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ITALGAS: CONSOLIDATED RESULTS AS OF 30 JUNE 2021 APPROVED

Milan, 27 July 2021 - Italgas' Board of Directors, chaired by Alberto Dell'Acqua, met yesterday and approved the consolidated results for the first half of 2021.

Key figures

Consolidated economic and financial highlights:

- Total revenues: € 665.4 million (+2.9%)
- Gross operating margin (EBITDA): € 489.1 million (+5.9%)
- Operating profit (EBIT): € 279.4 million (+10.0%)
- Adjusted net profit attributable to the Group: € 176.1 million (+14.1%)
- Technical investments: € 420.4 million (+14.1%)
- Cash flow from operating activities: € 549.7 million
- Net financial debt: € 4,806.8 million
- Net financial debt (excluding the effects pursuant to IFRS 16): € 4,737.0 million

ESG - Scope I and Scope II highlights:

- Gas distributed: 4,868.39 million cubic meters (+6.2%)
- 35,193 km of network inspected (+36.6%)
- Fugitive emissions/gas distributed: 0.064%
- Fugitive emissions/km inspected: 87 Scm / km (-14.7%)
- Km traveled by operative vehicles: 22.055 million km (+23.5%)
- % Km traveled by vehicles powered by CNG: 92%
- Emissions in grams per km travelled by the fleet: NOX (-7.4%), particulate matter (-33.4%)

Operating highlights (including affiliates):

- Municipalities with gas distribution concessions: 1,888
- Number of active meters: 7.74 million
- Gas distribution network: around 73,590 Km

In a scenario characterised by ongoing concerns regarding the evolution of the health emergency and the resulting constraints on economic activity, but also by the strong impetus given by the European Union towards meeting the net zero climate targets by 2050, Italgas has confirmed its ability to produce solid results with extremely positive performance in all the main economic and financial indicators.

At the same time, the Group's growing focus on sustainability objectives, on which it bases its strategic investment choices, enables it to actively contribute to the energy transition process, in line with EU guidelines, and to the recovery plan for the national economy.

This is demonstrated by the € 420.4 million of investments made in the period (+14.1% compared to the first half of 2020) devoted to the digital transformation, extension and repurposing of the networks to enable them to distribute renewable gases, such as biomethane, green hydrogen and synthetic methane.

Approximately 389 km of new grids were laid in the first six months of 2021, 52 km of which in Sardinia, where the construction of the distribution networks continued, with approximately 900 km completed overall out of a total of 1,100 km to be constructed.

The requirements related to net investments for the first half of 2021 were covered by the positive cash flow from operating activities, equal to € 549.7 million, with a Free Cash Flow of € 135.6 million.

The net financial position as of 30 June 2021 was € 4,806.8 million (€ 4,736.5 million as of 31 December 2020). The net financial position amounted to € 4,737.0 million (€ 4,660.2 million as of 31 December 2020), net of financial liabilities pursuant to IFRS 16 of € 69.8 million (€ 76.3 million as of 31 December 2020).

The EBITDA of the first half of 2021 amounted to € 489.1 million (+5.9% compared to 30 June 2020) and adjusted net profit attributable to the Group was € 176.1 million (+14.1% compared to the same period of the previous year).

Paolo Gallo, CEO of Italgas, commented:

"The results of the first half of 2021 and the level of investments achieved demonstrate Italgas' ability to combine the objectives of continuous and sustainable growth with the commitment to decarbonisation, providing an important boost for the restart of the Country's economy.

As of 30 June 2021, thanks to the acceleration of the digital transformation process, we have achieved an EBITDA of € 489.1 million, up 5.9% compared to the same period of 2020, and an

adjusted net profit of € 176.1 million, with a double-digit increase of 14.1%, despite the continuing negative impact of Resolution no. 570.

We have exceeded € 420 million of investments mainly related to the digital transformation of the network and of the company as a whole, as well as the repurposing of the network and its further extension by more than 400 km.

Digital transformation, repurposing and extension of our networks are indeed enabling factors that will allow them to accommodate renewable gases, such as biomethane, hydrogen and synthetic methane, thereby confirming their strategic role for the energy transition.

In Sardinia, for the 50,000 current customers connected to our networks, natural gas has finally become a reality and with these grids - native digital - biomethane and hydrogen are no longer a remote opportunity. In the island our commitment continues to serve new customers with the aim of tripling them and to develop advanced innovation projects, such as the one located in Sestu.

