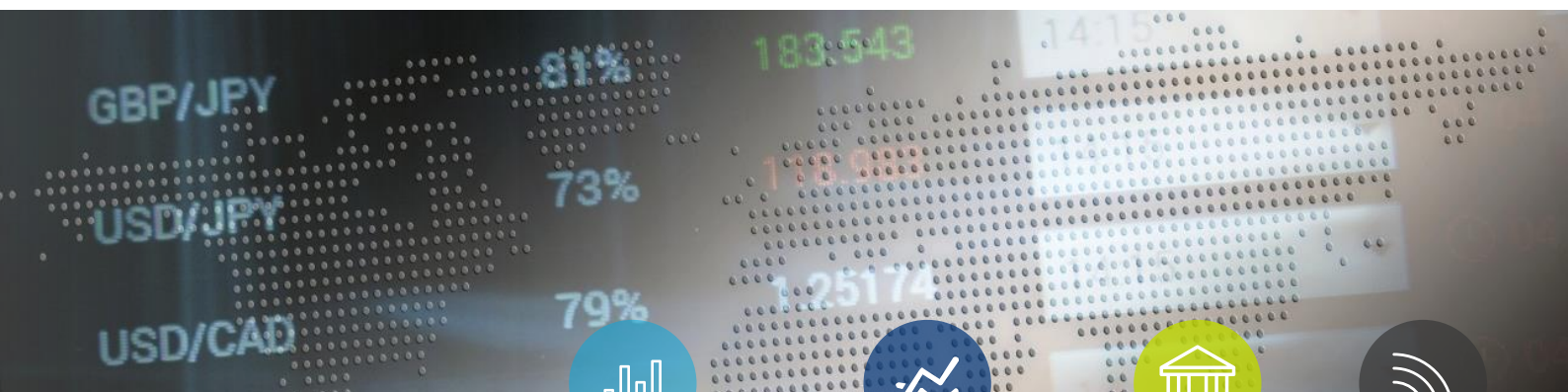


Financial Markets Overview



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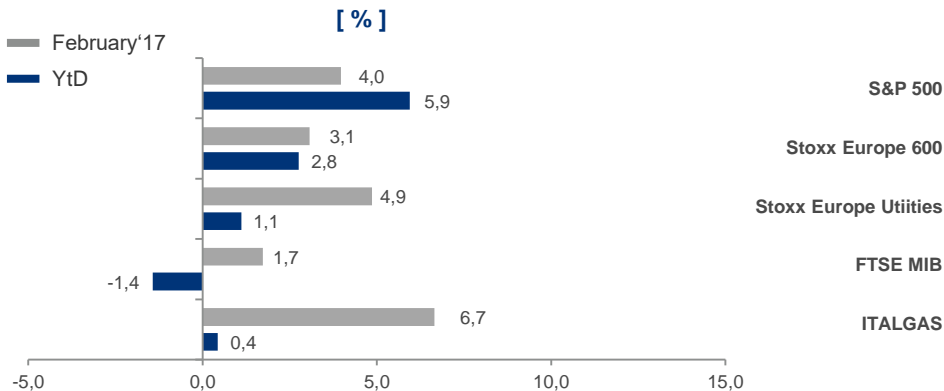
Significant rise for European stocks with Wall Street reaching historical highs

Financial markets

European stock markets rose significantly in February boosted by the growth of Wall Street, which, in the latter part of the month, registered an unbroken series of 25-year highs, continuing to benefit from expectations for the new US administration's announced infrastructure projects and tax cuts. Markets were also boosted by the strengthening of the economic outlook, with the eurozone's PMI manufacturing index and German industrial orders reaching over 5-year and 2-year highs respectively. The Stoxx Europe 600 closed the month up over 3% and the S&P 500 by 4%. The FTSE Mib marked more moderate growth (+1.7%) as it continued to be affected by the climate of political uncertainty accentuated by the split inside the PD.

Sovereign yields of core eurozone countries fell significantly, mainly due to a contraction in inflation expectations. The yield on the 10-year Bund fell by 23 bps (0.21%, at early January levels).

