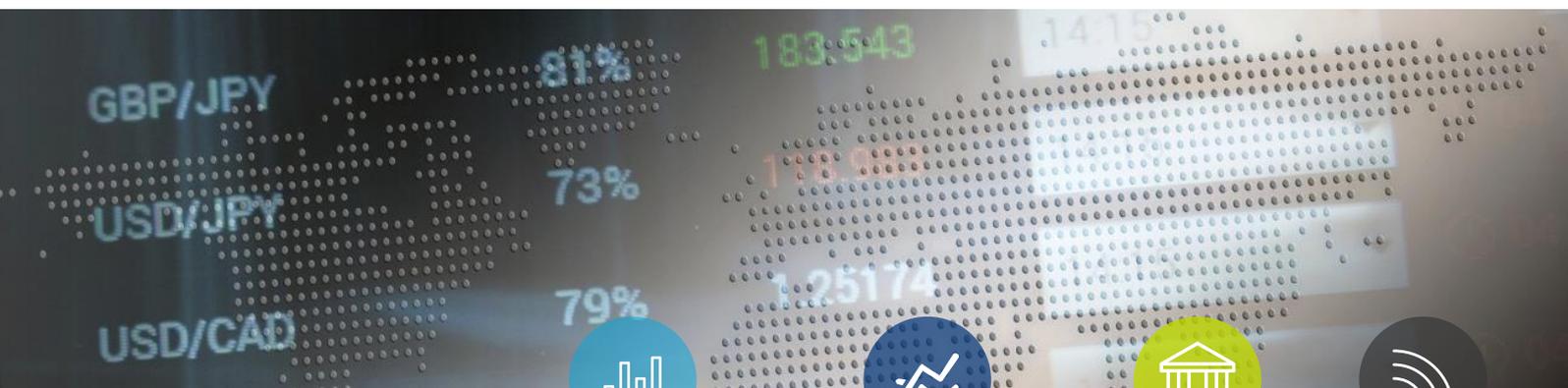


Financial Markets Review



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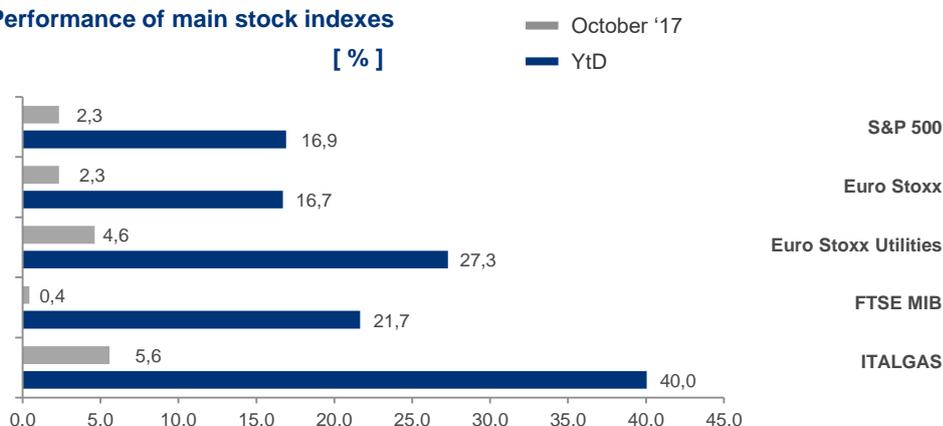


Recovery of European stocks continues with QE extension. Subsequent weakening of the euro and robust macro data. Eurozone sovereign yields and peripheral spreads down.