Digitization, technological innovation, sustainability and efficiency will continue to be the cornerstones of Italgas' daily activities, to support the energy transition process also through the ambitious goals for reducing emissions and energy efficiency contained in our Strategic Plan.

Italgas group structure as of 30 June 2021

The structure of the Italgas Group as of 30 June 2021 has changed compared to that of 31 December 2020, due to the merger of Toscana Energia Green into Seaside and the establishment of Bludigit.

Economic and financial highlights

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

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

Reclassified income statement

Financial year	2020	(€ million)	First half		Abs. change	Change %
			2020 (**)	2021		
	1,394.3	Gas distribution regulated revenue	626.0	642.2	16.2	2.6
	1,183.7	<i>of which distribution revenue</i>	590.1	595.5	5.4	0.9
	102.2	<i>of which other distribution revenue</i>	35.9	46.7	10.8	30.1
	108.4	<i>of which special items</i>	-	-	-	-
	1,285.9	Adjusted gas distribution regulated revenue	626.0	642.2	16.2	2.6
	47.9	Other revenues	20.8	23.2	2.4	11.5
	1,442.2	Total revenues (*)	646.8	665.4	18.6	2.9
	1,333.8	Adjusted total revenues	646.8	665.4	18.6	2.9
	(414.3)	Operating costs (*)	(185.0)	(176.3)	8.7	(4.7)
	(51.9)	<i>of which special items</i>	-	-	-	-
	(362.4)	Adjusted operating costs	(185.0)	(176.3)	8.7	(4.7)
	1,027.9	EBITDA	461.8	489.1	27.3	5.9
	971.4	Adjusted EBITDA	461.8	489.1	27.3	5.9
	(424.6)	Amortisation, depreciation and impairment	(207.8)	(209.7)	(1.9)	0.9
	603.3	EBIT	254.0	279.4	25.4	10.0
	546.8	Adjusted EBIT	254.0	279.4	25.4	10.0
	(49.2)	Net financial expense	(26.4)	(31.8)	(5.4)	20.5
	-	<i>of which special items</i>	-	(6.4)	(6.4)	-
	1.5	Net income from equity investments	1.0	1.1	0.1	10.0
	555.6	Gross profit	228.6	248.7	20.1	8.8
	499.1	Adjusted gross profit	228.6	255.1	26.5	11.6
	(152.0)	Income taxes	(65.0)	(68.7)	(3.7)	5.7
	(16.9)	<i>taxation related to special items</i>	-	1.5	1.5	-
	(135.1)	Adjusted income taxes	(65.0)	(70.2)	(5.2)	8.0
	403.6	Net profit	163.7	180.0	16.3	10.0
	383.0	Net profit attributable to the Group	154.3	171.2	16.9	11.0
	20.6	Net profit attributable to minority interests	9.4	8.8	(0.6)	(6.4)
	364.0	Adjusted net profit	163.7	184.9	21.2	13.0
	345.4	Adjusted net profit attributable to the Group	154.3	176.1	21.8	14.1
	18.6	Adjusted net profit attributable to minority interests	9.4	8.8	(0.6)	(6.4)

(*) 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" (€ 373.6 and € 322.6 million respectively in the first half of 2021 and 2020), of connection contributions (€ 9.6 and € 9.8 million respectively in the first half of 2021 and 2020) and other residual components (0.2 and 1.3 respectively in the first half of 2021 and 2020).

(**) As of 30 June 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the income statement items, the items relating to Operating costs (-€ 0.9 million), Amortisation, depreciation and impairment (+€ 2.1 million) and Income taxes (-€ 0.4 million) were adjusted as of 30 June 2020.

The **total revenues** of the first half of 2021 amounted to € 665.4 million, up by € 18.6 million compared to the corresponding period of 2020 (+2.9%), and refer to natural gas distribution regulated revenues (€ 642.2 million) and other revenues (€ 23.2 million).

Gas distribution regulated revenue increased by € 16.2 million compared to the corresponding period of 2020, due to an increase in distribution revenue (€ 5.4 million) and in other distribution revenue (€ 10.8 million).

The increase in **distribution revenue** (€ 5.4 million) is mainly attributable to the change in the tariff components: € -4 million due to the application of the Resolution no. 570 "x factor" offset by an increase related to the RAB, to the deflator, to the contribution from investments in Sardinia and other items for a total of € +13.3 million, net of the adjustments relating to previous years (€ -4.0 million).

