

Financial Markets Overview



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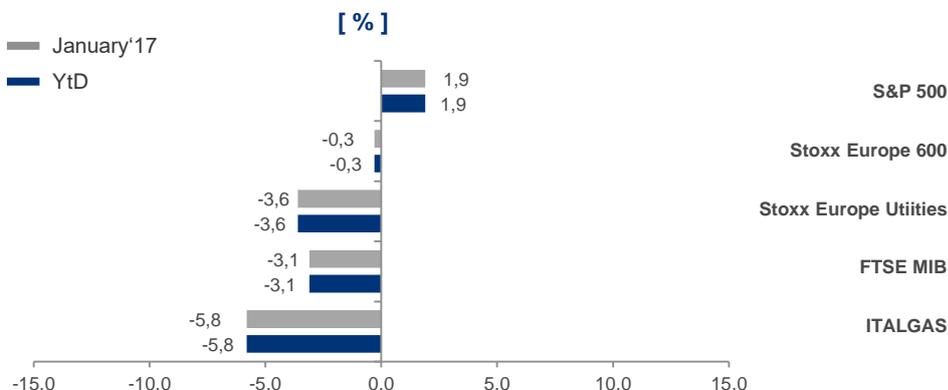
FTSE Mib down due to heightened political risk. Wall Street reaches record highs (Dow Jones Index exceeds 20,000 points)

Financial markets

The European stock markets remained broadly flat (Stoxx Europe 600 -0.3%), after the upward trend that began in November with the US presidential election and accelerated in December with the strengthening of the economic outlook and the price of crude oil. Towards the end of the month, stock exchanges, in particular the Italian stock exchange, were weighed down by heightened political risk as a result of the Italian Constitutional Court's decision on electoral law, which led to expectations for early elections (FTSE Mib -3.1%), and also by the strengthening of the EUR/USD exchange rate. In contrast, US stock exchanges closed up almost 2% to new historical highs. Dow Jones rose above the 20,000 point threshold, as it continued to be bolstered by expectations for an expansive fiscal policy.

The upward trend of sovereign bond yields in the eurozone has reached an 18-month high, following expectations for greater inflation. Yields on ten-year bonds have increased by 23 bps for the Bund and 44 bps for the BTP, weighed down by heightened political risk.

Performance of main indices



Source: Italgas elaboration on Bloomberg data

The upward trend in sovereign bond yields has not affected US sovereign bonds, which had already risen significantly following the US presidential election and the Fed's announcement of a tighter monetary policy in 2017.

Comments by the new US government on the American industry's loss of competitiveness associated with the strong dollar have boosted the recovery of the EUR/USD exchange rate, which recovered nearly 3% after reaching 14-year lows at the end of 2016.

The oil market

For crude oil, prices have been largely stable and close to an 18-month high, as a result of production cuts by OPEC and non-OPEC countries decided in late November/beginning of December, of a depreciation of the dollar offset by an increase in supplies in the US, as well as of lower than expected US GDP growth

in the fourth quarter. Dated Brent closed January at \$54.7 per barrel, 1% lower compared to the end of 2016. Expressed in euros, barrel prices fell by 4% in the month of January.



