



2018 FY Consolidated Results

22nd February 2019, Milan



— The leading Italian natural gas distributor



	Base Line	Of which affiliates
Network length	69,782 km	8,421 km
Municipalities	1,808	108
Redelivery Points	7.56 mn	0.85 mn
Market Share ¹	34.7%	3.9%
Gas distributed ²	9.1 Bcm	1.23 Bcm
Employees	4,127	460

Note: ⁽¹⁾ Calculated by redelivery points

⁽²⁾ Annual Volume

Source: Data updated December 2018

— 2018 ... another step forward

INNOVATION

- 5 mln Smart Meters in operation
- Innovation to boost Service Quality and Network Management

SUCCESSFUL M&A CONTINUES

- 7 transactions completed and 1 announced
275€ mn deployed at RAB for 160k RdP

RESULTS AHEAD OF TARGETS

- Capex over € 500 mln for the 2nd consecutive year
- Margins growth thanks to Investments, New Acquisitions and Cost Efficiency

EFFICIENT FINANCIAL STRUCTURE

- Impressive Cash generation
- Lowest cost of debt among peers with limited exposure to interest rate volatility

SHAREHOLDER REMUNERATION

- DPS 2018 proposal: 0.234 €
(+12.5% vs DPS 2017)

— 2018: strong performance delivery

€ mn

vs 2017

▪ Revenues

€1,176.2



▪ EBITDA

€839.5



▪ EBIT

€453.5



▪ Net Profit

€313.7



vs 2017

▪ Operating cash flow €718.7



30.8%

▪ Capex

€522.7

▪ Consolidated Net Debt*

€3,814.3



94mn

▪ Leverage**

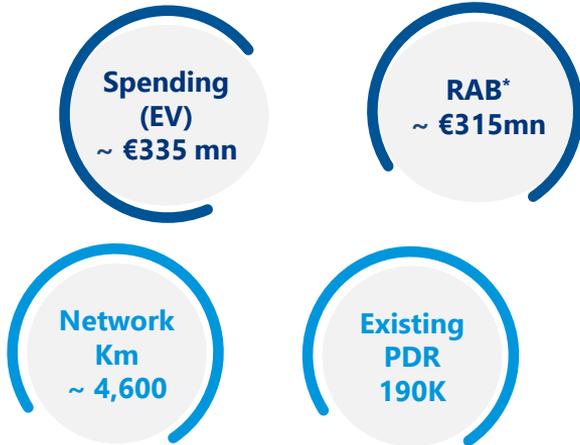
59.6%

* Excluding 49.9 mln for operating leases (IFRS 16) and 21 mln related to EGN (shareholder loan)

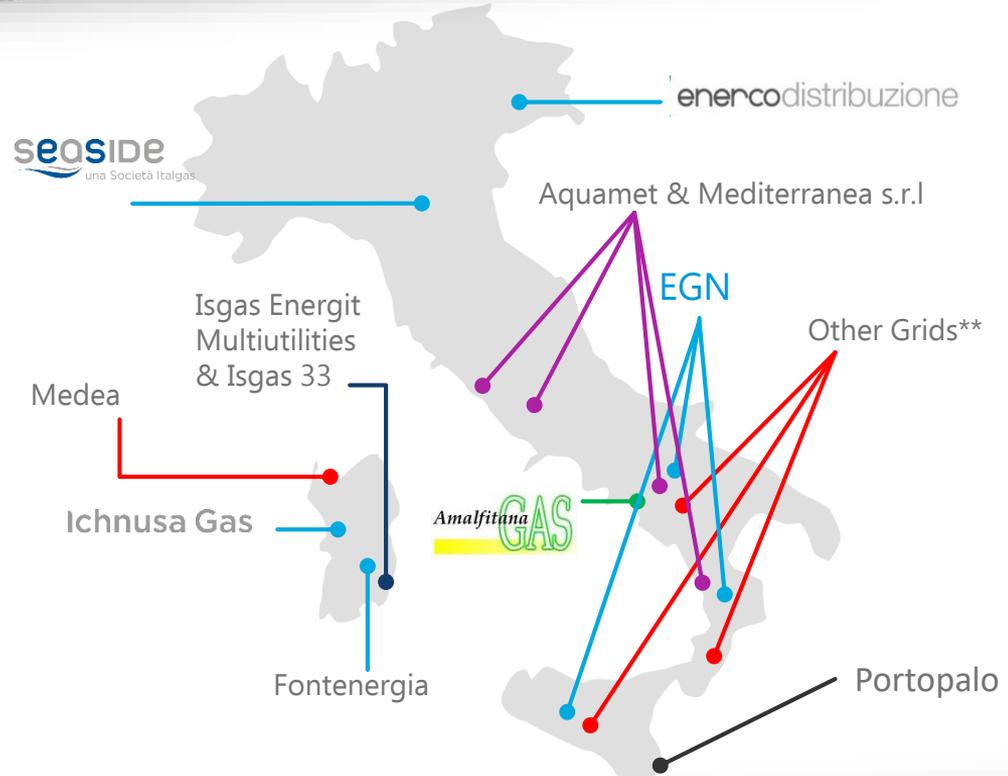
** Calculated as Net Debt /RAB including affiliates

