



Contents

01

Digital technologies

02

Digitalisation strategies

03

1H 2017 results

04

The Italgas shares

05

Advantages of a careful risk oversight

italgas.it



Digital technologies open up new frontiers and reshape business

Digitalising the network means using new digital technologies to support the design, construction, management, monitoring, and maintenance process of the gas distribution network. It represents a great opportunity for a company like Italgas, which owns a 65,000-km-long network covering the entire national territory.

Through the new technologies Italgas can provide a «digital identity» to its network. It is the so-called industrial Internet of Things (IoT): a multitude of sensors distributed throughout the network that can communicate and interact among each other and with the external world to provide information or to take decisions, for example to adjust operating parameters. The degree of decision-making autonomy will grow over the next years in step with the development of advanced technologies, such as artificial intelligence and machine-learning, seen as self-learning ability.

Last but not least, digital technologies are transforming the way Italgas technicians work. They can perform via mobile devices many tasks that, until recently, required the presence at the Company field offices, as now they can access, via their mobile devices (iPad), digital information that enrich that collected on the ground, as in the case for cartography and augmented reality. In a very close future, technicians will also have the opportunity to use devices, the so-called wearables, which will allow for interaction with the outside world in a simple way and improving the security degree. IoT, artificial intelligence, machine learning, mobile, augmented reality are therefore some of the new technologies that are available to Italgas to digitalise the network, the processes, and the field-staff activities.

Digitalisation
strategiesToward ever smarter network:
scenario and perspectives

**THE ITALGAS BUSINESS IS ALREADY VERY “DIGITAL”.
THE FUTURE SCENARIO, WITH EVOLVING TECHNOLOGIES, OPENS UP
FURTHER OPTIONS THAT THE COMPANY AIMS TO FULLY EXPLOIT**

Many benefits
are already
visible through
the extensive
adoption
of Internet
of Things

Italgas has always monitored the evolution of digital technologies carefully, seeking the most hopeful ones for its business. More specifically, the Company has already adopted IoT for the remote control of the network, for the cathodic protection, for the remote control and management of meters, and for communications of the operating staff via iPad through field sensors.

The Italgas network has already a digital representation in the cartography available on the iPads of technicians. The tech team receives the work planning in digital form and, in the field, can collect documents such as images and digital signatures of customers, detect anomalies by interacting with plants and, last but not least, can report performed tasks reducing error and back-office activities.

TRADITIONAL NETWORK



SMART NETWORK



THE TRANSITION TO THE SMART NETWORK

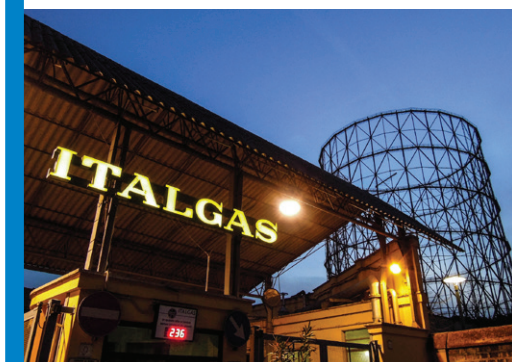
In the near future, Italgas imagines a route in which, at a first stage, it fully capitalises on available data, while exploiting the whole set of digital technologies (IoT, Big Data, Analytics, Machine Learning), with the aim of timely detection of anomalies within the network, identification of potential failures and actions before they occur (predictive maintenance), reducing both intervention costs and disservice time.

At a later stage, technology evolution will allow Italgas to increase the degree of intelligence in its network, in order to have the largest possible number of processes (for instance pre-heat and odourisation) self-regulated, so optimising consumptions and maximising the quality of service provided. In this way, Italgas would also achieve the objective of maintaining its leadership as well as the innovating role that it has always had in the distribution market in Italy and in Europe.

A set of fast-growing results

The growth of first-half 2017 financials proves that Italgas succeeded in offsetting the costs of the separation from Snam

The progress achieved in net profit (+23.1%) reflects the significant EBITDA increase (+21.9%), resulting from the plan for gaining new operating efficiencies through cost reduction and improvement in the quality of processes and services. Interim net profit moreover benefits from continuous financial optimisation, with a debt cost that remains below 1%. First-half figures indicate that Italgas is well on track to meet the guidance provided on full-year 2017 results.



