

Financial Markets Review



Financial markets
Page 1



Sector trends
Page 2



Italgas shares
and its peers
Page 3



Corporate News
Page 3



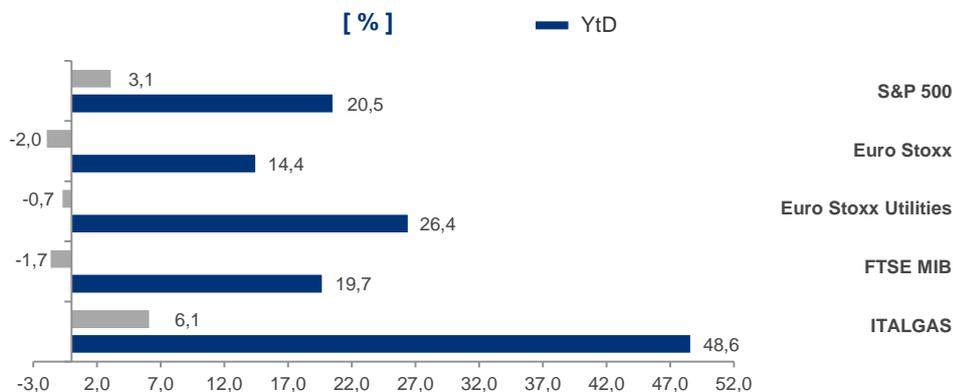
Eurozone stocks decline due to profit taking and strengthening of EUR / USD. New records for Wall Street boosted by macro data and currency trends. Peripheral bond spreads still falling

Financial markets

Slight decline in November for Eurozone stocks, following the performance at the end of the previous month with the general index reaching record 10 year highs and with the FTSE MIB at the highest levels since August 2015. These dynamics are due to psychological trading, the strengthening of the EUR / USD, and lower-than-expected macro data, particularly regarding retail sales and German Q3 GDP, as well as Italian consumer confidence. There were no particular sector-wide dynamics, with performances largely impacted by individual company factors.

Euro Stoxx (-2.0%) and FTSE MIB (-1.7%) were down, whereas the S&P 500 (+3%) continued to reach historic highs, thanks to robust macro data, in particular Q3 GDP growth (at the highest for 3 years), industrial production and consumer confidence indices, as well as to comments made by the newly appointed FED president on the progress of the US economy and to Yellen's calls for economic policies. The weakening of the dollar also had an impact. Stable core eurozone sovereign yields, with the new rise in oil prices offset by the appreciation of the EUR / USD

Performance of the main Stock Indices



Source: Italgas analysis of Bloomberg data

and lower-than-expected German / Eurozone inflation. The slight increase registered by 10y US Treasury bonds, thanks to the ongoing equity rally and robust macro data, was largely offset by the appointment of Powell as the next Fed Chairman, sustaining the accommodative monetary policy. The BTP-Bund spread was -8 bps again due to the upgrade of S&P's Italy rating and a fall in political tensions in Spain.

EUR / USD was at its highest level in 2 months (+2.2%) thanks to the FED minutes (renewed focus on low inflation), the steps made by the Social Democratic party towards a coalition, and the appointment of Powell as the new President of the FED. EUR / GBP was +0.4% due to the outcome of the BoE meeting, which has raised rates indicating that further increases are not imminent.

The oil market

Oil prices continued to rise (with Brent + 3%), reaching the highest levels since June 2015, largely thanks to the extension of production cuts by the OPEC and non-OPEC blocks until December 2018, but also thanks to Nigeria

and Libya's output, until now kept exempt, and to tensions in the Middle East due to potential political instability in Saudi Arabia after arrests in the ruling class and fears of conflict with Iran. The decline of US crude stocks to two-

year lows has not had any particular impact as it was offset by the new increase in US output, which has reached historic highs.



