

ITALGAS: CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2021 APPROVED

Milan, 27 October 2021 - Italgas' Board of Directors, chaired by Alberto Dell'Acqua, met yesterday and approved the consolidated results of the first nine months and third quarter of 2021.

Key figures

Consolidated economic and financial highlights:

- Total revenues: € 1,005.7 million (+2.8%)
- Gross operating margin (EBITDA): € 749.0 million (+4.9%)
- Operating profit (EBIT): € 430.6 million (+7.3%)
- Adjusted net profit attributable to the Group: € 273.6 million (+10.5%)
- Technical investments: € 612.6 million (+10.3%)
- Cash flow from operating activities: € 533.7 million (+21,0%)
- Net financial debt: € 5,055.4 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 4,987.1 million

ESG – key indicators, Scope 1 and Scope 2

- 56,239 km of network inspected (+14.3%)
- Fugitive emissions/gas injected into the network: 0.092% (-4.1%)
- Fugitive emissions/km investigated: 105 Sm³/km (-6.7%)
- km travelled by operative vehicles: 32.091 million km (+15.3%)
- km travelled by bifuel operative vehicles powered by CNG: 92%
- Grams of pollutants per km travelled by the car fleet: NO_x (-5.6%), particulate matter (-22.6%)

Operating highlights (including affiliates):

- Municipalities in gas distribution concessions: 1,898
- Number of active meters: 7.75 million
- Gas distribution network: around 74,110 Km

In a context of general economic recovery, favoured by the gradual loosening of restrictions related to the health emergency, Italgas' trend continues to grow, with extremely positive performance of all the main economic and financial indicators, combined with further progress on the road to meeting the 2027 ESG targets.

The sustainability targets enable the Group to contribute with its strategic investment choices to the energy transition process, in line with EU guidelines, and to the full implementation of the Italian Recovery and Resilience Plan (PNRR).

The € 612.6 million of investments made in the period (+10.3% compared to 30 September 2020) bears witness to this. These investments are devoted to the digital transformation and repurposing of the networks to enable them to distribute renewable gases (biomethane and, in the medium term, green hydrogen and synthetic methane).

Approximately 545 km of new pipelines were laid in the first nine months of 2021, 62 km of which in Sardinia, where the construction of new, entirely digital networks continued, having completed approximately 900 km overall out of a total of 1,100 km to be constructed.

The EBITDA of the first nine months of 2021 amounted to € 749.0 million (+4.9% compared to 30 September 2020) and adjusted net profit attributable to the Group was € 273.6 million (+10.5% compared to the same period of the previous year).

The cash flow from operating activities in the first nine months of 2020 amounted to € 533.7 million.

The net financial position as of 30 September 2021 was € 5,055.4 million (€ 4,736.5 million as of 31 December 2020). The net financial position amounted to € 4,987.1 million (€ 4,660.2 million as of 31 December 2020), net of financial liabilities pursuant to IFRS 16 of € 68.3 million (€ 76.3 million as of 31 December 2020).

On 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF), in the context of the public tender called by the Greek government for privatisation of the distribution operator DEPA Infrastructure S.A..

Paolo Gallo, CEO of Italgas, commented:

“The nineteenth quarter of consecutive growth for Italgas since its return to the stock market is the best demonstration of a Company that has continued on its development and transformation path - started in 2017 - even during the most serious health emergency that the world has known in recent times.

At 30 September 2021, we have achieved an EBITDA of € 749 million, up 5% compared to the same period of 2020, and an adjusted net profit that has grown double-digit, by 10.5%, to € 273.6 million, despite the continuing negative effects of the Resolution 570.

Despite a macroeconomic and financial context characterised by ongoing volatility, we have invested more than € 610 million, in order to maintain the 2022 objective: to make Italgas the first utility in the world with a fully digitised network.

We have completed over 80% of the methanisation plan of the basins under concession in Sardinia. Furthermore, with the commissioning of Higas in Oristano, the natural gas supply chain has become even more efficient and above all affordable for consumers, enabling them to make savings on their bills (25% on average) that now offset the increase in commodity prices.

Since September our horizon goes beyond Italy: we have been indicated as “preferred bidder” in the tender for privatisation of Depa Infrastructure in Greece. We will make our know-how available to that Country and we will support the decarbonisation process through digital native networks that will be ready in the not-too-distant future to accommodate renewable gases such as biomethane, green hydrogen and synthetic methane.

Italgas group structure as of 30 September 2021

The structure of the Italgas Group as of 30 September 2021 has changed from how it was at 31 December 2020, due to the merger of Toscana Energia Green into Seaside, the establishment of Bludigit and the acquisition of the total capital of the company Isgastrentatré.

