

Italgas S.p.A.

ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF 19 APRIL 2018

SINGLE CALL

**Report by the Board of Directors on the proposals concerning the items on the agenda of the
Shareholders' Meeting**

Item 1 of the extraordinary session

***“Proposal for free share capital increase, to be reserved for employees of Italgas S.p.A and/or companies in the Group, in the nominal maximum amount of 4,960,000 euros, through allocation pursuant to article 2349 of the Italian Civil Code of a corresponding amount taken from profits or retained profits, with the issuance of no more than 4,000,000 ordinary shares. Amendment to article 5 of the company’s Bylaws.
Required and consequent resolutions.”***

Dear Shareholders,

The Board of Directors meeting of your company held on 12 March 2018 resolved to submit for the approval of the Shareholders' Meeting a Co-investment Plan reserved for employees of Italgas S.p.A. and/or companies of the Group, (the “**Plan**”), described in the information notice prepared pursuant to art. 84-bis of the regulations Consob adopted with resolution no. 11971 of 14 May 1999, as amended thereafter, made available to Shareholders for the examination of item 4 on the agenda of the ordinary session of the Shareholders' Meeting.

The information notice, to which reference is made for more information on the Plan, sets out the criteria to identify the beneficiaries and the characteristics of the Plan, and provides a detailed explanation of the reasons for its adoption.

The Plan involves the free allocation of the Company's ordinary shares to participants. These shares will come from a capital increase to be carried out through the use, pursuant to art. 2349 of the Italian Civil Code, of profits or retained profits. Those participating in the plan, and in particular employees of Italgas S.p.A. and/or companies of the Group, shall be entitled to receive shares.

In order to ensure the relative provision of shares, the Board intends to submit for your attention a proposed free share capital increase in the nominal maximum amount of 4,960,000 euros, through allocation pursuant to article 2349 of the Italian Civil Code of a corresponding maximum amount taken from the retained earnings reserve, with the issuance of no more than 4,000,000 ordinary shares to be reserved for beneficiaries of the Plan.

Note that, pursuant to art. 5 of the Company bylaws, *“the share capital may be increased...with the issue of new shares, including special categories, to be assigned free of charge pursuant to art. 2349 of the Italian Civil Code.”*

1. Reasons and intended use of the Capital Increase

The aim of the Plan is to ensure a high level of alignment between the interests of the management and those of Shareholders; support the retention of key resources in the medium to long-term and launch a medium to long-term incentive system capable of creating a strong link between the company results achieved and the creation of value for Shareholders.

The capital increase is reserved exclusively for the aforementioned Plan and therefore it is to be used exclusively for employees of Italgas S.p.A. and/or companies of the Group.

The shares may be issued, even in one or more tranches, for the duration of the share capital increase resolution outlined, and in any case by the final deadline of 30 June 2023.

2. Characteristics of the Shares, allocation to capital

The Company's shares that can be allocated to beneficiaries of the Plan will be ordinary shares with the same characteristics as those in circulation; in addition, their benefits shall be the same as the ordinary shares of the Company currently in circulation and they shall therefore bear coupons that are current on that date.

As the shares of the Company have no express nominal value, the Board intends to submit for your attention a proposal to ascribe to capital a maximum amount of 4,960,000 euros and therefore an amount, for each share, equal to the current accounting par value of the shares rounded to the euro cent (1.24 euros).

3. Bylaw amendment arising from the resolution on the proposed capital increase

The transaction outlined involves an amendment to article 5 of the Company Bylaws to incorporate the capital increase resolution.

In particular, a new paragraph will be added to article 5 of the Company Bylaws to incorporate the following content:

“On 19 April 2018 the Extraordinary Shareholders' Meeting resolved on a capital increase in the nominal maximum amount of 4,960,000 euros, through allocation pursuant to article 2349 of the Italian Civil Code of a corresponding amount taken from retained earning reserves, with the issuance of no more than 4,000,000 ordinary shares, to be assigned free of charge to beneficiaries of the incentive plan approved by the ordinary shareholders' meeting of 19 April 2018 and to be carried out by the final deadline of 30 June 2023.”