The increase in **other regulated revenue** (€ 10.8 million) is linked mainly to the contribution pursuant to article 57 of ARERA Resolution no. 367/14 and further modifications, relating to the replacement of traditional meters with electronic ones (€ 6.1 million as of 30 June 2021; € 5.2 million as of 30 June 2020), higher revenues from services to customers (€ 9.8 million), up compared to the same period of 2020, which was strongly impacted by the restrictive measures brought by the COVID-19 emergency, and higher ARERA incentives for leak detection activities (€ 1.1 million), partially offset by lower revenues for gas interruption activities (-€ 1.0 million).

Other revenues amounted to € 23.2 million as of 30 June 2021. The increase of € 2.4 million compared to the corresponding period of 2020 is linked mainly to the increase in revenues from the sale of LPG, LPGA and natural gas in Sardinia and activities in the energy efficiency field.

Operating costs as of 30 June 2021 amounted to € 176.3 million, down by € 8.7 million compared to the first half of 2020, mainly due to lower i) net personnel costs (€ 5.2 million), ii) net costs in connection with Energy Efficiency Certificates (€ 1.9 million), iii) other costs and provisions (€ 2.8 million), partially offset by increased net external costs (€ 1.0 million), mainly attributable to the energy efficiency of natural gas and other gases marketing activities in Sardinia, and concession-related charges (€ 0.2 million).

The **EBITDA** achieved as of 30 June 2021 totalled € 489.1 million, up by € 27.3 million (+5.9%) compared to the same period of 2020.

Amortisation, depreciation and impairment (€ 209.7 million) increased by € 1.9 million (+0.9%) compared to the corresponding period of 2020, due to higher amounts linked mainly to investments made in the previous financial year, partially offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 0.6 million as of 30 June 2021; € 10.6 million for the first half of 2020).

The **EBIT** achieved as of 30 June 2021 totalled € 279.4 million, up by € 25.4 million (+10.0%) compared to the EBIT of same period of 2020 (€ 254.0 million).

Adjusted net financial expense¹, i.e. net of the accounting effects of the above-mentioned buyback (€ 6.4 million), decreased by € 1 million compared to the corresponding period of 2020.

As of 30 June 2021, **net income from equity investments** amounted to € 1.1 million, up by € 0.1 million compared to the same period in 2020.

Income taxes for the first half of 2021 amounted to € 68.7 million, with a tax rate of 27.6%.

The **net profit attributable to the Group** amounted to € 171.2 million (30 June 2020: € 154.3 million); **the adjusted net profit attributable to the Group** was € 176.1 million, up by 14.1% compared to the first half of 2020 (30 June 2020: € 153.3 million).

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

The income components classified as special items in the first half 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.

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.

Reclassified Statement of Financial Position

The Italgas' Reclassified Statement of Financial Position as of 30 June 2021, compared with that as of 31 December 2020, is summarised below:

(€ million)	31.12.2020 (*)	30.06.2021	Abs. change
Fixed capital (**)	6,707.2	6,909.6	202.4
Property, plant and equipment	369.9	374.6	4.7
Intangible assets	6,511.5	6,708.6	197.1
Equity investments	34.2	33.8	(0.4)
Financial receivables and securities held for operations	0.2	0.2	-
Net payables for investments	(208.6)	(207.6)	1.0
Net working capital	111.2	(79.5)	(190.7)
Provisions for employee benefits	(104.6)	(100.0)	4.6
Assets held for sale and directly related liabilities	0.1	(4.6)	(4.7)
NET INVESTED CAPITAL	6,713.9	6,725.5	11.6
Shareholders' equity	1,977.4	1,918.7	(58.7)
- attributable to the Italgas Group	1,737.5	1,690.7	(46.8)
- attributable to third party shareholders	239.9	228.0	(11.9)
Net financial debt	4,736.5	4,806.8	70.3
HEDGING	6,713.9	6,725.5	11.6

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

(**) As of 30 June 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** as of 30 June 2021 amounted to € 6,725.5 million and was made up of the items commented below.

Fixed capital (€ 6,909.6 million) was up by € 202.4 million compared to 31 December 2020, mainly as a result of the increase in tangible and intangible assets (€ 201.8 million).