Financial Markets

The Eurozone's stocks continue their recovery in October, although with significantly varying trends between core and peripheral areas. Whereas the listings of core areas, which had greater exposure to manufacturing exports, benefited from robust macro data (SME manufacturers and German IFO) and from the weakening of the EUR/USD exchange rate, which was an effect of the ECB's decision to extend QE measures, peripheral listings were impacted to a greater extent by the political tensions following the separatist referendum in Catalonia and the implementation of stricter rules on provisions for outstanding bank credits that will arise in 2018. The Euro Stoxx appreciated by 2.3%, its maximum level in the past 10 years, with the DAX index up by 3.1% against the FTSE Mib 0.4%, at its highest level since August 2015. The S&P 500 (+2.3%) continued to beat its record highs. It was supported by robust macro data in this case as well, particularly by the ISM manufacturing index (at its highest since 2004), the SME manufacturing index, Q3 GDP data and undergoing unemployment requests (at their lowest level since 1973),

Performance of main stock indexes
[%]



Source: Italgas elaboration from Bloomberg data

as well as by better-than-expected trimestral GDP data and greater visibility on the US tax reform. Sovereign yields of core Eurozone countries contracted sharply despite increased risk propensity (10y Bund -10 bps), mainly because of the ECB's decision to extend QE at least until the first 9 months of 2018 at the pace of €30bn/month. The BTP-Bund spread also contracted sharply (-24bps net of variation on the benchmark BTP's maturity),

on the basis of S&P's upgrade of Italy's sovereign rating, of the approval of the new electoral law and of the QE's extension. The yield of 10-year Treasury bonds recovered by 5bps thanks to the greater visibility of the fiscal reform, of the above-mentioned US macro data. It also recovered thanks to the expectations around the nomination of the next Chair of the Fed of candidates considered more hawkish on monetary policy. Exchange rate trends (EUR/USD -1.4%, EUR/GBP -0.6%) reflected the QE's extension and sovereign yield trends.

Oil Market

New strong recovery of oil listings (dated Brent +8%, above 60 USD/b again), at its highest level since July 2015, mainly because of clashes between the Iraqi army and Kurdish forces after the separatist referendum organised by the latter. The clashes stopped

crude production in certain fields in Kirkuk, with a subsequent reduction in export flows via Turkey. Saudi Arabia's decision to reduce November output, stronger expectations for an extension to production cuts beyond March 2018 by OPEC and non-OPEC

countries and the overall decrease in US crude inventories (-10 mboe in October), bringing it to a 2-year low.



