue, which will enhance territorial presence and the competitiveness of Italgas.

Italgas intends to continue the implementation of a cost reduction program and the improvement of the quality of processes and services.

Lastly, with regard to the digital technology, we expect to complete the project of migration of the applications to the Public Cloud within 15 November and the operational start, during the months of November, of the Digital Factory, a protected environment within which multifunctional teams will develop new IT solutions in Agile mode, aimed at transforming corporate processes through innovative technologies.

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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.

Economic and cash flow information is provided with regard to the first nine months and the third quarter of 2018 as well as the first nine months and the third quarter of 2017. Information on the statement of financial position is provided with regard to 31 December

2017 and 30 September 2018. The format of financial schedules corresponds to those presented in the Interim Directors' Report of the Consolidated Half-Year Report and the Directors' Report accompanying the Annual Financial Report.

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.

The recognition and measurement criteria used to prepare the results for the first nine months of 2018 are the same as those used to prepare the Consolidated Half-Year Report of 2018 and the Annual Report for 2017, with the exception of the standards adopted from 1 January 2018. In particular, on 1 January 2018, the accounting standards "IFRS 9 – Financial Instruments" and "IFRS 15 – Revenue from Contracts with Customers" came into force. Furthermore, as highlighted above, Italgas has adopted "IFRS 16 – Leases" in advance, which removes the distinction between financial and operating leases, introducing a single accounting model for lease recognition by the lessee. By applying this model the entity recognises: (i) assets and liabilities for all leases longer than 12 months; (ii) separately in the income statement, the amortisation of the asset recognised and the interest on the payable entered.

The scope of consolidation as at 30 September 2018 was changed from 31 December 2017 following: (i) the inclusion of Italgas Acqua S.p.A., established on 1 January 2018 following the proportional partial demerger of Italgas Reti to the new company through an assignment to the latter of the "former Napoletanagas water business unit"; (ii) the acquisition, on 28 February 2018, of 100% of the share capital of Ichnusa Gas S.p.A., a holding company that controls 12 companies that hold the same number of concessions for the construction and operation of LPG gas distribution networks in Sardinia; (iii) the acquisition, on 13 March 2018, of 100% of the share capital of Seaside S.r.l., a company operating in the energy efficiency sector; (iv) the acquisition on 6 April 2018 of 100% of the share capital of Medea S.p.A., an LPG distribution and sale company based in Sassari; and (v) the acquisition on 31 May 2018 of 98% of the share capital of Favargas Reti S.r.l., Sicilianagas Reti S.r.l., Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Progas Metano S.r.l., and Grecanica Gas S.r.l., companies holding 7 concessions for the construction and management of the gas network in 16 municipalities in Southern Italy.

It should also be noted that the companies Acam Gas S.p.A., Enerco Distribuzione S.p.A. and S.G.S. S.r.l. were merged into Italgas Reti effective 1 January 2018.

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

### **Conference call**

A conference call will take place at 14:00 today to present the consolidated results for the first half of 2018 to investors and financial analysts. The presentation may be followed, through webcasting, on the web site of the Company ([www.italgas.it](http://www.italgas.it)). In conjunction with the conference call, the presentation support material will also be provided in the "Investor Relations/Presentations" section of the website.

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

### **Disclaimer**

*This communication contains forward-looking statements, in particular in the section "Business outlook" concerning: investment plans, future operating performance, project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. Actual results may differ from those stated in relation to various factors, including actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions, 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.*

## IFRS financial statements

### Balance sheet<sup>(\*)</sup>

(€ thousands)	31.12.2017	30.09.2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,831	3,243
Other financial assets valued at fair value with effects on OCI	119	119
Trade and other receivables	619,202	450,668
Inventories	22,410	29,593
Current income tax assets	8,571	10,571
Other current tax assets	21,139	26,678
Other current assets	5,944	9,879
	<b>680,216</b>	<b>530,751</b>
<b>Non-current assets</b>		
Property, plant and equipment	224,651	259,865
- of which relate to Right of use (**)		15,000
Intangible assets	4,676,561	5,245,860
Investments valued using the equity method	184,829	186,408
Other investments	54	73
Other financial assets	156	156
Other non-current assets	77,891	139,483
	<b>5,164,142</b>	<b>5,831,845</b>
<b>Non-current assets held for sale</b>	<b>11</b>	<b>11</b>
<b>TOTAL ASSETS</b>	<b>5,844,369</b>	<b>6,362,607</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Short-term financial liabilities	81,133	46,397
Short-term portion of long-term liabilities	25,043	27,215
- of which related to Right of use (**)		3,031
Trade and other payables	498,174	453,092
Current income tax liabilities	4,489	47,423
Other current tax liabilities	11,424	8,529
Other current liabilities	182	1,183
	<b>620,445</b>	<b>583,839</b>
<b>Non-current liabilities</b>		
Long-term financial liabilities	3,617,044	3,706,061
- of which relate to Right of use (**)		40,088
Provisions for risks and charges	208,246	189,325
Provisions for employee benefits	116,149	113,241
Deferred tax liabilities	94,790	81,228
Other non-current liabilities	2,055	446,553
	<b>4,038,284</b>	<b>4,536,408</b>
<b>Liabilities directly associated with non-current assets held for sale</b>		
<b>TOTAL LIABILITIES</b>	<b>4,658,729</b>	<b>5,120,247</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Italgas shareholders' equity</b>		
Share capital		
Reserves	1,001,232	1,001,232
Profit (loss) for the period	(108,358)	14,462
<b>Total Italgas shareholders' equity</b>	<b>292,766</b>	<b>226,395</b>
<b>Minority interests</b>	<b>1,185,640</b>	<b>1,242,089</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,185,640</b>	<b>1,242,089</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,185,640</b>	<b>1,242,360</b>
	<b>5,844,369</b>	<b>6,362,607</b>
<b>ASSETS</b>		