High capex and strong cash flow generation

1,581
GAS
CONCESSIONS

7.4 MLN
ACTIVE
METERS

> 65,000 KM
LENGTH OF GAS
DISTRIBUTION
NETWORK

During the first half of 2017 Italgas delivered 243 million euro investments, a sharp increase over first-half 2016

48% of capex was focused on the replacement of nearly 801,000 traditional meters with as many electronic smart meters, going beyond the Authority's provisions under the smart metering project. To date, the Company has installed around 2 million new meters, under the programme envisaging the complete replacement of its meters between 2019 and 2020. Over the same period, Italgas continued to expand its distribution network, with a 109 € mln investment.

The significant increase in Depreciation & Amortisation (+31%) mainly reflects the reduction in the useful life of traditional meters to be replaced with smart meters: out of total 44 € mln depreciation, accelerated depreciation counts for 37 € mln. The strong Cash flow from operations, which amounts to 329 € mln, financed the significant net investment plan (231 € mln), generating a Free Cash Flow of 98 € mln. The latter has therefore funded a relevant part of the dividends paid for the fiscal year 2016 (162 € mln). Net Financial Debt as at 31 June 2017 could therefore remain below 3.7 € bn (+64 € mln compared with the level at 2016 year-end).

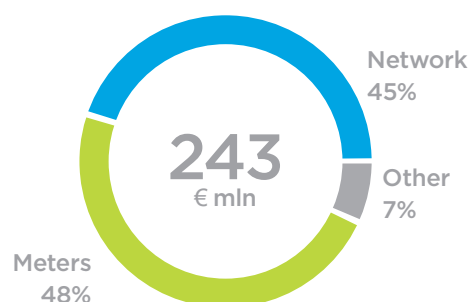
Operational progress

From 1st July 2017, the new structure has become effective. It consists of 14 territorial units. With the new organisation in place, Italgas can be more efficient, closer to the local needs, and can significantly reduce its costs.

FIRST-HALF 2017 DATA (VS. 1H 2016)

565 mln € (+9.5%) Revenues	204 mln € (+14.6%) EBIT	243 mln € (+59.6%) Capex
390 mln € (+21.9%) EBITDA	140 mln € (+23.1%) Net profit	3,682 mln € Net financial debt
69.1% EBITDA/Revenues	329 mln € (+12.7%) Cash flow from operation	

BREAKDOWN OF INVESTMENTS 1H 2017



Stock Exchange
performance

Italgas
outperformance
continues

Total Shareholder Return close to 30% from 2016 year-end

At the end of July 2017 Italgas share price (4.65 euro) shows a 24.4% increase vs. 2016 year-end (3.74 euro). When considering the 2016 dividend per share of 0.2 euro paid in May 2017 (5.4% yield), the Total Shareholder Return over the 1 January – 31 July 2017 period is 29.8%. Even though both the benchmark indices, FTSE MIB (+11.7%) and Stoxx Euro 600 Utilities (+4.8%), are above their respective 2016 YE level, Italgas outperformance remains strong, therefore proving that the market appreciates the Company's business model.

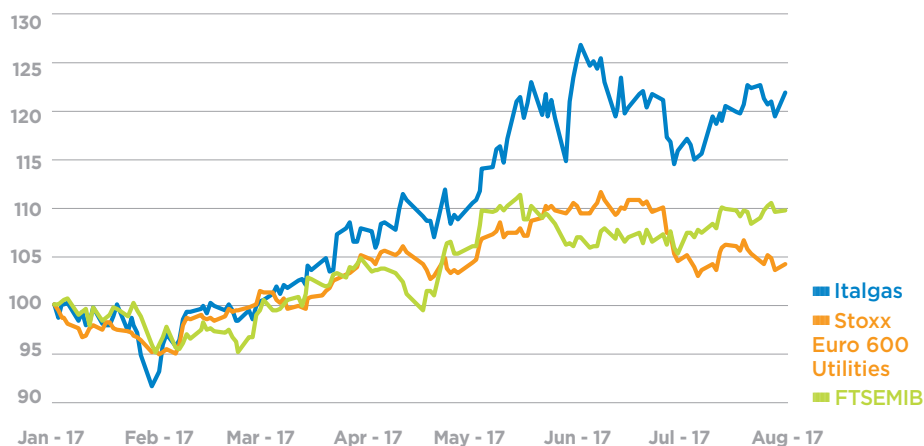
Official listing: **Italian Stock Exchange - MTA**
Segment: **Blue Chips**
Type: **ordinary shares**
Index membership: **FTSE MIB, FTSE Italy All-Share, Euro Stoxx, Euro Stoxx Utility**

