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Informazione Regolamentata n. 0167-51-2020	Data/Ora Ricezione 30 Ottobre 2020 08:02:07	MTA
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Societa' : ITALGAS
Identificativo : 138591
Informazione
Regolamentata
Nome utilizzatore : ITALGASN01 - Scaglia
Tipologia : 3.1
Data/Ora Ricezione : 30 Ottobre 2020 08:02:07
Data/Ora Inizio : 30 Ottobre 2020 08:02:09
Diffusione presunta
Oggetto : Consolidated results for the first nine
months and third quarter of 2020 approved

Testo del comunicato

Vedi allegato.

ITALGAS: CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS AND THIRD QUARTER OF 2020 APPROVED

Milan, 30 October 2020 - 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 2020.

Key figures

Consolidated economic and financial highlights¹:

- Total revenues: € 978.0 million (+6.7%)
- Gross operating margin (EBITDA): € 715.7 million (+8.3%)
- Net profit²: € 246.5 million (-6.1%)
- Technical investments: € 556.6 million (+12.4%)
- Cash flow from operating activities: € 424.4 million
- Net financial debt³: € 4,770.9 million

Operating highlights including affiliates:

- Municipalities in gas distribution concessions: 1,886
- Number of active meters: 7.7 million
- Gas distribution network: around 73,000 Km

In a global scenario characterised by the continuing health emergency and in which, in the specific case of the gas distribution sector, the impact of the application of Resolution 570/2019/R/gas regarding the tariff regulation of gas distribution and metering services for the 2020-2025 period continues to take its toll, the performance recorded by Italgas in the first nine months of 2020 demonstrates the company's ability to continue generating solid economic and financial results. This is thanks to the efficiency-boosting and digital innovation measures taken by the company over recent years, while continuing to provide a safe, uninterrupted service.

¹ 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, depreciation and amortisation and write-downs from earnings) and Net financial debt (calculated as the sum of short- and long-term financial debt, net of cash and cash equivalents and financial liabilities for leases pursuant to IFRS 16). The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS/IFRS.

² Net Profit means net profit attributable to the Italgas Group net of the portion pertaining to third parties.

³ The net financial debt as of 30 September 2020 does not consider financial liabilities for leases pursuant to IFRS 16 for € 70.0 million (€ 74.7 million as at 31 December 2019).

The € 556.6 million invested over the period (up 12.4% from 30 September 2019) was devoted to the development and modernisation of the networks and digital transformation.

In the first nine months of 2020, around 702 km of new pipelines were laid, compared to around 639 km in the corresponding period of 2019. Construction of the distribution networks continued in Sardinia, with the laying of around 283 km of new networks, for a total of more than 755 km on a total of about 1.100 km to build.

Despite the difficulties arising from the health emergency, the traditional meter replacement plan resumed from May 2020 and continued with the installation of 0.9 million smart meters, also taking affiliates into account, bringing the total number of smart meters installed as at 30 September 2020 to 7.3 million. The plan is part of the wider project for the digital transformation of the entire network managed, which, to date, has already upgraded the technology of around 480 distribution networks.

The cash flow from operating activities in the first nine months of 2020 amounted to € 424.4 million.

The net financial position as at 30 September 2020 was € 4,770.9 million (€ 4,410.6 million at 31 December 2019), net of financial liabilities pursuant to IFRS 16 of € 70.0 million (€ 74.7 million at 31 December 2019).

The EBITDA of the first nine months of 2020 amounted to € 715.7 million (up 8.3% compared to 30 September 2019) and net profit was € 246.5 million (down 6.1% compared to the same period of 2019).

Paolo Gallo, CEO of Italgas, commented:

The results as at 30 September 2020 confirm the effectiveness of the strategic choices made by the Company also in the face of the protracted health emergency and the strongly penalising effects of the tariff regulation in place since 1 January: thanks to the important activities carried out we have limited the reduction in net profit to 6.1%, 246 million euros.

Investments continued to grow significantly reaching, at the end of the third quarter, around 560 million euros (+12.4%), thus giving important support to local economies.

This performance increasingly reflects the contribution of the digital transformation launched in recent years and of the new technologies developed in our Digital Factory, which enable more efficient management of the network, services and all associated activities and make it possible to ensure a safe, uninterrupted service while safeguarding the health of our staff, suppliers and all our customers.