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

	Property, plant and equipment	IFRIC 12 assets	Intangible assets	Total
Balance at 31 December 2020	369.9	6,332.7	178.8	6,881.4
Investments	22.2	374.8	23.4	420.4
- of which IFRS 16	3.7	0.0	0.0	3.7
Amortisation, depreciation and impairment	(18.7)	(169.6)	(21.5)	(209.8)
- of which D&A pursuant to IFRS 16	(10.9)	0.0	0.0	(10.9)
Change in the scope of consolidation	0.0	1.7	0.0	1.7
Subsidies	0.0	(7.3)	0.0	(7.3)
Other changes	1.2	(8.5)	4.1	(3.2)
Balance at 30 June 2021	374.6	6,523.8	184.8	7,083.2

As of 30 June 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 (€ 33.7 million) refers mainly to the Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano and Enerpaper equity investments, consolidated using the equity method, and Reti Distribuzione.

Net working capital

(€ million)	31.12.2020 (*)	31.06.2021	Abs. change
Trade receivables	462.2	181.2	(281.0)
Inventories	101.2	114.6	13.4
Tax receivables	64.4	42.6	(21.8)
Accruals and deferrals from regulated activities	202.8	208.9	6.1
Other assets	148.3	190.5	42.2
Trade payables	(303.0)	(308.8)	(5.8)
Provisions for risks and charges	(202.6)	(185.6)	17.0
Deferred tax liabilities	(55.2)	(39.6)	15.6
Tax payables	(43.5)	(16.3)	27.2
Other liabilities	(263.4)	(267.0)	(3.6)
	111.2	(79.5)	(190.7)

As of 30 June 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** fell down by € 190.7 million, mainly as a result of: i) lower trade receivables (€ 281.0 million) linked to the seasonality of the billing period; ii) an increase in inventories (€ 13.4 million) predominantly in relation to gas meters; iii) a decrease in net tax liabilities (€ 21.0 million) due mainly to payments during the period; iv) an increase in accruals and deferrals from regulated activities (€ 6.1 million) due to receivables relating to the contribution for meters pursuant to article 57 of ARERA Resolution no. 367/14 and further modifications; v) an increase in other assets (€ 42.2 million) mainly relating to the increase in receivables from the CSEA; vi) a decrease in trade payables (€ 5.8 million); vii) a decrease in provisions for risks and charges (€ 17 million), mainly linked to the reduction of the

environmental remediation provision (€ 12.1 million, of which € 6.5 million following an accounting reclassification) and use of the provision for risks for operational restoration of metering instruments (€ 5.1 million); viii) an increase in other liabilities for the period (€ 3.6 million).

It should be noted 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, transactions were completed for the sale of receivables related to: i) trade receivables for distribution due on 30 June 2021 for a collection equal to a total of € 119.8 million, (ii) receivables from CSEA for a collection equal to € 1.9 million, (iii) credits related to Energy Efficiency Certificates for a collection equal to € 39.7 million and (iv) tax receivables for a collection equal to € 22.4 million.

Net financial debt

(€ million)	31.12.2020	30.06.2021	Abs. change
Financial and bond debt	5,405.1	5,496.8	91.7
Short-term financial debt (*)	677.7	175.2	(502.5)
Long-term financial debt	4,651.1	5,251.8	600.7
Finance lease payables - IFRS 16	76.3	69.8	(6.5)
Financial receivables and cash and cash equivalents	(668.6)	(690.0)	(21.4)
Cash and cash equivalents	(663.5)	(684.9)	(21.4)
Financial receivables	(5.0)	(5.0)	-
Securities not held for operations	(0.1)	(0.1)	-
Net financial debt	4,736.5	4,806.8	70.3
Finance lease payables - IFRS 16	76.3	69.8	(6.5)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,660.2	4,737.0	76.8

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

Net financial debt was € 4,806.8 million as of 30 June 2021, up € 70.3 million compared to 31 December 2020. Excluding the effects deriving from the application of IFRS 16, amounting to € 69.8 million, the net financial debt came to € 4,737.0 million (€ 4,660.2 million at the end of 2020).

Financial and bond debt as of 30 June 2021, amounting to € 5,496.8 million (€ 5,405.1 million as of 31 December 2020), relates to bonds (€ 4,571.9 million), loan agreements concerning European Investment Bank (EIB) funding (€ 848.8 million), liabilities pursuant to IFRS 16 (€ 69.8 million) and bank loans (€ 6.3 million).

