



Italgas Strategic Plan 2019 - 2025

12th June 2019, London



Speakers



PAOLO GALLO



ANTONIO PACCIORETTI

— Agenda

Scenario



Strategy



Financials



**Shareholder
Remuneration &
Closing Remarks**





— Scenario

Overall macro scenario

Industry sector trends



Environmental policies framework

- Decarbonization
- Renewables
- Energy efficiency
- Sustainable Mobility
- Power to Gas and Green gas



Technological progress and innovation

- Digitization
- Big data and analytics
- Agile methodology

Main challenges for DSO



- Supply flexibility and security
- Infrastructure development
- Renewable integration
- Digitization and artificial intelligence
- Competitive and agile
- Smarter tools

Gas infrastructure and digitization will play a key role in the energy transition

Natural Gas plays a key role in Decarbonisation

Paris agreement COP21

Agreed by all UNFCCC Parties in December 2015

(159 countries covering 90% of global GHG emissions)

Due to enter in force in 2020



80%
cut in
GHG by 2050,
from 1990
levels

1

COAL DECOMMISSION &
SUBSTITUTION WITH
ADVANCED CCGT

2

POWER TO GAS

3

RENEWABLE GAS (BIOMETHANE)

Facilitate the implementation of an effective and economically sustainable path towards decarbonization

— Opportunities for additional usage of gas infrastructures



**EXISTING ASSETS COMBINED
WITH TECHNOLOGICAL
PROGRESS AND INNOVATION**



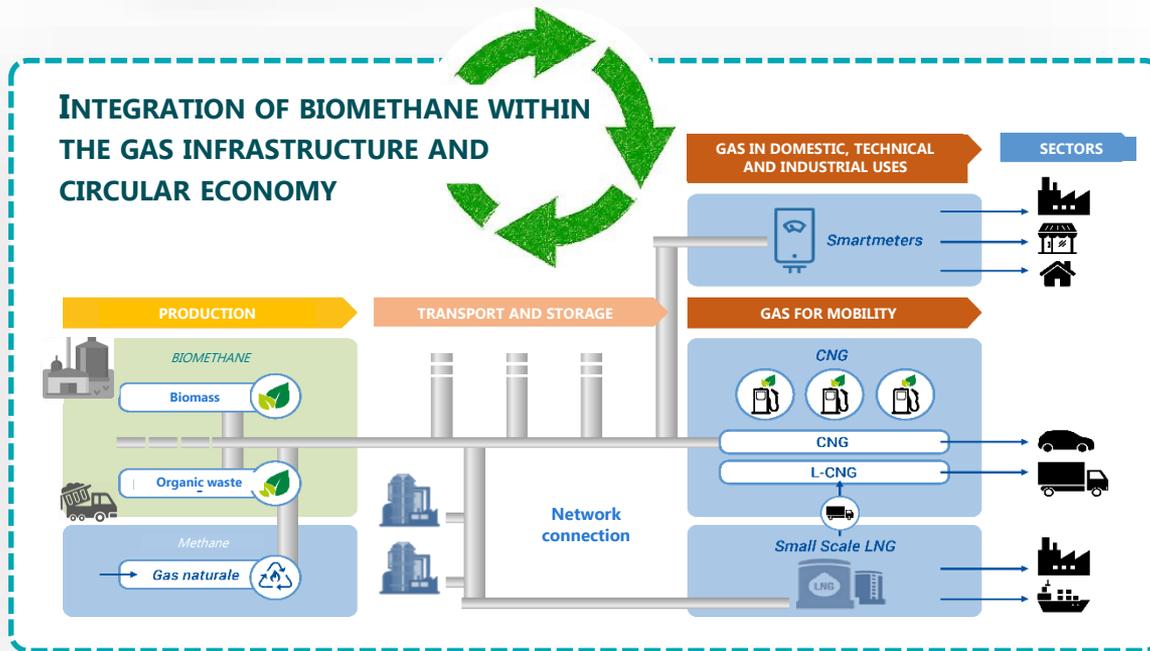
**OPPORTUNITIES TO INTEGRATE
RENEWABLES**



**ECONOMIC AND
ENVIRONMENTAL ADVANTAGES**

Crucial role of gas infrastructure for decarbonization

Biomethane: a valuable option for sustainable gas development



SUPPORT TO CIRCULAR ECONOMY



EU TARGET 2020

In Europe, renewable gas (hydrogen and biomethane), estimated to reach an annual production > 120 billion cubic meters resulting in savings of ~ 140 €bn*

Italian biomethane production expected to reach up to 8bcm by 2030**

* Source: Gas4Climate Consortium, composed of Snam, Enagás, Fluxys, Gasunie, GRTgaz, Open Grid Europe and TIGF

** Source: CIB position paper

Biomethane in Italy



Current total capacity: 260 k scm/d

Current total production: 70 Mmc/y

Total new plants by 2022: 510 Mmc/y¹

60% connected to
TRANSPORT GRID
300 Mmc/year

40%
connected to
DISTRIBUTION GRID
210 Mmc/year
→ 60
new Plants

New connections to the Italgas distribution grid
Estimated ~20 potential new plants connection*

*Assuming ITG 1/3 market share

Biomethane expected to significantly increase in coming years

Note: (1) MISE estimation based on accomplishment of obligations set by the new regulation
Source: Italgas elaboration

— Biomethane: a fully renewable option for CNG/LNG transport



Low cost



Fast and widespread refuelling



Significant availability

~ **1 million vehicles in Italy** and 15 millions expected in Europe by 2030



Green alternative

Immediate decrease in emissions in the light transport sector



Cost-effectiveness



Mature Technology

Same **performance** as diesel and **great autonomy** (up to 1,600km).
Electric vehicles are not available with these features



Green alternative

Immediate decrease in emissions in the heavy transport sector



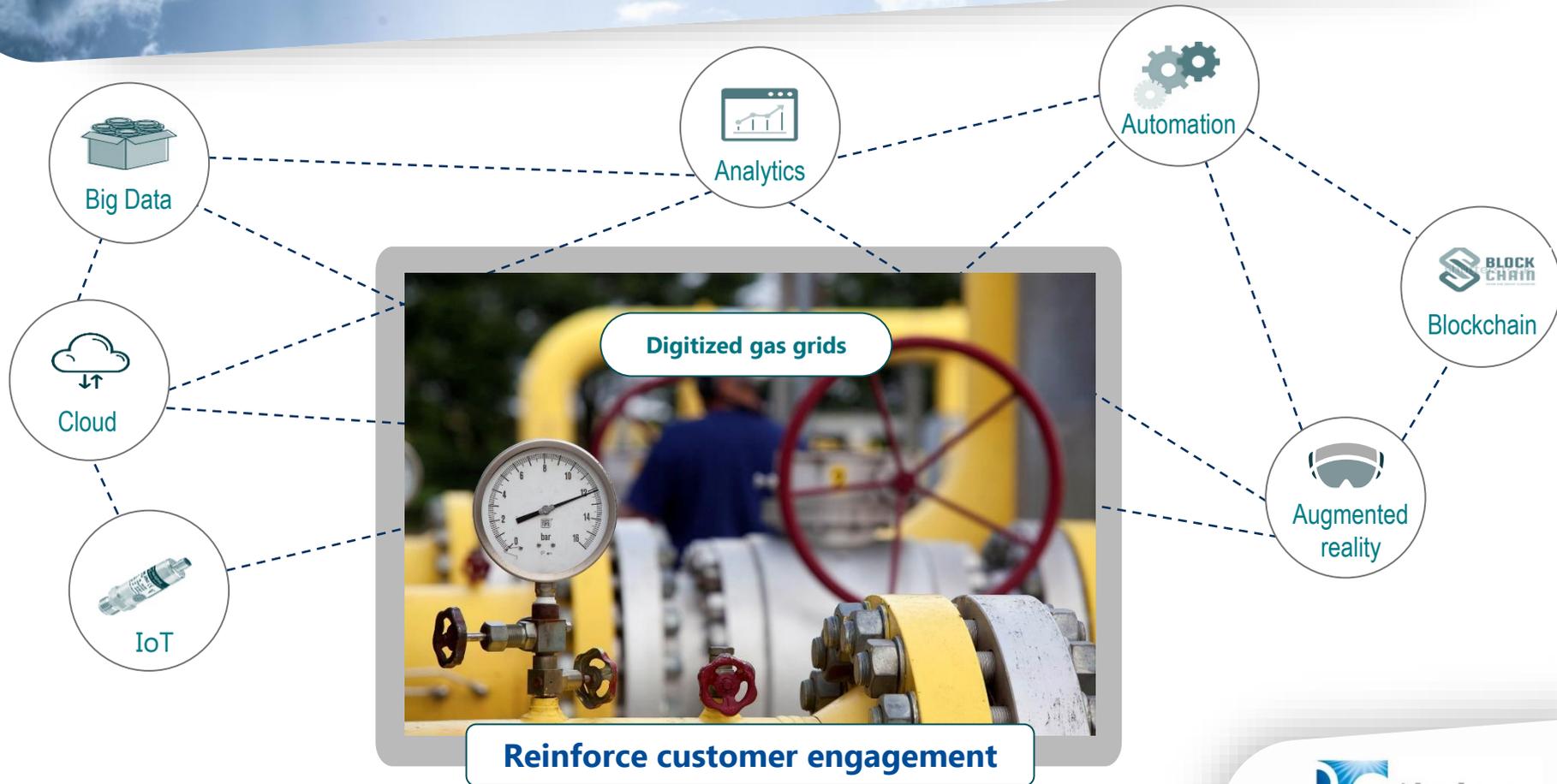
Circular economy

Thanks to biomethane, CNG vehicles can contribute to **reduce waste** and eliminate emissions

