



# FY 2019 Consolidated Results

11<sup>th</sup> March 2020, Milan



## — 2019 ... growing 3<sup>rd</sup> consecutive year

**2019 results came ahead of targets/guidance**

**Digital transformation is a value creation**

**Sardinia ~ 590km of pipelines completed as of now\***

**Toscana Energia and 3 tenders won**

**Strong financial structure - best in class cost of debt**

**Inclusion in the Dow Jones Sustainability Index World**

**We propose a  
DPS  
€0.256/share**

**+9,4% vs 2018**

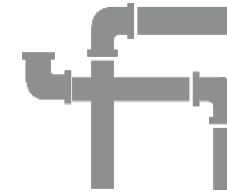
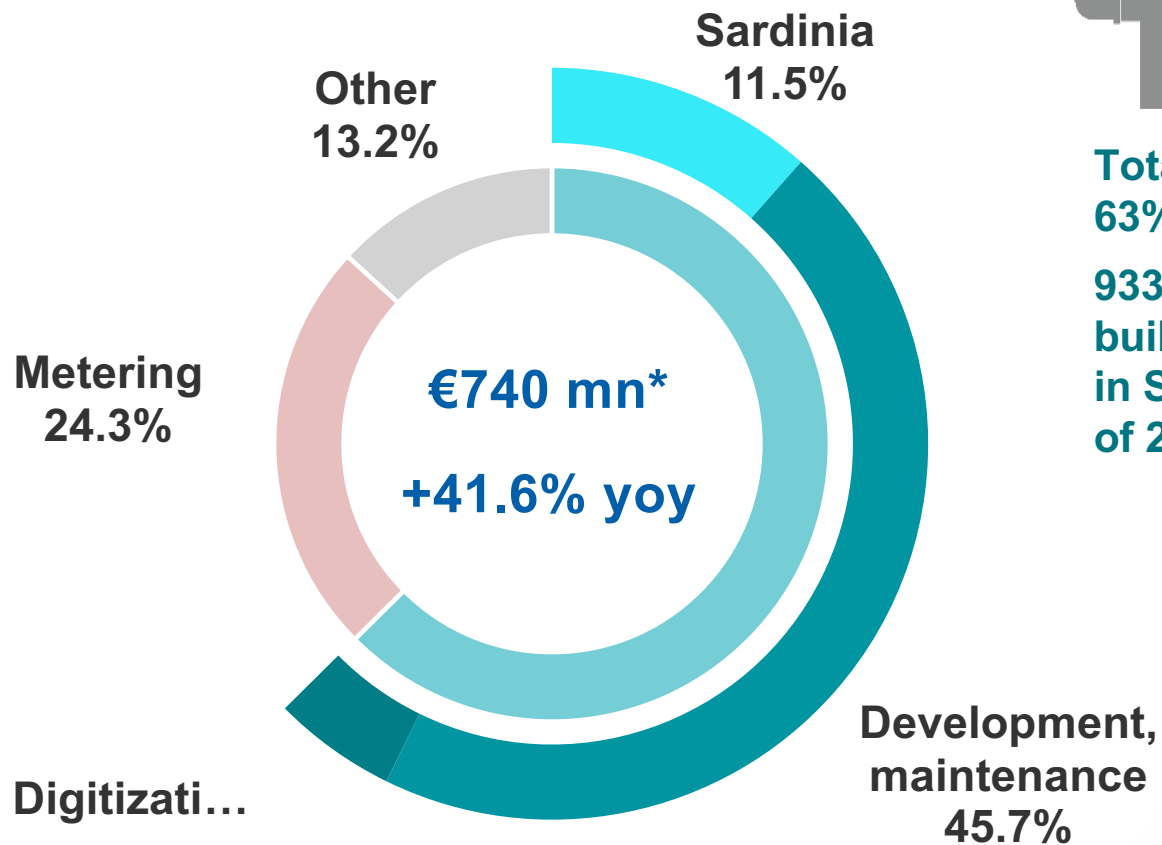
**+23.1% vs 2017**

\* End of February 2020

# — Impressive 2019 Capex



~ 2,057,400 new smart meters installed \*\*



Total network capex 63% of the total

933 km of new lines built of which 440 km in Sardinia at the end of 2019

\* It includes €24.7mn of Toscana Energia

\*\* Of which ~1,780,100 units related to the replacement of traditional meters, including affiliates

# Sardinia - a strategic role



Medea  
7 concessions in operation and  
10 under construction

		Today	→	Tomorrow
# customers		~ 45,000	→	Potential market ~200,000
Network km		~ 1,100	→	~ 2,000 FULLY DIGITIZED
Fuel	Concessions in operation	LPG / LPG air <small>Until natural gas is not available in Sardinia</small>	→	LNG\Natural Gas
	Under construction	n.a.	→	LNG\Natural Gas

~ 590 Km completed as of February 2020

# The digital transformation ... speeding up



Digitization areas

## Asset



- Industrial IoT ✓
- Advanced Analytics / Big Data ✓

- ✓ 600 digital GRF at the end of 2019
- ✓ 360 district grids digitized
- ✓ 2.1 mn smart meters installed in 2019



## Process (staff&ops)



- Advanced Analytics / Machine Learning ✓
- Bots / Digital Assistants ✓
- Blockchain

Cloud IoT Platform



## Workforce



- Mixed Reality ✓
- Wearables ✓
- Bots / Digital Assistants



Mixed Reality



SpaceOne

# — Control Room : new tools for emergency intervention

- Real-time network monitoring in enhanced Control Room
- New network analytics and prediction tools for safety and efficiency
- Emergency calls processing improvement and faster interventions

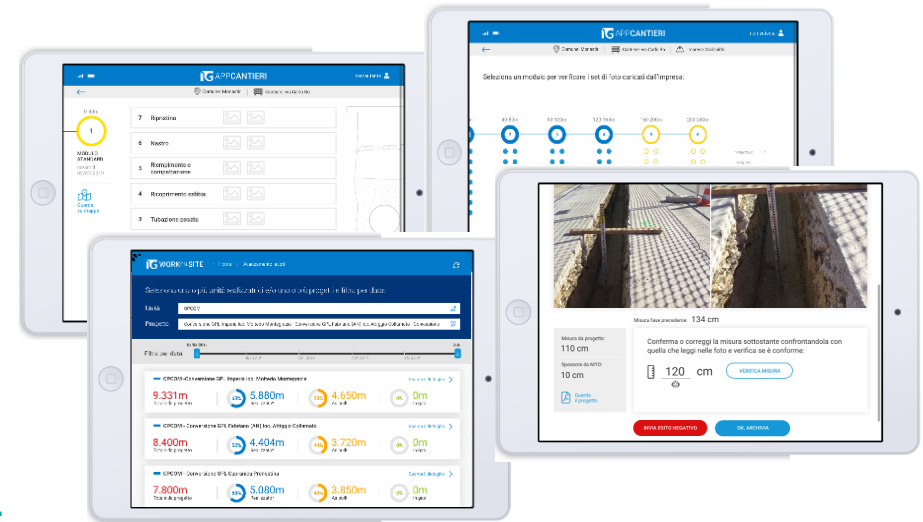
## *Main benefits*

- Improved visibility on network status and performance
- Faster emergency calls management
- More effective interventions