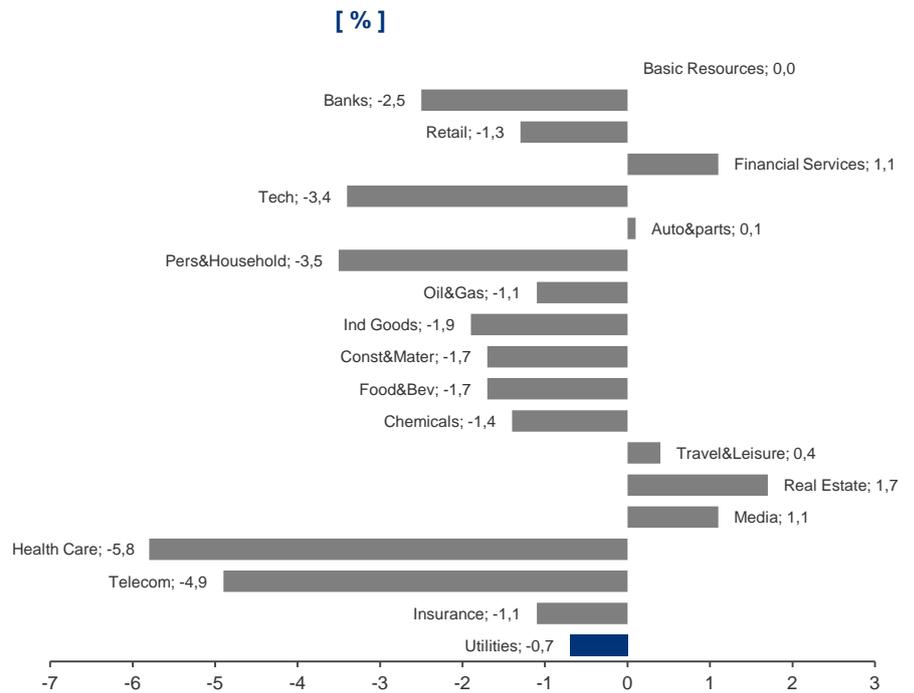
Sector trends

There were no sector-specific dynamics, with performance driven by company-specific factors. Of note, the pharmaceutical sector was penalized by the EU Commission's investigation into the acquisition of American Monsanto by German Bayer, while the telecom sector continued to be impacted by expectations for a tightening of the competitive environment, as well as uncertainty over the spin-off of Telecom Italia's fixed network and the scrapped merger between US Sprint and T-Mobile operators. The real estate and media sectors contrasted with the best performers due to quarterly results, as well as expectations for a dispute between Vivendi and Mediaset over the shares held by the French group in Italy.



Sector performance driven by company-specific factors with no obvious sector-wide dynamics

Main Sector Trends, November 2017



Source: Italgas analysis of Bloomberg data



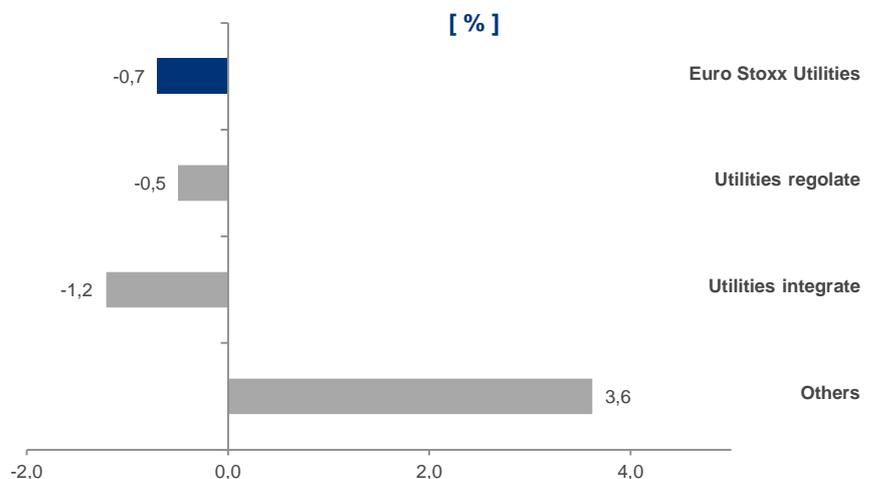
Utilities decline with German operators fearing a hasty exit from coal



Utilities Sector Trends

The Utilities sector registered a slight decline in November (-0.7%); the trend was mainly driven by the decline of German integrated operators (RWE -10%, E.ON -4%) as a consequence of renewed fears of an accelerated exit from coal-fired electricity generation. Among the other operators, Iberdrola registered a decline of -4%, due to lower-than-expected quarterly results because of the reduced hydroelectric contribution. Despite the decline of peripheral spreads, regulated securities also registered declines, reflecting Snam's fall most likely brought about by the announcement of the completion of the buy-back for the rest of the year. Regarding the "other" sector, Veolia's rise was driven by the quarterly results.