(1) -95% of CO₂ using 100% of Bio-LNG

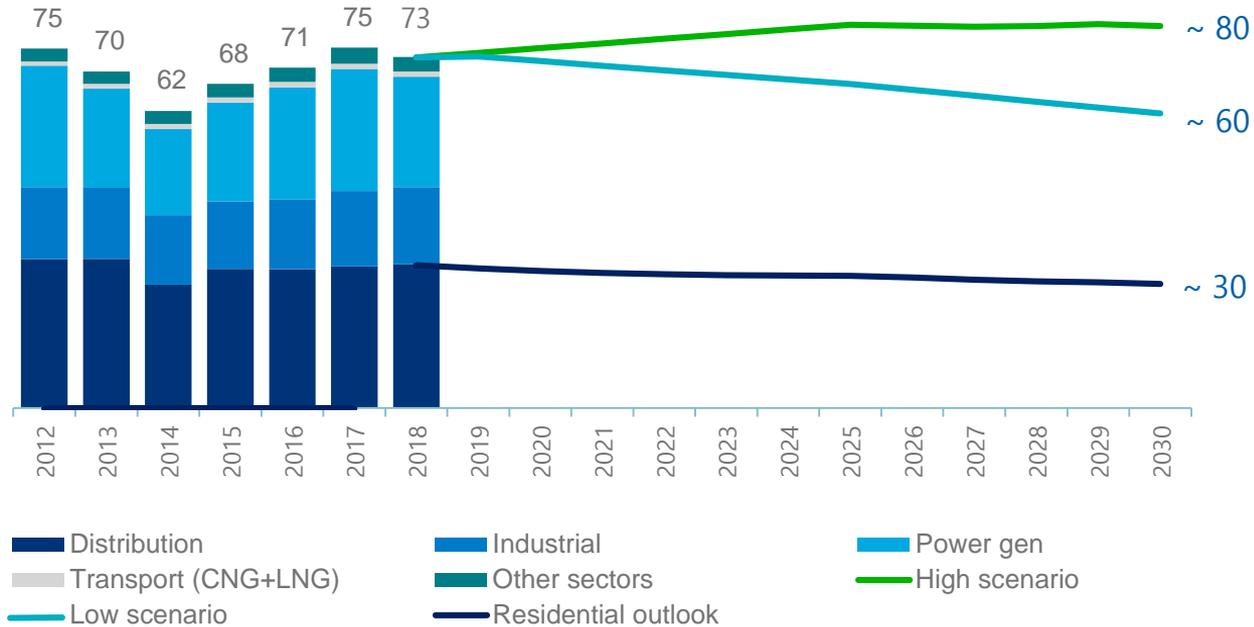
Sources: IVECO, Snam

— Digitization to drive DSO transformation



Italian gas demand outlook

Bcm



Natural gas: a key role in the long term energy scenario

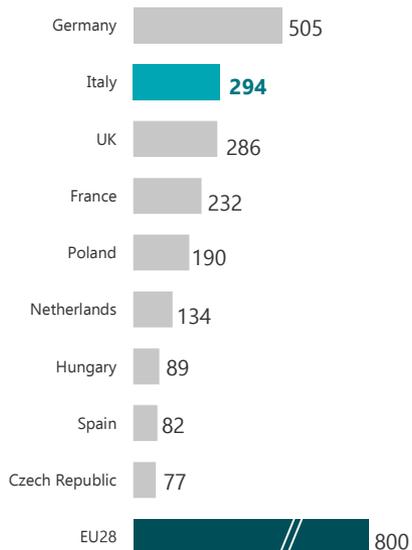
— Scenario

Gas distribution sector

Gas distribution in Europe

Km of distribution grid

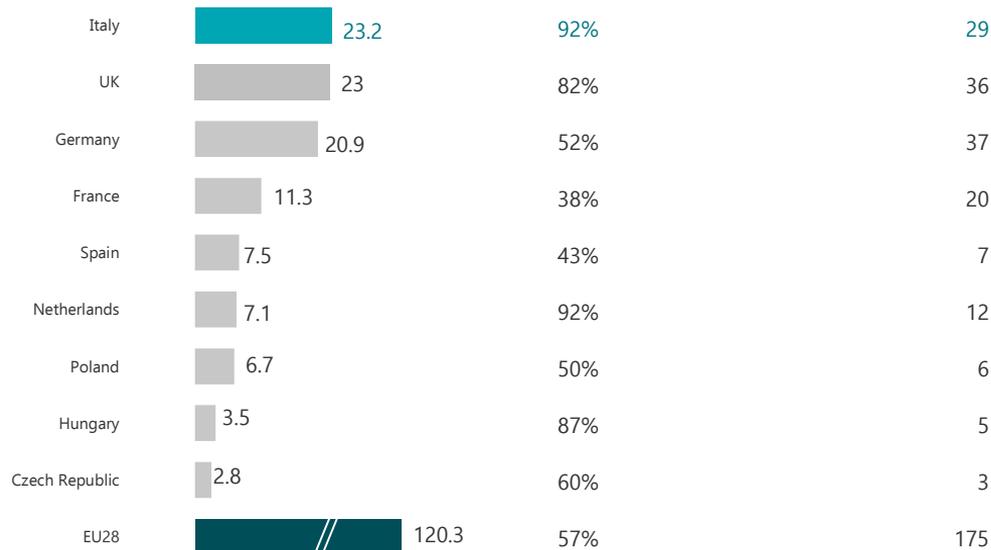
(000²)



End users and gas penetration

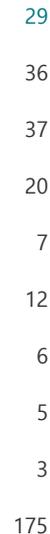
Re-delivery points (Millions)

% of households



Volume of gas distributed¹

(Bcm a year³)



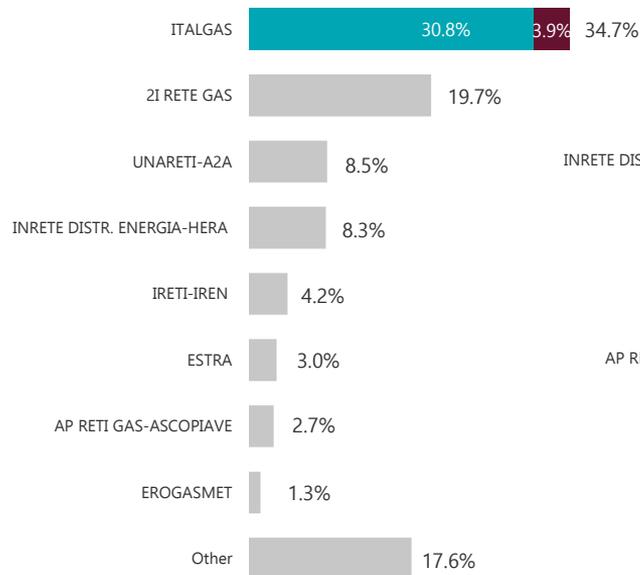
Note: ⁽¹⁾ for comparability purposes among countries, the graph shows only volumes distributed to the Res&Comm segment.
Source: Eurostat. ⁽²⁾ data 2014. ⁽³⁾ data 2015.

Italy is the country with the highest gas penetration in residential uses

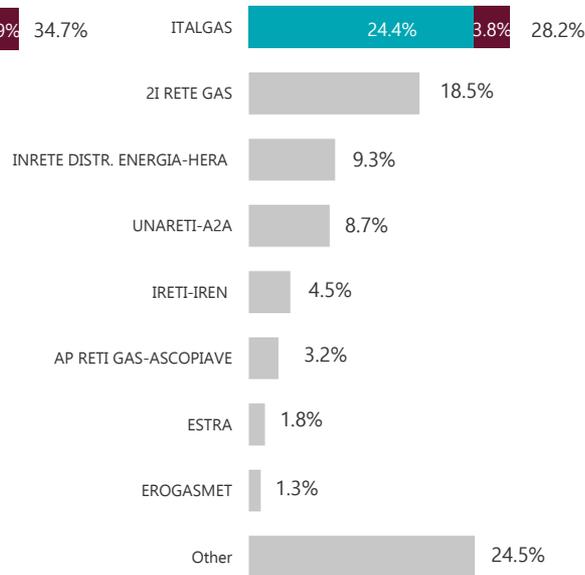
— Italgas is leader in the fragmented Italian market ..

Current market share in Italy

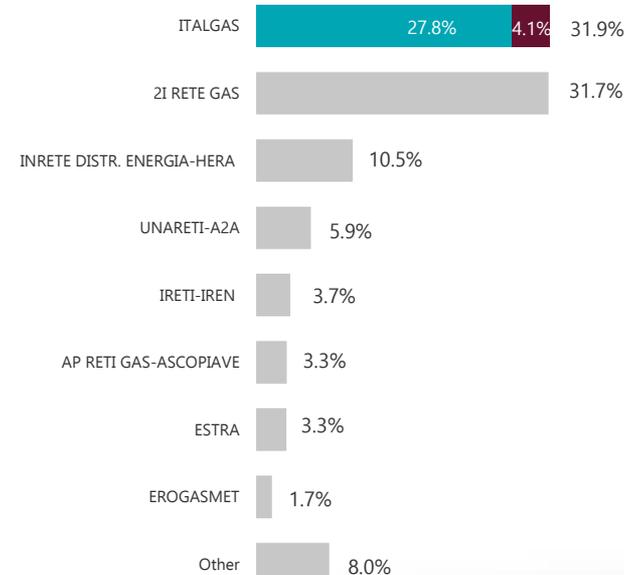
...by re-delivery points



...by gas volume distributed



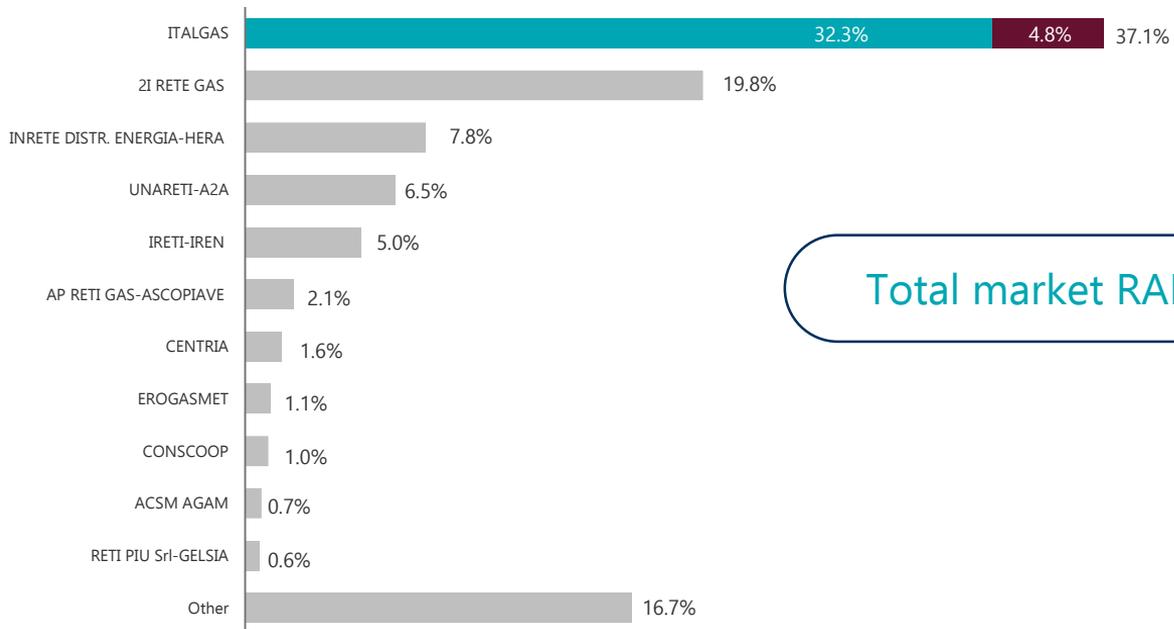
...by network



■ Italgas consolidated ■ Toscana Energia & other

...also in terms of RAB ...