Economic-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) | | | | | | |
|---------------|--------------|---|-------------------|----------------|--------------|--------------|
| Third quarter | | | First nine months | | | |
| 2020 | 2021 | | 2020(**) | 2021 | Abs. change | Change % |
| 323.3 | 320.6 | Gas Distribution regulated revenues | 949.3 | 962.8 | 13.5 | 1.4 |
| 303.0 | 297.5 | <i>of which distribution revenue</i> | 893.1 | 893.0 | (0.1) | - |
| 20.3 | 23.1 | <i>of which Other distribution revenue</i> | 56.2 | 69.8 | 13.6 | 24.2 |
| 7.9 | 19.7 | Other revenues | 28.7 | 42.9 | 14.2 | 49.5 |
| 331.2 | 340.3 | Total revenues (*) | 978.0 | 1,005.7 | 27.7 | 2.8 |
| (78.7) | (80.4) | Operating costs (*) | (263.7) | (256.7) | 7.0 | 2.7 |
| 252.5 | 259.9 | EBITDA | 714.3 | 749.0 | 34.7 | 4.9 |
| (105.1) | (108.7) | Amortisation, depreciation and impairment | (312.9) | (318.4) | (5.5) | (1.8) |
| 147.4 | 151.2 | Operating profit (EBIT) | 401.4 | 430.6 | 29.2 | 7.3 |
| (13.9) | (14.2) | Net financial expense | (40.2) | (46.0) | (5.8) | (14.4) |
| - | - | <i>of which special items</i> | - | (6.4) | (6.4) | - |
| 0.2 | 1.2 | Net income from equity investments | 1.2 | 2.3 | 1.1 | 91.7 |
| 133.7 | 138.2 | Gross profit | 362.4 | 386.9 | 24.5 | 6.8 |
| 133.7 | 138.2 | Adjusted gross profit | 362.4 | 393.3 | 30.9 | 8.5 |
| (35.7) | (36.1) | Income taxes | (100.7) | (104.8) | (4.1) | (4.1) |
| - | - | <i>taxation related to special items</i> | - | 1.5 | 1.5 | - |
| (35.7) | (36.1) | Adjusted income taxes | (100.7) | (106.3) | (5.6) | (5.6) |
| 98.0 | 102.1 | Net profit | 261.7 | 282.1 | 20.4 | 7.8 |
| 93.4 | 97.5 | Net profit attributable to the Group | 247.7 | 268.7 | 21.0 | 8.5 |
| 4.6 | 4.6 | Net profit attributable to minority shareholders | 14.0 | 13.4 | (0.6) | (4.3) |
| 98.0 | 102.1 | Adjusted net profit | 261.7 | 287.0 | 25.3 | 9.7 |
| 93.4 | 97.5 | Adjusted net profit attributable to the Group | 247.7 | 273.6 | 25.9 | 10.5 |
| 4.6 | 4.6 | Adjusted net profit attributable to minority interests | 14.0 | 13.4 | (0.6) | (4.3) |

(*) 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" (€ 548.6 and € 491.9 million respectively in the first nine months of 2021 and 2020), connection contributions (€ 14.6 and € 14.6 million respectively in the first nine months of 2021 and 2020) and other residual components (0.4 and 2.4 respectively in the first nine months of 2021 and 2020).

(**) As of 30 September 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 (-€ 1.4 million), Amortisation, depreciation and impairment (+€ 3.1 million) and Income taxes (-€ 0.5 million) were adjusted as of 30 September 2020.

The **total revenues** at 30 September 2021 amount to € 1,005.7 million, up by € 27.7 million compared to the corresponding period of 2020 (+2.8%), and refer to natural gas distribution regulated revenue (€ 962.8 million) and other revenues (€ 42.9 million).

Gas distribution regulated revenue increased by € 13.5 million compared to the corresponding period of 2020.

Distribution revenues are in line with the same period in 2020. The increase of 15.8 million euros, mainly due to the increase related to the RAB (+14.8 million euros), the effect of the deflator (4.1 million euros) and the contribution of the Sardinian networks (+2.7 million euros) was offset by the application of the "X-factor" according to the terms of Arera Resolution n. 570/2020 (-5.9 million euros) as well as the absence of positive tariff adjustments recorded in 2020 (-15.1 million euros).

The increase in **other regulated revenue** (€ 13.6 million) is mainly linked to higher revenues from services to customers (€ 11.0 million), up compared to the same period of 2020 (strongly impacted by the restrictive measures brought by the COVID-19 emergency), to the contribution pursuant to article 57 of ARERA Resolution no. 367/14, as amended, relating to the replacement of traditional meters with electronic ones (€ 8.7 million at 30 September 2021; € 7.4 million at 30 September 2020), and to higher ARERA incentives for leak detection activities (€ 2.2 million), partially offset by lower revenues for complex arrears (-€ 0.8 million).

Other revenues amounted to € 42.9 million as of 30 September 2021. The increase of € 14.2 million compared to the corresponding period of 2020 is mainly linked to activities in the field of energy efficiency (€ 10.2 million), revenues from the sale of LPG (€ 1.4 million), as well as capital gains for the sale of property (€ 4.2 million) offset by lower revenues for other assets.

Operating costs at 30 September 2021 amounted to € 256.7 million, down by € 7.0 million compared to the first nine months of 2020, mainly due to lower i) net personnel costs (€ 5.6 million), ii) net costs in connection with Energy Efficiency Certificates (€ 2 million), iii) other costs and provisions (€ 3.7 million), partially offset by iv) increased net external costs (€ 3.3 million), mainly attributable to the energy efficiency activities and marketing activities for methane and different gases in Sardinia, and v) concession-related charges (€ 1.0 million).

The **EBITDA** achieved as of 30 September 2021 totalled € 749.0 million, up by € 34.7 million (+4.9%) compared to the same period of 2020.

Amortisation, depreciation and impairment (€ 318.4 million) increased by € 5.5 million (+1.8%) compared to the corresponding period of 2020, due mainly to the investments made in the previous financial year, offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 1.1 million at 30 September 2021; € 14.8 million at 30 September 2020).

The **EBIT** achieved as of 30 September 2021 totalled € 430.6 million, up by € 29.2 million (+7.3%) compared to the EBIT of same period of 2020.

Adjusted net financial expense¹, i.e. net of the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021, amounted to € 39.6 million and decreased by € 0.6 million compared to the corresponding period of 2020.

¹Italgas' 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.

At 30 September 2021, **net income from equity investments** amounted to € 2.3 million, up by € 1.1 million compared to the same period in 2020, due to the contribution of the affiliates.