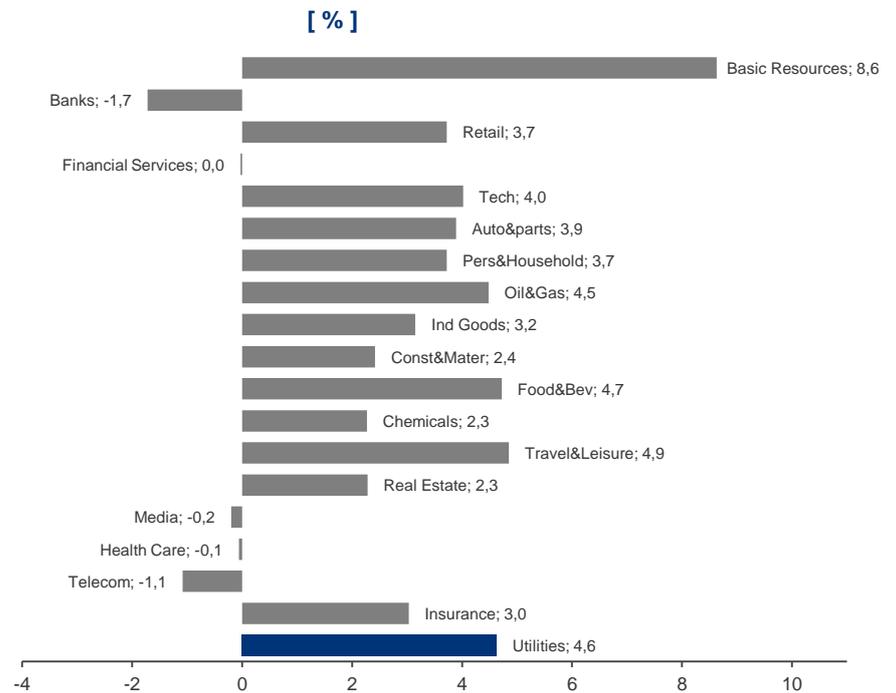
Sector trends

The main commodities' recovery and adjustment of the EUR/USD exchange rate have mainly boosted the minerals and oil & gas sector. The utilities sector is among the best performers, thanks to yield contraction and to the recovery of electricity prices in central Europe, as well as the food and tourism sectors that benefit respectively from the positive tone of trimestral results and from the end of Ryanair's dispute with flight staff. The banking sector finds itself on the other side because of the above mentioned implementation of stricter rules on provisions for outstanding bank credits and the fall in bond yields, as well as the telecom sector, which felt the impact of margin erosion because of greater competition and, in the case of Telecom Italia, because of managerial discontinuity.



Minerals and oil & gas best performers with recovery of commodity listings and weakening of the euro. Banking sector worst performer because of regulation and decrease in rates

Main sector trends, October 2017



Source: Italgas elaboration from Bloomberg data



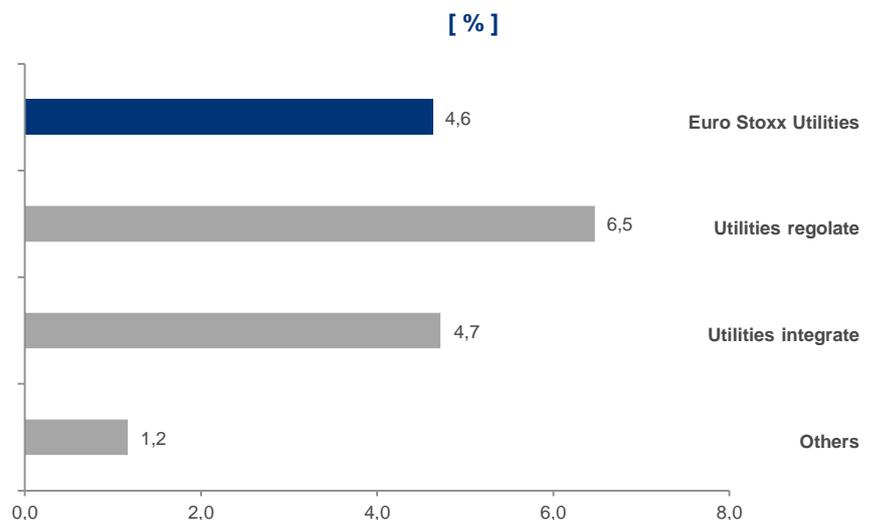
Strong recovery for utilities with electricity prices and sovereign yield trends



Utilities sector trends

The Utilities sector is once more amongst the best performers in October (+4.6%), benefitting from a decrease in sovereign yields and a rise in electricity prices in central Europe caused by fears over further interruptions in France's nuclear production due to security issues. Amongst the integrated stocks, RWE registered a rise (+12%) thanks to an increase in generation activities. Overall the regulated utilities outperformed the sector, benefitting from the decrease in sovereign yields and partially recovering from the underperformance registered since the beginning of the year. The "others" sub-sector reflects Suez's decline in light of quarterly results below expectations.