# — New remote construction sites supervision

- **New operating model** for worksites supervision and progress tracking for continuous feedback from external contractors
- **Remote monitoring** of safety and quality protocols
- **Automatic recognition of technical specs**



## *Main benefits*

- **Reduction of validation process duration**
- **Works quality improvement** resulting in less quality checks and reworks required afterwards
- **Internalization of supervision activities**



**Safety and quality**

**Technical requirements**

# — New technologies and tools.... to scale up in 2020

## Augmented Reality devices for remote support on the field

- **Vocal assistant** in step-by-step guided procedures for maintenance
- **Remote collaboration** through on-field real-time video-conferencing with remote experts
- **Innovative devices** to enable knowledge sharing

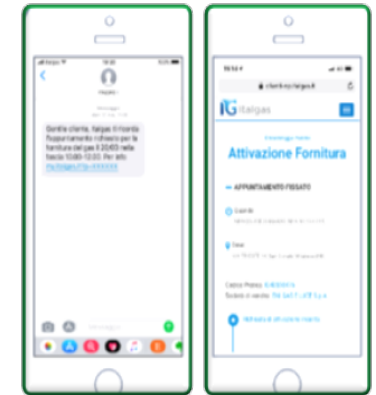


### Main benefits

- **Reduction of complex intervention duration**
- **Knowledge transfer** through best practices sharing and training acceleration
- **Efficiency improvement on the field**

## Enhanced dynamic dispatching of workers on the field

- **End-users experience enhancement** through real-time monitoring and notifications
- **Scheduling algorithm improvement** with dynamic reallocation of interventions
- Simplified **guided wizard** to close a technical interventions

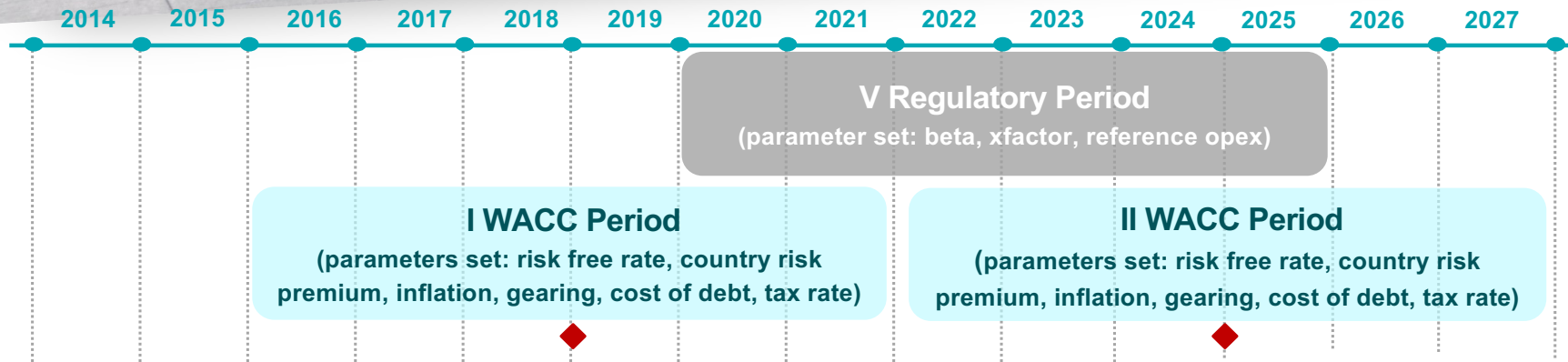


### Main benefits

- **Increase in resources saturation**
- **Improved end-users experience**
- **Reduction of missed interventions**



