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## Growth and efficiency as the focus of the new Strategic Plan

The new 2017-2023 Strategic Plan confirms the equity story outlined upon the listing of the Company's shares, reinforcing the visibility and the depth of the objectives that we intend to reach. In developing the new plan, we have indicated several clear priorities: we aim to log a convincing organic growth, to achieve new efficiency gains in operating activities, and to ensure continuity to financial efficiency; at the same time, we intend to play a decisive role in the consolidation of the gas distribution sector, mainly through participation in tender offers in the so-called "Ambiti Territoriali Minimi" (ATEM).

**THE PLAN ENVISAGES €5 BILLION INVESTMENTS FOR THE DEVELOPMENT, MAINTENANCE AND DIGITALIZATION OF INVESTMENTS, AS WELL AS THE COMPLETE REPLACEMENT OF TRADITIONAL METERS WITH SMART ONES. IN ADDITION, WE WILL DEPLOY CAPITAL TO INCREASE THE MARKET SHARE FROM 30% TO 40%, AND TO BRING THE REGULATORY ASSET BASE (RAB) FROM €5.7 BILLION TO MORE THAN €7 BILLION.**

The increase in the market share will be pursued through the tenders: therefore, we intend to invest in non-organic growth approximately €2 billion of the overall €5 billion included in the Plan. We have set a challenging target for operating efficiency, aiming to reduce costs by more than €50 million by 2018. Italgas already has a solid financial structure: by sticking to a balanced debt profile during the Plan's period, we will be able to capture additional opportunities for creating value, while preserving financial metrics consistent with the current credit rating. With this approach, cash generation will succeed in covering the investment plan dedicated to fuelling organic growth and to supporting a highly attractive dividend policy focused on increasing returns.

**Paolo Gallo**  
Chief Executive Officer of Italgas

Growth  
strategyFocus on 2017-2023  
Plan objectivesITALGAS HAS TWO OPTIONS FOR GROWTH: INVESTING IN EXISTING ASSETS  
AND ACQUIRING NEW ASSETS THROUGH TERRITORIAL TENDERS

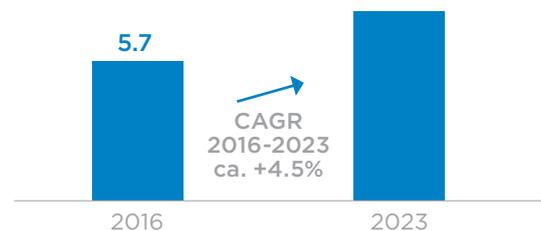
Italgas' growth strategy is based on a €5 billion investment plan to be carried out during the 2017-2023 period. The Company will dedicate a total of €3 billion to organic growth, of which €500 million in 2017. The most significant effort will be concentrated on the network, with total expenditure of €1.9 billion. The latter figure includes €600 million earmarked for a roughly 300-kilometre extension of pipelines and the completion of the network integration programme in southern Italy, with the installation of roughly 50 kilometres of new gas pipelines that will be operational by 2018. Italgas will invest €1.3 billion in network maintenance to substitute cast iron sections and to intensify the renewal of the networks already completely depreciated. With investment of €0.8 billion, the smart-metering project will make it possible for Italgas to exceed the targets set by the Regulatory Authority for the mass market segment for 2018, with the replacement of 52% of the G4 and G5 meters, and the total replacement with regard to this segment by 2020.

Another €0.3 billion of investments will be focused on network digitalization and initiatives for the distribution activity, especially to support the execution of a cloud strategy.

The RAB is expected to grow at an average annual rate of 1.4% due to the €3 billion of investments dedicated to organic growth. When considering the planned total investment of €5 billion, which also includes external growth through tenders and acquisitions, the RAB should rise at an annual average of 4.5% overall.

By 2023, Italgas will have the largest, most integrated, and most digitalized network in Italy

## CONSOLIDATED RAB (€ BN)



*Continuity of regulatory treatment assumed for grants cumulated at 2016 year end*

## GROWTH STRATEGY WITH RESPECT TO THE ATEM TENDER PROCESS

Italgas will dedicate another €2 billion to participating in ATEM tenders, with the objective of increasing the total number of active redelivery points to more than 8 million in 2023, compared with 6.5 million at the end of 2016. The €2 billion includes €1.4 billion in net investments that will be targeted at acquiring networks in the gas areas in which Italgas will win tenders, while the remaining €0.6 billion will be dedicated to development and maintenance of the new assets entering the Company's portfolio through tenders.

Italgas is also considering certain opportunistic acquisitions, partly due to the delayed initiation of the ATEM tender process. Such acquisitions would be aimed at the possibility of:

- Adding roughly 200,000 redelivery points to the Company's current infrastructure by 2018/2019, with careful selection of the target;
- Purchasing distribution networks in Italy controlled by large international companies, such as Gas Natural; for the sale of its network Italgas expressed interest;
- Acquiring equity interests that would allow for achieving control of affiliate companies.