Income taxes at 30 September 2021 amounted to € 104.8 million, up by 4.1% compared to the same period in 2020, due to the higher gross profit value.

Net profit attributable to the Group amounted to € 268.7 million (€ 247.7 million at 30 September 2020); the **adjusted net profit attributable to the Group** was € 273.6 million and increased by 10.5% compared to the first nine months of 2020.

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 nine months 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 in terms of lower expenses.

Reclassified Statement of Financial Position

The restated financial position for Italgas as of 30 September 2021 compared with that as of 31 December 2020 is summarised below:

| (€ million) | 31.12.2020(*) | 30.09.2021 | Abs. change |
|---|----------------|----------------|--------------|
| Fixed capital (**) | 6,707.2 | 7,000.2 | 293.0 |
| Property, plant and equipment | 369.9 | 369.8 | (0.1) |
| Intangible assets | 6,511.5 | 6,816.5 | 305.0 |
| Equity investments | 34.2 | 35.0 | 0.8 |
| Financial receivables and securities instrumental to operations | 0.2 | 0.2 | - |
| Net payables for investments | (208.6) | (221.3) | (12.7) |
| Net working capital | 111.2 | 177.0 | 65.8 |
| Provisions for employee benefits | (104.6) | (98.7) | 5.9 |
| Assets held for sale and directly related liabilities | 0.1 | 0.1 | - |
| NET INVESTED CAPITAL | 6,713.9 | 7,078.6 | 364.7 |
| Shareholders' equity | 1,977.4 | 2,023.2 | 45.8 |
| - attributable to the Italgas Group | 1,737.4 | 1,790.4 | 53.0 |
| - attributable to minority shareholders | 239.9 | 232.8 | (7.1) |
| Net financial debt | 4,736.5 | 5,055.4 | 318.9 |
| HEDGING | 6,713.9 | 7,078.6 | 364.7 |

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

(**) As of 30 September 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 31 December 2020.

The **net invested capital** at 30 September 2021 amounted to € 7,078.6 million and was made up of the items commented below.

Fixed capital (€ 7,000.2 million) was up by € 293.0 million compared to 31 December 2020 primarily due to the increase in intangible assets (€ 305.0 million).

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

| (€ million) | Property, plant and equipment | Assets IFRIC 12 | Intangible assets | Total |
|---|-------------------------------|-----------------|-------------------|----------------|
| Balance at 31 December 2020 | 369.9 | 6,332.7 | 178.8 | 6,881.4 |
| Investments | 31.9 | 550.1 | 30.6 | 612.6 |
| - of which IFRS 16 | 9.0 | | | 9.0 |
| Amortisation, depreciation and impairment | (28.9) | (257.5) | (32.0) | (318.4) |
| - of which D&A pursuant to IFRS 16 | (17.0) | | | (17.0) |
| Acquisition of companies and business units | 0.1 | 26.9 | | 27.0 |
| Contributions received | | (10.9) | | (10.9) |
| Other changes | (3.1) | (6.0) | 3.7 | (5.4) |
| Balance at 30 September 2021 | 369.9 | 6,635.3 | 181.1 | 7186.3 |

As of 30 September 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 31 December 2020.

The **equity investments** item (€ 35.0 million) refers mainly to the companies Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano and Enerpaper, consolidated using the equity method, and Reti Distribuzione.

Net working capital

| (€ million) | 31.12.2020 | 30.09.2021 | Abs. change |
|--|--------------|--------------|-------------|
| Trade receivables | 462.2 | 275.1 | (187.1) |
| Inventories | 101.2 | 115.7 | 14.5 |
| Tax assets | 64.4 | 46.2 | (18.2) |
| Accruals and deferrals from regulated activities | 202.8 | 211.5 | 8.7 |
| Other assets | 148.3 | 258.5 | 110.2 |
| Trade payables | (303.0) | (255.7) | 47.3 |
| Provisions for risks and charges | (202.6) | (181.9) | 20.7 |
| Deferred tax liabilities | (55.2) | (35.2) | 20.0 |
| Tax payables | (43.5) | (43.8) | (0.3) |
| Other liabilities | (263.4) | (213.4) | 50.0 |
| | 111.2 | 177.0 | 65.8 |

As of 30 September 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 payables (-€ 1.5 million) was adjusted as of 31 December 2020.

Compared to 31 December 2020, **net working capital** increased by € 65.8 million, mainly as a result of: i) lower trade receivables (€ 187.1 million) linked to the seasonality of the billing period; ii) an increase in inventories (€ 14.5 million) predominantly in relation to gas meters; iii) an increase in net tax liabilities (€ 1.5 million); iv) an increase in accruals and deferrals from regulated activities (€ 8.7 million) due to receivables relating to the contribution for meters pursuant to article 57 of ARERA Resolution no. 367/14, as amended; v) an increase in other assets (€ 110.2 million) mainly relating to the increase in receivables from the CSEA; vi) a decrease in trade payables (€ 47.3 million); vii) a decrease in provisions for risks and charges (€ 20.7 million), mainly linked to the reduction of the environmental remediation provision (€ 18.9 million) and use of the provision for risks for operational restoration of metering instruments (€ 7.4 million), partially offset by an increase from higher provisions for legal disputes (€ 5.1 million); viii) a decrease in other liabilities for the period (€ 50.0 million).

The Company has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to Group companies can be factored without recourse. In particular, transactions were completed for the factoring of receivables related to: i) trade receivables for distribution due on 30 September 2021, collecting a total of € 62.3 million, (ii) receivables from CSEA, collecting around € 22 million, (iii) tax credits, collecting approximately € 8.1 million.

