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Significant speedup of all activities in 2017. The effort will continue in 2018.

Just over a year since Italgas shares have been relisted on the Stock Exchange, results achieved in 2017 prove that the Company has speeded up execution of all the activities set out in the 2017-2023 Strategic Plan. Organic investments, totaling 521,9 mln €, were 38% above those carried out in 2016, with approximately 250 mln € focused on the main asset: networks. Growth through M&A materialized in a number of deals signed from the end of 2017 and the early months of 2018, for a cumulated Enterprise Value of 135 mln €, with the aim of consolidating Italgas presence in strategic geographical areas and entering regions in which infrastructures for gas distribution are not yet available. The financial needs from M&A is consistent with the guidelines of the Strategic Plan, since it is part of 2 bln € planned for tenders and acquisitions. The M&A transactions have brought 70,000 new active customers and present potential growth of up to 150,000 new customers in the coming years. To complete networks and plants of the acquired companies, Italgas will have to invest additional 240 mln €, of which around one third will be funded by non-repayable public subsidies, already authorized.

Digitalization of both networks and corporate processes is at the heart of Italgas effort in the next years. Translated into practice, this involves completing the installation of smart meters - to date 35% done - and applying sensors throughout the whole network: an innovation process that will make Italgas a player with a unique profile on the European scene.

The newly-adopted Operations structure, based on more streamlined and efficient territorial units, coupled with the simplification of corporate structure that nears a conclusion, today place Italgas in a well-structured position to face both technology and market challenges.

The effort to speed up growth was not exhausted in 2017. In 2018, the focus on carrying out investments will continue; the capex amount is expected to be in line with past year assuming the same business perimeter. Rationalization of processes and operating costs as well as financial optimization will continue to take center stage.

Growth opportunities will be constantly monitored, both in the area of concession tenders and in terms of possible acquisition targets.

Lorenzo Bini Smaghi
Italgas Chairman

Paolo Gallo
Italgas CEO

The pathways
towards
ever higher
efficiency

New efficiencies achieved in 2017

STRONG COMMITMENT TO REDUCING COSTS ALLOWED ITALGAS TO REACH, A YEAR EARLIER, THE TARGET FOR OPERATIONAL EFFICIENCY SET OUT FOR 2018 IN THE 2017-2023 STRATEGIC PLAN

Opportunities
for higher
efficiency
materialized in
different areas

In line with detailed indications of the Plan presented last May, Italgas has executed a program for extracting new efficiencies across several areas. Benefits already achieved in 2017 are presented below:

- The improvement in **workforce organization** allowed for realignment with standard requirements.
- Within **operational activities**, the implemented initiative for renovating corporate vehicles will make Italgas the first Italian company with a fleet completely methane powered.
- As far as **asset management**, the Company optimized supply and installation costs of smart meters and put into play a new contractual strategy that minimizes expenses for network maintenance and expansion.
- In 2017, Italgas started taking advantage from the opportunities provided both by Information & Communications Technology (**ICT**) and by the technological innovation of infrastructure.
- Further benefits came from the reduction of telecommunication costs in the reading of **smart meters**.
- The **corporate reorganization** generated visible results. Over the past year, all group distribution activities have been integrated into Italgas Reti through the merger of NapoletanaGas, while the AcamGas incorporation is expected to take place in 2018.
- Lastly, in 2017 Italgas has launched a **Continuous Improvement Program**, which had a cross-cutting impact on all corporate areas.

ITALGAS: THE POINT ABOUT THE ACQUISITION PROCESS

THE COMPANIES ACQUIRED HAVE A CUMULATED ENTERPRISE VALUE OF CA. 135 MLN €

M&A activity represents a key **option – supplementing tenders** for gas concessions – **that in the last few months has provided a substantial contribution in fueling Italgas non-organic growth**. That allowed for a strengthening of Company's market share in Italy, within the framework of the sector consolidation process.

While sticking to a 'value accretive' discipline, purely focused on value-creating deals, in late 2017 Italgas signed six binding agreements. M&A targets are located throughout the country and cover well-spread geographical areas: Northeast Italy, Campania, Basilicata, and Calabria, in addition to the islands. Ichnusa and Medea, in particular, put Italgas in the position to play a major role in the Sardinia methanization project.

The acquisition of Enerco, which operates in the Padua and Vicenza provinces, has been completed in December, while Amalfitana Gas and Portopalo were completed at the end of January 2018, and Ichnusa Gas at the end of February 2018. Lastly, the closing of Medea and CPL Reti is expected to take place within the first half of 2018.

Strong KPIs increase

FY2017 RESULTS SHOW A DOUBLE-DIGIT GROWTH OF THE MAIN KEY PERFORMANCE INDICATORS

The 34.0% increase in net profit firstly reflects the positive contribution from adjusted EBITDA, which grows by 14.1%; such growth in turn mirrors the 4.3% increase in Revenues and the new operating efficiencies, achieved over the last 12 months.

