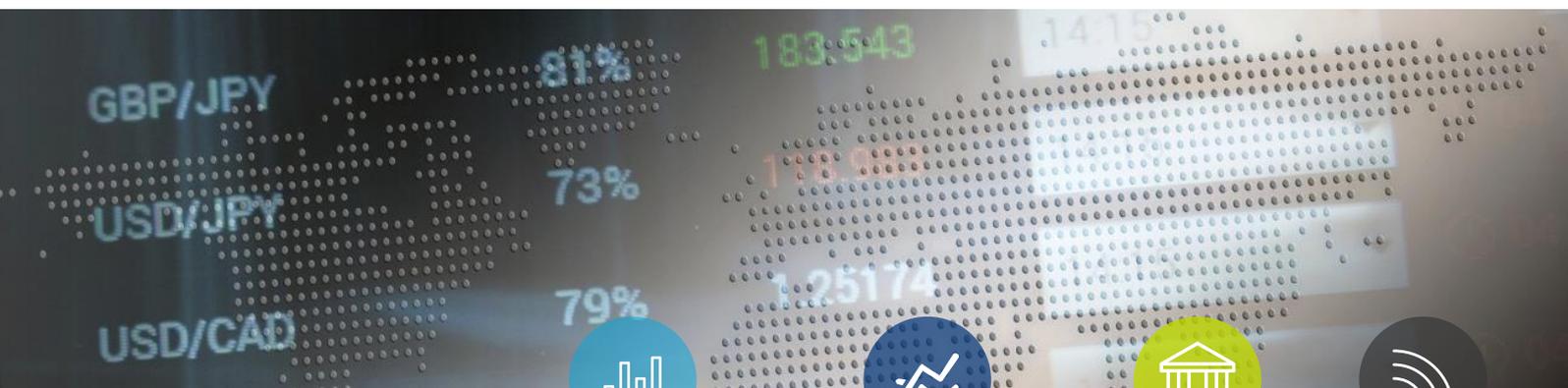


Financial Markets Review



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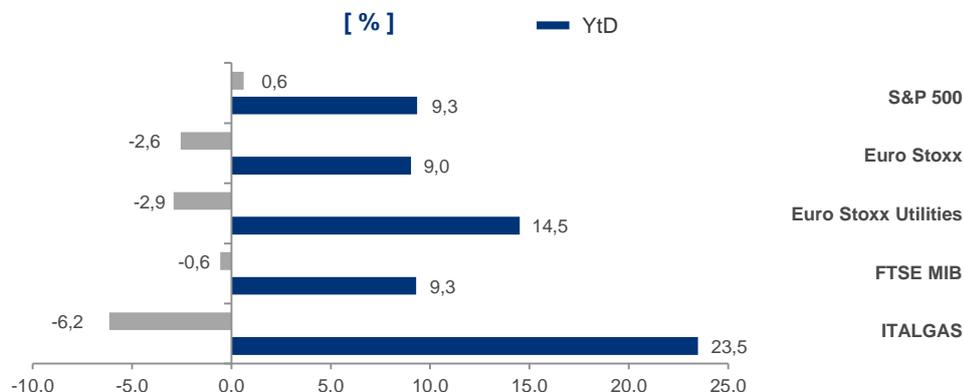


Eurozone stock markets fell due to the possible withdrawal of the ECB's monetary stimulus; WS reached record highs thanks to dollar's weakness

Financial markets

The Eurozone stock market fell in June, especially towards the end of the month following unexpected statements by the ECB's President, who commented that the low level of inflation was caused by temporary factors, thus price performances should therefore not differ significantly from long-term expectations. The subsequent probability of a gradual reduction of the monetary stimulus programme weighed on the stock market, as the increment in bond yields, and therefore the strengthening of the euro, weaken the expectations around economic growth. The Euro Stoxx fell by 2.6%, while the FTSE MIB limited its fall to 0.6%, benefiting from the recovery of bank shares, supported from the improved economic environment, from the contraction in political risk and from the solution to the Venetian banks crisis. The S&P500 reached record highs (+0.6%), over-performing the Eurozone stocks thanks to the depreciation of the dollar. In relation to the fixed income, the 10-year Bund yield rose 16 bps, thanks to the aforementioned possibility of the ECB ending the monetary stimulus and the

Main stock indexes performance



Source: Italgas elaboration from Bloomberg data

recovery of oil prices towards the end of the month. The BTP-Bund spread contracted by 21 bps, mainly because of a reduced political risk (with the confirmation of no Italian early elections) and the results below expectations achieved by the M5S party in the administrative elections. The 10 year Treasury yield also rose, mainly thanks to the oil stocks' positive performance registered towards the end of the

month. The EUR/USD currency continued to appreciate (+1.6%), reflecting the performance of the sovereign yields and reaching a 12-month maximum; the EUR/GBP also rose (+0.6%), affected by the uncertainty deriving from the UK electoral results and economic data below expectations.

