

ITALGAS PRESENTS ITS 2020-2026 STRATEGIC PLAN***More investments for the Group's growth and for a new generation of gas infrastructure***

Milan, 30 October 2020 – Chief Executive Officer Paolo Gallo is today presenting to analysts and investors the Italgas Group's Strategic Plan for the 2020-2026 period, which was approved yesterday by the Board of Directors chaired by Alberto Dell'Acqua.

The new Plan provides for an investment programme of 7.5 billion euros with an increase of 1.1 billion euros compared to the previous one, further strengthens the Group's leadership at Italian and European level and opens up new perspectives for development and growth. The Plan integrates environmental, social and governance factors to strengthen the strategic role of the gas distribution sector in the energy transition process towards a decarbonised economy.

The new 2020-2026 Plan is structured along four main guidelines: (i) development of the core business through organic growth (extension and maintenance of the network and increase in the redelivery points served), M&A, gas tenders and opportunities abroad; (ii) digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition; (iii) new development opportunities by exploiting the Group's expertise in the water and energy efficiency sectors; (iv) a solid and efficient financial structure to support growth opportunities and continue to ensure an appropriate return for shareholders.

Highlights

- **Total investment plan of 7.5 billion euros, of which about 2 billion euros dedicated to gas tenders;**
- **Due to the tenders already concluded, incremental investment opportunities of 600 million euros (in addition to the 300 million euros already provided for in the previous plan);**
- **Over 1 billion euros for the digitization of networks, processes and people reskilling;**
- **Investments in new business opportunities for 240 million euros;**
- **Dividend policy for the next four years increasing based on a 65% pay out and with DPS minimum equal to that distributed in 2020 increased by 4% per year.**

Paolo Gallo, CEO of Italgas, commented:

“The core of our Plan remains the digital transformation. A process that, in just three years since its start-up, has already profoundly changed the Group's DNA, making it a reference model in Italy and Europe to which other operators - also from different sectors - are inspired to formulate their strategies. We wanted to invest more resources in innovation to generate further benefits and create the new generation of infrastructure that will enable our networks, already strategic today in terms of capillarity and level of penetration, to play a key role in the energy transition process.

With 7.5 billion euros of investments, of which 2 billion euros to be allocated to the tenders process, we will give a new, strong boost to Italgas' growth path, further improving the quality of service through our digital networks and making a real contribution to the economic and social development of the areas in which we operate.

The efficiency with which we have guaranteed continuity of service during the lockdown and the speed with which we resumed site activities at the end of the lockdown are proof of the effectiveness of the choices made.

In the light of the results achieved in recent years and the growth and development activities undertaken, this Plan establishes a new dividend policy aimed at guaranteeing shareholders a growing and sustainable remuneration and the Company an appropriate level of own resources with which to face the challenges ahead”.

7.5 billion euro investment Plan. For the period of the 2020-2026 Plan, Italgas has provided for investments of 5.5 billion euros excluding tenders (up 22% compared to the previous Plan) and 2.0 billion for tenders.

3.1 billion euros will be used for the development, improvement and upgrading of existing infrastructure. Of this, **2.2 billion euros** are dedicated to the completion of the cast iron pipeline replacement programme, maintenance aimed at ensuring the preservation of appropriate safety and quality standards of service to customers, the extension of the distribution network with the activation of 350 thousand new redelivery points and the completion of the programme for the conversion to natural gas of networks that still distribute LPG. A further **900 million euros** are allocated to investments in the construction of new infrastructure as part of the concessions whose gas tender was concluded with the winning Italgas bid (ATEM Belluno, Valle d'Aosta and Torino 1) and Torino 2, the last one already awarded to Italgas. The amount is up by 600 million euros compared to the previous Plan, with most of the increase destined to the development of the Belluno and Valle d'Aosta distribution networks.

About **1.1 billion euros** will be used for technological innovation and digitization. With the plan for the installation of the new generation smart meters almost completed, the most significant part of the investment will be dedicated to assets and processes. In particular, by the beginning of 2022 it is expected that 5,700 intermediate pressure regulation systems (GRF and IRI) will be replaced by the same number of digital devices and another 2,000 similar systems will be upgraded. The massive installation of remote-controlled sensors and valves is also planned for the detection of network operating parameters and their remote management. The digital transformation of the network is the technical precondition for the injection of renewable gases, such as biomethane and hydrogen. In this way, the digitization effort foreseen in the Plan is aimed at supporting the ongoing decarbonisation process, in which the gas network is called to play a key role in European energy policies. Italgas will start the development of pilot projects in the field of Power to Gas as early as 2021.

Approximately **400 million euros**, in continuity with the previous Plan and the investments already done, will be allocated to the completion of 1,100 kilometres of "native digital" networks for the city's natural gas distribution in Sardinia. On the island, the Italgas Group, the main operator with a presence in about half of the areas (17 out of 38), has already laid more than 800 kilometres of pipelines with the progressive commissioning of the first segments starting from last summer and the overall implementation of most of the relevant areas expected by the end of 2022. In 2023, the conversion to natural gas of the networks that currently distribute propane air to serve the cities of Cagliari, Sassari, Nuoro and Oristano is also planned. The island's commitment to methanization, with Italgas at the forefront since 2017, is enabling the country's

most modern gas distribution infrastructure network to be built and will make it possible to replace the most polluting energy sources currently in use with natural gas, which, in addition to better environmental protection, guarantees significant savings for the island's customers, estimated at up to 30% compared to current fuels.