Bolt on acquisition fueling RAB growth

From December 2017.....



* Includes Net Assets value of LPG networks under construction



**Gas distribution companies acquired from CPL

2018: Consistent and significant capex delivery

TARGET CAPEX 2018
> €0.5bn

€ mn



521.9

522.7

8%

48%

44%

2%

13%

51%

34%

- Distribution
- Metering
- Others
- Driven by M&A

2017

~1,660,000

smart meters installed

2018

~1,650,000

smart meters installed*

* Of which ~1, 505,000 units related to the replacement of traditional meters

— Digital program deployment



Transition to cloud completed on November 13th, 2018
Digital Factory in place since November 19th, 2018

Digital Factory: First Outcomes

Room 1: Scheduling, dispatching and consumer experience

INTERVENTIONS ON TIME

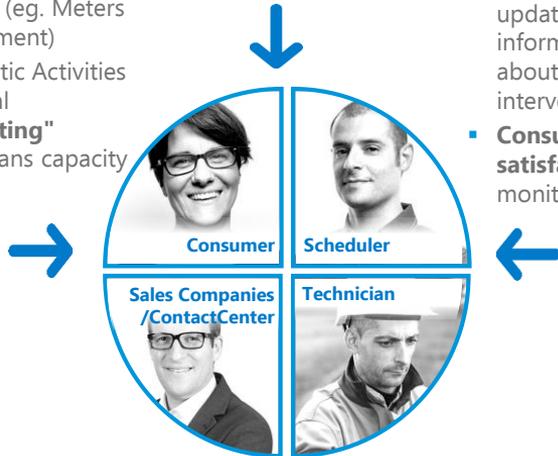
- Automatically suggested ideal slots (**Smart Booking**)
- Integration of **Priority Activities** currently not in Agenda (eg. Meters replacement)
- Automatic Activities proposal "**saturation**" technicians capacity

SERVICE QUALITY

- Activities **flexible allocation** and **accounting** process simplification
- Technical teams **Geolocalization**

CONSUMER «CARE»

- Automatic** and ad hoc **consumers notifications**
- Visibility on Request Status** and possibility to update remotely information about the intervention
- Consumers satisfaction** monitoring