Key players' market share % of RAB



Total market RAB is ~€18bn*

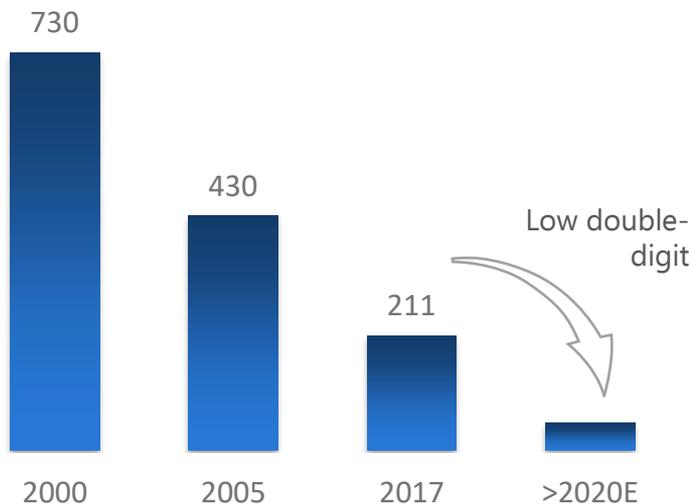
■ Italgas consolidated ■ Toscana Energia & other

* 2018 data
Source: Italgas elaboration

... with consolidation gathering pace

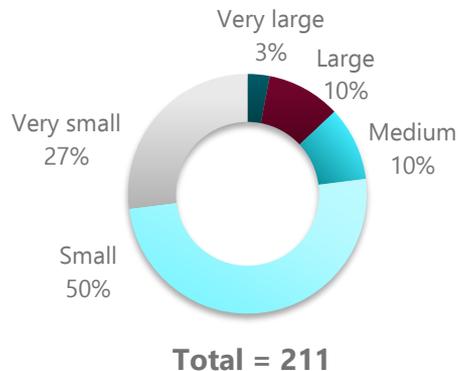
Streamlining of Italian operators

Numbers of operators

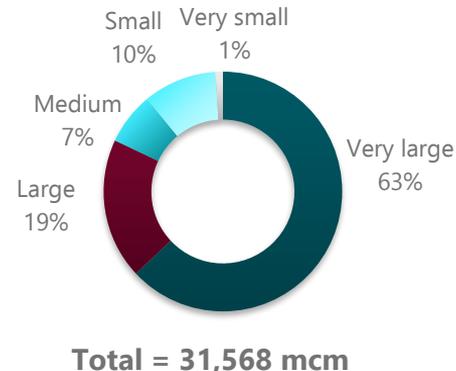


Scale is key in the ongoing consolidation process

Numbers of operators (2017)



Gas volumes (2017)

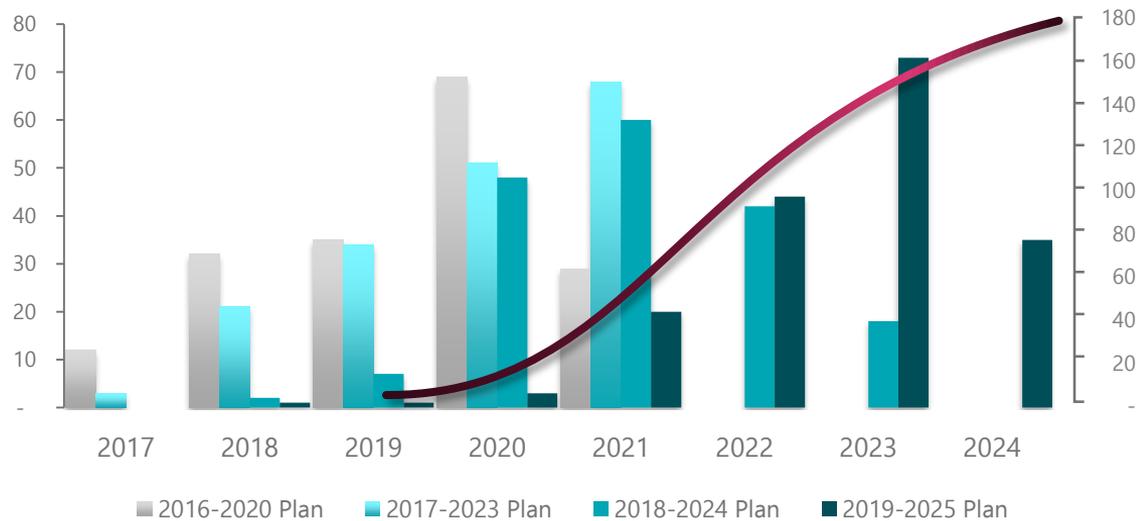


- Very Large (>500k clients)
- Large (>100k clients)
- Medium (>50k clients)
- Small (>5k clients)
- Very small (<5k clients)

**ATEMs' tenders
will transform the industry**

Tender Calendar

Total market awarded tenders (177 ATEMs)



Italgas estimate

Update on gas concession tenders

Awarded tenders

- **Milano 1** 840 k RdP
- **Torino 2** 188 k RdP

Tenders to be awarded

- **Belluno** 45 k RdP
- **Valle d'Aosta** 20 k RdP

Tenders with expected offer presentation by 2019

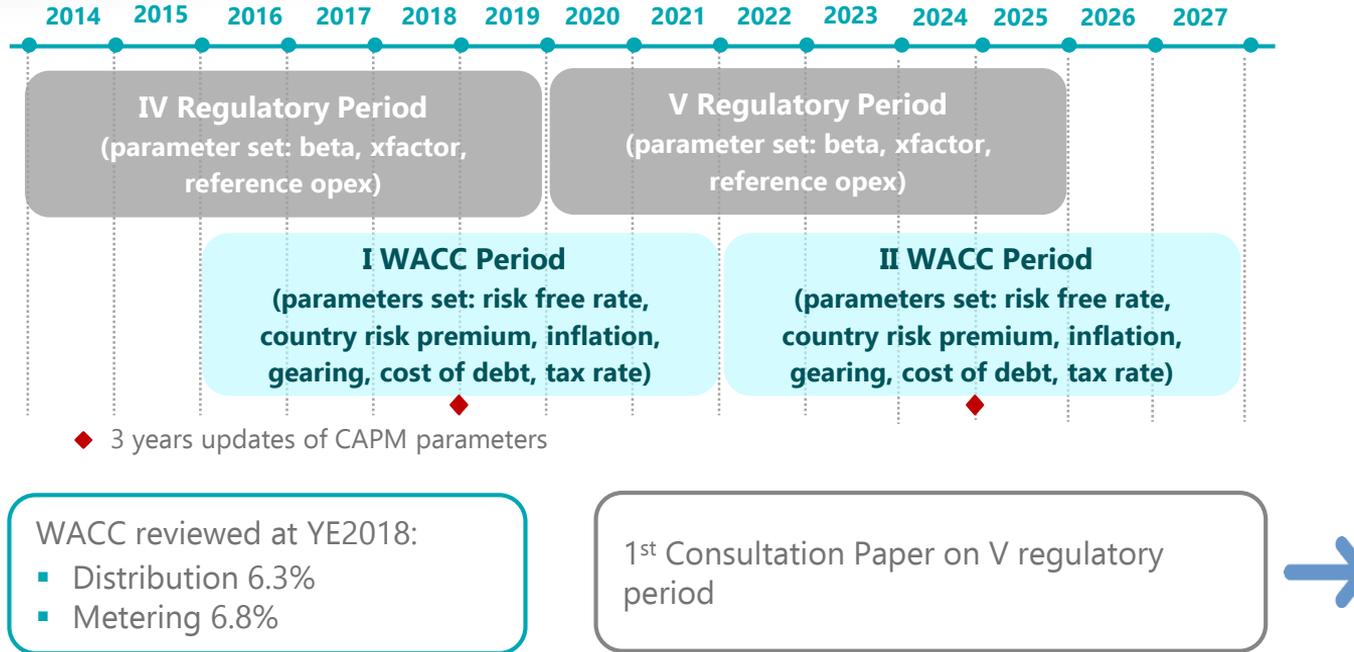
- **Cremona 2/3** 115 k RdP
- **Udine 2** 91 k RdP
- **Torino 1 (IG 100%)** 566 k RdP
- **Genova 1 (IG 2.5%)** 336 k RdP

Tenders with expected offer presentation by 2020

- **Firenze 1/2 (TE 98%)** 372 k RdP
- **Napoli 1 (IG 100%)** 390 k RdP
- **Vicenza 3** 103 k RdP
- **Forlì Cesena (IG 1.5%)** 171 k RdP
- **La Spezia (IG 100%)** 111 k RdP
- **Perugia 2 (IG 27%)** 100 k RdP
- **Monza Brianza 1 (IG 34%)** 122 k RdP
- **Livorno (TE 15%)** 130 k RdP
- **Bologna 1 e 2 (IG 2%)** 482 k RdP
- **Lodi 1** 58 k RdP
- **Varese 2** 112 k RdP

> 2mn RdP

— Transparent regulatory environment



In the plan period we assume WACC to remain at current level

— 1st Consultation Paper: next steps and Regulatory Body strategic positioning



Consistent Regulatory framework

- RAB METHODOLOGY CONFIRMED
- LENGTH OF 6 YEARS CONFIRMED
- FOSTER SECTOR CONSOLIDATION
- INCREASE SYSTEM EFFICIENCY



- Support sound business model
- Favour results visibility
- Create opportunities for efficient operators

1st Consultation Paper: main items under discussion

Proposal

WACC

- Metering unlevered beta alignment to distribution (from 2020)
- Gearing level alignment to other gas/power regulated sectors (from 2022)

OPEX

- 2020 unit allowed opex based on weighted avg of 2018 actual/allowed opex
- X-factor aimed at re-absorbing IV reg. period extra-efficiencies
- Closing the allowed opex gap due to company size

CAPEX

- Incentives to network standard capex outperformance to be introduced as of 2021
- RAB subsidies release
- Recognition of not fully depreciated residual value of traditional meters due to past changes in regulatory lives

- ❖ Consolidation support through merger incentives for companies with up to 50K RDPs

Comments

WACC

- Smart meters higher technological risk profile
- Already announced; should also consider sector average and market conditions; consolidation push

OPEX

- In line with past approach; Italgas' higher efficiency compared to sector avg
- Favour consolidation process

CAPEX

- Possibility to lever on Italgas' scale economies
- Diluted over time and already envisaged
- Full reimbursement of meters' residual value

- ❖ Foster sector consolidation



— Strategy

— Italgas Sustainability Plan underpins company strategy

We are driven by:

1. COMMITMENT TO SUSTAINABILITY

Involvement, accountability and communication



2. PUTTING PEOPLE FIRST

Prepare our people to success in emerging industrial challenges



3. STRONG LOCAL PRESENCE

Pursue an active role in the social innovation process of cities and communities



4. VALUE FOR MARKET AND CLIENTS

Reshaping contents and communication with users



5. ENERGY EFFICIENCY AND ENVIRONMENT

The key role of gas in decarbonization process of society



We want to:

1. Increase Italgas visibility on sustainability issues
2. Develop the culture of sustainability
3. Strengthen key process
4. Protect and enhance know-how
5. Strengthen corporate welfare
6. Promote women occupation in the company
7. Improve safety at work
8. Improve relations and involvement with territories
9. Invest in communities through measurable social innovation
10. Harmonize process with sales companies
11. Improve end customers' relation
12. Improve efficiency and reduce our carbon footprint
13. Develop the gas advocacy
14. Enable circular economy process

SUSTAINABLE
DEVELOPMENT
GOALS



— Sustainability Plan leverages on 45 actions rooted on strategic pillars (1/2)

1. COMMITMENT TO SUSTAINABILITY

Improve corporate **visibility** and **positioning** on sustainability for the stakeholders and financial community; development of a **sustainability culture** inside the corporation and strengthen corporate processes

- Questionnaires for sustainability indexes
- Joined United Nation **Global Compact** and other sustainability networks
- Implemented **induction meetings** with BoD



Actions



Progress



2. PUTTING PEOPLE FIRST

Respect of human and **labour rights** and **gender equality**; value **know-how** through the **personal** and **professional** development; safeguard work **health and safety**

- **44%** of new hires is a woman
- **67%** of new hires is younger than 30 years old
- **2.9** Injuries frequency index (vs 4.0 in 2016)
- **19 hours** of training per employee



Actions



Progress



— Sustainability Plan leverages on 45 actions rooted on strategic pillars (2/2)

PILLAR	OBJECTIVE	KPI	Actions	Progress	SDG Icons
3. STRONG LOCAL PRESENCE	Improve relations and engagement with territories; invest in communities through measurable social innovation to support socio-economic development of the communities	<ul style="list-style-type: none"> ▪ 764 thousand euro in sponsorships (90%) and charitable donations (10%) ▪ Energia mi piace: awareness campaign on energy ▪ Donation of PC to the areas affected by the earthquake 	3	33%	 
4. VALUE FOR MARKET AND CLIENTS	Harmonize communication process with sales companies in order to improve end customers' relationships	<ul style="list-style-type: none"> ▪ 50 selling companies involved in a dedicated workshop (99% of total meters) 	4	92%	 
5. ENERGY EFFICIENCY AND ENVIRONMENT	Improve process efficiency and reduce corporate carbon footprint; develop the gas advocacy in the territories; enable circular economy process	<ul style="list-style-type: none"> ▪ -6% energy intensity and -4% carbon intensity (2018 vs. 2016) ▪ 100% of corporate fleet switched to methane by 2019 ▪ 60% completion of smart metering programme (2018) 	9	67%	 