Cash, amounting to € 684.9 million, up by € 21.4 million compared to 31 December 2020 thanks to the positive cash flow of the half-year and the net liquidity resulting from the bond issue transaction carried out in February 2021, is held in current accounts immediately available with leading banks.

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

(€ million)	31.12.2020	%	30.06.2021	%
Fixed rate	4,676.3	86.5	5,377.0	97.8
Variable rate	728.8	13.5	119.8	2.2
Gross financial debt	5,405.1	100.0	5,496.8	100.0

Fixed-rate financial liabilities amounted to € 5,377.0 million and mainly refer to bonds (€ 4,571.9 million), three EIB loans (€ 728.9 million) and financial liabilities pursuant to IFRS 16 (€ 69.8 million).

Fixed-rate financial liabilities increased by € 700.7 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, relating to EIB loans, were down by € 609.0 million due to the decreased use of bank credit lines.

As of 30 June 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 June 2021, these commitments were respected.

Reclassified Statement of Cash Flows

(€ million)	First half	
	2020 (**)	2021
Net profit	163.7	180.0
<i>Correction:</i>		
- Depreciation and amortisation and other non-monetary components	200.5	208.3
- Net capital losses (capital gains) on asset sales and eliminations	2.3	0.8
- Interest and income taxes	91.0	100.5
Change in working capital due to operating activities	1.4	216.3
Dividends, interest and income taxes collected (paid)	(75.0)	(156.2)
Cash flow from operations (*)	383.9	549.7
Technical investments	(352.6)	(409.4)
Other changes related to investments activities	(34.1)	(12.2)
Divestments and other changes	0.3	11.5
Free cash flow before M&A transactions	(2.5)	139.6
Companies included in the scope of consolidation	(4.4)	(2.3)
<i>of which:</i>		
-price paid for equity	(4.4)	(2.3)
Acquisition of business units and plants	(6.3)	(1.7)
Free cash flow	(13.2)	135.6
Change in short- and long-term financial debt and financial receivables	295.4	113.6
Reimbursements of financial liabilities for leased assets	(9.5)	(8.8)
Equity cash flow	(206.0)	(219.4)
Net cash flow for the year	66.7	21.0

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

(**) As of 30 June 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the income statement items, the items relating to Operating costs (-€ 0.9 million), Amortisation, depreciation and impairment (+€ 2.1 million) and Income taxes (-€ 0.4 million) were adjusted as of 30 June 2020.

Change in net financial debt

(€ million)	First half	
	2020	2021
Free cash flow before M&A transactions	(2.5)	139.6
Change due to acquisitions of equity investments, business units and assets	(10.7)	(4.0)
Increase in finance lease payables	(10.3)	(2.2)
Equity cash flow	(206)	(219.4)
Other changes (Difference between interest accounted for and paid)	13.5	15.7
Change in net financial debt	(216.0)	(70.3)

The cash flow from operations in the first half of 2021 amounted to € 549.7 million and made it possible to fully finance the flow from net investments, totalling € 410.1 million, generating a free cash flow before M&A transactions of € 139.6 million. As of 30 June 2021, the cash outflow from M&A transactions amounted to € 4 million, bringing the free cash flow to € 135.6 million.

Taking into account payment of the dividend for € 219.4 million, net financial debt increased by € 70.3 million.

Key operating figures

Investments

Technical investments were made in the first half of 2021 for a total of € 420.4 million, up by 14% compared to the first half of 2020 (€ 368.6 million), of which € 3.7 million due to the adoption of IFRS 16.

Financial Year 2020	(€ million)	First half		Abs. change
		2020	2021	
569.0	Distribution	279.8	347.9	68.1
455.8	Network maintenance and development	209.4	301.6	92.2
84.9	- of which digitisation	35.6	67.8	32.2
113.1	New networks	70.4	46.3	(24.1)
100.7	- of which Sardinia	64.3	36.5	(27.8)
120.8	Metering	53.1	37.1	(16.0)
87.7	Other investments	35.7	35.4	(0.3)
41.7	- of which Real Estate	13.3	17.5	4.2
25.4	- of which ICT	12.6	14.2	1.6
26.5	- of which due to the effect of IFRS 16	10.5	3.7	(6.8)
777.5		368.6	420.4	51.8

As of 30 June 2021, the Group stated under operating costs the expenses relating to the legally required periodic checks of conversion devices in the meters installed at the re-delivery points. In order to ensure comparability with the details of the Investment items, the corresponding investment item (-€ 0.9 million) was adjusted accordingly as of 30 June 2020.