Performance of main indices



Source: Italgas elaboration on Bloomberg data

The spread of the BTP-10 year Bund increased by five further basis points (188 bps) to reach a 3-year high due to political uncertainty. As a result of the different monetary policy stages pursued by the Fed and the ECB, with the possibility of another rate increase at the next Fed meeting on March 15th, the decline in sovereign yields only marginally affected the US, with 10-year T-bond yields falling by 6 bps to 2.39%, close to a 3-year high.

These different sovereign yield trends were reflected in the exchange rate. The EURO/USD exchange rate neared a 14-year low (1.058) after depreciating by more than 2% following the January break.

Oil Market

Despite the significant increase in US supplies, which reached new historical highs in late February (520 mboe, an increase of 25 mboe compared to January), US output growth, which rose above 9 mbd to April 2016 highs, and the depreciation of the EURO/USD

exchange rate, dated Brent increased in value by almost 2% to an 18-month high, supported by almost full compliance with the production cuts by OPEC/non-OPEC countries and by the possibility of extending these cuts in the 2nd half of 2017.



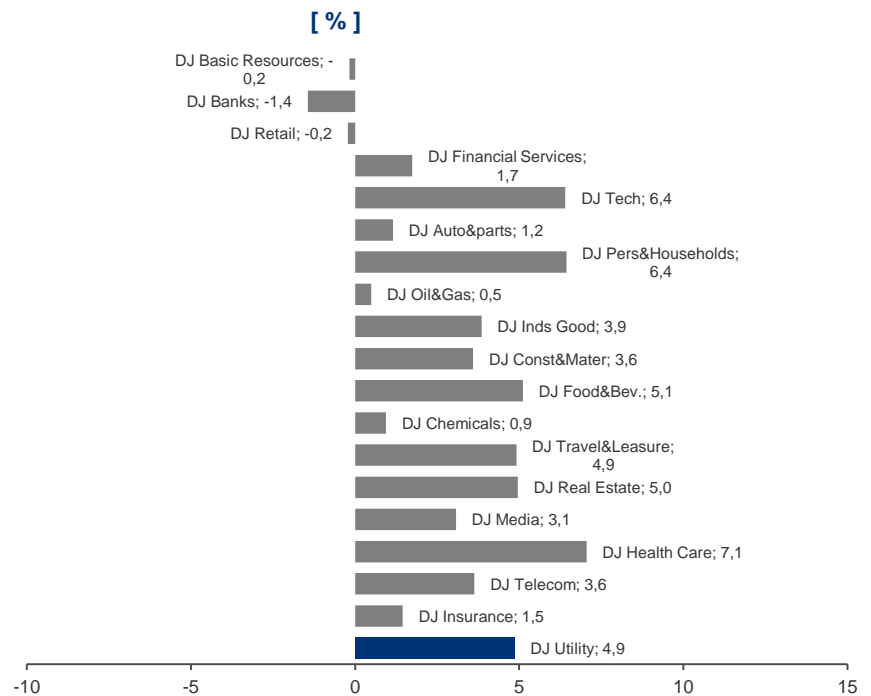
Sector performance



Sectoral rotation: rise led by defensives

Contrary to expectations, February's market recovery was not driven by cyclicals but by defensives. The tech sector is the only exception to this trend (+6.4% monthly increase), as it benefited from growth expectations (for example new applications for semiconductors in the automotive sector) and improved margins. The best performers were the healthcare and personal goods sectors (+7.1% and +6.4% respectively), along with the tech sector. By contrast, the worst performers were the banking and basic resources sectors, which had outperformed in January when were boosted by the price increase of precious metals and gold.