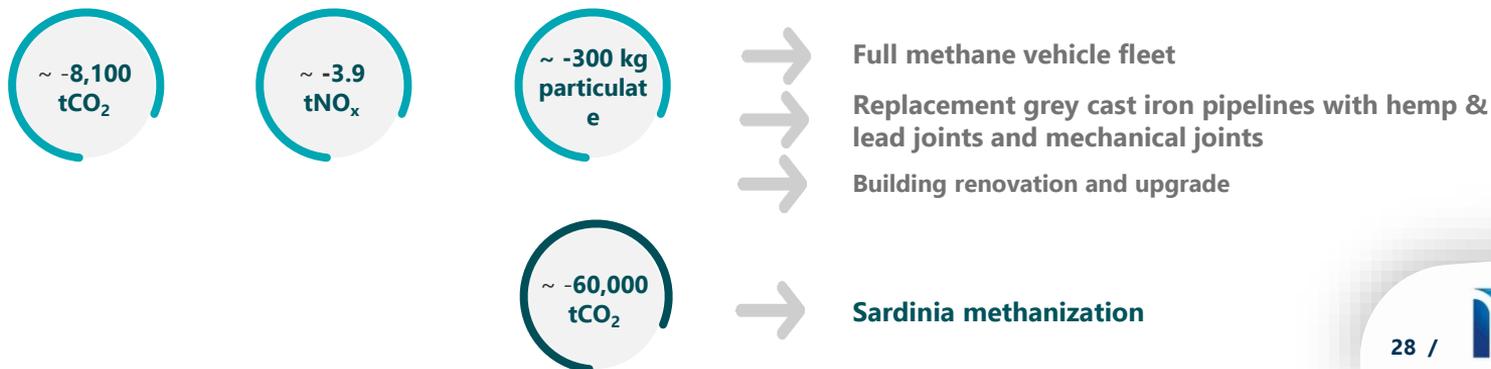
— Sustainability: thinking about the future

What we want to do:

Our objectives for next 3 years:



Environmental advantages of some actions over the plan period



Strategic pillars

1. Network development

Development, Sardinia, Maintenance and Upgrade

2. Digitization & Technical innovation

Digitization & Technical innovation of assets, processes and workforce

3. Development opportunities

M&A, energy efficiency, New services (Digital services and Engineering consultancy)

4. Operational efficiencies

Continuous efficiency actions
Digital Impact

5. Gas tenders

Highly qualified to exploit tenders' opportunities to increase market share

6. Solid and efficient financial structure

Outstanding cost of debt and financial flexibility to support growth

7. Shareholder returns

Robust and sustainable shareholders' returns



Investment Plan without Tenders

~4.5 Bn€ Capex
2019-2025

Network

Sardinia

Metering

Digitization

**Centralized
Assets**

2.08
Bn€

0.50
Bn€

0.42
Bn€

0.54
Bn€

0.29
Bn€

~3.8 B€ related to current base perimeter

Perimeter expansion

**Toscana
Energia**

0.35
Bn€

M&A

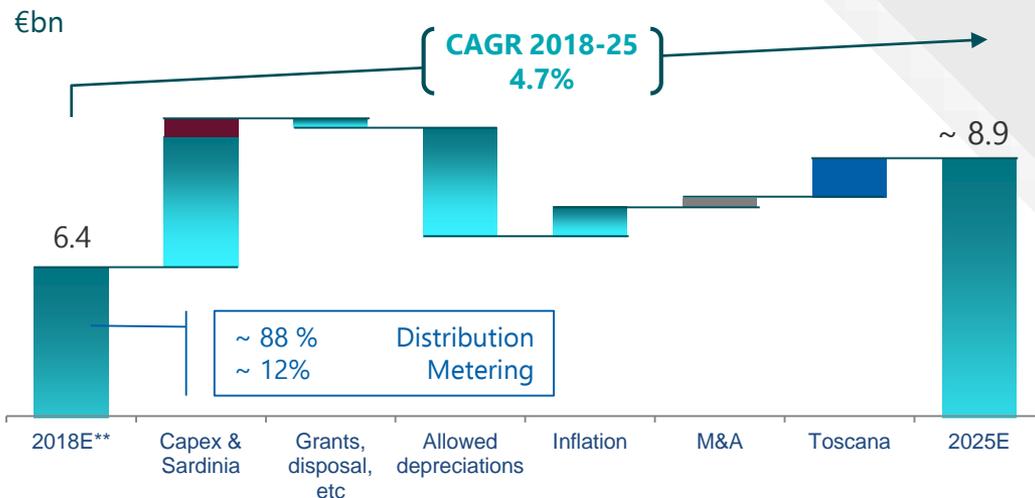
0.35
Bn€



■ Capex
■ Acquisition
■ Acquisition already completed in 2019

RAB evolution without tenders

Consolidated RAB⁽¹⁾ 2018-2025



** RAB referred to the year end T - revenues in the year T+1

(1) Continuity of regulatory treatment assumed for grants cumulated at 2018 year end; average deflator in the plan period assumed at 1.5%



A significant capex plan and selected M&A driving a robust RAB growth

1. Network capex

2.08

Bn€

1. Replacement and upgrade

- **Grey cast iron pipes with hemp & lead joints** ✓
- Grey cast iron pipelines with mechanical joints (by 2025)
- Unprotected steel pipes
- Replacement related to emergency interventions

2. Network extension & new connections

- Development of services to meet demand for new connections
- € 40 mn for construction of new grids in South of Italy (>1,000Km)

3. LPG network conversion

- € 60 mn for LPG conversion to natural gas

4. Technical innovation & Energy efficiency

- Turboexpander, cogen plants, microturbines
- Systems optimizing pre-heating consumption and remote control of gas odorization

5. Tenders already awarded

- Torino2 tender additional capex : ~ € 200mn (~ €80/RdP/year) of which ~85% completed by 2025

Clever capex allocation leveraging on digitization outcome moving from traditional to predictive maintenance

1. Sardinia - A strategic role



Ichnusa Gas*:
10 concessions under construction



Ichnusa Gas*:
2 concessions in operation



Fontenergia*:
1 concession in operation



Isgas Energit Multiutilities
3 concession in operation



Medea (Sassari)
1 concession in operation

		Today	→	Tomorrow
# clients		~ 45,000	→	Potential market ~200,000
Network km		~ 1,000	→	~ 2,000 (excl. interconnections) FULLY DIGITIZED
Fuel	Concessions in operation	LPG / LPG air Until natural gas is not available in Sardinia	→	LNG\Natural Gas
	Under construction	n.a.	→	LNG\Natural Gas

~ 160 Km completed as of May 2019

* As of May 1st 2019 merged into Medea SpA

— 2. The digital transformation program

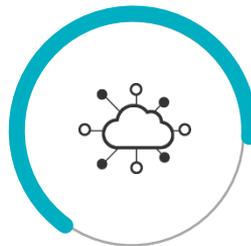
Digitization areas

Asset digitization



- Industrial IoT
- Advanced Analytics / Big Data

Process (staff&ops) digitization



- Advanced Analytics / Machine Learning
- Bots / Digital Assistants
- Blockchain

Workforce digitization



- Mixed Reality
- Wearables
- Bots / Digital Assistants

Transformation steps

1

IT Architecture evolution to **Cloud-based model** and introduction of **Innovative technologies**

2

Digital Factory

3

IoT Platform and Data Lake

— 2. Metering and digitization capex

0.42
Bn€

Metering

1. Smart meters (G4-G6)

- ARERA targets outperformance for mass market meters' replacements
- Implementation of NB-IoT smart meters

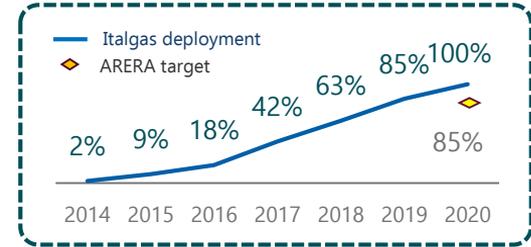


▪ Bit-Rate 364Mbps

NB-IoT



▪ Bit-Rate >1Gbps



0.54
Bn€

Digitization

2. Asset digitization

500 grids in 2019

- Hardware re-engineering for remote control of networks

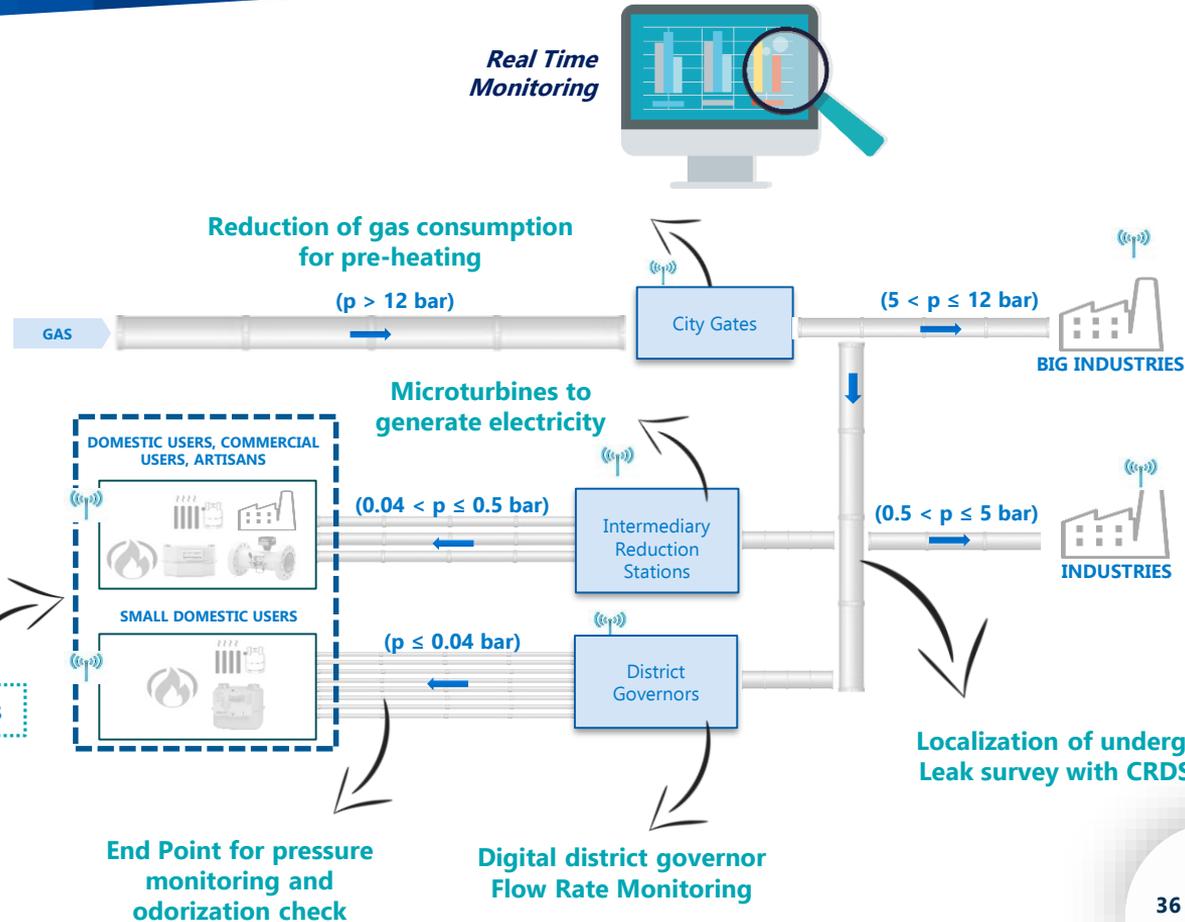
Installation of:

- ~5,300 digital GRF
- ~6,500 sensors for detecting the gas pressure in the network terminal points
- ~550 odorization monitoring points
- ~10,000 cathodic protection monitoring points

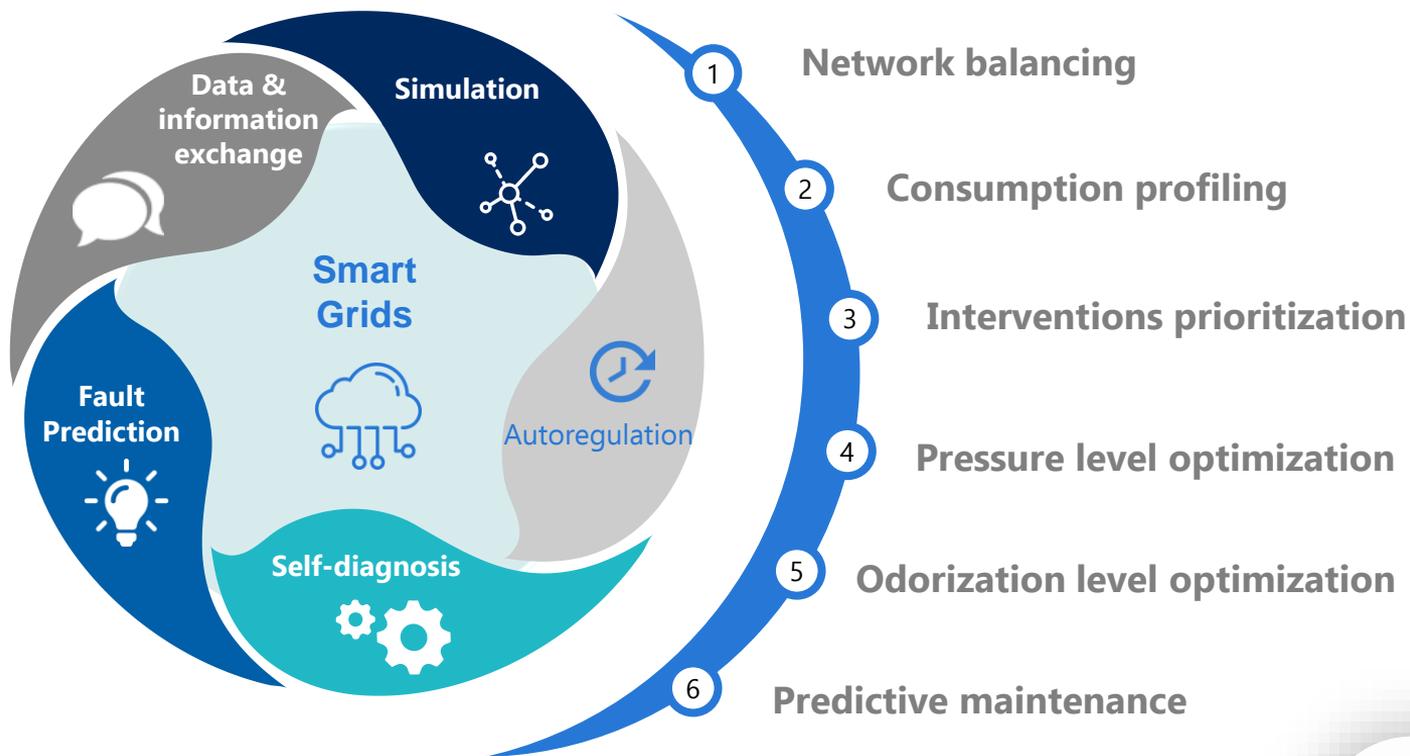
Upgrade of ~2,000 GRF with gas flow and pressure monitoring

- New Integrated Supervisory Center

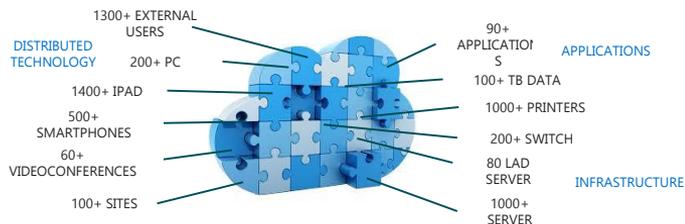
— 2. Digitization of assets – Tech innovations underway



— 2. Digitization of assets –Advantages



— 2. Process digitization



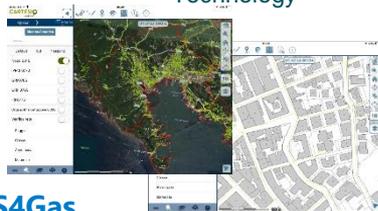
IT Architecture evolution to **Cloud-based model**

- Office 365
- Salesforce
- New Cartographic Platform
- New HR Platform
- New IoT Platform
- Big Data Platform
- Mixed Reality Platform
- New Billing Platform



Introduction of **Innovative Technologies**

- Bots
- IoT
- New Leaks Detection Technology
- NBIoT
- Mixed Reality
- Virtual Assistants
- Big Data
- Machine Learning
- Fog Computing
- Blockchain



GIS4Gas
Geo-referenced
Grid Map



SpaceOne



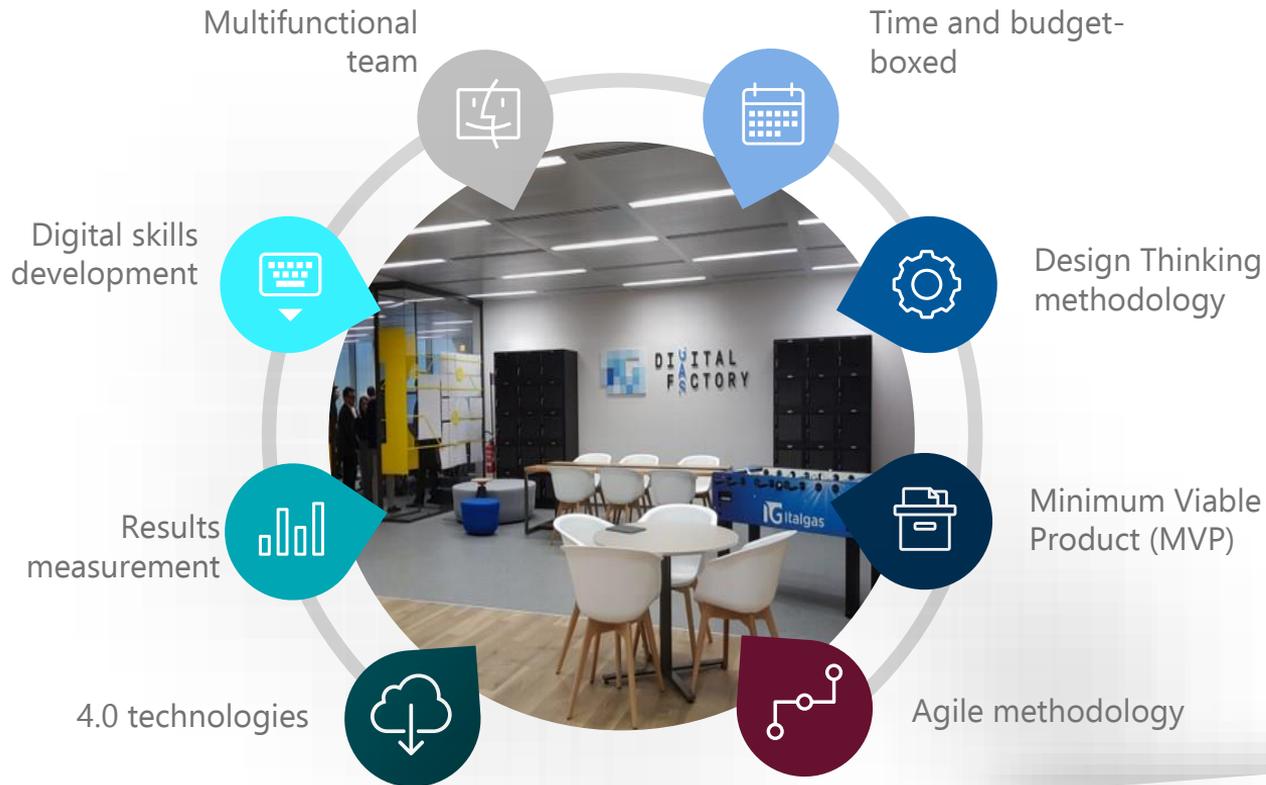
Mixed Reality
Prototype

— 2. The Digital Factory



Objectives

- Optimize and Digitize internal processes
- Introduce innovative technologies
- Change management
- Introduce flexibility, scalability and innovation



— 2. Digital Factory: First Outcomes

Room 1: Scheduling, dispatching and consumer experience

INTERVENTIONS ON TIME

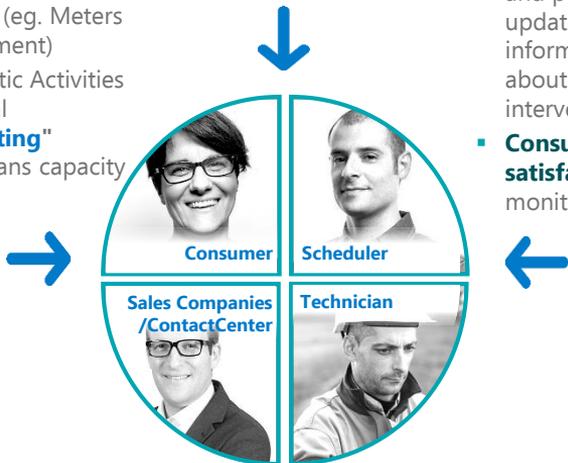
- Automatically suggested ideal slots (**Smart Booking**)
- Integration of **Priority Activities** currently not in Agenda (eg. Meters replacement)
- Automatic Activities proposal "**saturation**" technicians capacity

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 call 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**

— 2. Digital Factory: new rooms

Room 3: Optimization of work sites monitoring and checks

Targets

- Improve documentation and technical check on worksites
- Reduce time and effort on site required to technical employees
- Improve data completeness on IT systems



Acquisition of asset informations using specific equipments and interfaces



Digitization of work control (health, quality, environment)



Introducing automation in checking and accounting activity of works

Room 4: Digital solutions for knowledge transfer

Targets

- Improve the sharing of specialist expertises
- Enable remote access to best practices
- Codify know-how and knowledge onsite