In addition to improved operational performance, the net profit increase also benefits from the financial optimization, which has led to a 25.2% reduction of adjusted net financial expenses

Successful refinancing activities of 2017 have brought the average cost of debt below 1%: this allowed Italgas to more than offset the impact of the higher average indebtedness in the period - ca. 1.5 bn € - that resulted from the Snam demerger.

At the end of 2017, Italgas shows an efficient debt structure, with 71% of debt focused on fixed rate.

1,609
Gas concessions

7.5 mln
Active meters

66,000 km+
Length of gas distribution network

The robust cash generation funds the capital expenditure

DURING THE 2017 FISCAL YEAR, ITALGAS EXECUTED A SIGNIFICANT CAPEX PLAN, WHICH AMOUNTED TO 521.9 MLN €, A 38.1% GROWTH OVER FY2016

44% of capital expenditure (i.e. 229.5 mln €) was concentrated in the replacement of ca.1.66 million traditional meters with smart devices. At the end of 2017, the total number of smart meters installed is around 2.8 million: a figure that represents 35% of the overall amount planned for the whole replacement of the total number of meters: Italgas is therefore on track with its target to complete the replacement program in early 2020.

During FY2017, Italgas has also invested 253.2 mln € in the

expansion, replacement and maintenance of its distribution network.

The strong cash flow from operations (549.4 mln €) allowed for funding the significant capex plan and produced a Free Cash Flow before M&A of 109.2 mln €. After the M&A cash out of 50.3 mln € - essentially due to the Enerco deal - and the payment of FY2016 dividends for 161.8 mln €, at the end of 2017 Net Financial Debt stood at 3,720.30 mln € (+102.9 mln € compared to the level of 2016 year-end).

The new profile of the Group organization

The organization streamlining process continues according to schedule; already in 2017, it generated visible benefits through the reduction of structure costs. Starting from 1st October 2017, the merger through incorporation of Napoletanagas S.p.A. into Italgas Reti S.p.A. was effective. Moreover, from 6 December 2017, Enerco was included into the Group consolidation scope, following the completion of the acquisition.

FY2017 DATA (VS. FY2016)

1,124.2 mln € (+4.3%)
Revenues

422.9 mln € (+17.9%)
Adj. EBIT

521.9 mln € (+38.1%)
Capex

781.2 mln € (+14.1%)
Adj. EBITDA

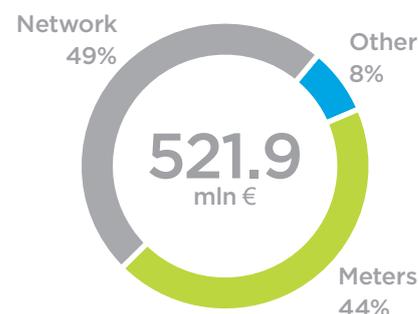
296.4 mln € (+34.0%)
Adj. net profit

3,720.3 mln €
Net financial debt

69.5%
EBITDA/Revenues

549.4 mln €
Cash flow from operations

2017 - BREAKDOWN OF INVESTMENTS



Stock Exchange performance

In 2017 Total Shareholder Return was 41%

In 2017 Italgas has strongly outperformed its benchmarks. In early 2018, in a higher-interest rates scenario, some investors took profit, while recent newsflow about 2017 results triggered a price rebound

In 2017 Italgas provided its shareholders with an absolutely attractive 41.0% TSR (36.9% 2017 capital gain summed up to 4.1% dividend yield). The stock has moreover outperformed the benchmark indices, despite FTSE MIB increased by 16.9% and Stoxx Euro Utilities rose by 21.1%. In the first part of 2018, Italgas performance has been affected by higher bond yields of the Eurozone core countries, which have penalized the utility stocks across the board. The release of Italgas FY2017 results generated a prompt reaction, refocusing attention on the good fundamentals of the Company.

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**

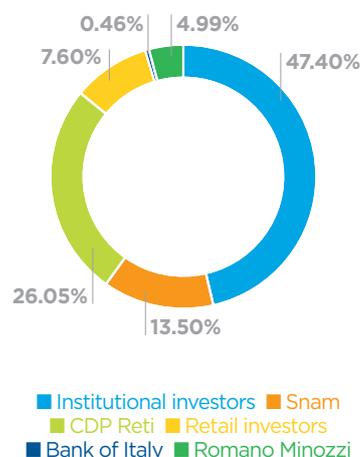
Number of outstanding shares: **809,135,502**
 ISIN Code: **IT0005211237**
 Reuters Code: **IG.MI**
 Bloomberg Code: **IG IM**
 Price as at 16 Mar. 2018: **4.70 euro**

Mkt capitalization as at 16 Mar. 2018: **3.80 billion euro**
 Head of Investor Relations: **Marco Porro**
investor.relations@italgas.it