Net financial debt

| (€ million) | 31.12.2020 | 30.09.2021 | Abs. change |
|---|----------------|----------------|---------------|
| Financial and bond debt | 5,405.1 | 5,736.5 | 331.4 |
| Short-term financial debt (*) | 677.7 | 415.4 | (262.3) |
| Long-term financial debt | 4,651.1 | 5,252.8 | 601.7 |
| Finance lease payables - IFRS 16 | 76.3 | 68.3 | (8.0) |
| Financial receivables and cash and cash equivalents | (668.6) | (681.1) | (12.5) |
| Cash and cash equivalents | (663.5) | (676.0) | (12.5) |
| Financial receivables | (5.0) | (5.0) | - |
| Securities not held for operations | (0.1) | (0.1) | - |
| Net financial debt | 4,736.5 | 5,055.4 | 318.9 |
| Finance lease payables - IFRS 16 | 76.3 | 68.3 | (8.0) |
| Net financial debt (excluding the effects pursuant to IFRS 16) | 4,660.2 | 4,987.1 | 326.9 |

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

Net financial debt was € 5,055.4 million as of 30 September 2021, up € 318.9 million compared to 31 December 2020. Excluding the effects deriving from the application of IFRS 16, amounting to € 68.3 million, the net financial debt came to € 4,987.1 million (€ 4,660.2 million at the end of 2020).

Financial and bond debt as of 30 September 2021, amounting to € 5,736.5 million (€ 5,405.1 million as of 31 December 2020), relates to bonds (€ 4,584.3 million), loan agreements concerning European Investment Bank (EIB) funding (€ 848.8 million), liabilities pursuant to IFRS 16 (€ 68.3 million) and bank loans (€ 235.1 million).

Cash, amounting to € 676.0 million, up by € 12.5 million compared to 31 December 2020, is held in current accounts immediately available with leading banks.

The breakdown of debt by type of interest rate as of 30 September 2021 is as follows:

| (€ million) | 31.12.2020 | % | 30.09.2021 | % |
|-----------------------------|----------------|--------------|----------------|--------------|
| Fixed rate | 4,676.3 | 86.5 | 5,381.5 | 93.8 |
| Variable rate | 728.8 | 13.5 | 355.0 | 6.2 |
| Gross financial debt | 5,405.1 | 100.0 | 5,736.5 | 100.0 |

Fixed-rate financial liabilities amounted to € 5,381.5 million and mainly refer to bonds (€ 4,584.3 million), three EIB loans (€ 728.9 million) and financial liabilities pursuant to IFRS 16 (€ 68.3 million).

Fixed-rate financial liabilities increased by € 705.2 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 buyback of bonds maturing in January 2022 and March 2024, for a total of € 255.7 million. In view of the net liquidity from the “dual-tranche” bond issue, on 12 March 2021 Italgas cancelled the “Revolving Credit Facility” of € 500 million, maturing in October 2021 and completely unused.

Floating-rate financial liabilities were down by € 373.8 million due to the decreased use of bank credit lines.

As of 30 September 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 30 September 2021, these undertakings were respected.

Reclassified Statement of Cash Flows

| (€ million) | First nine months | |
|---|-------------------|----------------|
| | 2020 (**) | 2021 |
| Net profit | 261.7 | 282.1 |
| <i>Correction:</i> | | |
| - Depreciation and amortisation and other non-monetary components | 300.6 | 313.9 |
| - Net capital losses (capital gains) on asset sales and eliminations | 2.6 | (1.7) |
| - Interest and income taxes | 140.9 | 151.6 |
| Change in working capital due to operating activities | (177.0) | (55.5) |
| Dividends, interest and income taxes collected (paid) | (87.8) | (156.7) |
| Cash flow from operations (*) | 441.0 | 533.7 |
| Technical investments | (535.0) | (595.1) |
| Other changes related to investment activities | (26.8) | 0.7 |
| Divestments and other changes | 0.5 | 11.7 |
| Free cash flow before Merger and Acquisition transactions | (120.3) | (49.0) |
| Companies included in the scope of consolidation | (4.4) | (2.3) |
| Acquisition of business units and plants | (6.3) | (1.7) |
| Free cash flow | (131.0) | (53.0) |
| Change in short- and long-term financial debt and financial receivables | 646.3 | 324.3 |
| Reimbursements of financial liabilities for leased assets | (17.9) | (16.4) |
| Equity cash flow | (211.4) | (242.4) |
| Net cash flow for the year | 286.0 | 12.5 |

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

(**) As of 30 September 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 (-€ 1.4 million), Amortisation, depreciation and impairment (+€ 3.1 million) and Income taxes (-€ 0.5 million) were adjusted as of 30 September 2020.

Change in net financial debt

| (€ million) | First nine months | |
|---|-------------------|----------------|
| | 2020 (**) | 2021 |
| Free cash flow before Merger and Acquisition transactions | (120.3) | (49.0) |
| Change due to acquisitions of equity investments, business units and assets | (10.7) | (20.5) |
| Increase in finance lease payables | (13.2) | (8.0) |
| Equity cash flow | (211.4) | (242.4) |
| Other changes (Difference between interest accounted for and paid) | 0.0 | 1.0 |
| Change in net financial debt | (355.6) | (318.9) |

The cash flow from operating activities in the first nine months of 2021 amounted to € 533.7 million, with an increase of 92.7 million compared to the same period in 2020 (+21.0%). In view of the flow from net investments, totalling € 582.7 million, the company generated a negative free cash flow before M&A transactions of € 49.0 million. As of 30 September 2021, the cash outflow from M&A transactions amounted to € 4.0 million, bringing the free cash flow to € 53.0 million.