New devices for knowledge sharing

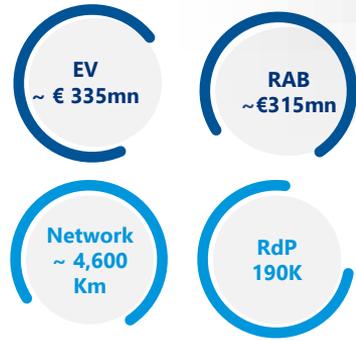


Presidium for knowledge transfer

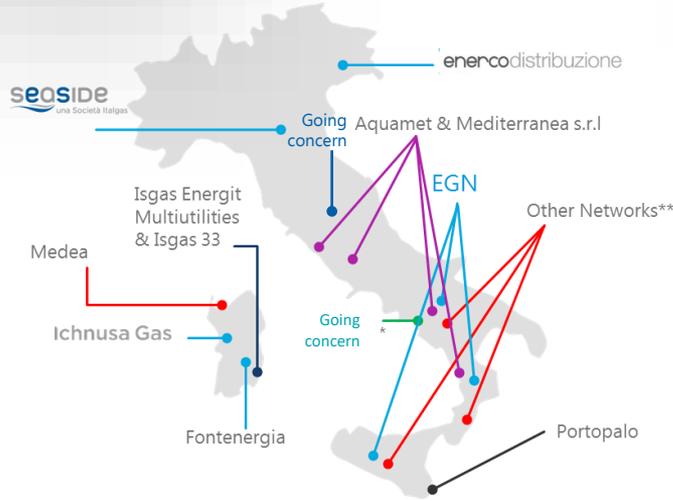


Contents development on pilot project

3. Development Opportunities- M&A



As of 01/06/19



Further acquisitions
2019-2021



Note: (*) Acquired from Amalfitana Gas (**)
Acquired from CPL

M&A to fuel Italgas growth

3. Development Opportunities- Affiliates consolidation

Toscana Energia key figures

Key financials¹

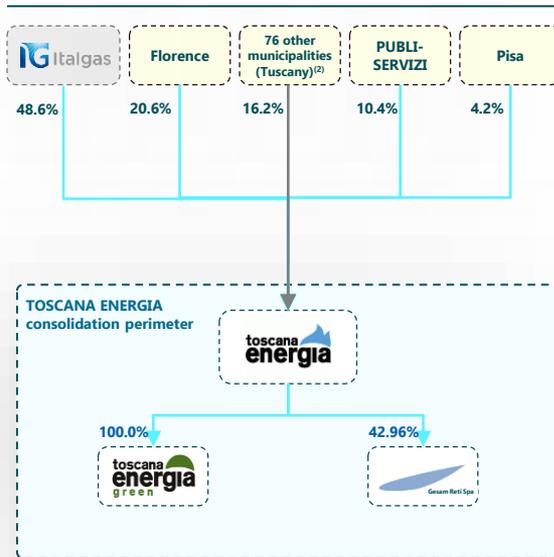
€m	2016A	2017A	2018A
RAB	813	820	833
Capex	50	53	54
NFP	369	389	398
Revenues	134	138	143
o/w Distribution	125	128	133
% Distribution growth	2.3%	2.7%	3.7%
EBITDA	98	102	104
% Margin	73.1%	74.0%	72.7%
EBIT	63	60	58
% Margine	47.3%	43.2%	40.9%
Net Income	40	40	41
% Margin	30.2%	29.3%	29.1%
RdP ('000)	789	792	794
Concessions	104	103	102
Employees	457	458	454
Network (km)	7,788	7,866	7,900
Gas Volume (mcm)	1,087	1,140	1,134

Note:

(1) Consolidated financials.

(2) Each with stake <2%.

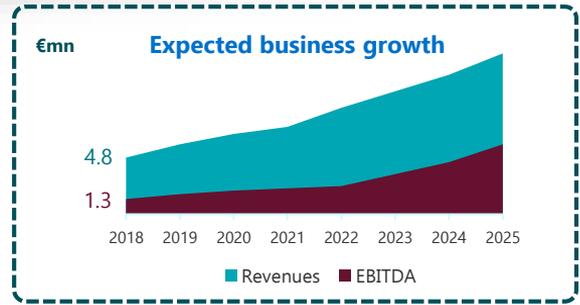
Shareholding Structure



Transaction rationale

- The expected transaction would allow Italgas to fully consolidate RAB (€ 833 mn) & EBITDA (€ 104 mn)
- Consolidation outcomes:
 - Operational & financial efficiencies
 - Full value from tenders in Toscana Region

— 3. Development opportunities – Energy efficiency



Energy Efficiency 1

- Improve ESCO positioning
- Focus on **gas energy efficiency** segment
- Focus **EPC projects**



Digital Energy 2

- Energy efficiency **vertical integration**
- **Machine learning algorithm** for energy efficiency applications
- **Digital diversification**



The ESCO for the Group 3

- **Group Energy Masterplan**
- **ATEM tenders**
- **Italgas Digital Factory**
- **Toscana Energia Green**
- **TEE generation**



External Growth acceleration 4

- **Network partnerships** (managers & agents, existing networks, partnerships with other networks)
- **Acquisitions of:**
 - Innovative Start-ups (innovative products and solutions)
 - Other companies & TEE portfolios

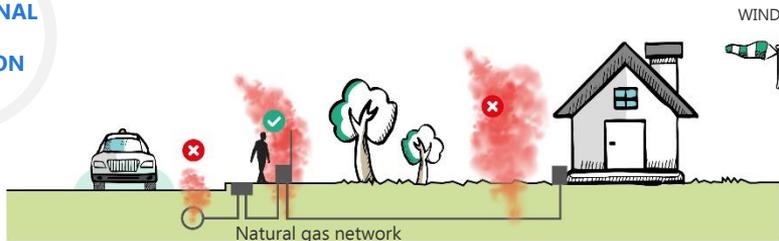


Group platform for innovation 5

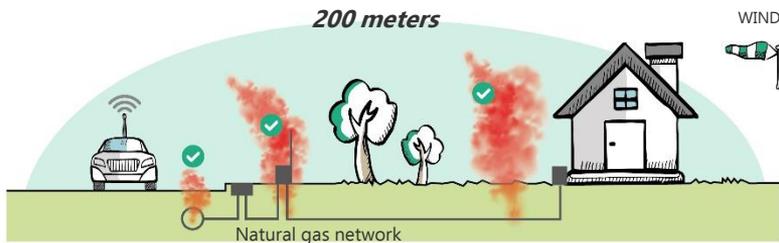
Development of a platform to manage Group innovative initiatives

3. Picarro - New leak detection technology

TRADITIONAL GAS DETECTION



● COVERAGE AREA ✓ LEAK DETECTED ✗ LEAK NOT DETECTED



NEW LASER DETECTION TECHNOLOGY

- Sensitivity: from parts per million (mg/kg) to parts per billion ($\mu\text{g}/\text{kg}$)
- 5x improvement in leaks detected on underground pipes
- Numerous airborne micro-leaks, with traditional technology not detect



Significant improvements in gas leak detection

— 3. Picarro commercial opportunities

Now available on boat



In Italy

Leak inspection
program for Italian
DSOs

Abroad

Services for European
DSOs
(i.e consultancies,
leak inspection)

~ € 10mn
additional
revenues in the
plan period

Value creation
through
innovative
technology

Full Services or consultancy services

4. Operational efficiency



GOAL AND HR REQUIREMENTS

Definition of HR requirements of the Operation Area

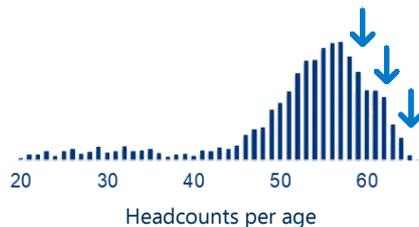
Criteria

Internally manage the Emergency Response Unit activities

HR PLANNING

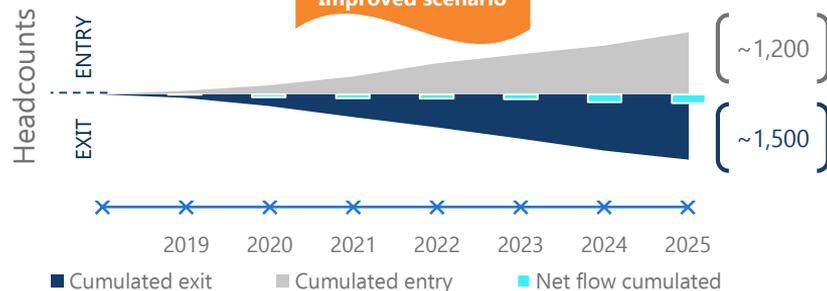
With respect to the present situation:

HR exits, taking into account estimated retirements



New entries in order to cover organizational requirements and competence skills

Quota 100
Improved scenario



Over the period 2019-2025, the baseline perimeter shows:

- A net exit of 300 HC
- Entry / exit substitution rate of ~80%

— 4. Operational efficiencies- Digital factory

Digital Room Mission

MVP

Benefits

1

Evolve scheduling, dispatching and customer engagement

New **booking, scheduling and dispatching** algorithms

Real-time push notifications to customers



Customers **satisfaction**



+5% efficiency of resources



Reduced cost of penalties (-30%)

2

Shape the Emergency and Monitoring Center

New **Call management processes and tools**
New **grid analyses and performance monitoring**
Innovative **Room layout**



Faster response to emergency calls
(-20% wait time)



Increased visibility on **grid status**

3

Optimize construction sites supervision and progress tracking

Digital tools for **remote worksite supervision**
Automated **progress tracking** elements
Asset data codification



Reduced **worksite control time**



Reduced **monitoring/ check external costs**



More accurate **asset data codification**

4

Knowledge transfer digital solutions

Introduction of **remote support**
Knowledge capture and codification
Availability of augmented **contents**



Better **access to expertise** for workers and technicians



Improved **efficiency of field interventions**



Reduced **training costs**

— 4. Benefits from digitization

↓ ~ 40 mn€ capex

~ €160 mn
potential savings
over the plan period

↓ ~ 90 mn€ opex
↑ ~ 30 mn€ additional
revenues



ICT: benefits from cloud adoption and reduction of software development request



ICT: cloud adoption also allow opex reduction



Network: reduction of maintenance capex thanks to intervention optimization and workforce re-organization



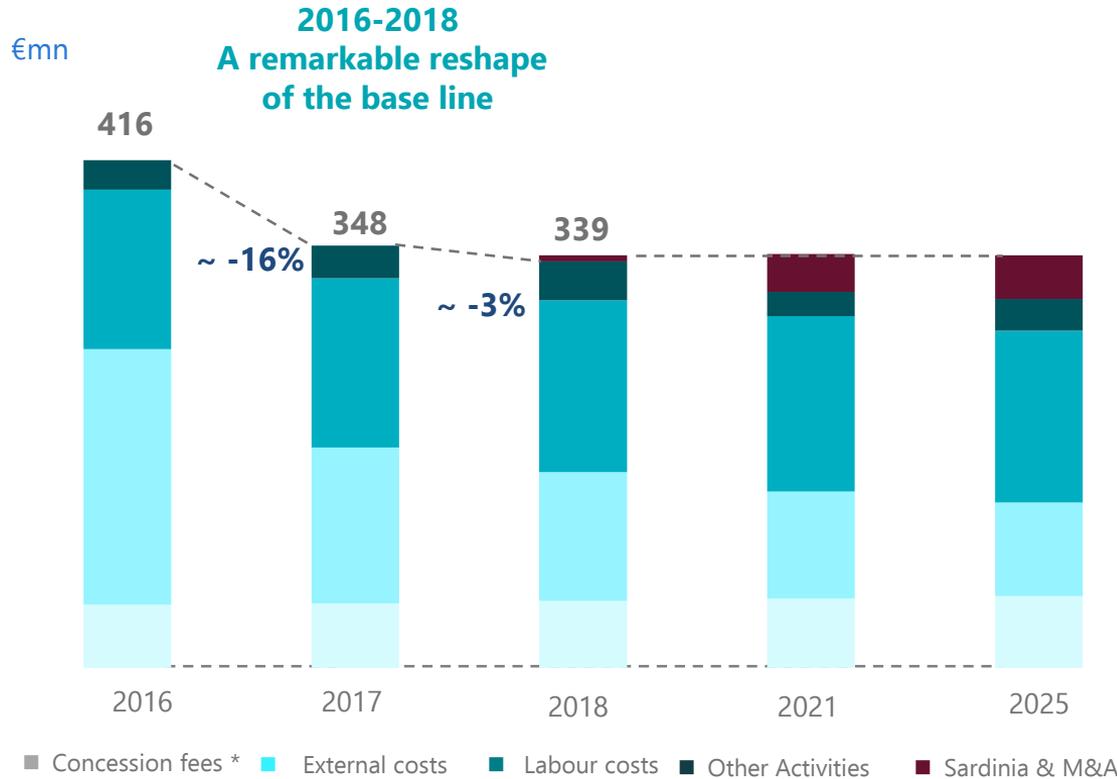
Operation: saving from activities to end user, grid maintenance and penalties reduction