# New regulatory period started in 2020



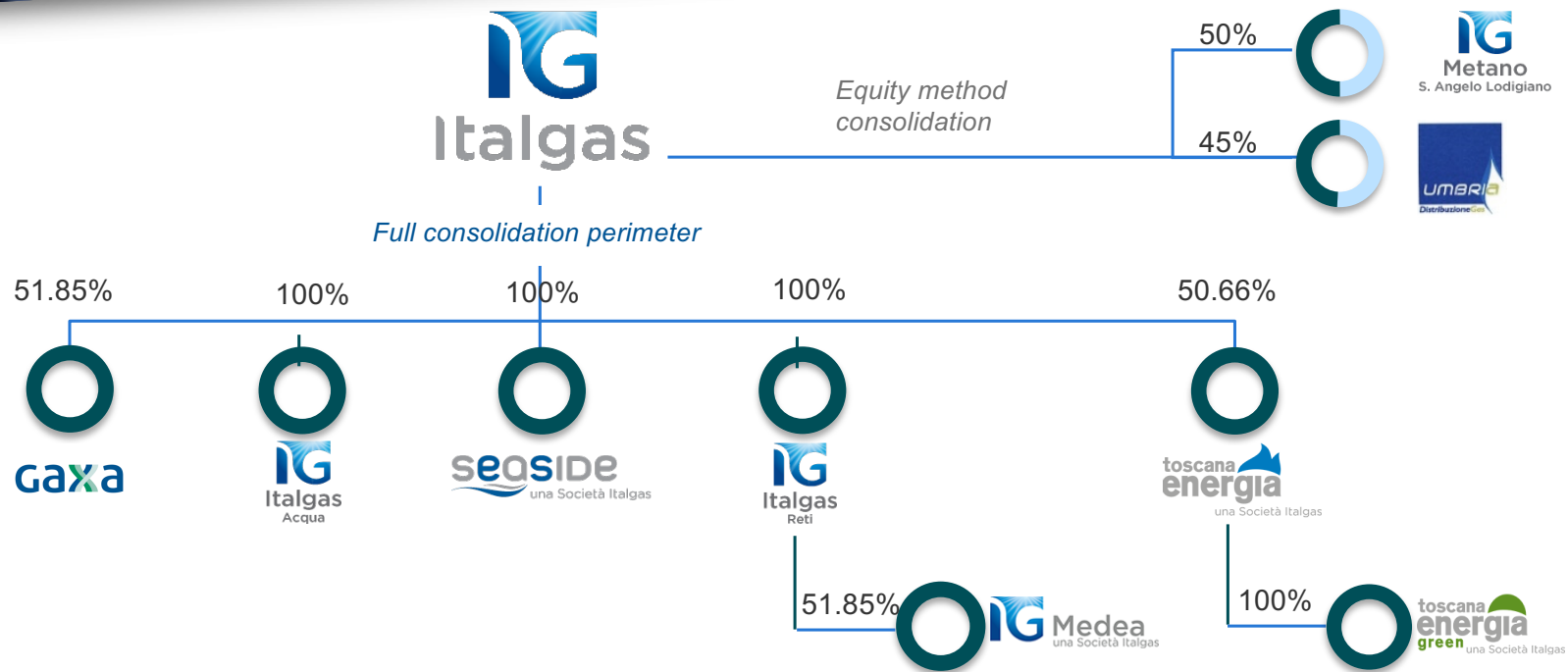
## V REGULATORY PERIOD MAIN DECISIONS

1. **Confirms overall RAB methodology**
2. **Allowed return:** 6.3% for both metering and distribution (un.beta alignment)
3. **Allowed opex:** €5.54/PdR reduction of the allowed cost of 2020 vs 2019; X factor set at 3.53% for distribution aiming at full profit sharing in six years
4. **Sardinia tariff equalisation** for the period 2020-22
5. **All capex:** RAB subsidies released in 34 years; recognition of not fully depreciated value of traditional meters; standard capex incentives from 2022 investments\*; unitary RAB cap applied to investment completed in 2018.

◆ 3 years updates of CAPM parameters

\* Criteria to be defined

# — Lean Corporate



Corporate simplification completed

# — 2019 ... growing 3<sup>rd</sup> consecutive year

€ mn			vs 2018			vs 2018	
▪ Revenue	€1,257.9	↑	6.8%	▪ Operating cash flow	€697.2	↓	-3.0%
▪ EBITDA Adj.	€907.5	↑	7.8%	▪ Capex	€740.0	↑	41.6%
▪ EBIT Adj	€516.0	↑	13.2%	▪ Consolidated Net Debt *	€4,410.6	↑	596.3 mn
▪ Net Profit Adj (after minorities)	€345.2	↑	9.4%				
▪ Net Profit (after minorities)	€417.2	↑	33.0%				

(\* Excluding 74.7 mn for operating leases (IFRS 16), including Toscana Energia indebtedness for €436.6mn As of 31/12/19

# Income Statement

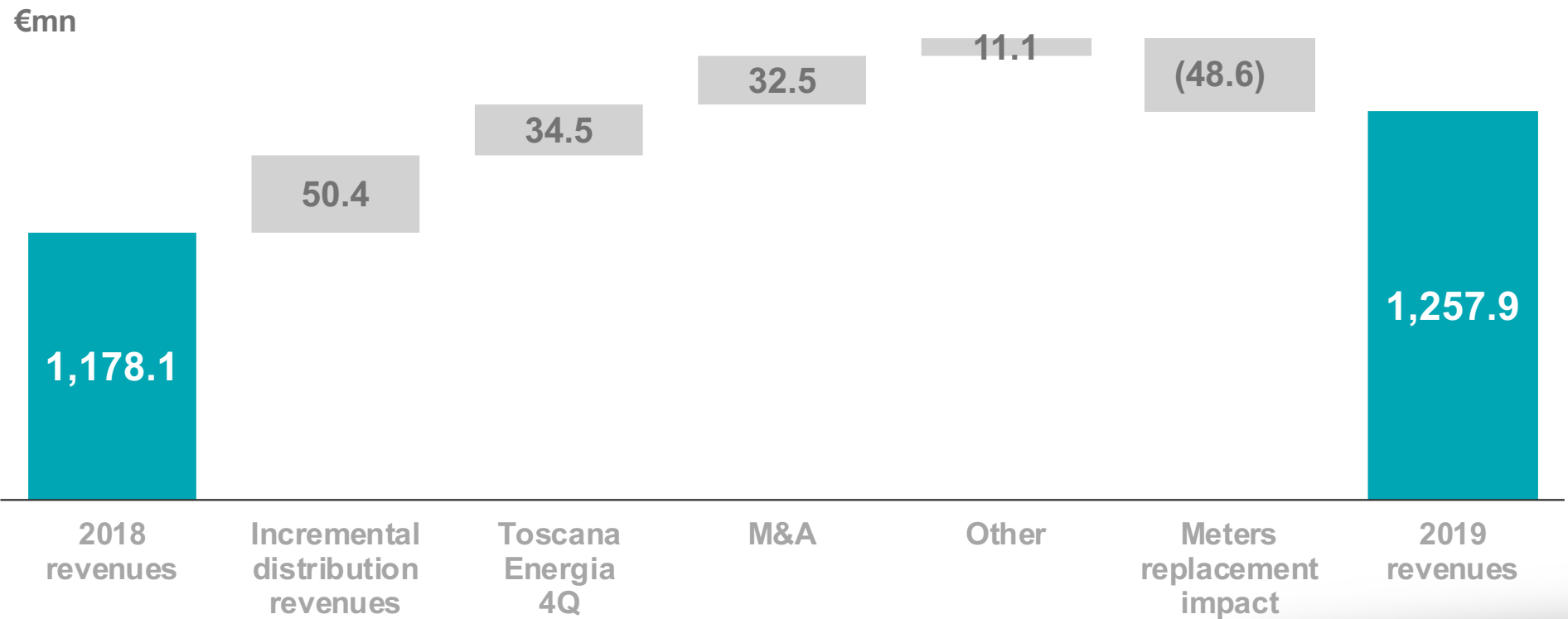
€mn	2018	2019	Change
Revenues	1,178.1	1,257.9	79.8
Operating expenses	- 338.6	- 350.4	- 11.8
<b>EBITDA</b>	<b>839.5</b>	<b>907.5</b>	<b>68.0</b>
<i>EBITDA adjusted</i>	<i>842.0</i>	<i>907.5</i>	<i>65.5</i> ↑ 7.8%
Depreciation & amortisation	- 386.0	- 391.5	- 5.5
<b>EBIT</b>	<b>453.5</b>	<b>516.0</b>	<b>62.5</b>
<i>EBIT adjusted</i>	<i>456.0</i>	<i>516.0</i>	<i>60.0</i> ↑ 13.2%
Net interest income (expenses)	- 47.0	- 69.3	- 22.3
<i>of which special items</i>		- 18.3	- 18.3
Net income from associates	20.0	100.8	80.8
<i>of which special items</i>		85.9	85.9
<b>EBT</b>	<b>426.5</b>	<b>547.5</b>	<b>121.0</b>
Income taxes	- 112.8	- 123.9	- 11.1
<b>NET PROFIT before minorities</b>	<b>313.7</b>	<b>423.6</b>	<b>109.9</b>
<i>NET PROFIT after minorities</i>	<i>313.7</i>	<i>417.2</i>	<i>103.5</i> ↑ 33.0%
<b>Net Profit Adjusted before minorities</b>	<b>315.5</b>	<b>351.6</b>	<b>36.1</b>
<i>Net Profit Adjusted after minorities</i>	<i>315.5</i>	<i>345.2</i>	<i>29.7</i> ↑ 9.4%