Taking into account payment of the dividend for € 242.4 million, net financial debt increased by € 318.9 million.

Key operating figures

Investments

Technical investments were made in the first nine months of 2021 for a total of € 612.6 million, up by 10.3% compared to the first nine months of 2020 (€ 555.2 million), of which € 9.0 million due to the adoption of IFRS 16.

| | First nine months | | | |
|-------------------------------------|-------------------|--------------|---------------|---------------|
| | 2020 | 2021 | Abs. change | Change % |
| Distribution | 417.8 | 512.3 | 94.5 | 22.6 |
| Network development and maintenance | 324.3 | 440.1 | 115.8 | 35.7 |
| - of which digitisation | 59.8 | 99.3 | 39.5 | 66.0 |
| New networks | 93.5 | 72.2 | (21.3) | (22.7) |
| - of which Sardinia | 84.1 | 57.4 | (26.7) | (31.8) |
| Metering | 86.9 | 51.7 | (35.2) | (40.5) |
| Other investments | 50.5 | 48.6 | (1.9) | (3.8) |
| - of which Real Estate | 21.1 | 19.8 | (1.3) | (5.9) |
| - of which ICT | 16.7 | 19.3 | 2.6 | 15.3 |
| - of which IFRS 16 effect | 13.0 | 9.0 | (4.0) | (31.1) |
| | 555.2 | 612.6 | 57.4 | 10.3 |

As of 30 September 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 (-€ 1.4 million) was adjusted accordingly as of 30 September 2020.

Distribution investments (€ 512.3 million, up 22.6% compared to the first nine months of 2020) refer to initiatives for the development, maintenance and repurposing of the network as well as for the construction of new gas distribution networks, which involved the installation of a total of 545 km of pipeline. Over the first nine months of 2021, a further 62 km of new network was constructed in Sardinia, bringing the total installed networks to 860 km.

Metering investments (€ 51.7 million, -40.5% compared to the first nine months of 2020) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In the first nine months of 2021, the Company installed 645 thousand new meters, of which 276 thousand to replace traditional G4/G6 meters, 359 thousand for the repair of digital meters with anomalies and 10 thousand to replace large-caliber meters. At 30 September 2021², a total of 7.8 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (91.2% of the total number of meters and practically all active meters).

Investments in digitisation (€ 99.3 million, up +66.0%) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.

Key operating figures – Italgas Group

²Also taking into account the affiliates, over which Italgas does not exercise control, 684 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 30 September 2021 to 7.9 million (90.2% of the total number of meters and almost all active meters)

| | First nine months | | | |
|---|-------------------|-----------------|-------------|----------|
| | 2020 | 2021 | Abs. change | Change % |
| Active meters (millions) | 7.585 | 7.593 | 0.008 | 0.1 |
| Installed meters (millions) | 8.498 | 8.549 | 0.051 | 0.6 |
| Municipalities with gas distribution concessions (no.) | 1,825.0 | 1,837.0 | 12.0 | 0.7 |
| Municipalities with gas distribution concessions in operation (no.) | 1,740.0 | 1,752.0 | 12.0 | 0.7 |
| Distribution network (kilometres) | 70,846.0 | 72,222.0 | 1,376.0 | 1.9 |
| Gas distributed (million cubic metres) | 5,143.8 | 5,827.3 | 683.5 | 13.3 |

Key operating figures – Italgas Group and affiliates

| | First nine months | | | |
|---|-------------------|-----------------|-------------|----------|
| | 2020 | 2021 | Abs. change | Change % |
| Active meters (millions) | 7.738 | 7.746 | 0.008 | 0.1 |
| Installed meters (millions) | 8.667 | 8.719 | 0.052 | 0.6 |
| Municipalities with gas distribution concessions (no.) | 1,886.0 | 1,898.0 | 12.0 | 0.6 |
| Municipalities with gas distribution concessions in operation (no.) | 1,801.0 | 1,813.0 | 12.0 | 0.7 |
| Distribution network (kilometres) | 72,719.0 | 74,105.8 | 1,386.8 | 1.9 |
| Gas distributed (million cubic metres) | 5,311.0 | 6,036.1 | 725.1 | 13.7 |

Sustainability - the path to decarbonisation

The Sustainability Plan and Strategic Plan

Gas networks will play a key role in the energy transition towards meeting the EU's target of "net zero carbon" by 2050, thanks to their widespread nature, flexibility and penetration. In this scenario, infrastructure digitisation is the enabler that allows the entire distribution network to be smart, flexible and able to receive and manage different gases, such as biomethane, green hydrogen and synthetic natural gases.

The Italgas Group will play a key role in the decarbonisation process of Italy's Country system, by means of the main pillars of its Strategic Plan to 2027:

- infrastructure digitisation, for smart and dynamic management of the network for the distribution of gas blend, increasingly characterised by the presence of renewable and zero-carbon gases;
- boosting of the circular economy, in particular by providing a stimulus to the biomethane sector;
- testing and implementation of technologies that will make new renewable gases available in the distribution networks;
- diversification of the business portfolio, extending digital management of the infrastructure to the water sector and accelerating energy efficiency measures in the civil sector.

The challenges contained in the Sustainability Plan and the ESG criteria, an integral part of the 2021-2027 Strategic Plan, have imposed new specific targets on the Italgas Group in terms of energy efficiency and the cutting of emissions in order to meet the decarbonisation targets set by the European Union.