Economic and financial highlights

Reclassified Income Statement

Third quarter			First nine months			
2019	2020	(€ million)	2019	2020	Abs. change	Change %
298.7	323.3	Gas distribution regulated revenue	875.1	949.3	74.2	8.5
275.9	303.0	<i>of which distribution revenue</i>	800.1	893.1	93.0	11.6
22.8	20.3	<i>of which other gas distribution regulated revenues (*)</i>	75.0	56.2	(18.8)	(25.1)
8.8	7.9	Other revenues	41.8	28.7	(13.2)	(31.5)
307.5	331.2	Total revenues (**)	916.9	978.0	61.1	6.7
(80.7)	(78.2)	Operating costs (**)	(256.2)	(262.3)	(6.1)	2.4
226.8	253.0	EBITDA	660.7	715.7	55.0	8.3
(91.5)	(106.1)	Amortisation, depreciation and impairment	(283.8)	(316.0)	(32.2)	11.3
135.3	146.9	EBIT	376.9	399.7	22.8	6.0
(13.1)	(13.8)	Net financial expense	(37.2)	(40.2)	(3.0)	8.1
5.4	0.2	Net income from equity investments	17.2	1.2	(16.0)	(93.0)
127.6	133.3	Gross profit	356.9	360.7	3.8	1.1
(31.2)	(35.6)	Income taxes	(94.3)	(100.2)	(5.9)	6.3
96.4	97.7	Net profit	262.6	260.5	(2.1)	(0.8)
-	4.6	Net profit attributable to minorities	0.0	14.0	14.0	
96.4	93.1	Net profit attributable to the Group	262.6	246.5	(16.1)	(6.1)

(*) For the purposes of like-to-like comparison, as at 30 September 2019, the revenue item of the Medea company in relation to LPG distribution was restated from Other revenues to Distribution revenue (€ 5.7 million). Medea's 2019 revenues in relation to the sales item, which was later transferred to Gaxa through a demerger of the branch, are stated as Other revenues.

(**) 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 arrangements" (€ 491.9 million and € 418.7 million respectively in the first nine months of 2020 and of 2019), connection contributions (€ 14.6 million and € 11.2 million respectively in the first nine months of 2020 and of 2019) and net margin relating to Energy Efficiency Certificates [EECs].

The **total revenues** as at 30 September 2020 amounted to € 978.0 million (of which 106.7 for Toscana Energia, fully consolidated from October 2019), up € 61.1 million compared to the corresponding period of the previous year, and refer to gas distribution regulated revenue (€ 949.3 million) and other revenues (€ 28.7 million).

The increase in **distribution revenue** (€ 93.0 million) is mainly attributable to the change in the scope of consolidation as a result of the acquisitions in Sardinia and central and Southern Italy from Conscoop (€ 5.1 million), effective from 1 May 2019, and to the above-mentioned full consolidation of Toscana Energia (€ 97.4 million), impacts which were offset by lower tariff adjustments compared to previous years (€0.3 million), as well as lower tariff components (€ 8.9 million) as a consequence of the changes made by Resolution 570/2019/R/gas.

The reduction in **other gas distribution regulated revenues** (€ 18.8 million) is attributable to: (i) the lower contribution pursuant to article 57 of ARERA Resolution no. 367/14, relating to the replacement of traditional meters with electronic ones (smart meters), equal to € 7.4 million as at 30 September 2020 (€ 19.8 million in the corresponding period of 2019; down by € 12.3 million); (ii) lower revenues from services for work on the network (€ 5.3 million) and lower reimbursements for gas interruption activities (€ 5.2 million) mainly as a result of the COVID-19 emergency pursuant to Government Decree (DPCM) of 22 March 2020, as amended. These effects are partially offset by the increase in incentives linked to the safety of plants (€ 4.1 million).

As at 30 September 2020, **other revenues** amounted to € 28.7 million (down by € 13.2 million compared to the same period in 2019). The decrease is mainly linked to lower capital gains from the sale of assets (€ 10.7 million) and other operating income, mainly for reimbursements for tanker and gas supply trucks (€ 4.8 million), partly offset by higher sales of LPG and propane air to active clients in Sardinia (€ 2.3 million).

The **EBITDA** achieved as at 30 September 2020 amounted to € 715.7 million, up by € 55.0 million (+8.3%) compared to the same period in 2019, due to the increase in revenues, despite this being offset by higher operating costs (€ 6.1 million). The increase in operating costs, mainly caused by the change in the scope of consolidation (+€ 28.9 million compared to the first nine months of 2019), was partially offset by the measures taken by the company to boost efficiency.