There follows a comparison of the current text of article 5 of the bylaws with the amended text as described above, which is submitted for the approval of the Extraordinary Shareholders' Meeting:

CURRENT TEXT

ARTICLE 5

5.1 The Company's share capital is of Euro 1.001.231.518,44 (one billion, one million two hundred and thirty-one thousand, five hundred and eighteen point forty-four), divided into 809.135.502 (eight hundred nine million, one hundred and thirty-five thousand, five hundred and two point zero) shares without par value.

5.2 The Shareholders' Meeting may resolve to increase the share capital, determining the terms, conditions and arrangements thereof. The share capital may be increased: by transfer in kind or of assets and with the issue of new shares, including special categories, to

PROPOSED TEXT

ARTICLE 5

5.1 – *Unchanged*

5.2 – *Unchanged*

be assigned free of charge pursuant to art. 2349 of the Italian Civil Code.

5.3 “On 19 April 2018 the Extraordinary Shareholders' Meeting resolved on a capital increase in the nominal maximum amount of 4,960,000 euros, through allocation pursuant to art. 2349 of the Italian Civil Code of a corresponding amount taken from retained earning reserves, with the issuance of no more than 4,000,000 ordinary shares, to be assigned free of charge to beneficiaries of the incentive plan approved by the ordinary shareholders' meeting of 19 April 2018 and to be carried out by the final deadline of 30 June 2023.”

Note that the proposed amendments to the Bylaws do not attribute the right of withdrawal to Shareholders who do not contribute to their approval, as they do not fulfil any of the grounds for withdrawal provided for in article 2437 of the Italian Civil Code.

Given the above, the following is proposed.

Dear Shareholders,

Having heard the reasons given and pursuant to current regulations, you are therefore invited to approve the following proposed resolution

“The Extraordinary Shareholders' Meeting, having examined the Directors' report,

RESOLVES

- I. to increase the share capital by a maximum amount of 4,960,000 euros, through allocation, even in one or more tranches, of a maximum number of 4,000,000 new ordinary shares, to be assigned free of charge, through allocation pursuant to art. 2349 of the Italian Civil Code, of a corresponding amount taken from retained earning reserves to employees of the Company and/or companies of the Group, beneficiaries of the incentive plan approved by the Ordinary Shareholders' Meeting of 19 April 2018 and to be carried out by the final deadline of 30 June 2023, with the allocation of capital of 1.24 euros for each share;*
- II. to amend article 5 of the company bylaws by adding the following last paragraph “The Extraordinary Shareholders' Meeting held on 19 April 2018 resolved on a capital increase in the nominal maximum amount of 4,960,000 euros, through allocation pursuant to article 2349 of the Italian Civil Code of a corresponding amount taken from retained earning reserves, with the issuance of no more than 4,000,000 ordinary shares, to be assigned free of charge to beneficiaries of the incentive plan approved by the ordinary shareholders' meeting of 19 April 2018 and to be carried out by the final deadline of 30 June 2023”;*
- III. to attribute to the Board of Directors, and on its behalf to the Chair and the Chief Executive Officer in office at the time and severally, the powers to implement the preceding resolutions, including:*
 - i. the power to amend article 5 of the company bylaws as regards the part concerning the capital increase and the number of shares of which it is comprised, in relation to the total or partial subscription of the capital increase, and also to file said amendments at the Business Register;*

- ii. *the power to perform all activities, prepare, submit and sign all documents or deeds that are required, necessary or appropriate for the purposes of executing the capital increase resolved on and to perform all preparatory, additional, instrumental or consequent activities, giving the legal representatives in office at the time the power to act severally for all and any activities not reserved by law or internal regulations to the remit of the collegial body;*
- iii. *the power to perform all actions necessary and appropriate to execute the resolution, also conferring on the legal representatives in office at the time the power to act severally to introduce the changes permitted or requested for registration in the Business Register;*
- iv. *to establish that, if the capital increase resolved on is not fully subscribed by the final deadline of 30 June 2023, the capital shall in any case be understood as increased for an amount equal to the shares issued.”*

Milan, 12 March 2018

The Chairman of the Board of Directors

Mr Lorenzo Bini Smaghi