Room 2: Integrated Control Room

'Pronto Intervento' Optimization



Advanced Grid Monitoring

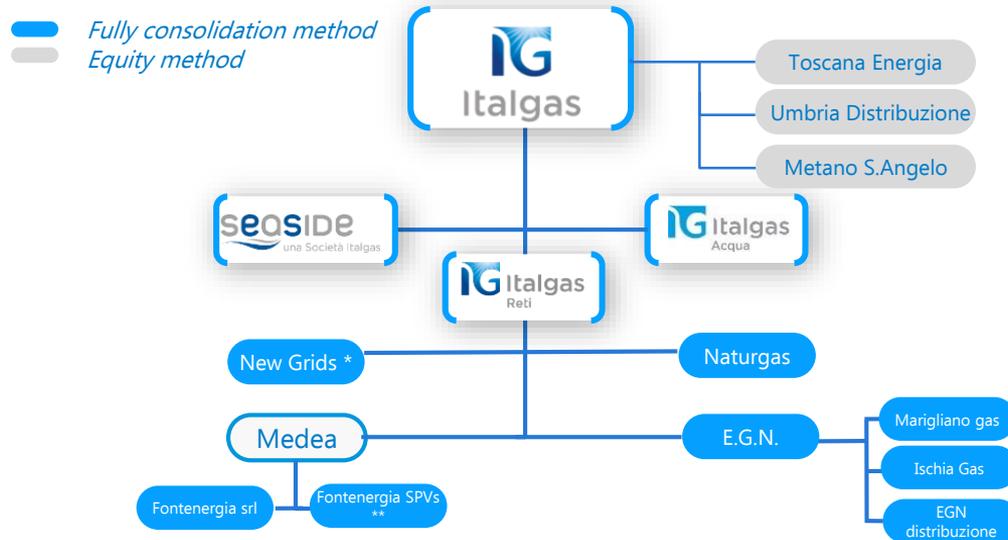
Effective Layout

Room Layout, dedicated areas, video-wall, operator desk

- Non-relevant calls reduction (~62%)**
- Emergency calls management optimization (~5min)**
Call and dispatching partial automation
- Control Room performance management (compliant to SLA 92%)**
Visual Management tools
- Data visualization**
Cabins and Grid status and activities
- New Use Cases and evolution **from 'Pronto Intervento' to Control Room**
- Alerts and Notifications**

Corporate Structure

Consolidated perimeter – structure as of 31/12/2018



Further optimization opportunities

- Put/call agreement for 40% of EGN
- Simplification of affiliates' structure
 - Fontenergia S.r.l. and Fontenergia SPVs to be merged into Medea
 - New Grids and Naturgas to be merged in Italgas Reti

To further improve efficiency and business value