The **EBIT** as at 30 September 2020 amounted to € 399.7 million, up by € 22.8 million (+6.0%) compared to the corresponding period of 2019, as a result of the above-mentioned increase in the EBITDA, partially offset by the increased amortisation and depreciation (+€ 32.2 million compared to the same period in 2019). The higher amortisation and depreciation was affected by the contribution of Toscana Energia, for € 32.9 million and by higher investments made (including those pursuant to IFRS 16) for € 20.1 million. It was partly offset by the lower depreciation on meters associated with the plan to replace traditional meters with smart meters, equal to € 14.8 million at 30 September 2020 (€ 35.6 million in the first nine months of 2019).

Net financial expense increased by € 3.0 million (up 8.1% compared to the corresponding period of 2019) due to the cost of the new bond issues made in June 2020 and July and December 2019, partially offset by the bond repurchase carried out in December 2019. These transactions were also performed as part of the refinancing of Toscana Energia.

The lower **net income from equity investments**, for € 16.0 million, was due to the full consolidation of Toscana Energia.

The net profit attributable to the Group, net of minority interests of € 14.0 million, was equal to € 246.5 million as at 30 September 2020.

Reclassified Statement of Financial Position

The Italgas Reclassified Statement of Financial Position as at 30 September 2020, compared with that as at 31 December 2019, is summarised below:

(€ million)	31.12.2019	30.09.2020	Abs. change
Fixed capital	6,335.0	6,597.4	262.4
Property, plant and equipment	350.0	356.8	6.8
Intangible assets	6,176.1	6,404.7	228.6
Equity investments	33.7	33.9	0.2
Financial receivables and securities held for operations	0.2	0.2	0.0
Net payables for investments	(225.0)	(198.2)	26.8
Net working capital	56.3	189.2	132.9
Provisions for employee benefits	(113.2)	(107.2)	6.0
Assets held for sale and directly related liabilities	2.1	0.1	(2.0)
NET INVESTED CAPITAL	6,280.2	6,679.5	399.3
Shareholders' equity	1,794.9	1,838.6	43.7
- attributable to the Italgas Group	1,560.4	1,604.6	
- attributable to third party shareholders	234.6	234.0	
Net financial debt	4,410.6	4,770.9	360.3
Financial debts for leasing pursuant to IFRS 16 (*)	74.7	70.0	(4.7)
COVERAGE	6,280.2	6,679.5	399.3

The **net invested capital** as at 30 September 2020 amounted to € 6,679.5 million and was made up of the items commented below.

The **fixed capital** (€ 6,597.4 million) increased by € 262.4 million compared to 31 December 2019, primarily due to the increase in tangible and intangible assets (+ € 235.4 million) and the reduction in net payables related to investments (- € 26.8 million).

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

(€ million)	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2019	350.0	5,984.2	191.9	6,526.1
Investments	36.3	492.6	27.7	556.6
- of which IFRS 16	13.0			13.0
Amortisation, depreciation and impairment	(26.9)	(255.4)	(33.7)	(316.0)
- of which measurement instruments (ordinary D&A)		(2.9)		(2.9)
- of which, acceleration of metering instruments*		(11.9)		(11.9)
- of which D&A pursuant to IFRS 16	(14.9)			(14.9)
Acquisition of business units		8.0		8.0
Contributions received		(7.3)		(7.3)
Other changes	(2.6)	(1.2)	(2.1)	(5.9)
Balance at 30 September 2020	356.8	6,220.9	183.8	6,761.5

* Accelerated depreciation and amortisation at 30.09.2020 and 30.09.2019 amounted to € 14.8 and € 35.6 million respectively

The **equity investments** item (€ 33.9 million) refers primarily to the Gesam Reti, Valdarno in liquidation, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano, Enerpaper and Reti Distribuzione equity investments, consolidated using the equity method.