The sustainability targets set for 2027 aim to reduce CO₂ emissions and energy consumption, putting the Italgas Group ahead of the EU targets for 2030: thanks to the digital transformation of the network and innovative technologies – from CRDS (Cavity Ring-Down Spectroscopy) technology, a cutting-edge technology in the gas network monitoring field, designed and developed by US company Picarro Inc., to Seaside's know-how – Italgas estimates that by 2027 it will have reduced its greenhouse gas emissions (scope 1 and scope 2) by 30%, and its energy consumption by 25%, both compared to 2020 levels³.

The Italgas Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to various initiatives developed in synergy with the company Seaside, aimed at

³With the same scope, excluding any changes following M&As and ATEM tenders.

energy efficiency, training activities on energy efficiency for its employees, and the fine-tuning of a predictive maintenance plan on the gas networks.

Lastly, net electrical consumption is also expected to be cut significantly as early as 2022, due to the commissioning of cogeneration plants and turbo-expanders installed at the main city gates, which will enable the use of self-generated electricity.

Energy consumption

| Net energy consumption (TJ) | First nine months | | Abs. change | Change % (**) |
|--|-------------------|--------------|-------------|---------------|
| | 2020 | 2021 | | |
| Fuel energy consumption for civil and industrial use | 260.8 | 263.1 | 2.3 | 0.9 |
| Net electricity consumption for civil and industrial use | 75.6 | 70.9 | (4.7) | (6.2) |
| Fuel energy consumption for vehicles | 90.2 | 103.1 | 12.9 | 14.3 |
| Thermal energy consumption for civil use (*) | 0.1 | 0.2 | 0.1 | 100.0 |
| | 426.7 | 437.3 | 10.6 | 2.5% |

(*) This variation is due to the fact that thermal energy consumption for civil use only started from the month of September 2020.

(**) The change % is calculated to the second decimal place of the absolute value.

The first nine months of 2021 were characterised by a slight increase in net consumption of total energy, of 10.6 TJ (+2.5%).

Thanks to energy efficiency measures, fuel energy consumption for industrial use remained virtually the same between the first nine months of 2020 and the first nine months of 2021 (+0.2%, from 230.1 TJ to 230.6 TJ), despite a significant increase in the volume of gas injected into the network. In fact, specific consumption for the preheating process (natural gas consumed for preheating/gas injected into the network per thousand) decreased across the entire Group, from 1.38‰ to 1.27‰, i.e. by -8.0% (consumption by Italgas Reti plants decreased from 1.45‰ to 1.34‰, i.e. by -7.6%, while that of Toscana Energia plants decreased from 1.04‰ to 0.90‰, i.e. by -13.5%).

In relation to fuel energy consumption for civil use, in the first nine months of 2021, there was an increase of 5.8% compared to the same period of the previous year (from 30.7 TJ to 32.5 TJ), mainly due to the opening of a new company office. The benefits from the gradual closure of disused offices will be seen later, from October, thus bringing the consumption for 2021 closer to 2020 values.

At the same time, there was a constant decrease in electricity consumption for civil uses (-17.3%, from 33.6 TJ in the first nine months of 2020 to 27.8 TJ in the first nine months of 2021), due to reduced use of property in 2021 also as a result of the pandemic situation.

The Group's industrial electricity consumption increased by 2.7% (from 42.0 TJ in the first nine months of 2020 to 43.1 TJ in the first nine months of 2021). This rise is mainly attributable to intensive pumping activity following maintenance on the water network managed by Italgas Acqua, and consumption linked to the commissioning of new LNG plants in Sardinia.

Fuel energy consumption for vehicles increased by 12.9 TJ (+14.3% compared to the same period of 2020) due to the increased mileage of the Group's car fleet. The increase in kilometres travelled (+15.3% compared to the first nine months of 2020) is mainly due to the effect of the lockdown, which resulted in a temporary reduction in travel between March and May 2020. During the period under review, the increase in energy consumption for vehicles was smaller than the rise in kilometres travelled (a change of +14.3% compared to +15.3%), thanks to improved use of bi-fuel vehicles (methane/petrol) compared to 2020, both in terms of the greater use of methane and the adoption of optimal driving styles that increase the number of kilometres travelled on one kilogram of methane (15.1 km/kg in the first nine months of 2021 compared to 14.5 km/kg in 2020).

Greenhouse gas emissions

| Scope 1 and Scope 2 (thousand tCO ₂ eq) | First nine months | | | Change % (*) |
|---|-------------------|--------------|-------------|--------------|
| | 2020 | 2021 | Abs. change | |
| Fugitive gas emissions (Scope 1) | 95.9 | 102.4 | 6.5 | 6.8 |
| Emissions from gas consumption for civil and industrial use (Scope 1) | 14.7 | 14.9 | 0.2 | 0.9 |
| Emissions from fuel consumption for vehicles (Scope 1) | 4.2 | 4.8 | 0.6 | 15.4 |
| Emissions from thermal energy for civil use (Scope 2) | - | - | - | - |
| Emissions from electricity consumption for civil and industrial use (Scope 2) | 0.2 | 0.2 | 0 | 0.0 |
| | 115.0 | 122.3 | 7.3 | 6.3 |

(*) The change % is calculated to the second decimal place of the absolute value.

The change in total emissions (+6.3%) is primarily linked to the increase in fugitive emissions of the Italgas Group (+6.8%). This increase is mainly attributable to the higher level of emissions of the leaks detected on the Italgas Reti networks, only partially offset by increased operating efficiency with shorter leak identification and elimination times. Compliance with the 2021 investigation plan has led to an increase in the amount of network inspected using CRDS technology, from 48,273 kilometres in the first nine months of 2020 to 55,537 kilometres in the same period of 2021 (+15.0%; 56,239.6 kilometres have been inspected overall).