October 2017 - Sector and sub-sector trends



Source: Italgas elaboration from Bloomberg data



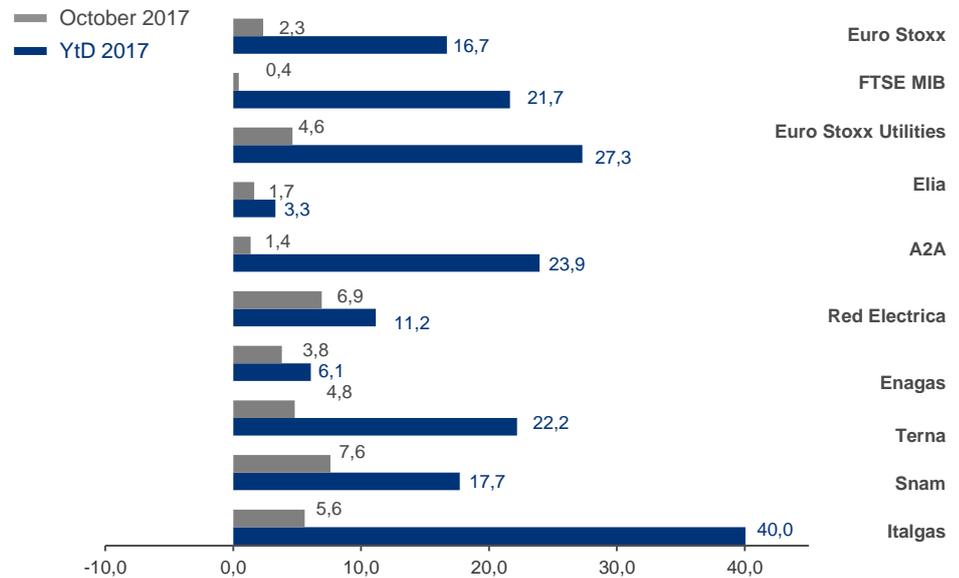
Italgas stock and peers

Italgas shares went up in October (+5.6%), reached the maximum levels since the IPO. After an initial phase of volatility caused by uncertainty surrounding the Gas Natural tender, the stock rose above the 5 euros threshold supported by the M&A activity with the acquisition of Enerco and by the strong Q3 results. In addition, a number of brokers increased Italgas' P&L estimates and target price. Due to the above-mentioned decrease in sovereign yields, the stocks which are entirely regulated are more likely to outperform those also exposed to merchant activity. Average daily trading increased noticeably at 2.6 million vs. 1.5 million the previous months, mainly thanks to the shares trading above 5 euros.



Italgas reaches new highs since relisting; outperformance of fully regulated operators

Italgas and peers



Source: Italgas elaboration from Bloomberg data



Agenda

Corporate events

2018 financial calendar pending definition



Corporate News

Moody's confirms Italgas rating

On October 12, Moody's confirmed Long-Term Issuer Rating at 'Baa1' with Negative Outlook. The rating confirmation reflects the Group's strong focus on domestic low-risk gas distribution activities under a well-established and supportive regulatory framework. Moody's highlights Italgas's strong cash flow generation and the good degree of operating efficiencies that would allow the Company to have a competitive advantage in the upcoming gas concession tenders.

Enerco acquisition

On October 19, Italgas has announced a binding agreement with H2C SpA to acquire 100% of Enerco Distribuzione S.p.A, which is headquartered in Padua and active in the natural gas distribution sector in the Padua and Vicenza provinces. Enerco Distribuzione has 27 concessions in the areas of Padua 3 "Bassa Padovana" and Vicenza 1 "Città di Vicenza Sud Est", operates a network of over 800 kilometers of pipelines, and supplies approximately 30 thousand customers, with over 60 million cubic meters of gas on average distributed each year. The value of Enerco Distribuzione's assets (enterprise value) was set at €51 million. At the closing of the transaction, the sum will be paid entirely in cash, net of debt.

9M 2017 Results

Italgas's Board of Directors met on October 23 to approve the consolidated results for the first nine months and third quarter of 2017, with total revenue of €835.0 million (+7.2% y/y), net profit of €213 million (+27.8% y/y) and net financial debt of €3,728 (+€111 million vs FY 2016). Paolo Gallo, CEO of Italgas, commented: "The results confirm the positive growth trend registered since the beginning of the year thanks to the positive effect of the rationalisation process, the corporate restructuring, the control of operating costs and financial optimisation."

EMTN Programme renewal

On October 23, Italgas' Board of Directors approved the renewal of the EMTN Programme launched in 2016 and raised the Programme maximum amount up to 3,500 million euro. The Board of Directors has also approved the issue, by 31 October 2018, of one or more bonds to be placed with institutional investors. The total amount of the bonds issued may not in any case exceed the abovementioned maximum amount. The newly bonds issued may be listed on one or more regulated markets.



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