Net working capital

(€ million)	31.12.2019	30.09.2020	Abs. change
Trade receivables	474.0	291.5	(182.5)
Inventories	52.3	96.5	44.2
Tax receivables	87.7	89.9	2.2
Accruals and deferrals from regulated activities	127.0	138.4	11.4
Other assets	100.9	290.3	189.4
Trade payables	(299.1)	(238.3)	60.8
Provisions for risks and charges	(169.6)	(160.2)	9.4
Deferred tax liabilities	(92.5)	(72.2)	20.3
Tax payables	(11.1)	(53.6)	(42.5)
Other liabilities	(213.3)	(193.1)	20.2
	56.3	189.2	132.9

Compared to 31 December 2019, **net working capital** rose by € 132.9 million, mainly as a result of: i) a reduction in trade receivables (€ 182.5 million); ii) an increase in inventories (€ 44.2 million) predominantly in relation to gas meters; iii) an increase in net tax liabilities (€ 20.0 million) due mainly to taxes in the period; iv) an increase in accruals and deferrals from regulated activities (€ 11.4 million) due to receivables relating to the contribution paid for meters pursuant to article 57; v) an increase in other assets (€ 189.4 million), mainly due to greater receivables from the CSEA for EECs (€ 75.3 million) and additional distribution components (€ 46.3 million), higher safety incentives (€ 62.3 million) and greater prepaid expenses linked mainly to local taxes (€ 5.2 million); vi) a decrease in trade payables (€ 60.8 million); vii) a decrease in provisions for risks and charges (€ 9.4 million); viii) a decrease in other liabilities for the financial year (€ 20.2 million), mainly as a result of payables due to the CSEA associated with the additional distribution components (€ 48.4 million), partially offset by increased payables for penalties (€ 17.7 million) and by the increase resulting from the valuation of existing hedging derivatives (€ 7.4 million).

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. In particular, during the third quarter, operations were completed for the transfer of receivables related to: i) trade receivables for distribution, for a total of € 93.2 million, and (ii) CSEA receivables for € 25.3 million and (iii) tax receivables for € 16.9 million.

Net financial debt

Net financial debt as at 30 September 2020 amounted to € 4,770.9 million, up by € 360.3 million compared to 31 December 2019. Including the effects deriving from the application of IFRS 16, amounting to € 70.0 million, the net financial debt came to € 4,840.9 million.

(€ million)	31.12.2019	30.09.2020	Abs. change
Financial and bond debt	4,671.5	5,317.8	646.3
Short-term financial debt (*) (**)	471.4	645.8	174.4
Long-term borrowings	4,200.1	4,672.0	471.9
Financial receivables and cash and cash equivalents	(260.9)	(546.9)	(286.0)
Cash and cash equivalents (**)	(255.8)	(541.8)	(286.0)
Financial receivables	(5.0)	(5.0)	(0.0)

Securities not held for operations	(0.1)	(0.1)	0.0
Net financial debt (**)	4,410.6	4,770.9	360.3
Financial liabilities for leasing pursuant to IFRS 16	74.7	70.0	(4.7)
Net financial debt (including the effects pursuant to IFRS 16)	4,485.3	4,840.9	355.6

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

(**) The items are stated net of the effects of factoring transactions amounting to € 6.9 million, the underlying assets of which were collected on 30 September 2020 and repaid to the factor in the first working days of October 2020.

(***) The net financial debt as of 30 September 2020 does not consider financial liabilities for operating leases pursuant to IFRS 16 for € 70.0 million (€ 74.7 million as at 31 December 2019).

Gross **financial and bond debt** as at 30 September 2020, net of liabilities for leases pursuant to IFRS 16, amounted to € 5,317.8 million (€ 4,671.5 million as at 31 December 2019) and refer to: (i) bonds (€ 3,847.7 million), (ii) loan agreements with the European Investment Bank (EIB) (€ 873.6 million) and (iii) bank loans (€ 596.5 million).

As at 30 September 2020, the breakdown of gross financial debt, without considering liabilities for leases pursuant to IFRS 16, is as follows:

(€ million)	31.12.2019	%	30.09.2020	%
Fixed rate	4,103.7	87.8	4,597.3	86.5
Floating rate	567.8	12.2	720.5	13.5
Gross financial debt	4,671.5	100.0	5,317.8	100.0

Fixed-rate financial liabilities amounted to € 4,597.3 million and refer to bonds (€ 3,847.7 million) and three EIB loans (€ 749.6 million).

Fixed-rate financial liabilities increased by € 493.6 million compared to 31 December 2019, due to the bond issue completed in June for a nominal value of € 500 million.

Variable-rate liabilities stood at € 720.5 million and were up by €152.7 million due to the increased use of bank credit lines.

As at 30 September 2020, Italgas had bank deposits for a value of € 541.8 million and undrawn committed long-term credit lines of 500 million, maturing in October 2021.

As at 30 September 2020, 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 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. These commitments were satisfied as of 30 September 2020.