At the same time, thanks to the measures taken in recent years, a decrease was also recorded in emissions per kilometre inspected, from 112.63 Sm³/km in the first nine months of 2020, to 105.12 Sm³/km in the same period of 2021, with a 6.7% reduction (specifically, the value for the

first nine months of 2021 was 105.28 Sm³/km for Italgas Reti, compared to 97.13 Sm³/km in the first nine months of 2020, up by 8.4%; for Toscana Energia, the indicator is 111.30 Sm³/km for the first nine months of 2021, compared to 236.71 Sm³/km in the same period of 2020, down by 53.0%).

More generally, fugitive emissions amounted to 0.092% of total gas injected into the network (down 4.1% from the first nine months of 2020).

Data on the methane gas networks managed by Medea is interesting, whose fugitive emission detection activity using CRDS technology has been in place on these networks since 2021. Emissions associated with the first 462 km investigated, relating to just three leaks detected, are negligible in numerical terms.

The expertise that the Group is developing in Sardinia with Medea shall therefore lay the foundations for improvement of the entire infrastructure of the Italgas Group, with the aim of developing a predictive network maintenance model. By combining the physical characteristics of the network (e.g. age, material and pressure) with the outcome of the processing of data obtained in the field via the intensive leak detection programme, this model will identify the areas potentially at risk of leakage and the related probability of emissions, with a view to predictive management and maintenance. This model is a valid tool for the preparation of the plans for network replacement and reclamation/remediation work on overhead connections, thereby optimising performance and related costs.

With regard to emissions from fuel consumption for vehicles, although the parameter CO₂ emissions per km travelled remained constant, there was a significant decrease in other emissions in terms of grams per kilometre: NO_x (-5.6%) and particulate matter (-22.6%), thanks to the extensive use of methane, used in 92% of kilometres travelled by bi-fuel vehicles.

Lastly, emissions from gas consumption for civil and industrial use are in line with the described changes in consumption, while those from electricity consumption remain very low, as a result of reduced consumption and the supply of electricity from certified renewable sources for almost all volumes.

Main events of the first nine months of 2021

Extraordinary transactions and area tenders

- The acquisition of the natural gas distribution 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 2020. The network spans around 26 kilometres, covering a potential catchment area of 2500 households overall. As part of the aforesaid agreement, on 13 July 2021, through its subsidiary, Medea, Italgas finalised the acquisition of the entire share capital of Isgastrentatrè, the company holding the concession for management of the natural gas service in Basin 33 in Sardinia. The scope of the company's assets includes: 242 km of network, around 700 active re-delivery points and an LNG plant covering 60 cubic metres.

The enterprise value is € 25 million, equal to the estimated RAB for the company's assets. With completion of the transaction, the number of basins where Italgas operates in Sardinia rises to 18 (out of 38). In August 2021, the merger by incorporation of Isgastrentatrè into Medea was resolved, which will be implemented by November 2021, with accounting and fiscal effects from July 14, 2021.

- 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. The contract for the network management service is expected to be signed in the first half of 2022.
- The merger by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was completed on 26 April 2021, with effect for accounting and tax purposes as of 1 January 2021. On 2 August 2021, the transformation of Seaside S.r.l. into a joint stock company was resolved.

- On 14 June 2021, the binding agreement was signed for the acquisition, through Seaside, of the ESCO Ceresa S.p.A., a company founded in 1921 and specialised in the provision of energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) located primarily in the Turin area. Closing of the transaction, subject to certain conditions precedent, is expected to take place by year-end.
- On 15 July 2021, as part of the international public competitive bidding tender process for the sale of 100% of the shares of the company DEPA Infrastructure S.A by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), Italgas filed its binding offer for the acquisition of the company.
On 9 September 2021, a memo from HRADF announced that, following the opening of the improved financial offer submitted by Italgas, the Board of Directors of HRADF and HELPE had declared Italgas the “Preferred Bidder”.
The signing of the agreements for the acquisition of the shareholding is subject to the fulfilment of further obligations required by the tender procedure and local legislation, while the closing of the transaction will take place once all the necessary authorisations have been secured.
- On 28 September 2021, Seaside and the Consorzio Intercomunale Torinese signed the framework agreement for the awarding of redevelopment work on 22 public housing buildings located in the municipalities of Turin, Mappano, Nichelino, Orbassano, Moncalieri, Caselle Torinese and Settimo Torinese. The operation has a total value of over € 57 million and will concern 926 homes in which 893 families reside. It aims to implement a series of energy efficiency and structural consolidation measures.

Innovation, digitisation of the corporate networks and processes

- 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 23 June 2021, as a result of a partial and proportional demerger of Italgas Reti S.p.A, the company Bludigit S.p.A. was established, to which tangible and intangible assets and contracts relating to the IT area were contributed, with a view to streamlining the Group's business and assets in the IT area and proposing a commercial offer of IT services. The streamlining of the Group's business in the IT area was completed on 29 June 2021 with the capital increase of Bludigit S.p.A. serving the contribution in kind by Italgas S.p.A. of its IT business unit, with effect as of 1 July 2021.
- The Group continued on its digitisation pathway, through the development of new cutting-edge digital solutions and the advancement of cyber protection tools. Within the Digital Factory, the innovation factory for the transformation and digitisation of company processes,

we have developed solutions aimed at simplifying, automating and speeding up the management of requests to and from customers (both B2B for sales companies and B2C for end customers), introducing in particular “self-service” solutions to meet the needs of those customers. A paperless solution has been at the disposal of end customers for a few months now, allowing them, via smartphone, to manage the entire supply activation process with ease, with no need for inspections. In addition, machine learning solutions have been developed for the predictive identification of operational problems in installed meters. A system has also been introduced for management of the corporate car fleet (around 2500 vehicles) with digital tracking functions (maintenance, fines, etc.), pool car booking, payment simplification and reporting.