(\*) Following the adoption of "IFRS 15 - Revenue from Contracts with Customers", from 1 January 2018 the connection contributions from private customers represent revenues to be recorded over time, or to be identified on the basis of the useful life of the asset to which they refer. The Company has subsequently reclassified in the Financial statement the above contributions under the item Other assets (liabilities) and the relative use under Other revenue and income in the Income statement. For the purposes of the representation of the reclassified assets/liabilities situation, the connection contributions (€ 443.8 million in the first nine months of 2018) continue to be deducted from the assets to which they refer in accordance with the representation adopted in the first nine months of 2017.

(\*\*) Italgas has, since 1 January 2018, applied the IFRS 16 - Leases international accounting standard which, having eliminated the difference between financial and operating leases, determined the writing of debts for commitments to leasing companies with respect to the writing of Tangible assets for the Right of use of relative goods for payments of operating leases.

**Income statement**

(€ thousand)	First nine months 2017	First nine months 2018
<b>REVENUE</b>		
Core business revenue	1,137,376	1,155,174
Other revenue and income	21,919	39,488
	<b>1,159,295</b>	<b>1,194,662</b>
<b>OPERATING COSTS</b>		
Purchases, services and other costs	(415,496)	(382,392)
Labour costs	(165,893)	(171,648)
	<b>(581,389)</b>	<b>(554,040)</b>
<b>AMORTISATION, DEPRECIATION AND IMPAIRMENT</b>	<b>(271,210)</b>	<b>(306,690)</b>
<b>EBIT</b>	<b>306,696</b>	<b>333,932</b>
<b>FINANCIAL INCOME (EXPENSES)</b>		
Financial income	637	411
Financial expenses	(27,710)	(35,982)
<b>INCOME ON EQUITY INVESTMENT</b>	<b>15,816</b>	<b>15,279</b>
<b>PRE-TAX PROFIT</b>	<b>295,439</b>	<b>313,640</b>
<b>INCOME TAX</b>	<b>(82,204)</b>	<b>(87,245)</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>213,235</b>	<b>226,395</b>

## Cash flow statement

(€ thousands)	First nine months 2017	First nine months 2018
Profit (loss) for the period	213,235	226,395
Adjustments for reconciling net profit with cash flows from operating activities:		
Total amortisation and depreciation	268,989	305,838
<i>- of which amortisation of Right of use as per IFRS 16</i>		(5,514)
Net impairment (value reversal) of tangible and intangible assets	2,221	852
Equity method valuation effect	(15,802)	(15,262)
Net capital losses (capital gains) on asset sales	4,383	413
Interest income	(14)	(17)
Interest expenses	(392)	(402)
Income tax	21,178	30,257
	82,204	87,245
Changes in working capital:		
- Inventories	7,430	(6,992)
- Trade receivables	99,312	130,726
- Trade payables	(5,218)	7,534
- Provisions for risks and charges	(20,910)	(18,993)
- Other assets and liabilities	(231,286)	(57,556)
<i>of which Connection contributions - uses</i>		(11,390)
<i>of which Connection contributions - increases</i>		18,300
<i>Working capital cash flow</i>	(150,672)	54,719
Change in provisions for employee benefits	(2,372)	(3,138)
Dividends collected	13,820	13,700
Interest collected	392	402
Interest paid	(21,178)	(30,257)
Income taxes paid net of reimbursed tax credits	(40,809)	(57,797)
<b>Net cash flow from operating activities</b>	<b>375,183</b>	<b>612,948</b>
Investments:		
- Property, plant and equipment	(5,960)	(21,968)
- Intangible assets	(320,397)	(327,132)
<i>As a deduction to Right of use investment (IFRS 16)</i>	0	15,000
- Change in scope of consolidation and business units		(88,569)
- Equity investments	(1,113)	
- Change in payables and receivables relating to investments and allocation of amortisation and depreciation to assets	2,583	(31,544)
<i>Cash flow from investments</i>	<b>(324,887)</b>	<b>(454,213)</b>
Disinvestments:		
- Property, plant and equipment		230
- Intangible assets	581	
<i>Cash flow from disinvestments</i>	<b>581</b>	230
<b>Net cash flow from investment activities</b>	<b>(324,306)</b>	<b>(453,983)</b>
Assumption of long-term financial debt	2,643,690	256,383
Repayment of long-term financial debt		(204,350)
Increase (decrease) in short-term financial debt	(2,532,345)	(37,736)
Dividends distributed	(161,827)	(168,300)
Capital from third parties		150
Financial debt decrease for Right of use (IFRS 16)		(4,700)
<b>Net cash flow from financing activities</b>	<b>(50,482)</b>	<b>(158,553)</b>
Changes in scope of consolidation and other changes		
<b>Net cash flow for the period</b>	<b>395</b>	<b>412</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,544</b>	<b>2,831</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,939</b>	<b>3,243</b>