Reclassified Statement of Cash Flows

Third quarter			First nine months	
2019	2020	(€ million)	2019	2020
96.4	97.7	Net profit	262.6	260.5
		<i>Adjustments:</i>		
89.3	101.1	- Depreciation and amortisation and other non-monetary components	255.5	303.7
14.4	0.3	- Net capital losses (capital gains) on asset sales and eliminations	6.8	2.6
44.2	49.4	- Interest and income taxes	131.5	140.4
(150.0)	(200.1)	Change in working capital due to operating activities	(44.3)	(195.0)
(73.2)	(12.8)	Dividends, interest and income taxes collected (paid)	(83.3)	(87.8)
21.1	35.6	Cash flow from operations (*)	528.8	424.4
(175.4)	(182.8)	Technical investments	(455.2)	(536.3)
31.8	7.3	Other net changes related to investment activities	55.0	(26.8)
3.2	0.2	Disinvestments	7.2	0.5
(119.3)	(139.7)	Free cash flow before Merger and Acquisition transactions	135.8	(138.2)
(0.0)	0.0	Companies that have entered the consolidation area of which:	(85.2)	(4.4)
0.0	0.0	-price paid for equity	(29.0)	(4.4)
0.0	0.0	-assumption of the debt of the companies acquired	(56.2)	0.0
(0.2)	0.0	Acquisition of business branches	(25.1)	(6.3)
(119.5)	(139.7)	Free cash flow	25.5	(148.9)
719.8	350.9	Change in short- and long-term financial debt and financial receivables	766.6	646.3
(0.0)	(5.4)	Equity cash flow	(189.3)	(211.4)
600.2	205.8	Net cash flow for the year	602.7	286.0

(*) Net of the effects deriving from the application of IFRS 15 and IFRS 16.

Change in net financial debt

Third quarter			First nine months	
2019	2020	(€ million)	2019	2020
(119.3)	(139.7)	Free cash flow before Merger and Acquisition transactions	135.8	(138.2)
(0.2)	0.0	Change due to the acquisition of equity investments and business units	(110.3)	(10.7)
(0.0)	(5.4)	Equity cash flow	(189.3)	(211.4)
(119.6)	(145.1)	Change in net financial debt excluding the effects of IFRS 16 and for EGN shareholder loan	(163.9)	(360.3)
5.6	5.5	Change in financial debts pursuant to IFRS 16	(18.7)	4.7
0.0	0.0	Change in payables for EGN shareholder loan	21.0	0.0
(114.0)	(139.6)	Change in net financial debt	(161.6)	(355.6)

The cash flow from operating activities in the first nine months of 2020 amounted to € 424.4 million. In view of the flow from net investments, totalling € 562.6 million, the company generated a negative free cash flow before M&A transactions of € 138.2 million. As at 30 September 2020, cash flow, including M&A transactions of € 10.7 million, was negative by € 148.9 million.

Taking into account payment of the dividend for € 206.0 million and excluding the effect arising from the adoption of IFRS 16 for liabilities for leases, down by € 4.7 million, net financial debt increased by € 360.3 million. The change in net financial debt amounted to € 355.6 million when taking that impact into account.

Key operating figures

Investments

During the first nine months of 2020, technical investments were made for a total of € 556.6 million (first nine months of 2019: € 495.3 million, +12.4%), of which € 13.0 million by virtue of the adoption of IFRS 16.

Third quarter			First nine months			
2019	2020	(€ million)	2019	2020	Abs. change	Change %
118.6	138.0	Distribution	305.6	417.8	112.3	36.7
83.3	114.9	Network maintenance and development	230.5	324.3	93.8	40.7
9.3	24.2	- of which digitisation	16.6	59.8	43.2	
35.3	23.1	New networks	75.1	93.5	18.4	24.5
29.5	19.8	- of which Sardinia	59.0	84.1	25.1	42.5
42.1	34.4	Metering	125.6	88.3	(37.3)	(29.7)
16.9	14.8	Other investments	64.1	50.5	(13.6)	(21.2)
10.8	7.3	- of which Real Estate	17.4	21.1	3.7	21.3
4.7	4.1	- of which ICT	15.6	16.7	1.1	7.1
0.3	2.5	- of which due to the effect of IFRS 16	31.7	13.0	(18.7)	(59.0)
177.6	187.2		495.3	556.6	61.4	12.4

Metering investments (€ 88.3 million, down 29.7% compared to the first nine months of 2019) refer primarily to the plan to replace traditional meters with smart meters. These investments have decreased compared to the corresponding period of 2019, due to the operational restrictions as a result of the COVID-19 health emergency and also in view of the fact that the company is completing the aforementioned replacement plan. The Company installed 0.86 million new meters in the first nine months of 2020, of which 0.62 million to replace traditional meters and 0.24 million for the repair of digital meters with anomalies⁴.