Distribution investments (€ 347.9 million, +24.3% compared to the first half 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 389 km of pipeline. Over the half-year, a further 52 km of new network was constructed in Sardinia, bringing the total installed networks to 858 km.

Metering investments (€ 37.1 million, -30.1% compared to the first half 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 half of 2021, the Company installed 481 thousand new meters, of which 201 thousand to replace traditional G4/G6 meters, 274 thousand for the repair of digital meters with anomalies and 6 thousand to replace large-caliber meters. At the end of the first half of 2021², a total of 7.7 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (90.4% of the total number of meters and practically all active meters).

² Also taking into account the affiliates, over which Italgas does not exercise control, 517 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 30 June 2021 to 7.8 million (89.4% of the total number of meters and practically all active meters).

Investments in digitisation (€ 67.8 million, up +90.4%) 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

	First half		Change Abs.	Change %
	2020	2021		
Active meters (millions)	7.587	7.592	0.0	0.1
Installed meters (millions)	8.488	8.538	0.1	0.6
Municipalities with gas distribution concessions (no.)	1,825.0	1,827.0	2.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,739.0	1,746.0	7.0	0.4
Distribution network (kilometres)	70,796.0	71,706.7	910.7	1.3
Gas distributed (million cubic metres)	4,448.9	4,702.3	253.4	5.7

Key operating figures – Italgas Group and affiliates

	First half		Change Abs.	Change %
	2020	2021		
Active meters (millions)	7.740	7.745	0.0	0.1
Installed meters (millions)	8.656	8.708	0.1	0.6
Municipalities with gas distribution concessions (no.)	1,886.00	1,888.00	2.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,800.00	1,807.00	7.0	0.4
Distribution network (kilometres)	72,667.10	73,589.67	922.6	1.3
Gas distributed (million cubic metres)	4,584.20	4,868.39	284.2	6.2

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 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 a 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 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 Group ahead of the EU targets set 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 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 in 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 half		Change Abs.	Change %
	2020	2021		
Fuel energy consumption for civil and industrial use	232.1	233.4	1.3	0.6
Net electricity consumption for civil and industrial use	48.6	45.7	(2.9)	(6.0)
Fuel energy consumption for vehicles	57.6	71.3	13.7	23.8
Thermal energy consumption for civil use	-	0.2	0.2	-
	338.3	350.5	12.3	3.6

The first half of 2021 was characterised by a slight increase in net consumption of total energy, of 12.3 TJ (+3.6%), attributable to two factors:

- the 0.6% increase in industrial consumption of natural gas for the preheating process, due to the growth in the volume of gas distributed. In fact, as a result of energy efficiency measures, the specific consumption of the preheating process for the Group's plants (natural gas consumed for preheating/gas distributed) drops from a value of 1.31 to a value of 1.26 (-3.8%);
- a significant increase in the kilometres travelled by the vehicles fleet used for the detection of network leaks and an increase in the number of interventions carried out on end customer premises compared to the first half of 2020: 22.055 million km were traveled in the first half of 2021 (+23.5%).

Greenhouse gas emissions

Scope 1 and Scope 2 (thousand tCO ₂ eq)	First half		Change Abs.	Change %
	2020	2021		
Fugitive gas emissions (Scope 1)	46.5	52.9	6.4	13.8
Emissions from gas consumption for civil and industrial use (Scope 1)	13.1	13.2	0.1	0.8
Emissions from fuel consumption for vehicles (Scope 1)	2.7	3.3	0.6	22.2
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil and industrial use (Scope 2)	0.2	0.1	(0.1)	(50.0)
	62.5	69.5	7.0	11.2

The change in total emissions (+11.2%) is primarily linked to the increase in fugitive emissions (+13.8%), due to the sharp increase in the length of network inspected by the Italgas Group: 35,193 km towards 25,765 km in 2020 (+ 36.6%). Thanks to the maintenance interventions carried out in recent years, there was a significant decrease in emissions/km inspected equal to 14.7% (-6.7% for Italgas Reti and -36.3% for Toscana Energia): from 102 scm/km to 87 scm/km.

More generally, the fugitive emissions were equal to 0.064% of the total distributed gas.

