

Rating object

Italgas S.p.A.
Long term local currency senior unsecured issues of Italgas S.p.A.

Rating incl. outlook / watch

BBB+ / stable
BBB+ / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Italgas S.p.A.	17.02.2022	17.02.2022	Until withdrawal of the rating
Long term local currency senior unsecured issues of Italgas S.p.A.	17.02.2022	17.02.2022	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has confirmed the unsolicited corporate issuer rating of Italgas S.p.A. and the unsolicited corporate issue ratings of the long-term local currency senior unsecured notes issued by Italgas S.p.A. at BBB+, and changed the outlook from negative to stable as part of the monitoring process during the year. This change is based on our assessment of the direct and indirect shareholder structure and an assumed degree of systemic importance for Italgas S.p.A., which shows the close relationship with the Italian government and thus the classification as a state-affiliated company. The corporate issuer rating of Italgas S.p.A. according to our sub-rating methodology for "Government-Related Companies" is currently constrained to two notches above the unsolicited sovereign rating of the Italian Republic. As the outlook for the unsolicited sovereign rating of the Italian Republic was changed from negative to stable (CRA: BBB- / stable as of February 11, 2022), we have adjusted the outlook for our corporate issuer rating of Italgas S.p.A. accordingly.

In this press release we also refer to the detailed report dated 8 February 2021 and the press release dated 17 January 2022, which contain further material information with regard to Italgas S.p.A.

Based on the unsolicited corporate issuer rating of Italgas S.p.A. (BBB+ / stable), Creditreform Rating has conducted unsolicited corporate issue ratings of notes (ISIN) issued by Italgas S.p.A. The rating objects in question are exclusively the long-term senior unsecured notes denominated in euro, which have been issued by Italgas S.p.A. and which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the ECBs website. All the following issues (ISIN) are rated with BBB+ / stable.

Primary key rating drivers:

- + Adjustment of the outlook from negative to stable for the unsolicited sovereign rating of the Italian Republic dated 11 February 2022
- Unsolicited sovereign rating of the Italian Republic of BBB- / stable limits the corporate issuer rating of Italgas S.p.A.

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Italgas S.p.A. we have not identified any ESG factor with significant influence. Although we have not identified any rating-relevant ESG factors for Italgas, ESG factors play an important role for the Company.

Italgas intends to play a leading role in the energy transition and climate protection in Italy. Accordingly, Italgas' Strategic Plan 2021-2027 is in line with the energy scenario anchoring the EU's target of "net zero carbon" by 2050. This Strategic plan highlights the following main objectives:

- Digitalisation of the infrastructure for the distribution of renewable and carbon-free gases
- Promotion of the circular economy
- Develop technologies that will make new renewable gases available in the distribution networks
- Promotion of operational energy efficiency

In terms of its set sustainability goals, Italgas exceeds the EU targets set for 2030. Thus, by 2027, the Group aims to reduce its greenhouse gas emissions (Scope 1 and Scope 2) by 30% and its energy consumption by 25% compared to 2020 levels. In addition, the commissioning of combined

heat and power plants and turbo-expanders at the city's main gates, which enable the use of self-generated electricity, is expected to significantly reduce net electricity consumption as early as 2022.

Overall, we consider Italgas to be well-positioned with regard to ESG factors, but do not identify any significant influence on the rating. In the future, ESG factors may have an impact on our rating assessment, depending on the Company's achievement of self-imposed targets.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: BBB+

In our best-case scenario for one year, we assumed a rating of BBB+. Such a scenario could occur if the Company's favorable performance continues without deterioration of the Group's financials or a significant increase in debt burden, and if our sovereign rating of Italy remains at BBB-. An upgrade would seem to be possible only based on an improvement in the sovereign rating of the Italian Republic, together with Italgas maintaining or improving its current key figures. We currently see this as unlikely within one year.

Worst-case scenario: BBB

In our worst-case scenario for one year we have assumed a rating of BBB. Such a scenario could materialize if the sovereign rating of the Italian Republic is downgraded, or if the level of general business activity deteriorates, with negative consequences for Italgas' assets and its financial and earnings positions.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Italgas S.p.A.	Initialrating	08.02.2021	11.02.2021	16.01.2022	BBB+ / negative
LT LC Senior Unsecured Issues issued by Italgas S.p.A.	Initialrating	08.02.2021	11.02.2021	16.01.2022	BBB+ / negative

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflicts of interest

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG’s default rates are available in the credit rating methodologies disclosed on the website.

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