November 2017 - Sector and Sub-Sector Trends



Source: Italgas analysis of Bloomberg data



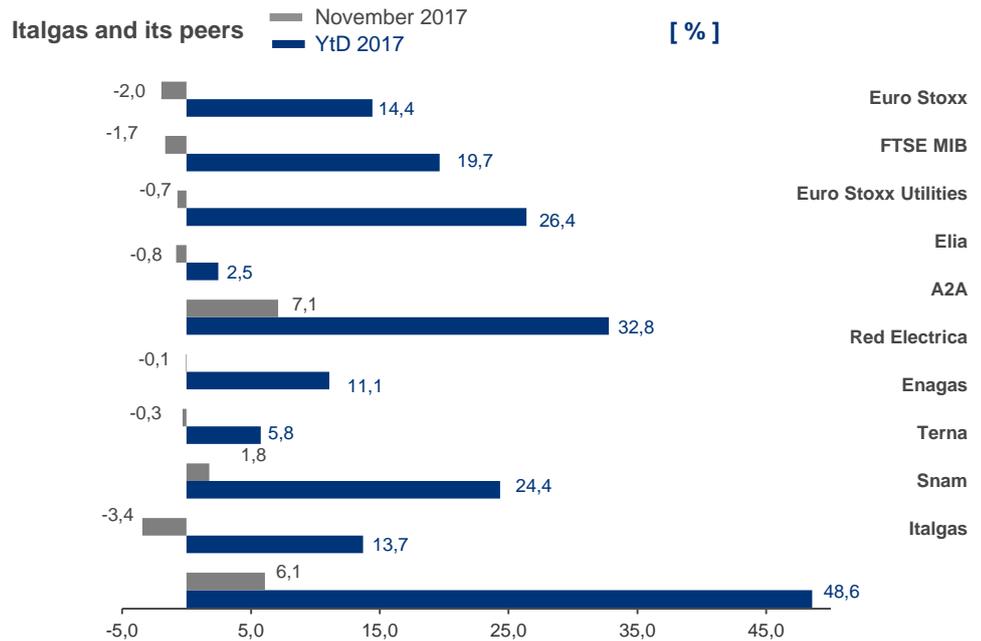
Italgas shares and its peers on the Stock Market

Italgas continued to rise in November (+6.1%), the highest level since listing. The trend reflected the ongoing M&A activity, with the announcement of the acquisition of concessions from Amalfitana Gas and CPL Concordia, as well as of Ichnusa Gas, highlighting the company's determination to pursue growth targets despite the delays of the tenders. The trend was also impacted by the contraction of peripheral spreads.

The best performer was A2A (+7% approx.), thanks to better-than-expected quarterly results and an upgrade of 2017 guidance. By contrast, Snam registered a decline of about -3%, most likely caused by the announcement regarding completion of the buy-back program for the rest of the year.



Italgas reached highest levels since listing with continued M&A activity



Source: Italgas analysis of Bloomberg data



Agenda

Corporate events

2018 Financial Calendar pending finalisation



Corporate News

Acquisition of Amalfitana Gas concessions

On 2 November, Italgas and Amalfitana Gas signed an agreement for the acquisition of a company branch regarding natural gas distribution activities in three ATEMs in Campania and Basilicata. The branch assets involved in the transaction include 12 concessions with a total of over 22,000 redelivery points. The valuation of the branch assets was set at 18.5 million euros. Paolo Gallo, CEO of Italgas, commented: "The acquisition of these new assets strengthens our already important presence in Southern Italy, and establishes the conditions for creating value for our shareholders and for the entire Italian distribution system gas."

Acquisition of Ichnusa Gas

On 8 November, Italgas signed an agreement with CPL Concordia and Impresa Costruzioni Ing. Raffaello Pellegrini for the acquisition of Ichnusa Gas, a holding company controlling 12 firms with 12 concessions for implementing and operating gas distribution networks in 81 Sardinian municipalities. The overall value of Ichnusa Gas was set at €26.2 million. At the date of the acquisition, 2 of the 12 concessions are in temporary operation with the first customers served with LPG. The remaining 10 refer to networks under construction and to be built, for an overall investment of over €170m which will be partially financed with regional public subsidies. These infrastructures will be progressively completed in the course of approximately three years reaching, when fully operational, an extension of about 1,300 kilometres of networks for a potential pool of over 150,000 users.

Acquisition of CPL Concordia concessions

On November 30, Italgas signed an agreement with CPL Concordia for the acquisition of a portfolio of 7 gas concessions in Southern Italy. The total value of the assets was set at €13 million. Among the 7 concessions acquired, some are under construction and others are to be developed. The total investment for the construction of the networks amounts to € 95 million, partly financed by public contributions. Works already carried out amounted to approximately € 28 million (gross of subsidies). Once completed, the infrastructure will have a total length of more than 400 kilometres and will serve a potential pool of approximately 32,000 new customers.



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