Sector performance

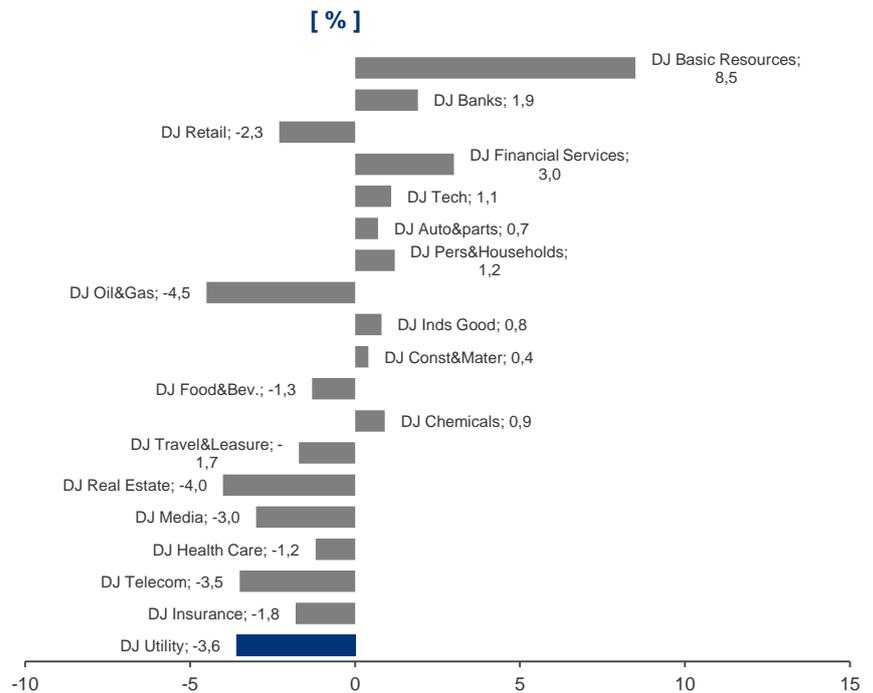


Basic resources sector boosted by increases in prices of gold and precious metals. Decline on the oil market

Performances were mixed at the sector level, with the resources sector the best performer (+9%) thanks to increases in the prices of precious metals and gold, bolstered by inflation expectations at an 18-month high. The financial services sector also saw a strong performance (+3%), benefiting from higher fees and assets under management due to a price recovery on the stock market.

The oil sector registered a weaker performance (-5%) as a result of a fall in euro-denominated barrel prices and profit taking after strong performances in previous months. The real estate sector also registered a downward trend (-4%), penalized by the negative impact that rising interest rates can have on real estate sales and purchases (mortgages).

Performance of the main sectors, January 2017



Source: Italgas elaboration on Bloomberg data



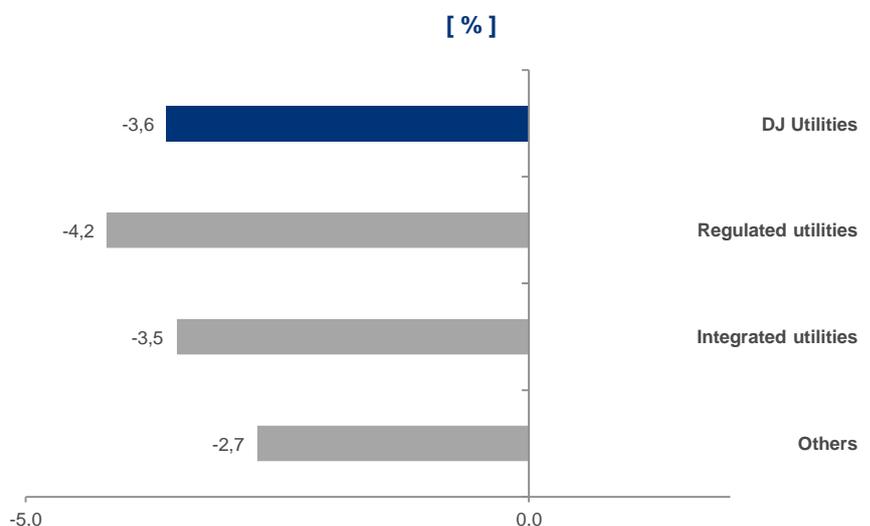
The utilities sector underperforms the overall index



Utility sector performance

With a negative TSR of 3.6%, the utility sector underperformed the Stoxx Europe 600 (-0.3%) due to the largely negative contribution by regulated utilities (especially Snam: -10%) that were negatively impacted by the increase in sovereign debt yields generated by higher inflation and political risk. Among integrated utilities, the negative performance of Engie (-9%) stands out, weighed down by the French government's sale of shares and by the upward revision of nuclear liabilities. Enel, in its turn, was penalized by the FTSE Mib's backtracking following the Constitutional Court's decision.