The expertise that the Group is developing in Sardinia with Medea's methane gas networks - on which fugitive emission detection activity using CRDS technology was launched in 2021 with excellent performance (just one negligible leak detected in the first 220 km investigated) - will lay the foundations for improvement of the entire infrastructure of the Italgas Group, with a view to developing a predictive network maintenance model. This model will be 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 for CO₂ emissions per km travelled remained the same, thanks to the massive use of natural gas (at operational level, the 92% of the kilometers were traveled with the use of methane), there was a significant decrease of the other emissions in terms of grams per kilometre: NO_x (-7.4%) and particulate matter (-33.4%).

Lastly, emissions from gas consumption for civil and industrial use are in line with the increased consumption described, while those from electricity consumption are decreasing as a result of reduced consumption and the almost total supply of electricity from certified renewable sources (certified by the guarantee of origin management system).

Main events of the first half 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, a company operating in the natural gas distribution sector in Sardinia.
- 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 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 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 scheduled for the second half of 2021.

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), in particular by introducing “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.

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.

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 earnings 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 nominal maximum amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal and Regulatory

- On 2 March 2021, Resolution no. 74/2021/S/gas was published, with which ARERA issued Italgas Reti a fine of € 500,000, deeming the company to be in breach of the provisions of the Regulation on the Quality of Gas Distribution and Metering services for the 2014-2019 period, as well as of the Guidelines of the Italian Gas Committee (CIG), regarding the emergency intervention service for the natural gas distribution plant called “Castelnuovo Magra”. On 19 April 2021, Italgas Reti contested the aforesaid resolution, and the setting of a date for the hearing is currently pending.
- On 3 March 2021, the investigation launched by the AGCM into the alleged abuse of a dominant position in certain municipalities in the Venice 1 ATEM was successfully closed. On 30 June 2021 the Company submitted a report on compliance with the commitments, as required by the Order closing the investigation. In addition, once again in order to assess compliance with the commitments, the AGCM sent Italgas a request for information on 21 June 2021 aimed at reconstructing the discussions held, following closure of the investigation, with the Municipality of Venice, to which the Company provided the data required for publication of the tender notice. Italgas replied to this request on 09 July 2021.
- With reference to the rehearing before the Council of State requested by the municipalities belonging to the Belluno ATEM against ruling no. 1208 of 7 December 2020, with which the Regional Administrative Court of Veneto declared the appeal against the awarding of the tender to Italgas Reti to be inadmissible, at the hearing of 4 March 2021, the Council of State took note of the waiving of the interlocutory application by the municipalities (the appellants), and set the date for the hearing on the merits at 7 October 2021. On 16 April 2021, the Regional Administrative Court of Veneto also upheld Italgas’ appeal against the public shareholders of BIM Infrastrutture led by the Feltre Municipal Authority, reiterating what had already been stated in the ruling of December 2020.
- 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. The signing by Italgas Reti of the service contract for the Valle

d'Aosta ATEM, which will be followed by the launch of the new area management, is expected to be formalised on 27 July 2021.

- With ruling no. 1177/2021 of 4 May 2021, due to the excessive duration of the sanctioning procedure, the Regional Administrative Court of Lombardy 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, concerning obligations to replace the cast iron pipelines of the distribution network in the Municipality of Venice with hemp and lead joints, for the year 2010 in particular.

On 8 June 2021, Resolution no. 237/2021/C/gas was issued, with which ARERA announced its intention to file an appeal against the ruling of the Regional Administrative Court of Lombardy.

- 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.

Significant events occurring after the end of the half-year

- On 13 July 2021, the acquisition by Conscoop of the entire share capital of Isgas33 - the company holding the concession for the management of the gas service in Basin 33 in Sardinia - was finalised. 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, adjusted for the value of financial debt at closing. With completion of the transaction, the number of basins where Italgas operates in Sardinia rises to 18 (out of 38).
- On 15 July 2021, in compliance with the time frames set out in the rules of the transfer procedure, Italgas filed its binding offer for the acquisition of DEPA Infrastruttura S.A., as

part of the international public tender procedure for the sale of 100% of the company's shares by Hellenic Republic Asset Development Fund S.A. and Hellenic Petroleum S.A..

- On 16 July 2021, ARERA published the consultation document 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.

Coronavirus emergency and business outlook

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

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

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

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 685 million as of 30 June 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 June 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

Any downgrading of the rating of Italgas could result in a rise in the spreads applied. As of 30 June 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

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

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

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

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

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

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

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

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

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

Conference call

At 3 pm CET today, a conference call will be held to present the results of the first half 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.

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Numero di Pagine: 27