Increase of **ARERA incentives** thanks to new technologies for leak detection activity

Improvement in service quality and customer satisfaction

4. Distribution activities: Opex

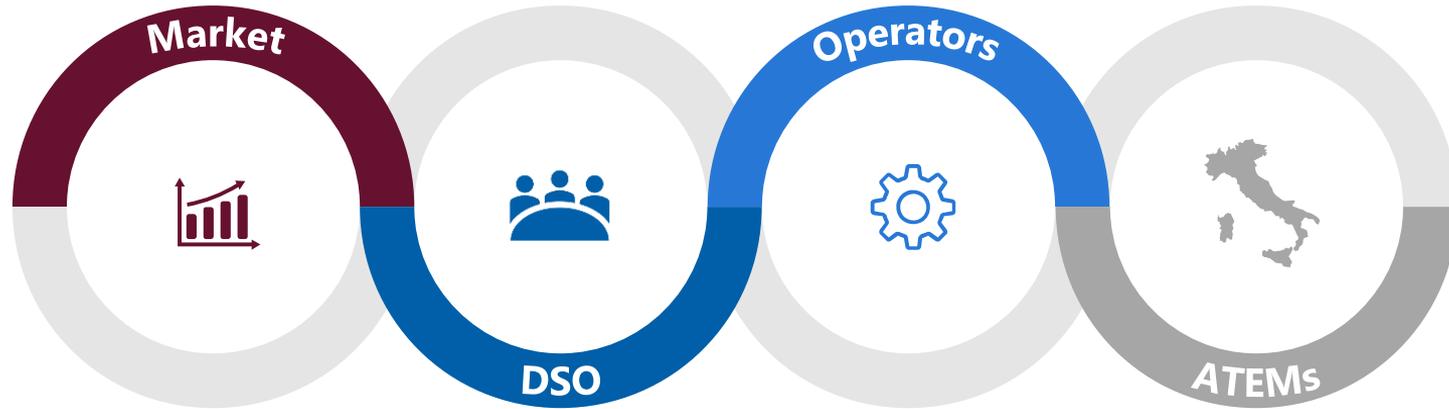


Continuous
commitment on
operational
efficiency over
the plan period

* Without change in business perimeter

5. Criteria to select target ATEMs

ATEM profitability



Italgas market share

Italgas PdR over ATEM PdR

Operator fragmentation

Number of DSOs operating in the ATEM

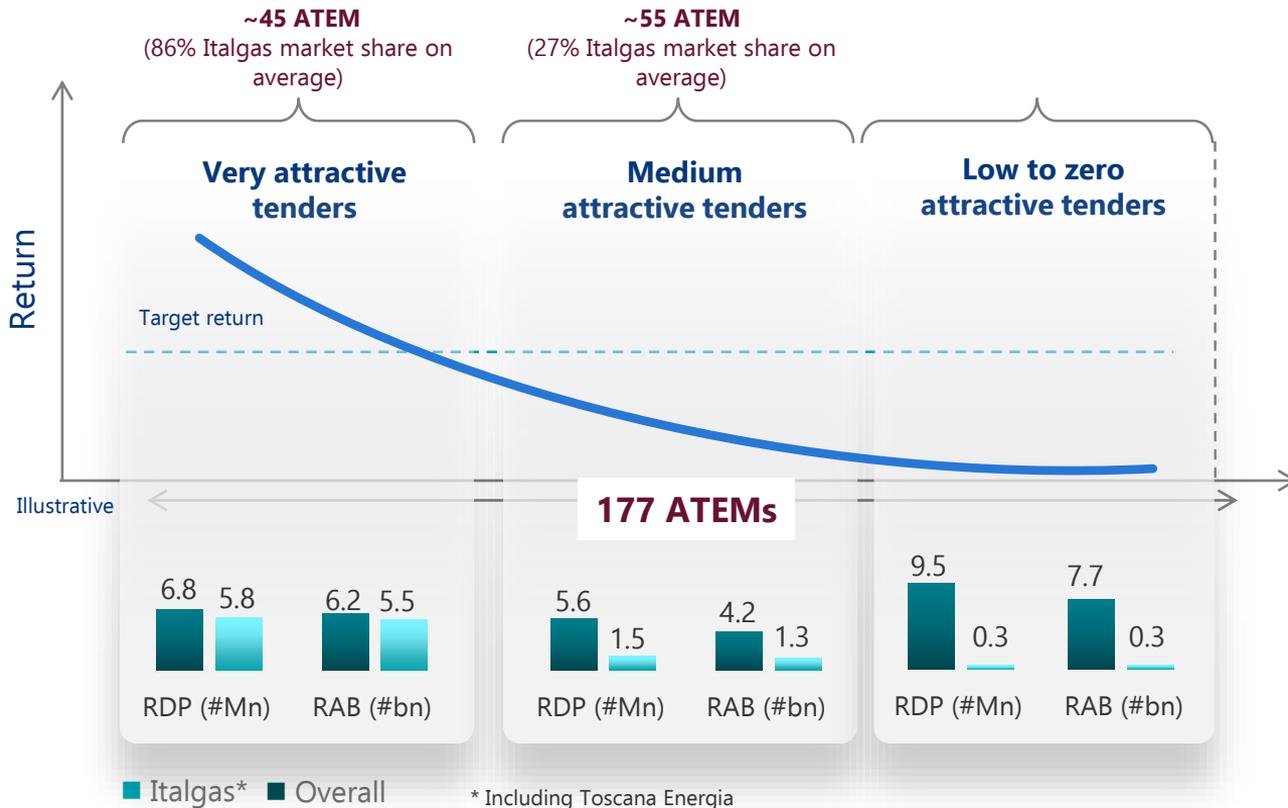
Operator type

Main competitors' market share (national and regional level) and type

Geographical contiguity

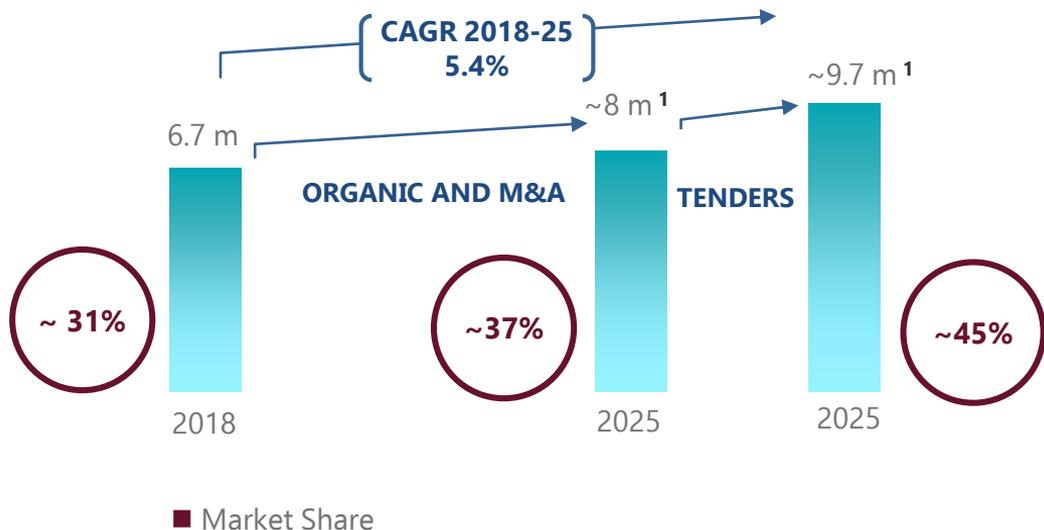
Italgas presence in neighboring ATEMs

5. Tenders clusters



5. Tenders: an additional growth opportunity

Redelivery points



Tenders capital deployment opportunities ⁽¹⁾

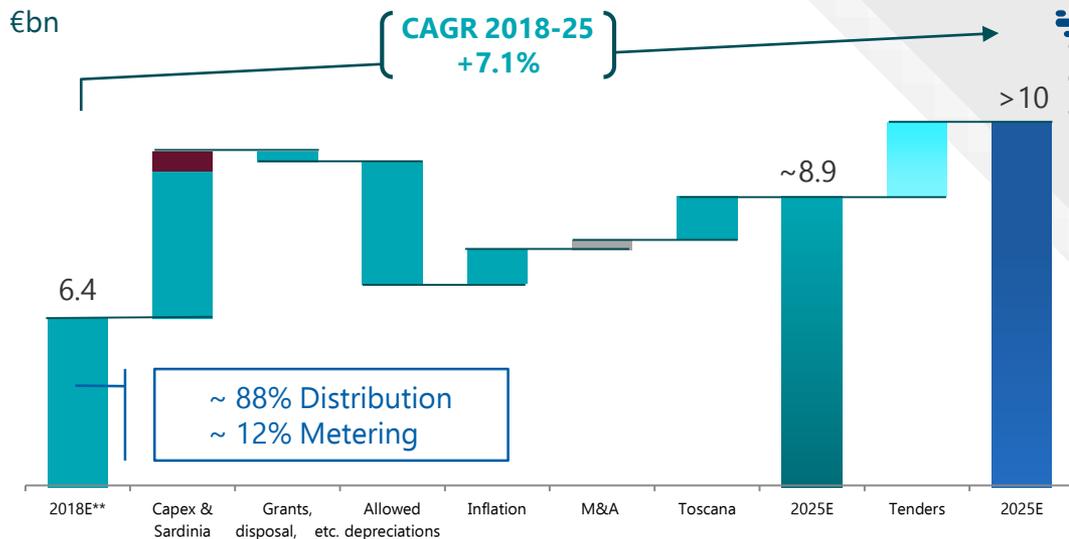


(1) Including Toscana Energia

(2) Net of redemption value of asset transferred to other operators in the tender process and assuming RV=RAB

5. RAB evolution with tenders

Consolidated RAB(1) 2018-2025



2019 – 2025
Capital deployment

~ 1.9



■ Investment Plan
(no tenders)

■ Tenders (and
relevant capex)

~ 4.5

**Tenders
represent an
additional capital
deployment
opportunity**

** RAB referred to the year end T - revenues in the year T+1

(1) Continuity of regulatory treatment assumed for grants cumulated at 2018 year end; average deflator in the plan period assumed at 1.5%

0.12	▲	13211.66	
0.69	▲	4131.15	+0.15 ▲
0.16	▲	11232.09	+0.69 ▲
0.76	▲	7121.88	+0.69 ▲
0.25	▲	4122.09	+0.35 ▲
0.42	▲	14.44	+0.77 ▲
0.69	▲	1232.09	+0.35 ▲
0.18	▲	7621.97	+0.77 ▲
		4221.15	+0.15 ▲

— Financials

— 6. Financial strategy to support a superior equity story...