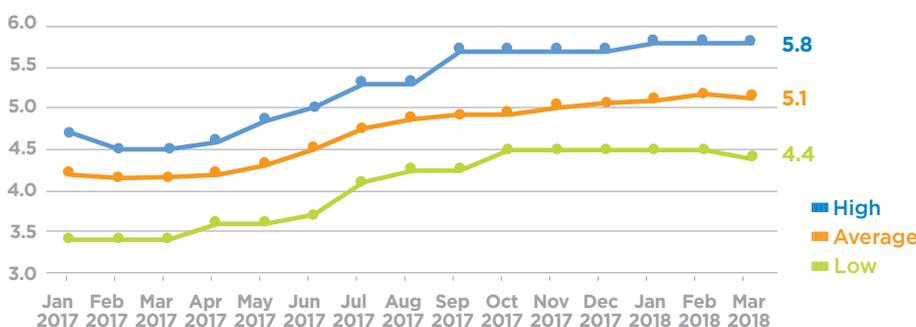
ITALGAS VS. BENCHMARK INDICES FROM BEGINNING 2017 (BASE 2 JAN. 2017=100)



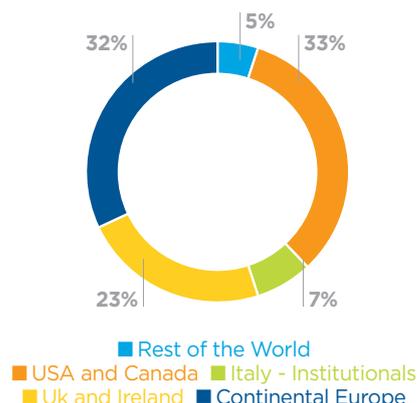
SHAREHOLDERS' STRUCTURE



EVOLUTION OF BROKERS TARGET PRICES (€)



GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL INVESTORS



Presently 22 brokers cover Italgas, the majority of which (12 out of 22) have buying recommendations (Buy/Outperform). At the moment, the consensus target price stands at 5.1 €, in line with the December 2017 figure. While in November and December last year the stock traded at price levels above consensus, in 2018 Italgas stock prices have always been below the average target price of brokers, indicating potential room for price increase.

Pillars of Sustainability Plan approved by BoD

AT ITALGAS, SUSTAINABILITY PLAYS A KEY ROLE: IT CONTRIBUTES TO DEFINITION OF BOTH STRATEGIC OBJECTIVES AND ACTIONS TO ACHIEVE THEM

Italgas combines the expectations of shareholders with those of all stakeholders, with a view to pursuing sustainable growth in the long period. The Company therefore aims at generating value from the economic, environmental and social viewpoint at the same time. The Italgas shares were included in the series of **FTSE4Good** indices. The Company met the strict criteria of the FTSE independent methodology in the Environmental, Social and Governance (ESG) areas. Moreover, Italgas was identified by the CDP (Carbon Disclosure Project) as one of the companies recognized as leaders at international level for the strategies and actions put into play to address climate change, obtaining its inclusion in the “**Climate change A-List**”.

On 14 December 2017 **the Board of Directors of Italgas approved the Sustainability Plan**. The Plan, presented by the Sustainability Committee, is the result of a structured process, which at an early stage involved the senior management of the Company in the definition of priorities

and has then taken the form of five worktables dedicated to the following main issues: **Governance, Human Resources, Innovation, Community, Environment & Supply Chain**. The worktables identified the specific objectives to be achieved and the relevant supporting actions.

The Sustainability Plan integrates the Environment, Social and Governance (ESG) issues into the Business Plan. It sets out the strategic directions and the appropriate initiatives for achieving the identified targets.

THE FIVE OBJECTIVES OF THE SUSTAINABILITY PLAN AND THE PATH TO THEIR ACHIEVEMENT

1

STRENGTHEN AND ADD VALUE TO THE SUSTAINABILITY POSITION OF THE COMPANY

Consolidating the processes needed for integration of sustainability into business and working on the improvement of the sustainability culture inside the Company along the entire value chain

2

PUT ITALGAS PEOPLE AT CENTER

Increasing the welfare of Company's employees and improving accident indices

3

BE RECOGNIZED BY THE COMMUNITIES

Strengthening the relations in the presence areas and investing in the communities in a way that is consistent and integrated with the business

4

CREATE VALUE FOR CUSTOMERS AND GAS MARKET

Harmonizing the processes with the commercial companies and resuming the relationship with the final customer

5

CONTRIBUTING TO THE EFFICIENCY AND SECURITY OF THE ENERGY SYSTEM

Through the improvement of energy efficiency and the reduction of the carbon footprint, developing the gas advocacy and enabling the processes of circular economy

The Sustainability Plan of Italgas is already in full execution: it consists of **45 specific actions**, set out for the **2018-2019** two-year period. Once a year the Plan will be reviewed, to incorporate the results already achieved and any change in the scenario.