# — Consolidated Revenues

€mn

	2018	2019	Change
<b>Regulated revenues</b>	<b>1,145.0</b>	<b>1,198.0</b>	<b>53.0</b>
Distribution	1,007.3	1,100.2	92.9
Tariff contribution for meters replacement	71.5	22.9	- 48.6
Other distribution revenues	66.2	74.9	8.7
<b>Other revenues</b>	<b>33.1</b>	<b>59.9</b>	<b>26.8</b>
<b>TOTAL REVENUES</b>	<b>1,178.1</b>	<b>1,257.9</b>	<b>79.8</b>

# — Consolidated Revenues

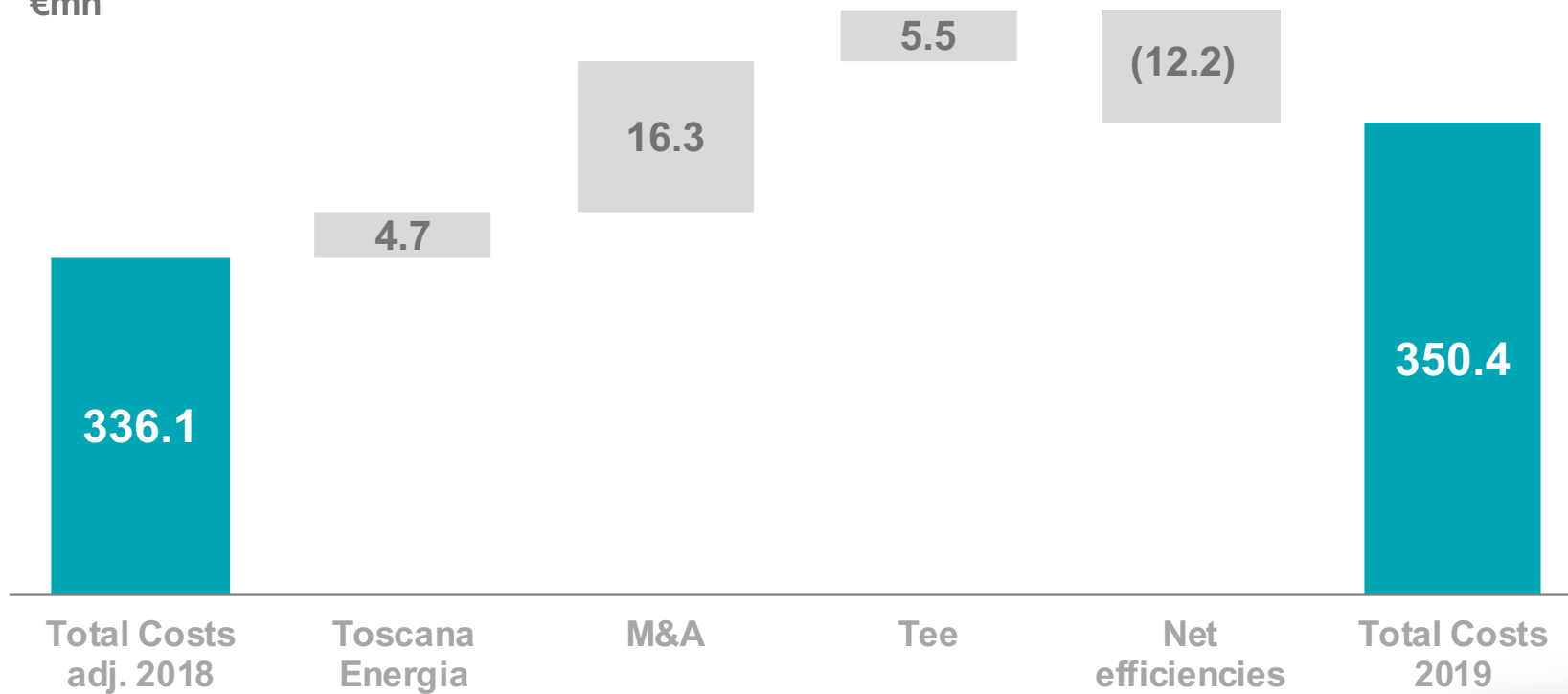


# — Consolidated Opex

€mn	2018	2019	Change
<b>Gas Distribution activities</b>	<b>318.7</b>	<b>322.7</b>	<b>4.0</b>
Fixed costs	246.7	240.5	- 6.2
Net labour cost	140.9	141.2	0.3
Net external cost	105.8	99.3	- 6.5
Variable costs	4.8	6.2	1.4
Other costs	10.2	5.5	- 4.7
Tee	2.3	7.8	5.5
Concessions fees	54.7	62.7	8.0
<b>Other activities</b>	<b>19.9</b>	<b>27.7</b>	<b>7.8</b>
Net labour cost	3.7	5.0	1.3
Net external cost	16.2	22.7	6.5
<b>TOTAL COSTS</b>	<b>338.6</b>	<b>350.4</b>	<b>11.8</b>
<b>Special Items</b>	2.5	-	- 2.5
<b>TOTAL COSTS adjusted</b>	<b>336.1</b>	<b>350.4</b>	<b>14.3</b>