Key operating figures – Italgas Group

	First nine months		Change Abs.	Change %
	2019	2020		
Active meters (millions)	6,762	7,585	0.82	12.2
Installed meters (millions)	7,586	8,498	0.91	12.0
Municipalities with gas distribution concessions (no.)	1,715	1,825	110	6.4
Municipalities with gas distribution concessions in operation (no.)	1,629	1,740	111	6.8
Distribution network (kilometres)	62,418	70,846	8,428	13.5

⁴ Also considering the affiliates, over which Italgas does not exercise control, 0.9 million new meters were installed during the period, bringing the total number of smart meters installed as at 30 September 2020 to 7.3 million.

Key operating figures – Italgas Group and affiliates

	First nine months		Change Abs.	Change %
	2019	2020		
Active meters (millions)	7.617	7.738	0.12	1.6
Installed meters (millions)	8.525	8.667	0.14	1.7
Municipalities with gas distribution concessions (no.)	1,822	1,886	64	3.5
Municipalities with gas distribution concessions in operation (no.)	1,736	1,801	65	3.7
Distribution network (kilometres)	70,863	72,719	1,856	2.6

Main events of the first nine months of 2020

Corporate transactions and concessions

- On 2 January 2020, Italgas was **officially awarded the tender for the concession** of the natural gas distribution service in the territorial area of “**Valle d'Aosta**”.
- **Finalisation**, on 31 January 2020, **of the agreement for the sale of several non-core industrial assets between Italgas and A2A**, signed on 7 October 2019. In particular, Italgas Reti sold A2A Calore & Servizi (A2A Group) the entire district heating business managed in the municipality of Cologno Monzese (Milan); at the same time, Unareti (A2A Group) sold Italgas Reti its natural gas distribution business managed in seven municipalities belonging to the Alessandria 4 ATEM.
- **Signing**, on 31 January 2020, with the contracting authority Città Metropolitana di Torino (Metropolitan City of Turin) and with the outgoing managers, of a **report for the delivery of the plants of ATEM TORINO 2** to Italgas Reti, which then officially commenced the first operations involving the gas distribution service for the Territorial Area in Italy.
- In compliance with the “Invitation to Submit Expression of Interest”, published on 9 December 2019, as part of the privatisation process launched by the Greek government, the **expression of interest in the purchase of 100% of the capital of DEPA Infrastructure** was **presented** on 20 February 2020. The assets transferred include more than 420 thousand re-delivery points in Greece and around 5000 km of low-pressure networks. On 3 June 2020 it was confirmed that Italgas had been included on the shortlist of the tender procedure for the acquisition of DEPA Infrastructure.
- **Completed**, through the subsidiary Italgas Reti, on 26 May 2020, the **acquisition** from AEG Soc. Coop. of **15% of the company Reti Distribuzione**, which manages the natural gas distribution service in the territory of 49 municipalities located in Canavese, Valle Orco and Soana and in the Municipality of Saluggia for a total of 32,000 re-delivery points. The consideration for the transaction was € 4.6 million.
- On 21 August 2020, Italgas was **officially awarded the tender** for the natural gas distribution service through the urban network in the **municipality of Castel San Giorgio**.

Legal and Regulatory

- An **appeal** was **filed** before the Regional Administrative Court of Lombardy against **Resolution no. 570/R/gas/2019**. It was served on 24 February 2020, challenging the lawfulness of the resolution in several respects. With the ruling of 4 August 2020, the Regional Administrative Court of Lombardy ordered ARERA to send Italgas the required documentation within 30 days.
- With reference to the dispute with the **Municipality of Rome** concerning the implementation of the **Business Plan**, in Order no. 3834/2020 published on 19 June 2020, the Council of State upheld the precautionary appeal filed by Italgas Reti, suspending the effects of the ruling in which the Municipality of Rome requested the payment of penalties by Italgas Reti, until the decision on the matter. An appeal is pending before the Court of Cassation to ascertain the jurisdiction of the Lazio Regional Administrative Court. The hearing was fixed for 15 December 2020.