A solid and efficient financial structure

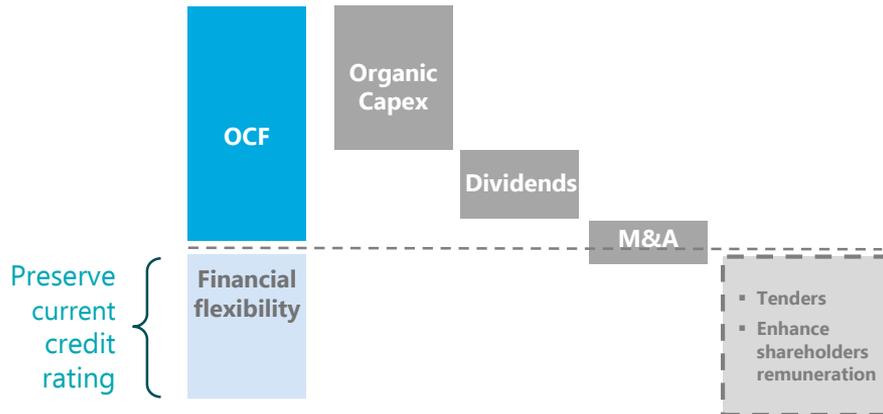
- Generate strong and resilient cash flow to cover organic capex and dividends
- Limited refinancing risk
- Limited exposure to interest rates volatility
- Maintain a safe liquidity profile in the medium term
- Current outstanding cost of debt maintained over the plan period

Preserve a solid investment grade rating

Fitch BBB+ & Moodys' Baa2

6. Strong and resilient cash flow ... growth and flexibility for tenders and shareholders

Cumulative amounts for the full business plan*



* Measurement of the chart for Illustrative purpose

2017-2018 track record

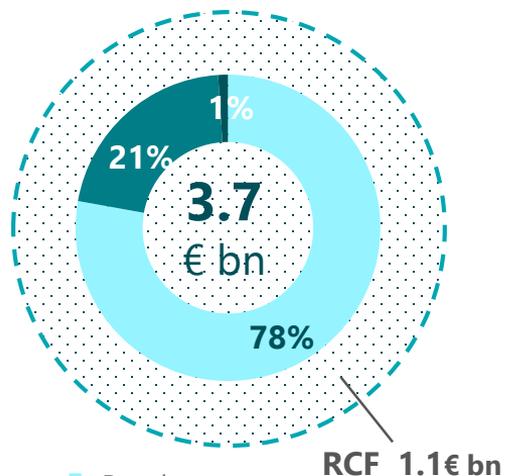
- OCF 1.3 €bn (~ 11% of RAB)
- Capex and M&A > 1.1 €bn
- Dividend paid > 0.3 €bn in 2018-2017
- NFP under control: + 5%
- Leverage: from 61% to 59.6% ↓

DPS
FY 2018
+12.5
vs 2017

6. Limited refinancing risk and exposure to interest rates

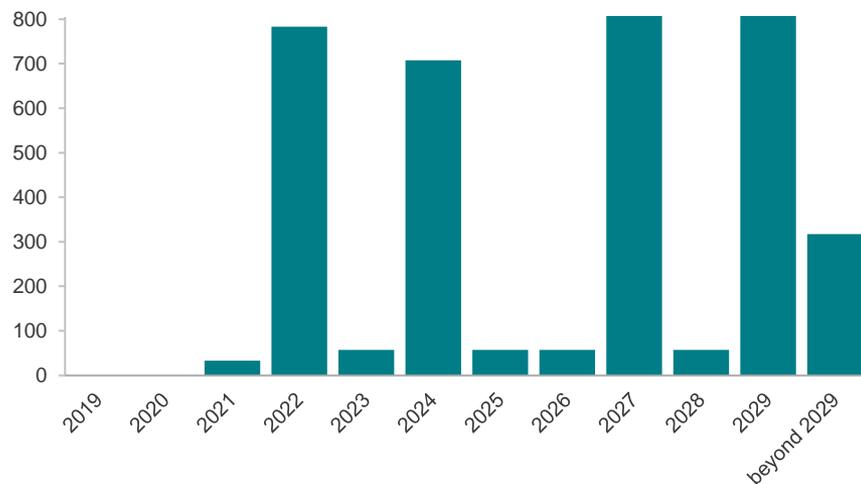
Superior combination of solidity and efficiency

4.8 € bn
Total Committed
Credit Facilities and Bonds



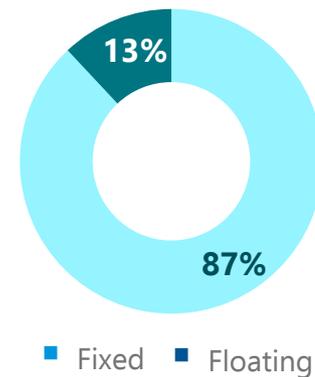
- Bond
- Institutional Lenders Financing (EIB)
- Banking Lines

No refinancing risks until 2022



Expected 2019 cost of debt
1.2%

Fixed Floating ratio



- Fixed
- Floating

6. Debt structure evolution



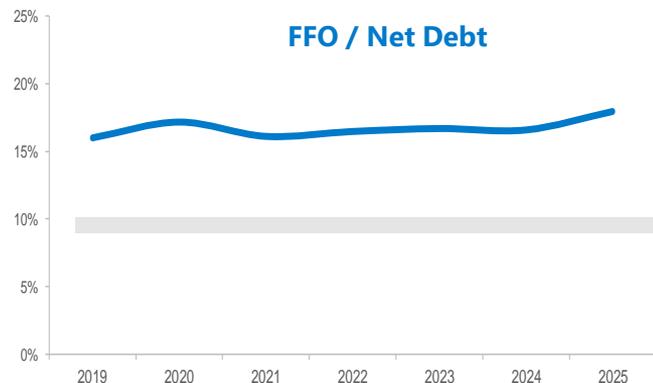
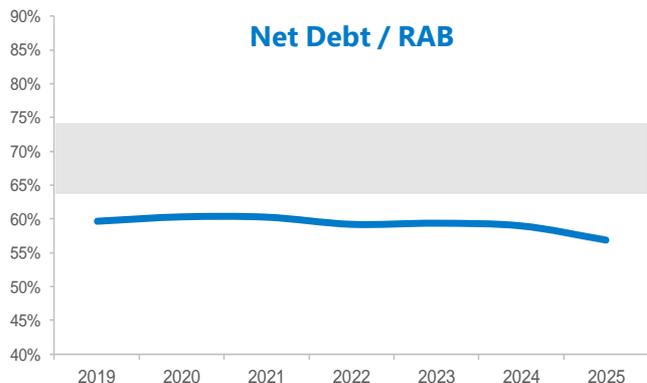
**Resiliency and
Efficiency
secured over
the plan
period**

- Invest in tenor: leveraging on debt capital market (5-10y) and institutional lenders (longer maturity)
- Maintain current fixed rate portion as long as the current low interest rate scenario remains
- Landing point: 2/3 fixed, 1/3 floating
- Adequate committed m/l term Credit Facilities balancing cost and profile over the plan period
- Leverage system liquidity to optimize cash management

Current cost of debt over the plan period

6. Key credit metrics

Sound credit profile well positioned
in a solid investment grade area



- Well balanced capital deployment profile to optimize credit metrics:
 - M&A and Sardinia in the first part of the plan period
 - Tenders awarding expected towards the second part of the plan

— 2019 Guidance and expected plan evolution

OUTLOOK with tenders⁽¹⁾

	2019	2021		2025
Revenues	~1.2 €bn	~1.5 €bn	Revenues	~1.8 €bn
Ebitda	840-860 €mn	~73 %	Ebitda margin	~ 75 %
EBIT	460-480 €mn	~8 %	Ebit/RAB	8 - 8.5 %
Capex	~ 700 €mn	~8.5 €bn	Consolidated RAB*	>10 €bn
Consolidated RAB*	~6.7 €bn	<60 %	Leverage	<60 %
Leverage**	~59 %	~ 10 %	Annual average OCF/ RAB	~ 10 %

* RAB referred to the year end T - revenues in the year T+1

** Calculated as ND/RAB including affiliates at equity RAB

(1) Includes Toscana Energia



— Shareholder Remuneration & Closing Remarks

— Dividend policy confirmed

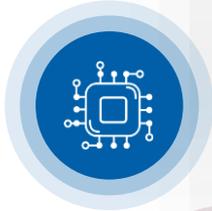
M&A Activity



Organic capex
and operational
excellence



Innovation
& digitization



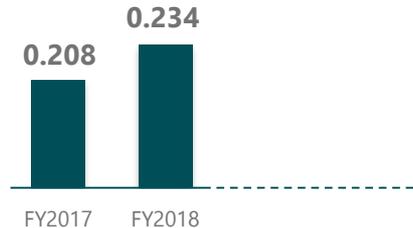
Solid balance
sheet



Dividend policy

Highest between:

- DPS 2017 +4% p.a.
- DPS equal to 60% of consolidated net income



DPS 2018

€0.234
(+12.5 vs 2017)

60%
pay out
triggered



Q & A





Annexes



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

Operating costs: allowed opex

MUNICIPALITIES REFERENCE OPEX 2019

Italgas Reti

Euro / RdP

Distribution		Client density		
		High	Medium	Low
Company size	Large > 300,000 PdR	32.79	36.49	38.78
	Medium 50,000-300,000 PdR	35.77	39.80	42.30
	Low ≤ 50,000 PdR	40.96	45.60	48.45

+

7.57

Metering

	t(ins) ^{opex}	t(rac) ^{opex}	t(cot) ^{opex}
	2.29	3.25	2.03

ATEM REFERENCE OPEX

Euro / PdR

Distribution		Client density		
		High	Medium	Low
ATEM size	> 300,000 PdR	32.79	36.49	38.78
	≤ 300,000 PdR	34.24	38.15	40.54

+

7.57

ATEM Torino 2

Metering

	t(ins) ^{opex}	t(rac) ^{opex}	t(cot) ^{opex}
	2.29	3.25	2.03

Legal tender criteria for awarding concessions

CRITERIA	MAX. POINTS AWARDED	DETAILS
Security & Quality	27	<ul style="list-style-type: none">▪ Network inspection▪ Promptness of intervention▪ Level of gas odourisation▪ Quality parameters individually defined by the contracting authority
Development of the distribution system	45	<ul style="list-style-type: none">▪ Network management efficiency▪ Adequacy of assets and equipment▪ Extension and development▪ Technological innovation
Economic criteria	28	<ul style="list-style-type: none">▪ Concession fee▪ Discounts on tariff▪ Discount on costs of services and on network extension▪ Energy efficiency investments

Awarding system focused on technical criteria favor experienced players

Disclaimer

Italgas's Manager, Giovanni Mercante, in his position as manager responsible for the preparation of financial reports, certifies pursuant to paragraph 2, article 154-bis of the Legislative Decree n. 58/1998, that data and information disclosures herewith set forth correspond to the company's evidence and accounting books and entries.

This presentation contains forward-looking statements regarding future events and the future results of Italgas that are based on current expectations, estimates, forecasts, and projections about the industries in which Italgas operates and the beliefs and assumptions of the management of Italgas.

In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management are forward-looking in nature.

Words such as 'expects', 'anticipates', 'targets', 'goals', 'projects', 'intends', 'plans', 'believes', 'seeks', 'estimates', variations of such words, and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future.

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Italgas Strategic Plan 2019 - 2025

12th June 2019, London