* Gas distribution companies acquired from CPL Concordia, located in Campania, Calabria and Sicily (Barano Gas Reti, Ischia Reti, Progas Metano, Grecanica Gas, Favaragas Reti e Sicilianagas Reti)

** 12 SPV located in Sardinia

Consolidated Income Statement

€mn

	2017	2018	Change 2018 vs 2017
Revenues	1,124.2	1,176.2	52.0
Operating expenses	- 348.0	- 336.7	11.3
EBITDA	776.2	839.5	63.3
EBITDA adjusted	781.2	842.0	60.8
Depreciation & amortisation	- 358.3	- 386.0	- 27.7
EBIT	417.9	453.5	35.6
EBIT adjusted	422.9	456.0	33.1
Net interest income (expenses)	- 36.2	- 47.0	- 10.8
Net income from associates	23.0	20.0	- 3.0
EBT	404.7	426.5	21.8
Income taxes	- 111.9	- 112.8	- 0.9
NET PROFIT	292.8	313.7	20.9
Net Profit Adjusted	296.4	315.5	19.1

Consolidated Revenues: +4.6% vs 2017

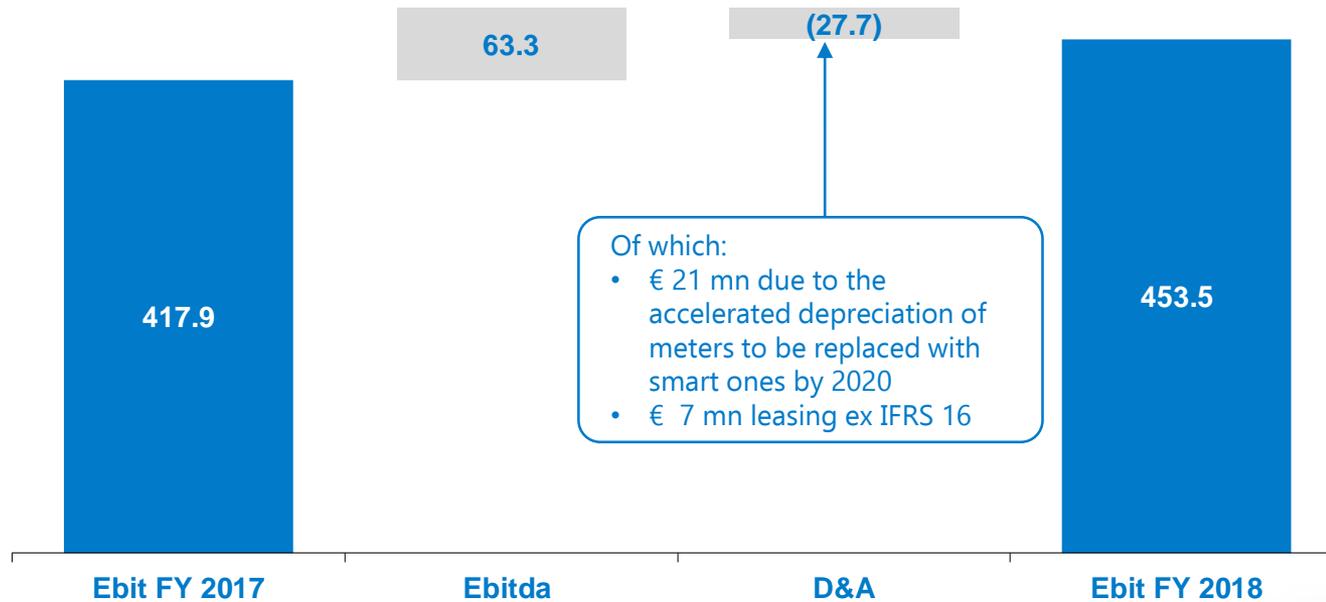
€mn	2017	2018	Change 2018 vs 2017
Regulated revenues	1,096.8	1,143.1	46.3
Distribution	996.9	1,007.3	10.4
Tariff contribution for meters replacement	47.9	71.5	23.6
Other distribution revenues	52.0	64.3	12.3
Other revenues	27.4	33.1	5.7
TOTAL REVENUES	1,124.2	1,176.2	52.0