On 5 July 2020, Italgas Reti filed an appeal before the Regional Administrative Court of Lazio, requesting that the Municipality of Rome be ordered to pay compensation for non-fulfilment of the concession contract entered into on 20 November 2012 for the public methane gas distribution service. The setting of a date for the hearing by the Regional Administrative Court of Lazio is currently pending.

- In **Ruling no. 28249 of 27 May 2020**, published on 8 June 2020, the Antitrust Authority decided to launch an investigation to verify whether Italgas Reti, the current operator of the gas distribution service in several municipalities in the Province of Venice, has abused its dominant position as exclusive concessionaire of the service in order to significantly inhibit or delay the planned competitive procedure for assigning the service in the minimum territorial area including such municipalities (ATEM VENICE 1). The company undertook to provide the Antitrust Authority with the necessary clarifications. On 1 October 2020, Italgas Reti filed a set of commitments. The Antitrust Authority approved the publication of these with Order no. 28371 of 20 October 2020.
- An **appeal** on additional grounds was **filed** before the Regional Administrative Court of Lombardy on 2 July 2020, **against** Resolutions no. 106/2020/R/gas and 107/2020/R/gas. The appeal criticised those measures in the part where - purportedly in application of the tariff regulation introduced by Resolution 570/2019/R/Gas, approving the final tariffs for 2018 and 2019, for start-up locations first supplied in 2018 - they implemented the cap introduced by the aforesaid Resolution during recognition of capex.
- **Resolution no. 270/2020/R/efr**, containing the tariff contribution regulation for energy efficiency certificates acquired by obliged entities starting from the 2019 obligation year, was **published** on 17 July 2020.

On 13 October 2020, the company appealed against the aforesaid Resolution, challenging its lawfulness in several respects.

- With **ruling no. 39/2020 of 14 July 2020, published on 1 September 2020**, the Regional Administrative Court of Valle d'Aosta **rejected the appeal** filed by one of the other operators participating in the tender procedure against the **Municipality of Aosta** for the annulment of the decision awarding the tender to Italgas Reti.
- Similar to the action taken by the Municipality of Venice following the rulings of the Council of State of 2 April 2019 on the confirmation of the free acquisition of the so-called "Block A", **the Municipality of Cavallino Treponti** took **legal action** against Italgas Reti before the Court of Venice, for the verification and consequent payment of the fee for use of the portion of network subject to free acquisition. The first appearance hearing is scheduled for 17 December 2020. The company is preparing the appropriate defence to prove that the counterparty's claims are unfounded.
- With reference to the **appeal** filed by the runner-up operator in the context of the awarding of the tender for the **Belluno ATEM** to Italgas Reti, the company filed an appearance on 14 July 2020. Given the Contracting Authority's commitment not to proceed with the signing of the service contract until the dispute has been settled on the merits, the plaintiff waived its interlocutory application. The setting of a date for the hearing on the merits is currently pending.
- With an appeal served on 2 September 2020, the operator placed third in the tender for the Aosta ATEM reinstated before the Regional Administrative Court of Lombardy the original appeal filed before the Regional Administrative Court of Aosta, aimed at obtaining annulment of the final awarding of the tender to Italgas Reti. Italgas Reti filed an appearance, filing a cross-appeal against the failure to exclude this operator. The setting of a date for the hearing on the merits is currently pending.

Significant events occurring after the end of the first nine months

Other events

- The **renewal of the EMTN Programme 2020** - launched in 2016 and already renewed in 2017, 2018 and 2019 - was approved on 5 October and signed on 20 October 2020, at the same time increasing its maximum amount from the previous nominal figure of € 5 billion to a **nominal figure of € 6.5 billion**.

Coronavirus Emergency and foreseeable business outlook

The so-called “**Coronavirus Emergency**” unfolded in Italy in February in relation to the spread of infection across the whole of Italy and the necessary emergency measures taken by the Health and Government Authorities to contain the spread.

The Company set up a Crisis Committee in the hours immediately following the onset of the first cases. In the light of the measures and indications of the competent authorities, this committee monitored, and continues to constantly monitor, the developments of the crisis and takes appropriate measures while ensuring the continuity and efficiency of essential and necessary services, focusing in particular on emergency intervention services.

To protect the health and safety of its people, the Company has adopted a series of initiatives aimed at limiting the mobility of personnel and contractors to the company’s premises, heavily adopting smart working and suspending travel of personnel around the country.