# — Consolidated Opex

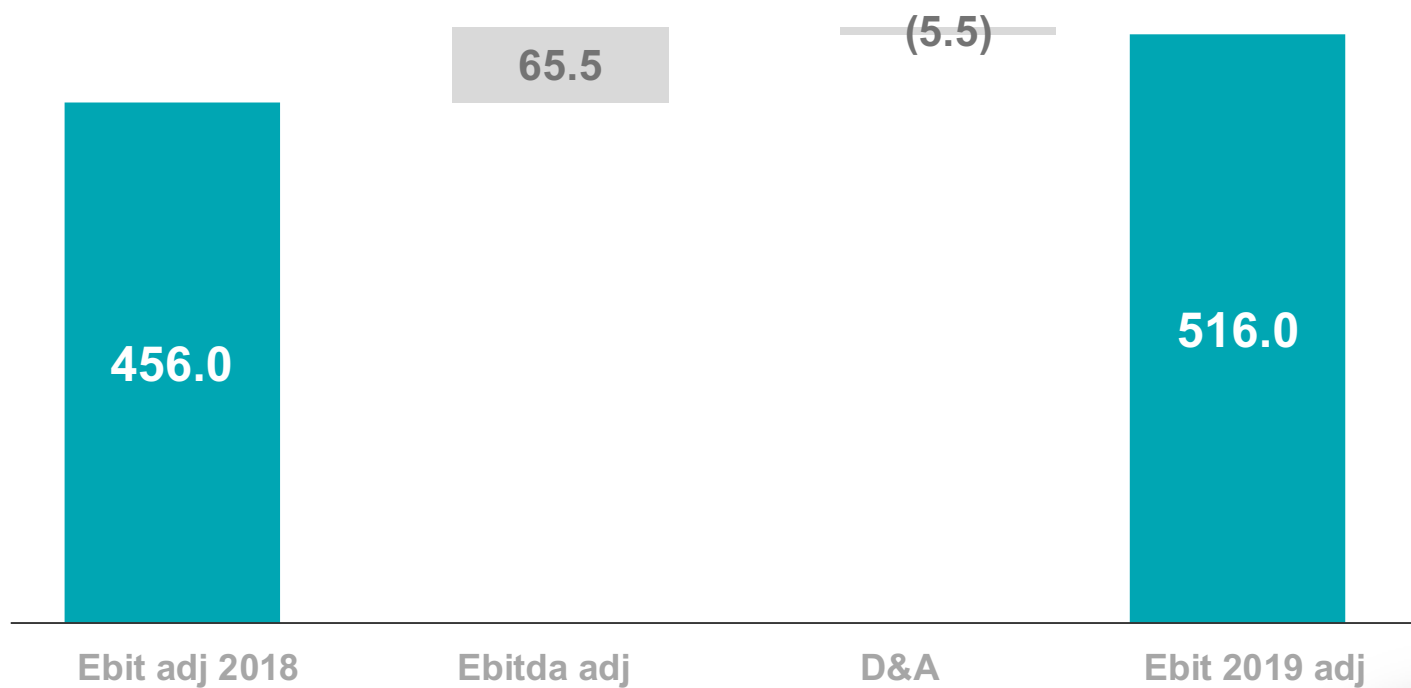
€mn



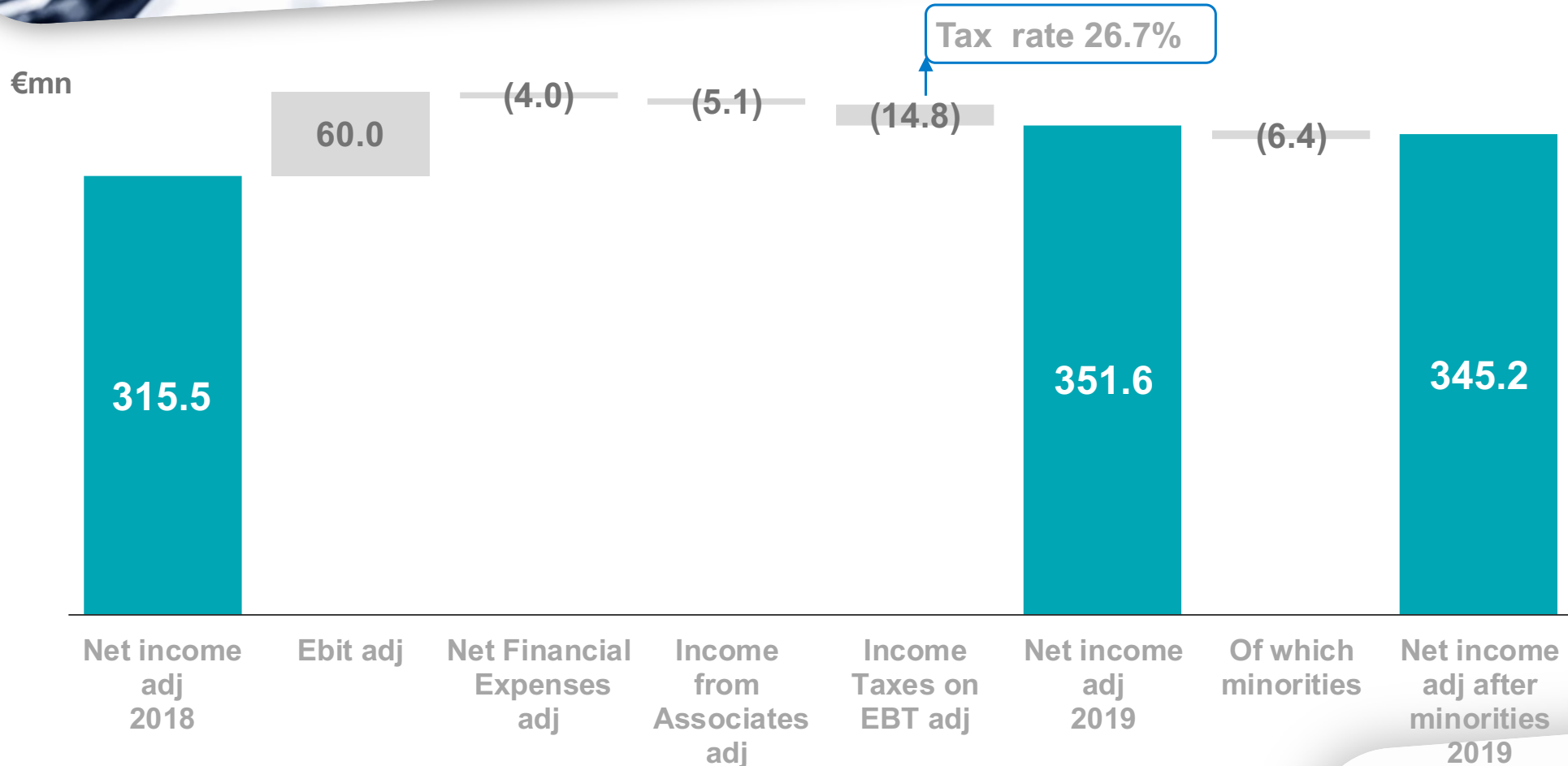


# — Ebit adj: +13.2% vs 2018

€mn

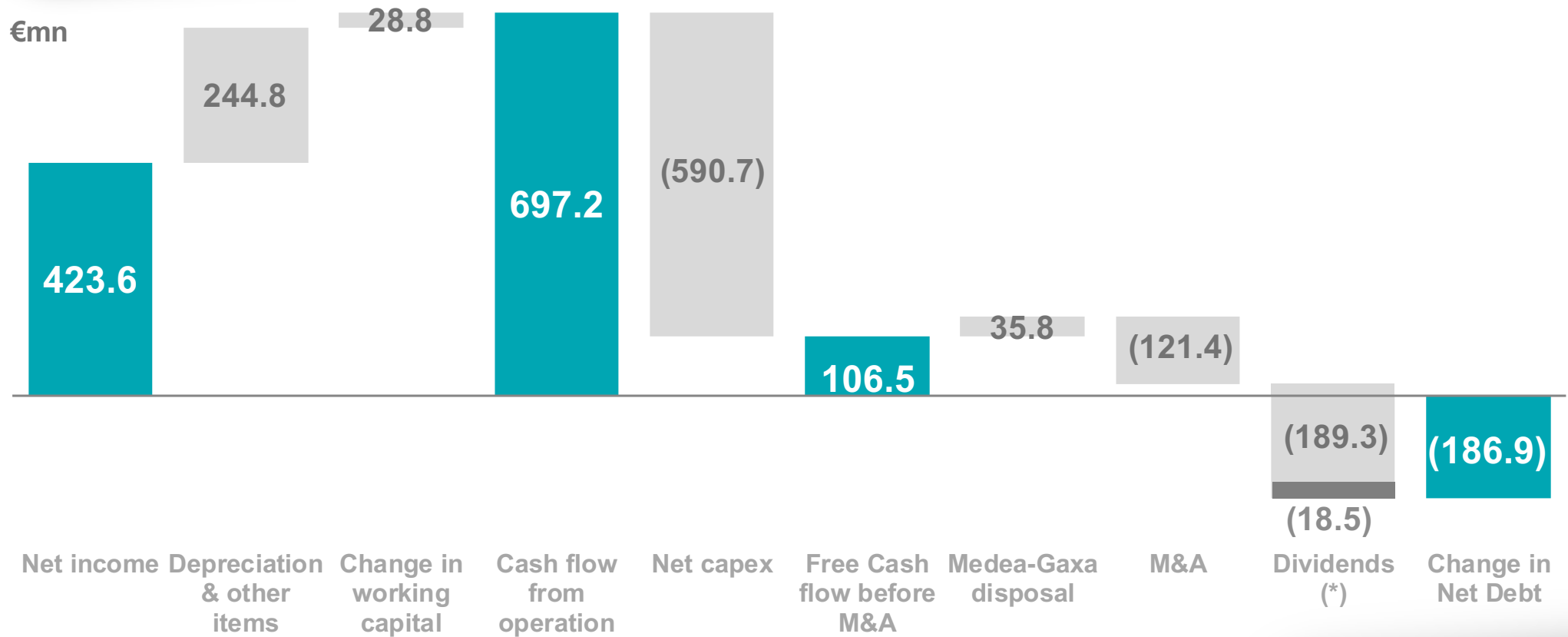


# — Net income adj: +9.4% vs 2018



2019 Adjusted Net Financial Expenses exclude €18.3 mn pre-tax negative cost related to liability management  
 2019 Adjusted Net Income excludes also €85.9 mn positive capital gain on Toscana Energia