Consolidated Opex: -3.2% vs 2017

€mn	2017	2018	Change 2018 vs 2017
Gas Distribution activities	337.8	316.8	- 21.0
Fixed costs	267.2	244.8	- 22.4
Net labour cost	139.1	140.9	1.8
Net external cost	128.1	103.9	- 24.2
Variable costs	3.4	4.8	1.4
Other costs	13.9	10.2	- 3.7
Tee	0.1	2.3	2.2
Concessions fees	53.2	54.7	1.5
Other activities	10.2	19.9	9.7
Net labour cost	1.6	3.7	2.1
Net external cost	8.6	16.2	7.6
TOTAL COSTS	348.0	336.7	- 11.3
Special Items	5.0	2.5	- 2.5
TOTAL COSTS adjusted	343.0	334.2	- 8.8

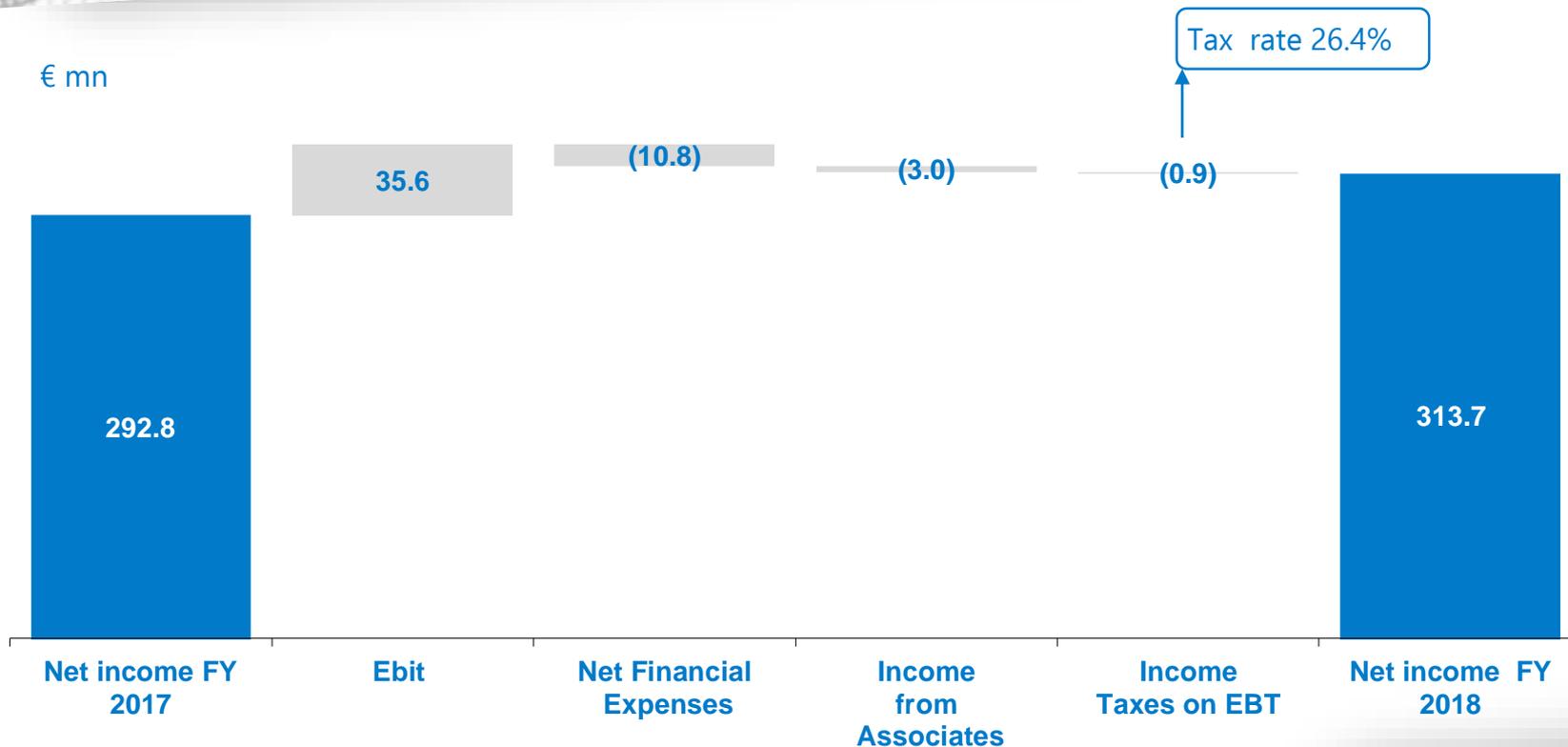
— Ebit: +8.5% vs 2017