370 million euros, in line with the previous Plan, will be allocated to growth by external lines through M&A operations (and related technical investments) that will be relaunched after the strong slowdown imposed by the health emergency by Covid-19. The targets include the acquisition of a further 150 thousand redelivery points and the control of infrastructure currently managed by non-consolidated subsidiaries.

The Plan also includes **240 million euros** in investments aimed at taking advantage of new opportunities in sectors in which the company is already active, such as water, energy efficiency and services. The strategic choice aims to leverage the excellence developed in the management of gas networks by applying the same best practices and technologies to water networks for which 120 million euros of new investments are allocated, both organic and external growth, with the intent of improving service quality and significantly reducing losses. With regard to the energy efficiency sector, the target is to integrate the two ESCos in the Italgas portfolio: Seaside, which is more oriented towards the private sector, and Toscana Energia Green, which is more oriented towards the public sector (lighting, solar parks, public building efficiency) in order to become one of the main players on the Italian market, including in the residential sector.

The Company is determined to take advantage of the opportunities offered by the tenders. On the strength of the results achieved so far in the few tender procedures concluded, which have seen Italgas win, the Group intends to allocate approximately **2 billion euros** in investments. Of this, **1.2 billion euros** will be dedicated to the acquisition of third-party networks in the areas in which Italgas will be awarded tenders, while the other **0.8 billion euros** will be allocated to investments in maintenance, upgrading and extension of the networks acquired, whose operating standards will be aligned with the Group's best practices. Through the tender process, which is expected to be completed by 2025, it is estimated that Italgas could increase its market share from the current 35% to about 45% in terms of active redelivery points.

Rab Consolidated. Thanks to the important growth plan, it is estimated that the consolidated Rab could increase at an annual rate (CAGR) of about 4.0% to 9.8 billion euros in 2026, without considering the effect of tenders. With the contribution of the tenders process, the consolidated RAB is estimated to exceed 11 billion euros in 2026 (+6.2% CAGR).

Redelivery points. The Plan foresees an increase in redelivery points served from 7.7 million in 2019 to 8.2 million in 2026, without considering the effect of the tenders process. The number of redelivery points will reach almost 10 million in 2026, thanks to the contribution of the tender.

Methane emissions. The Plan aims to promote Italgas' key role in reducing methane emissions. Thanks to Picarro technology, Italgas will not only be able to reduce its emissions but also materially reduce maintenance and management times for natural gas leaks (1/3 of ARERA standards). The introduction of the new Picarro technology will also make it possible to complete the annual inspection of the over 73,000 kilometres of network managed, with the aim of reducing emissions by 20% during the Plan period.

Operational efficiency thanks to digital transformation. The digital transformation project will enable the company to achieve overall benefits of around 210 million euros (+50 million euros compared to the previous Plan) over the Plan period in terms of reduced operating costs, investment efficiency and higher revenues. The installation of digital/IoT devices for the massive acquisition of the physical parameters of the network and their interpretation by means of specific algorithms make it possible to know how the network works in real time and to control it remotely; the analysis of big-data also makes it possible to activate predictive maintenance programmes, intelligent allocation of investments and further optimisation of processes.

Financial efficiency and capital structure. The continuous attention to the optimization of the financial structure will allow Italgas to support, thanks to the significant operating cash flow, the investment plan and the shareholders' remuneration, also guaranteeing appropriate financial flexibility to support development. Italgas will continue the actions aimed at optimizing its financial structure in order to preserve its debt cost, today of about 1%. The ratio between net debt and RAB at the end of 2019, equal to about 60%, will be maintained throughout the entire period of the Plan at levels consistent with a solid investment grade area.

Guidance and predictable evolution of the management. The guidance for 2020 announced on 12 June is confirmed at an operational level. Revenues are expected to exceed 1.3 billion euros, with EBITDA between 960 and 980 million euros and EBIT between 530 and 550 million euros. Investments are expected to exceed 750 million euros, higher than previously indicated, bringing net debt to approximately 4.6 billion euros.

With the completion of the tenders, as of 2026, it is estimated a revenue of about 2.0 billion euros with an EBITDA margin estimated at about 73%, and a return on investment (ebit on Rab) between 8% and 8.5%.

Dividend policy. The dividend policy reflects Italgas' commitment to provide shareholders with attractive, growing and sustainable remuneration. The Company has established a new four-year policy (2020-23) that provides for the distribution of a dividend equal to the greater of (i) the amount resulting from the FY2019 DPS (0.256 euros) increased by 4% per year and (ii) the DPS equal to 65% of adjusted EPS.

At 12:00 CET (11:00 GMT) the Strategic Plan 2020-2026 will be presented to financial analysts and institutional investors. It will be possible to follow the event in conference call and support material will be made available on www.italgas.it in the Investor Relations section, in conjunction with the launch of the conference call. In the same section it will also be possible to follow the presentation through video webcasting. The presentations will also be made available at the authorized storage mechanism called eMarket STORAGE (www.emarketstorage.com). The manager responsible for preparing the Company's financial reports, Giovanni Mercante, hereby declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the documented results, books and accounting records.

Disclaimer

This press release contains forward-looking statements, in particular regarding: evolution of natural gas demand, investment plans and future management performance. Forward-looking statements by their very nature have a component of risk and uncertainty because they depend on the occurrence of future events and developments. Actual results may therefore differ from those announced in relation to various factors, including: the foreseeable evolution of natural gas demand, supply and prices, general macroeconomic conditions, the impact of energy and environmental regulations, success in the development and application of new technologies, changes in stakeholder expectations and other changes in business conditions.