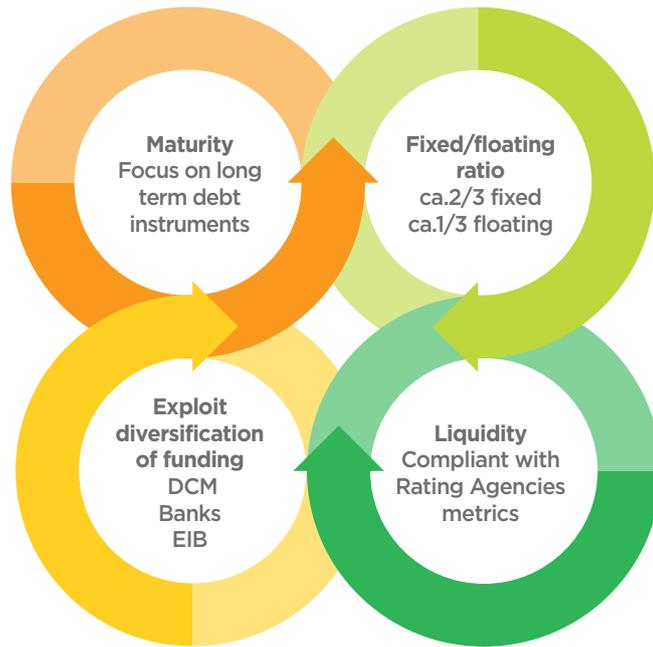
## Greater operating efficiency

The operating efficiency plan that Italgas launched at the start of 2017 is aimed at cutting 15% of operating costs by 2018, with respect to the level for the year of 2016, on a like-for-like basis

After 2018, Italgas plans to preserve a competitive cost structure in order to outperform vis-à-vis the targets set by the Regulatory Authority.

The actions to improve efficiency will unfold at various levels:

- new design of the organizational/business structure;
- revision of strategies for services procurement and adoption of new technologies for energy efficiency;
- complete replacement of the Company's vehicle fleet with gas-powered vehicles, during the 2017-2019 three-year period;
- continuous improvement programme and innovation.



## Ongoing financial optimization

In the coming years, Italgas will continue to optimize the financial structure, with the aim of maintaining a low debt cost (at present, less than 1%) and retaining the flexibility needed to support growth

In recent months, Italgas has already made important steps in this direction, securing direct access to the capital markets. In early November, during the same week in which the Italgas shares began trading again on the Italian Stock Exchange, the Company was assigned credit ratings by Moody's and Fitch. This paved the way to the successful placement of bonds totalling €2.15 billion, during the first quarter of 2017. Italgas currently has appropriate diversification of its sources of financing. The ratio between net debt and RAB (including affiliate companies) was 61% at the end 2016 and it is expected to remain below 65% during the period covered by the Plan, with cash flow generation that is expected to preserve ratings metrics consistent with the current credit ratings.

## Dividend growth

Italgas confirms its commitment to provide its shareholders with an attractive, sustainable dividend policy, focused on increasing returns.

For the 2017-2019 period, the dividend per share is expected to increase at an annual average rate of 4% compared with the dividend of €0.20 for 2016.

### GUIDANCE FOR 2017

1.1bn €  
Revenues

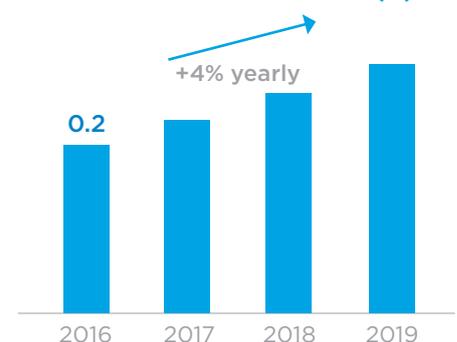
720-740mn €  
EBITDA

ca.5.8bn €  
Consolidated RAB  
(affiliates included)

ca.7%  
EBIT/RAB

ca.62%  
Debt/RAB

### DIVIDEND PER SHARE (€)



## Stock Exchange performance

Italgas is outperforming its benchmarks

## Gain in share price since the start of 2017 beyond 20%

Once the separation from Snam was completed, the Italgas shares began trading again on the Italian Stock Exchange on 7 November 2016, after an absence of 13 years. The Snam shareholders received one Italgas share for every five Snam shares held. The reference price at market close on 4 November 2016 was €3.998. Since the start of 2017, the Italgas shares have significantly outperformed the sector benchmark (Euro Stoxx 600 Utilities) and the FTSE MIB, the Italian market's blue-chip index (of which Italgas is a component).