€ mn

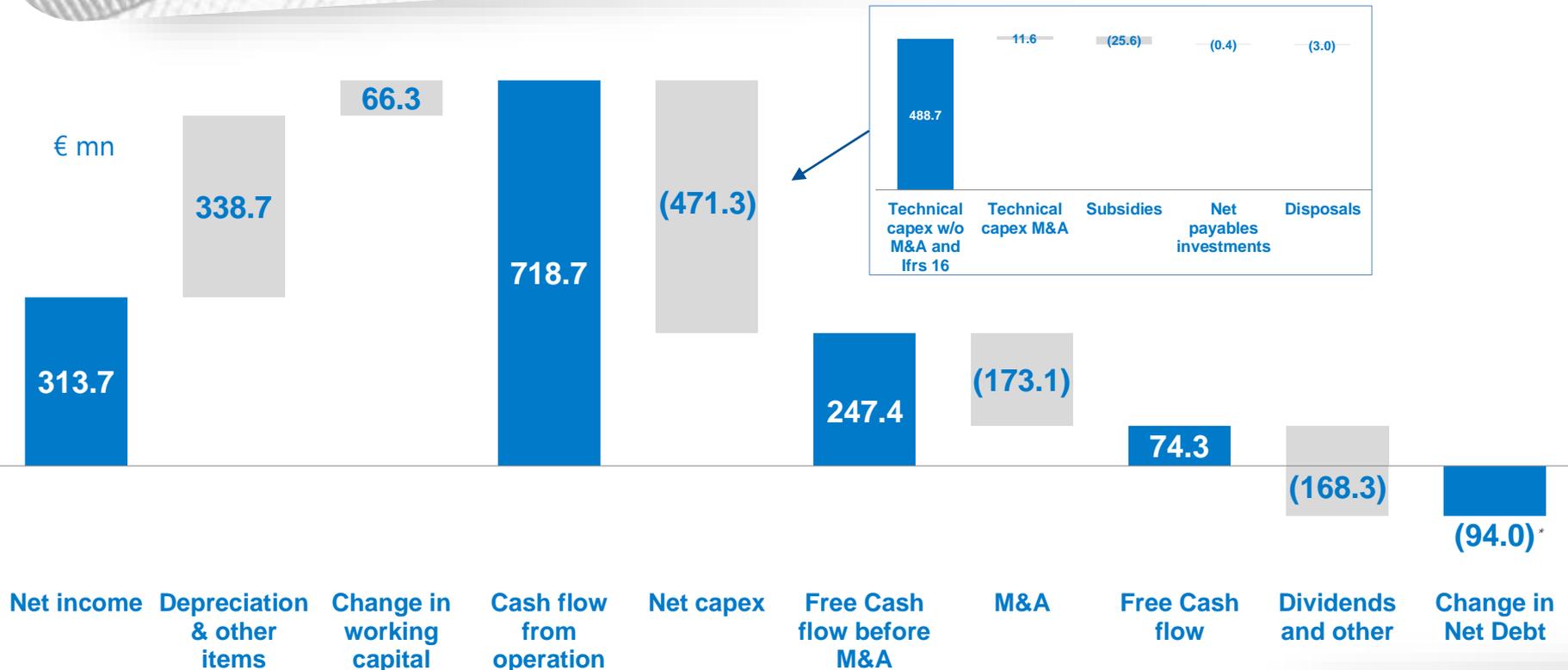


Net Income: + 7.1% vs 2017

€ mn



Consolidated Cash Flow

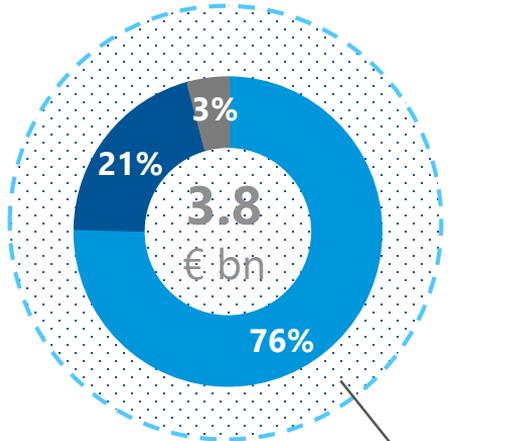


* Not considering 49.9 mln for operating leases (IFRS 16) and 21 mln related to EGN (shareholder loan)

A solid, efficient and resilient debt structure

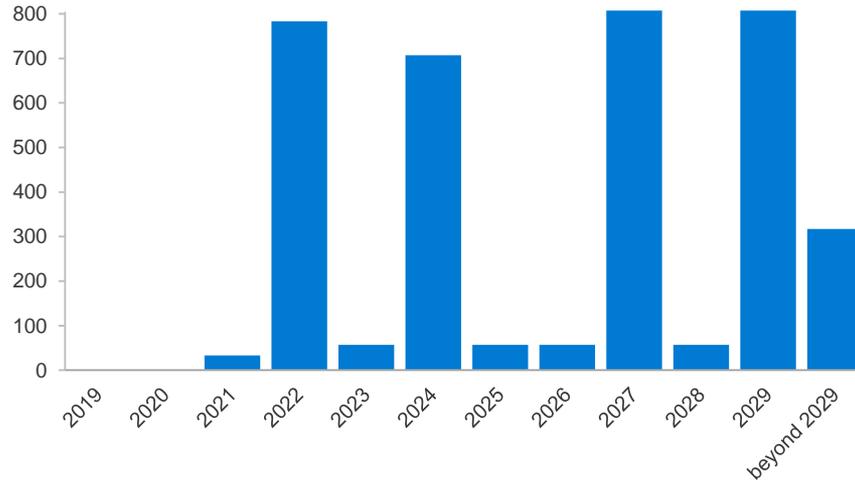
Debt Structure year end 2018

4.8 € bn
Total Committed
Credit Facilities and Bonds

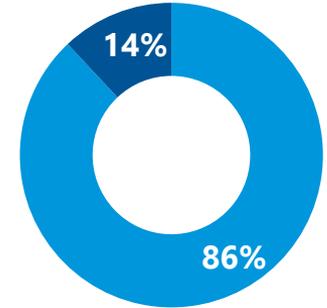


- Bond
 - Institutional Lenders Financing (EIB)
 - Banking Lines
- RCF 1.1 € bn**