Oil Market

Dated Brent was down 4% despite the USD depreciation and stable US supplies. During the course of the month oil prices registered a loss of more than 10%, reaching a minimum since November, with the market still focused on continuous rises in US output, almost reaching

the record highs of July 2015, and with the renewal of production levels in Libya – the highest in 4 years (not affected by OPEC's production cuts). The downward trend was interrupted in the course of the month by the first signals of contraction in US output and by

the reduction in number of active drills in the US after a growth of 45% registered from the beginning of the year.



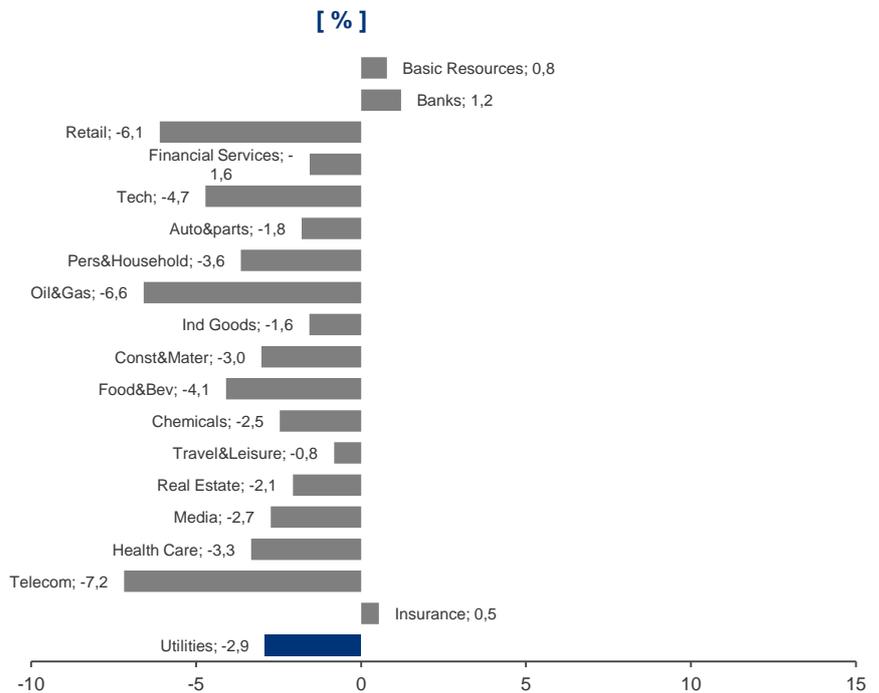
Sector performance



Sector performance driven by the rise in sovereign yields connected to expectations regarding the withdrawal of the monetary stimulus programme

The rise in core sovereign yields, which was driven by expectations of a gradual withdrawal of the monetary stimulus programme, was the key sector theme in June. Among the best performers there were the banks and insurance companies, which benefited from the expansion of spreads between employment yields and the cost collection connected to the aforementioned bond yields trend. Differently, the telecoms and oil & gas sectors were the worst performers, negatively impacted by an increased use of financial leverage and their defensive profile. These were also affected by a number of specific sector themes, such as the end of roaming charges and growing competition in the sector, and by the contraction of oil prices in euros.