Official listing: **Italian Stock Exchange - MTA**  
Segment: **Blue Chips**  
Type: **ordinary shares**  
Index membership: **FTSE MIB, FTSE Italy All-Share, Euro Stoxx, Euro Stoxx Utility**

Number of outstanding shares as at 31 March 2017: **809,135,502**  
ISIN Code: **IT0005211237**  
Reuters Code: **IG.MI**  
Bloomberg Code: **IG IM**  
Price as at 13 June 2017: **4.584 euro**

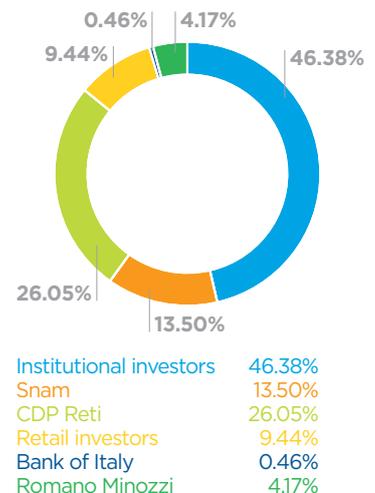
Mkt capitalization as at 13 June 2017: **3.71 billion euro**

Head of Investor Relations:  
**Marco Porro**  
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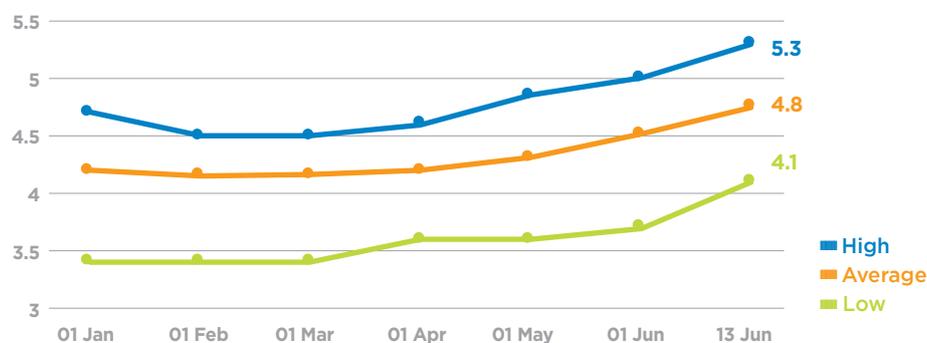
### ITALGAS VS. BENCHMARK INDICES FROM BEGINNING 2017 (BASIS 2 JAN. 2017=100)



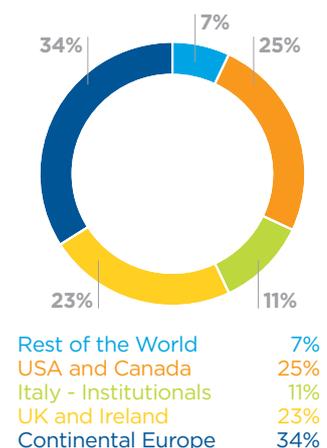
### SHAREHOLDERS' STRUCTURE



### EVOLUTION OF BROKERS TARGET PRICES - (€)



### GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL INVESTORS



The Italgas impressive stock-market performance is also attributable to the Company's solid fundamentals, as confirmed by the results released for the full year of 2016 and the first quarter of 2017. The presentation of the 7-year Strategic Plan has further improved earnings expectations and broker valuations, as confirmed by the recent development of the target price. Currently, 21 brokers cover Italgas. The shares also benefit from significant liquidity, due in part to the high free-float (55.8%). A total of 46.4% of the capital is controlled by institutional investors (89% of whom are foreign).

## Opportunities in the field of Energy Efficiency

### Italgas launches the ESCo Project

As part of the 2017-2023 Strategic Plan, the guidelines for OPERATING EFFICIENCIES provide for the implementation of various actions, including the entry into the Energy Efficiency (EE) sector through the creation of an Energy Service Company (ESCO). Italgas will therefore have a company dedicated to analysing, planning, and managing the process for optimizing energy efficiency. The Energy Efficiency Certificates (EECs), also known as white certificates, are issued by the Energy Markets Manager (GME) in favour of companies that operate in the energy services sector, including ESCOs, on the



basis of the savings achieved and reported to the GME by the Energy Services Manager (GSE). As a distributor of natural gas, Italgas can achieve objectives for increasing EE through i) the design and development of internal EE projects, with consequent issuance of EECs,

and ii) purchasing EECs from other parties. Italgas can also sell the certificates on the market at a profit, should it achieve savings exceeding the annual target. Finally, in owning an ESCo, Italgas will be able to sell certificates obtained from independent projects.

Italgas estimates a modest impact on incremental capital invested as a result of the establishment of the new ESCo. However, the advantages are numerous

The Company will have the opportunity of investing in a portfolio of EE projects, while it will also be able to exploit the benefits of captive projects. Italgas will also benefit from bilateral agreements for the purchase of EECs sold through

competitive bidding.

Finally, having a well-developed business in the field of Energy Efficiency represents a strength with respect to the forthcoming award procedures for gas concessions.