January 2017 - Sector and subsector performance



Source: Italgas elaboration on Bloomberg data



Italgas and peers

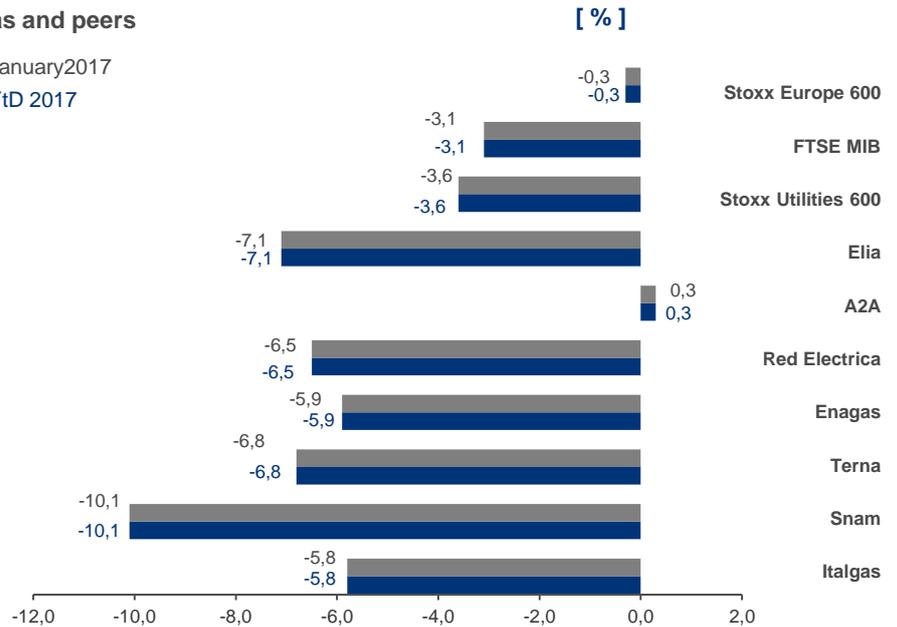
Despite a fall of nearly 6%, which took place after the Constitutional Court's decision, Italgas still registered the best performance compared to peers, apart from A2A, which remains very exposed to the electricity generation market that has benefitted from expectations for price increases guided by the increase in gas prices and lower supply from French nuclear facilities. In the first half of January, the Italgas stock was boosted by the bond issue, which limited exposure to rising interest rates. Daily average exchanges reached 2.9 m pieces, down compared to December (4.7 m pieces), which benefitted from strong buying after the decrease following the listing.



Negative performance in January, but still outperforming peers

Italgas and peers

— January 2017
— YtD 2017



Source: Italgas elaboration on Bloomberg data



Agenda

Corporate events

23 March

Consolidated results and financial statements 2016
Proposed dividend 2016

24 March

Press release and Conference call



Corporate News

Italgas debuts on the bond market with a dual tranche issue of 1.5 billion euros

On 12th January, Italgas announced that it had successfully completed the launch of its first bond issue, divided into two tranches, with a 5 year and a 10 year fixed rate, each of 750m euros, that implement the EMTN Programme (Euro Medium Term Notes) decided by the Board on 18th October 2016.

The placement was aimed at institutional investors and organised by Joint Bookrunners Banca IMI, Barclays, BNP Paribas, Credit Agricole CIB, Citi, ING, J.P. Morgan, Mediobanca, Société Générale and UniCredit. The allocation was successful and recorded a demand of 4.5 bn euros, three times higher than the offer, with a high level of quality and diverse investors.

The details of the operation are as follow:

5-year Tranche

Amount: 750 m euros
Maturity: 19 January 2022
0.50% annual coupon with a re-offer price of 99.123% (corresponding to a spread of 60 basis points above mid-swap reference rate).

10-year Tranche

Amount: 750 m euros
Maturity: 19 January 2027
1.625% annual coupon with a re-offer price of 99.170% (corresponding to a spread of 105 basis points above mid-swap reference rate).



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