All the procedures were shared with the trade unions, through the setting up of a specific Committee (as provided for by the Protocol entered into on 14 March 2020 between the government, trade unions and employer associations) and the signing of various corporate reports and protocols, in line with the evolving emergency and applicable regulatory updates.

In compliance with the emergency measures issued by the Authorities, only work considered to be essential was covered, and all worksite activities have been suspended. Technical staff assigned the task of carrying out work off the company premises, where provided for under current provisions, have been equipped with the necessary personal protection equipment required in order to ensure their safety. Operating activities, both at worksites and maintenance and services on user premises, including the replacement of traditional meters with smart meters, started up again gradually from 4 May 2020, in accordance with the time frames provided for and permitted by Government Decree (DPCM) of 26 April 2020, as amended.

Italgas has also provided free serological screening for its people, on an entirely voluntary basis, also guaranteeing swab tests, in line with current regional regulations, and supervision by the Medical Officer, if the test is positive. The initiative, shared with the trade union representatives, initially involved the employees based in Lombardy and Piedmont and was thereafter gradually extended to all employees based in other regions.

At present, the company does not anticipate any major adverse impacts on the development and investment initiatives as a result of the slowing down and suspension of activities and the deteriorating macroeconomic situation caused by the global spread of the pandemic. Since the reopening of business under the above-mentioned Government Decree, as amended, measures have been implemented, by leveraging process digitisation, to solve delays to original work execution plans caused by the suspension of worksite activities and work on user premises.

With reference to the customer/sales companies base and their solvency, the rules for access of users to the gas distribution service are established by ARERA and regulated in the Network Code. For each service type, this Code defines the rules for the rights and obligations of the parties involved in the process of providing the services, as well as the tools to mitigate the risk of default by customers.

In April 2020, the company received a communication from some sales companies indicating the possibility of making use of the faculties granted by Resolution no. 116/2020/R/com, as amended, for payments due in April and, based on subsequent extensions, for payments due on or before 30 June 2020, if the conditions are met. Considering the number of operators that have made recourse to the faculties granted by the above-mentioned resolution, the Company has not seen any significant adverse repercussions on receipts expected from gas sales companies that would jeopardise the financial balance of the Group, or on the regularity of payments by counterparties. For invoices due in April, May and June 2020, the average collection was equal to around 90%.

Moreover, with **Resolution no. 248/2020/R/com of 30 June 2020**, the Authority required sales companies to pay the balance of the total amounts invoiced by distributors and not paid during the derogation period, as a lump sum in September or in three instalments from September to November. As at 30 September 2020, the sales companies have complied with their obligations in accordance with the time frames of the above-mentioned **Resolution no. 248/2020/R/com**.

With regard to access to credit, Italgas does not foresee any significant negative impacts for the remaining part of 2020, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of € 542 million as at 30 September 2020 and a completely undrawn committed long-term credit line of € 500 million, maturing in October 2021, taken out with a pool of Italian and international banks, (ii) there are limited requirements to refinance debt (the first bond repayment is due in 2022), (iii) the bonds issued by Italgas as at 30 June 2020, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

Any downgrading of the rating of Italgas or of any guarantors in excess of pre-established thresholds, could lead to the issuance of guarantees for certain lenders or a rise in the spreads applied.

The successful bond issue of € 500 million, completed on 24 June 2020, implementing the EMTN Programme 2019 – 2020, as well as confirmation on 30 April 2020 of the rating by Fitch as BBB+ with a stable outlook, confirm the financial soundness of the company.

The Company has also introduced initiatives supporting the fight against the Coronavirus Emergency. In particular, in addition to facilitating voluntary fundraising by its employees, it has

donated to hospitals, healthcare facilities and to the Civil Protection, and has also made its skills and know-how available to the community.

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 Coronavirus Emergency, the Company has not found any evidence to date to suggest significant negative effects on the 2020 results.

However, the company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook of the years to follow, should the health emergency situation return to a critical state and last significantly longer.

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, also for the remaining part of 2020, Italgas intends to pursue its plan targeted primarily at the implementation of network digitisation projects, the installation of smart meters and the methanisation of Sardinia, plus the normal maintenance and development of the networks managed.

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

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

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

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

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

Conference call

At 12 p.m. today, a conference call will be held to present the results of the first nine months of 2020 and the 2020-2026 Strategic Plan 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 "Investors/Reports and Presentations" section of the website.

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

Disclaimer

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

Fine Comunicato n.0167-51

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