Performance of the main sectors, February 2017



Source: Italgas elaboration on Bloomberg data



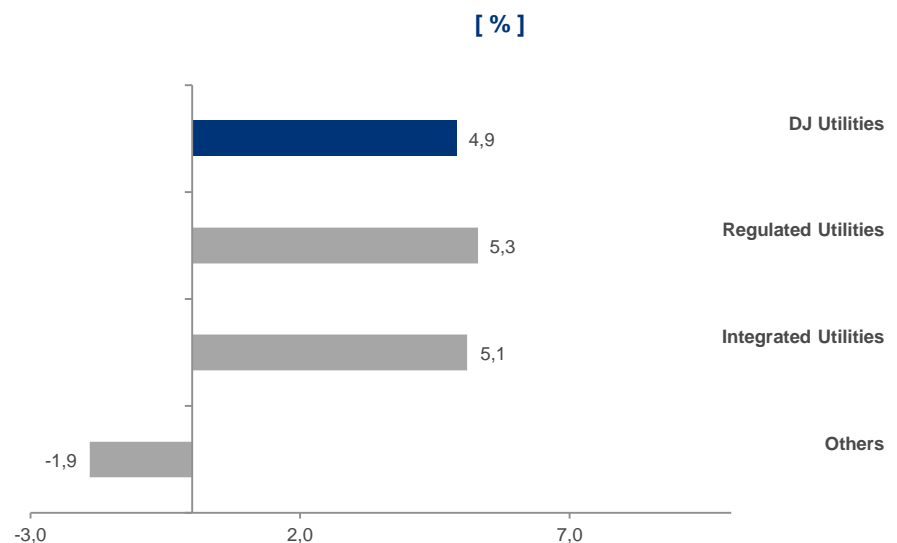
Utilities sector on the rise with fall in sovereign yields



Utilities sector performance

With a 4.9% increase, the utilities sector outperformed the StoxxEurope 600 (+3.1%), boosted in equal measure by regulated and integrated securities. The sector largely benefited from the fall in sovereign yields in the eurozone and UK. With rises of approximately 7-8%, Italian regulated companies (Snam, Terna, Italgas) recorded the best performance among regulated utilities, recovering from the sharp fall in January. Meanwhile, Iberdrola (+7.5%) drove the rises among the integrated utilities, boosted by excellent annual results and the upward revision of guidance. The performance of the "others" sector was negative once again, due to the downward revision of 2017 guidance by Veolia.

February 2017 - Sector and subsector performance



Source: Italgas elaboration on Bloomberg data



Italgas stock and peers



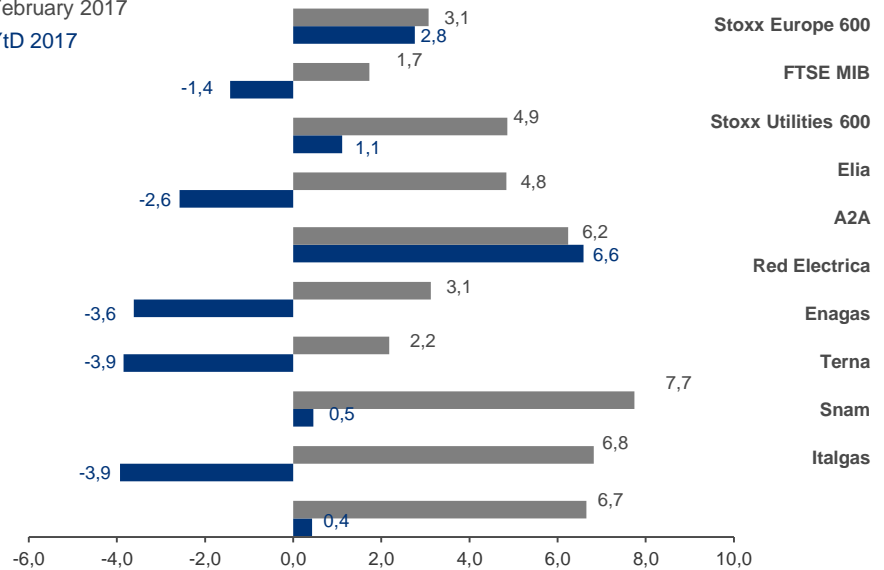
Sharp rise in February, still at the top vs peers

With an increase of almost 7%, Italgas was boosted by a fall in eurozone sovereign yields and in inflation expectations, thus more than offsetting the January decline, which had been driven by opposing bond yield trends. The situation was similar for other Italian regulated securities (Snam and Terna), which registered a better performance than peers after previously ranking among the worst performers in January. Average daily trading of the Italgas stock totalled 2.2m units, a decrease vs January (2.9m units).

Italgas and peers

[%]

— February 2017
— YtD 2017



Source: Italgas elaboration on Bloomberg data



Agenda

Corporate events

23 March

Consolidated financial statement 2016 and draft financial statements 2016
Dividend proposal 2016

24 March

Press release and Conference call



Corporate News

No corporate news this month



Italgas SpA

Via Carlo Bo 11 - 20143 Milano (M) Italia
www.italgas.it investor.relations@italgas.it
tel: +39 02 81872012 - fax: +39 02 81872 291