The architectural and application convergence work enables all the solutions developed in the Digital Factory to be used, including by the other companies in the Group.

- On 29 July 2021, a strategic agreement was signed with Salesforce, a global leader in Customer Relationship Management (CRM), aimed at maximising the productivity of the investment cycle (capital deployment) through the use of advanced digital solutions, involving Bludigit at the forefront. The agreement is part of the wider digital transformation process launched by Italgas in 2017, which - following an investment of more than € 2 billion - will make it the first utility in the world with a fully digital network next year.

Optimization of the debt structure

- On 5 February 2021, Italgas successfully completed the launch of the fixed-rate 7- and 12-year “**dual-tranche**” **bond issue**, for a total of **€ 500 million each**, with an annual coupon of 0% and 0.5% respectively, 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.
- On 29 July 2021, the rating agency Fitch confirmed the long-term credit rating of Italgas, as **BBB+ with Stable outlook**.

On 15 September 2021, the Board of Directors resolved on the **renewal of the EMTN Programme** launched in 2016 and already renewed in 2017, 2018, 2019 and 2020, confirming the maximum nominal amount of € 6.5 billion, which was finalized on 7 October 2021.

Capital transactions

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 increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares. Moreover, Italgas' Shareholders' Meeting of 20 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 maximum nominal 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

- 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 received 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. Italgas Reti appealed before the Regional Administrative Court of Campania against the awarding of the tender to the other operator mentioned above. In particular, by order of 15 September 2021, the Regional Administrative Court of Campania has already rejected one of the claimed reasons for inadmissibility raised by the other operator. The hearing was held on 6 October 2021, during which Italgas Reti duly presented all of its grounds for complaint against the contested orders. The ruling is currently pending.
- On 11 October 2021, the Regional Administrative Court of Veneto rejected the appeal brought by another operator against the invitation to tender relating to the Belluno ATEM, thereby confirming the legitimacy of awarding the tender to Italgas Reti. Specifically, the Regional Administrative Court rejected all the objections expressed by the other operator, with reference both to the tender documents and the legitimacy of the offer and of the Committee's actions. Moreover, the ruling of the Council of State is pending with reference to the rehearing requested by the municipalities belonging to the Belluno ATEM.
- 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.

On 1 September 2021, the Plant Handover Report of the Valle d'Aosta ATEM was signed, officially confirming the start of the Service Contract and of management of the area, following the ruling by which the Regional Administrative Court of Lombardy rejected the appeal brought against the Municipality of Aosta by one of the other operators participating in the tender process contesting the awarding of the tender to Italgas Reti.

- On 1 June 2021, with Resolution no. 232/2021/R/gas, ARERA made a payment on account of the total net amount of the premiums relating to safety recoveries of the natural gas distribution service, for the year 2018, owing to distribution companies that gave their approval within the prescribed time limits, in the amount of 80%.
- With Resolution no. 227/2021/E/gas of 1 June 2021, ARERA approved the programme for two inspections of gas distribution companies, concerning regulation of the physical and economic items of the natural gas balancing (settlement) service, with particular reference to the 2013-2018 period. The inspections aim to ascertain compliance with the provisions relating to the regulation of physical and economic items, the accuracy of data used, the efficiency of the metering systems and the correct technical operation of the distribution network in relation to the parameters relevant for the purposes of the "delta in-out" control, which expresses the value of the difference between gas injected into the distribution network and gas taken from re-delivery points of the same network.
- On 16 July 2021 ARERA published the consultation document DCO 308/2021/R/com relating to the criteria for determining and updating the rate of return on invested capital for the second regulation period, which starts on 1 January 2022.
- ARERA contested the ruling of the Regional Administrative Court of Lombardy that upheld the appeal brought by Italgas for annulment of Resolutions no. 195/2017/S/gas of 30 March 2017 and no. 232/2017/S/gas of 6 April 2017, with which ARERA had issued the company a fine of € 204,000 for breach of certain provisions of the Regulation of the Quality of Gas Distribution and Metering services for the 2014-2019 period, concerning obligations to replace the cast iron pipelines with hemp and lead joints that make up the distribution network in the Municipality of Venice.

Italgas Reti filed an appearance and is currently waiting for the date of the hearing to be announced.

Significant events occurring after the end of the first nine months of 2021

In October 2021, Italgas took out two fixed-rate bank loans in relation to the achievement of ESG targets, with a 3-year term, for a total of € 500 million. The loans were taken out with major credit institutions.

On 18 October 2021, Italgas' stock was included in the MIB ESG Index, the first blue-chip index for Italy dedicated to Environmental, Social and Governance (ESG) best practices of Borsa Italiana, part of the Euronext group.

The taking out of the above-mentioned loans and the inclusion of Italgas' stock in the MIB ESG Index is further recognition of the Company's strong focus on the sustainability targets set in the 2021-2027 Strategic Plan, as well as of its strategic investment choices and the contribution it offers to the energy transition process.

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 customers/sales companies 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 has not noted and 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 € 676 million as of 30 September 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 30 September 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.

As of 30 September 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 confirmation of the rating by Moody’s (Baa2, stable outlook), on 3 December 2020, and Fitch (BBB+, stable outlook), on 29 July 2021, 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 current financial year.

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 projects for network digitisation and natural gas distribution in 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 nine months 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 business outlook” section, relating to: investment plans, financial structure evolution, 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, as well as action by competitors.