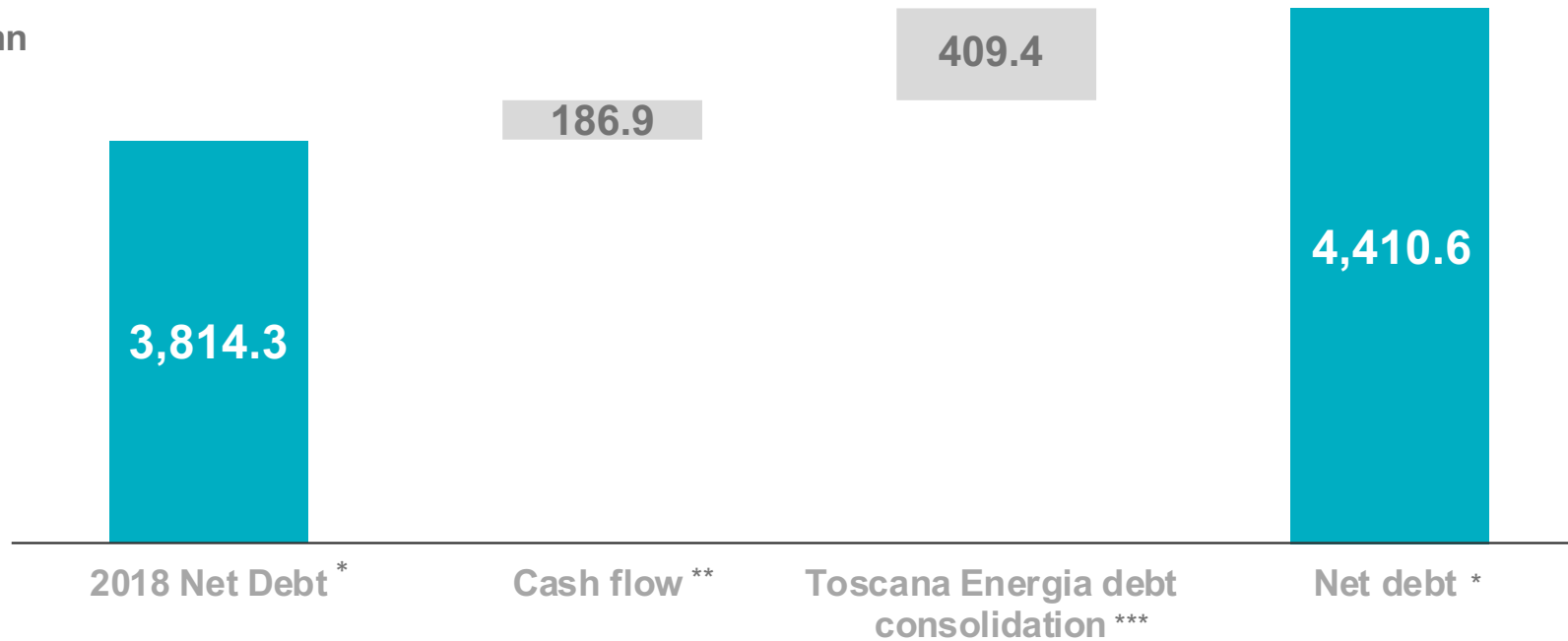
# — Consolidated Cash Flow



(\*) €189.3 mn Dividends to Italgas shareholders  
 €18.5 mn Special Dividend paid by Toscana Energia (quota of minorities)

## — Consolidate Net Debt

€mn



\* Excluding financial debts for operating leases (IFRS 16)

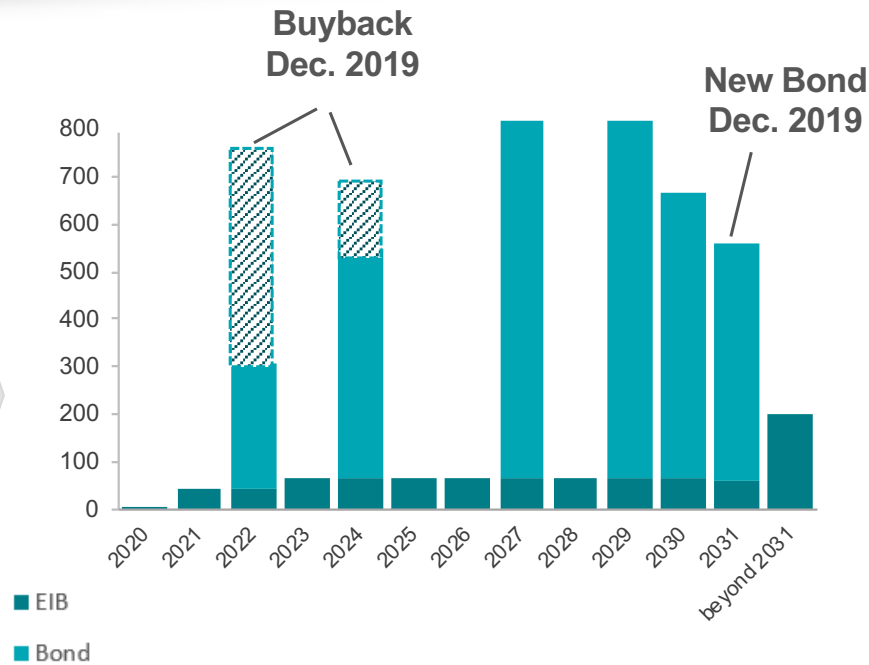
\*\* including Toscana Energia 4Q cash flow

\*\*\* Debt at 30 September 2019

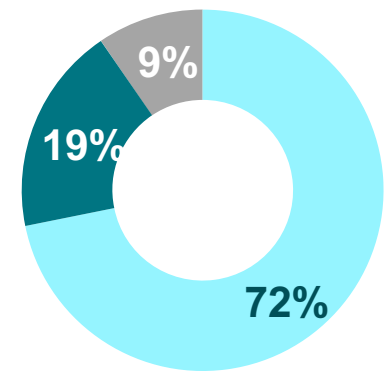
# — Debt Structure: solidity and efficiency

Further lengthen debt maturity in 4Q thanks to liability management