Main sectors' performance, June 2017



Source: Itagas elaboration from Bloomberg data



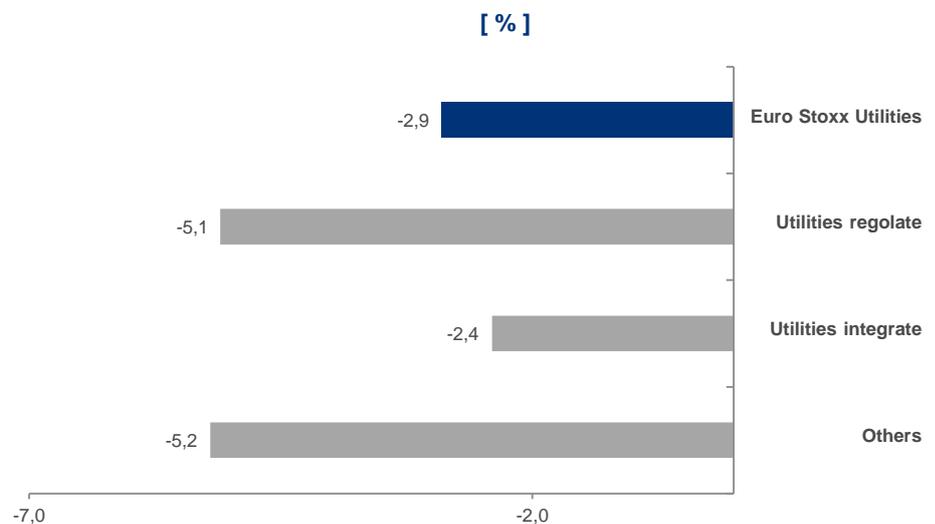
Utilities sector negatively affected by the rise in core sovereign yields



Utilities sector performance

The utilities sector dropped 2.9%, affected towards the end of the month by the aforementioned rise of bond yields, even if it was the best performer in May thanks to a reduction of expectations on inflation. The regulated stocks, generally considered bond proxies, underperformed the integrated stocks. These instead registered a small decline after the tax on nuclear fuel in Germany was declared unconstitutional and the limit on prices of electricity and gas was removed in the UK market. In the 'others' sector, Veolia was negatively affected by the aforementioned sector performances and partially by its foreign activities because of the euro's appreciation.

June 2017 - Sector and subsector performance



Source: elaboration from Bloomberg data

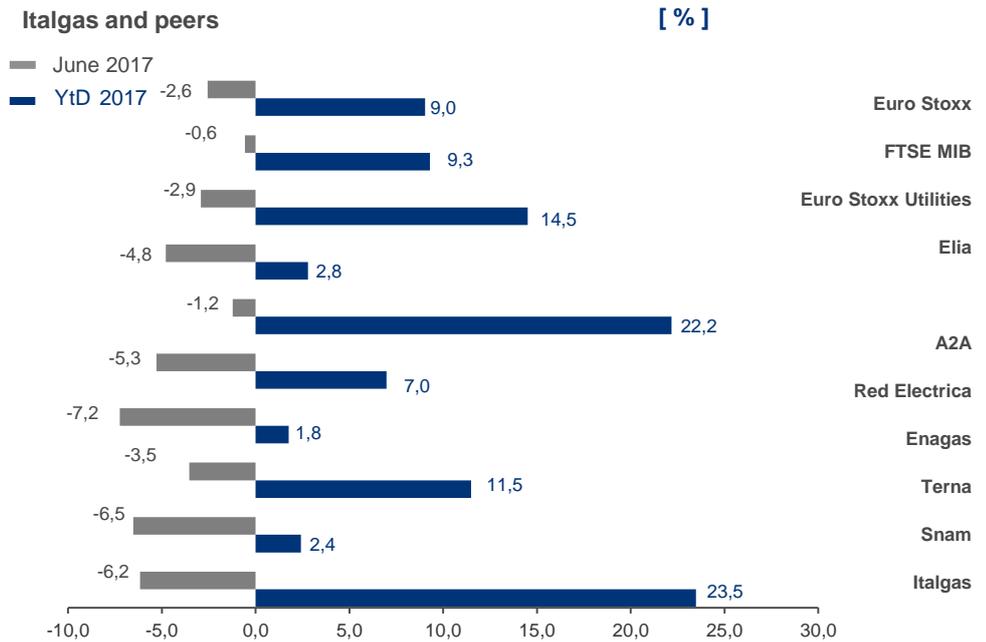


Italgas stock and peers



Italgas fell 6%, largely in line with the rest of the regulated stocks

Italgas fell about 6% in June. The trend was largely in line with that registered by the rest of the regulated stocks, and was attributable to the aforementioned rise in core sovereign yields. It is important to consider profit taking after the positive performance of previous months, especially in May, when the stock appreciated by 19% (including dividend distribution) thanks to the Q1 results and expectations around the Strategy Plan presentation. Italgas' volume exchanges averaged to 2.6m daily, a decrease compared to last month (3.2m) which was positively impacted by the Strategy Plan presentation.



Source: Italgas elaboration from Bloomberg data



Agenda

Corporate events

27 July

Board's Q2 results and H1 2017 financial report

28 July

Press release & conference call



Corporate News

There are no Corporate News this month



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