No refinancing risks until 2022



Fixed Floating ratio



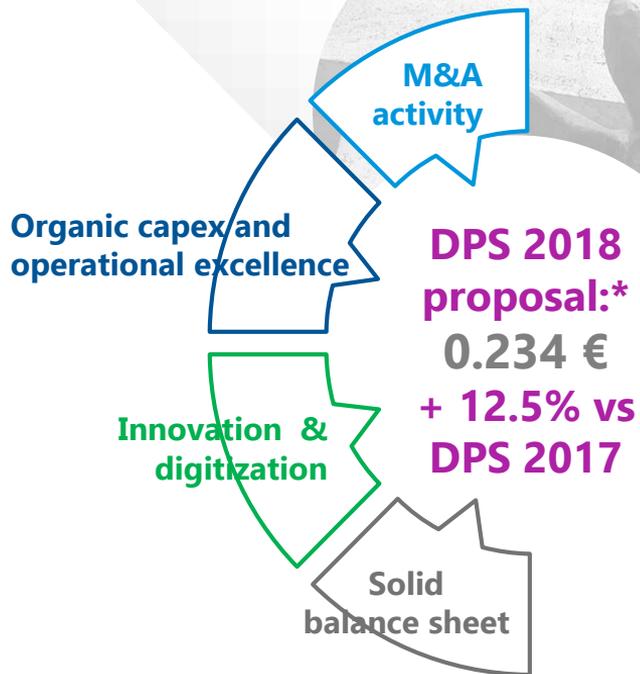
- Fixed
- Floating

Balance sheet

€mn	2017 Dec, 31st	2018 Dec, 31st	Change
Net invested capital	4.905.9	5.193.5	287.6
Fixed capital	4.950.9	5.284.1	333.2
Tangible fixed assets	224.6	259.2	34.6
Net intangible fixed assets	4.676.6	4.982.8	306.2
Net payables investments	- 135.3	- 133.1	2.2
Equity-accounted and other investments	185.0	175.2	- 9.8
Net working capital	71.1	5.7	- 65.4
Receivables	749.9	737.1	- 12.8
Liabilities *	- 678.8	- 731.4	- 52.7
Provisions for employee benefits	- 116.1	- 107.9	8.2
Assets held for sale and directly related liabilities	-	11.6	11.6
Net financial debt *	3.720.3	3.814.3	94.0
Financial debt for operating leases (IFRS 16)	-	49.9	49.9
Shareholders' equity	1.185.6	1.329.3	143.7

* 21 mln related to EGN (shareholder loan) are included in net working capital liabilities

— Dividend policy ...



...delivers additional value to shareholders

* Payable on May 22nd 2019

From 2016 to 2018: impressive performances (1/2)

€mn	2016	2017	2018	Change 2018vs2016
▪ Revenues	1,077.9	1,124.2	1,176.2	+9.1%
▪ Operating expenses	(416.3)	(348.0)	(336.7)	-19%
▪ EBITDA(*)	684.4	781.2	842.0	+23.0%
▪ EBIT (*)	358.8	422.9	456.0	+27.0%
▪ NET PROFIT (*)	221.1	296.4	315.5	+42.7%

(*) Adjusted

From 2016 to 2018: impressive performances (2/2)

€mn	2016	2017	2018	Change 2018vs2016
▪ Capex	378.0	521.9	522.7	+38.3%
▪ Operating Cash Flow	498.5 ⁽¹⁾	549.4	718.7	+44.2%
▪ Net debt	3,617.4	3,720.3	3,814.3	+5.4%
▪ Leverage ⁽²⁾	61.0%	61.4%	59.6%	
▪ Dividends FY	161.8	168.3	189.3	+17%

(1) Adjusted

(2) Net Debt /Rab (including Affiliates)



— Q & A



— Annexes

Income statement

€mn	2018 1 st Quarter	2018 2 nd Quarter*	2018 3 rd Quarter	2018 4 th Quarter
Revenues	281.0	311.4	288.3	295.5
Operating expenses	- 82.6	- 85.6	- 83.3	- 85.2
EBITDA	198.4	225.8	205.0	210.3
Depreciation & amortisation	- 86.0	- 115.2	- 94.1	- 90.7
EBIT	112.4	110.6	110.9	119.6
Net interest income (expenses)	- 12.0	- 11.7	- 11.9	- 11.4
Net income from associates	4.8	4.9	5.6	4.7
EBT	105.2	103.8	104.6	112.9
Income taxes	- 30.5	- 27.8	- 28.9	- 25.6
NET PROFIT	74.7	76.0	75.7	87.4

* Q2 Seaside TEE margin (1.1 mln) had been reclassified from operating expenses to revenues.

Income statement

€mn	2017 4 th Quarter	2018 4 th Quarter	Change
Revenues	289.2	295.5	6.3
Operating expenses	- 91.0	- 85.2	5.8
EBITDA	198.2	210.3	12.1
Depreciation & amortisation	- 87.2	- 90.7	- 3.5
EBIT	111.0	119.6	8.6
Net interest income (expenses)	- 9.3	- 11.4	- 2.1
Net income from associates	7.1	- 2.4	- 9.5
EBT	108.8	112.9	4.1
Income taxes	- 29.7	- 25.6	4.1
NET PROFIT	79.2	87.4	8.2

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