- **Bonds Buyback**
  - ✓ € 481.6 mn coupon 0.5%, maturity 2022
  - ✓ € 169.1 mn coupon 1.125%, maturity 2024
- **Bond issuance**
  - ✓ € 500 mn, coupon 1%, December 2031 (12 yrs)



## Gross Debt



- Bond
- Institutional Lenders Financing (EIB)
- Banking Lines

**Net debt €4.4bn\***

**Cost of debt: ~1.1%**

**Fixed rate debt: ~ 88%**

**Liquidity & undrawn committed funds €0.5 bn**

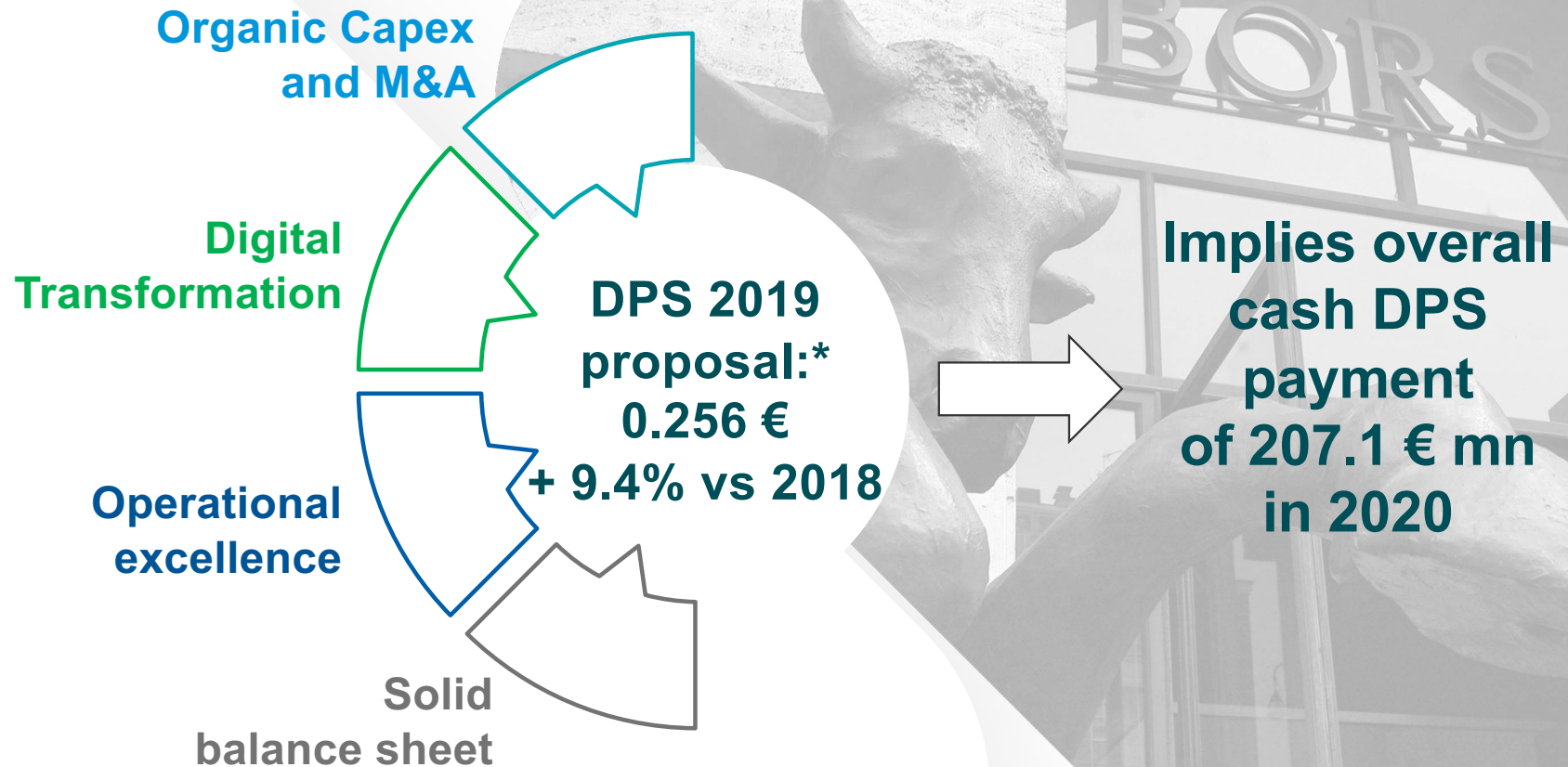
(\*) Excluding 74.7 mn for operating leases (IFRS 16)

# — Balance Sheet

€mn

	2018 Dec, 31st	2019 Dec, 31st	Change
<b>Net invested capital</b>	<b>5,193.5</b>	<b>6,280.2</b>	<b>1,086.7</b>
Fixed capital	5,284.1	6,335.0	1,050.9
Tangible fixed assets	259.2	350.0	90.8
Net intangible fixed assets	4,982.8	6,176.1	1,193.3
Net payables investments	- 133.1	- 225.0	- 91.9
Equity-accounted and other investments	175.2	33.9	- 141.3
Net working capital	5.7	56.3	50.6
Receivables	737.1	841.9	104.8
Liabilities	- 731.4	- 785.6	- 54.2
Provisions for employee benefits	- 107.9	- 113.2	- 5.3
Assets held for sale and directly related liabilities	11.6	2.1	- 9.5
<b>Net financial debt</b>	<b>3,814.3</b>	<b>4,410.6</b>	<b>596.3</b>
<b>Financial debt for operating leases (IFRS 16)</b>	<b>49.9</b>	<b>74.7</b>	<b>24.8</b>
<b>Shareholders' equity</b>	<b>1,329.3</b>	<b>1,794.9</b>	<b>465.6</b>

## — Dividend Policy ...



**...delivers additional value to shareholders**

\* Payable on May 20<sup>th</sup> 2020



## Q & A







# Annexes



# — The leading Italian natural gas distributor



	Base line	Of w affiliates
Network length	71,761 km	1,259 km
Municipalities	1,830	14
Redelivery Points	8.597 mn	0.133 mn
Market Share <sup>1</sup>	35%	0.1%
Gas distributed <sup>2</sup>	8.9 Bcm	0.1 Bcm
Employees	4,140	44

Note: (1) Calculated by redelivery points

(2) Annual Volume

Source: Data updated December 2019

# Income Statement

€mn	2018 4 <sup>th</sup> Quarter	2019 4 <sup>th</sup> Quarter	Change	Of which Toscana Energia:
Revenues	293.5	341.0	47.5	34.8 €mn
Operating expenses	- 83.2	- 94.2	- 11.0	-4.7 €mn
<b>EBITDA</b>	<b>210.3</b>	<b>246.8</b>	<b>36.5</b>	
Depreciation & amortisation	- 90.7	- 107.7	- 17.0	-12.4 €mn
<b>EBIT</b>	<b>119.6</b>	<b>139.1</b>	<b>19.5</b>	
Net interest income (expenses)	- 11.4	- 32.1	- 20.7	
<i>of which special items</i>		- 18.3	- 18.3	
Net income from associates	4.7	83.6	78.9	
<i>of which special items</i>		85.9	85.9	
<b>EBT</b>	<b>112.9</b>	<b>190.6</b>	<b>77.7</b>	
Income taxes	- 25.6	- 29.6	- 4.0	
<b>NET PROFIT before minorities</b>	<b>87.3</b>	<b>161.0</b>	<b>73.7</b>	
<b>NET PROFIT after minorities</b>	<b>87.3</b>	<b>154.6</b>	<b>67.3</b>	
<b>Net Profit Adjusted after minorities</b>	<b>89.1</b>	<b>82.6</b>	<b>- 6.5</b>	

# Income Statement

€mn	2019 1 <sup>st</sup> Quarter	2019 2 <sup>nd</sup> Quarter	2019 3 <sup>rd</sup> Quarter	2019 4 <sup>th</sup> Quarter
Revenues	310.8	298.6	307.5	341.0
Operating expenses	- 91.6	- 83.9	- 80.7	- 94.2
<b>EBITDA</b>	<b>219.2</b>	<b>214.7</b>	<b>226.8</b>	<b>246.8</b>
Depreciation & amortisation	- 95.6	- 96.7	- 91.5	- 107.7
<b>EBIT</b>	<b>123.6</b>	<b>118.0</b>	<b>135.3</b>	<b>139.1</b>
Net interest income (expenses)	- 12.2	- 11.9	- 13.1	- 32.1
<i>of which special items</i>				- 18.3
Net income from associates	5.8	6.0	5.4	83.6
<i>of which special items</i>				85.9
<b>EBT</b>	<b>117.2</b>	<b>112.1</b>	<b>127.6</b>	<b>190.6</b>
Income taxes	- 30.9	- 32.2	- 31.2	- 29.6
<b>NET PROFIT before minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>161.0</b>
<b>NET PROFIT after minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>154.6</b>
<b>Net Profit Adjusted after minorities</b>	<b>86.3</b>	<b>79.9</b>	<b>96.4</b>	<b>82.6</b>

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# FY 2019 Consolidated Results

11<sup>th</sup> March 2020, Milan