Number of outstanding shares: **809,135,502**
ISIN Code: **IT0005211237**
Reuters Code: **IG.MI**
Bloomberg Code: **IG IM**
Price as at 31 July 2017: **4.65 euro**

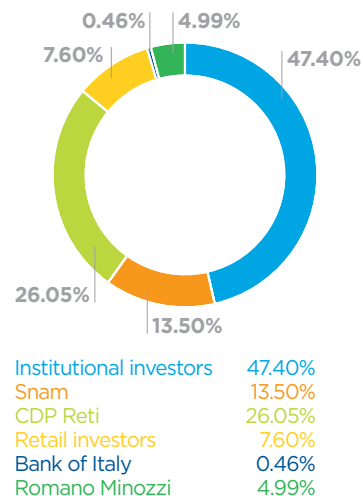
Mkt capitalisation as at 31 July 2017: **3.76 billion euro**

Head of Investor Relations:
Marco Porro
investor.relations@italgas.it

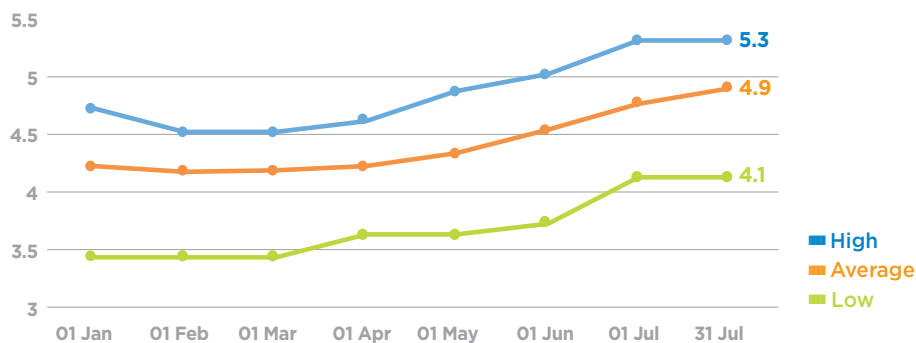
ITALGAS VS. BENCHMARK INDICES FROM BEGINNING 2017 (BASE 2 JAN. 2017=100)



SHAREHOLDERS' STRUCTURE

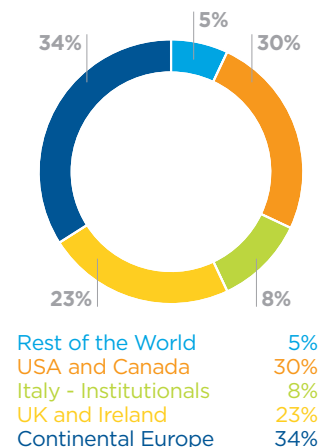


EVOLUTION OF BROKERS TARGET PRICES (€)



At the end of June, the utility shares – especially those operating in regulated businesses – have been penalised by higher bond yields in the Eurozone, as a result of a less easing attitude perceived in the BCE's perspective behaviour. Italgas was temporarily affected from this perception, in line with the industry pattern. In the following month, the stock price has substantially recovered, thanks to solid fundamentals, also proven by interim results released on 28 July. Consensus target price is 4.9 €, an improvement compared to the 4.8 € level recorded in June 2017.

GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL INVESTORS



Advantages of a careful risk oversight

Italgas can count on a structured system for governing and managing risks

The limited risk profile of Italgas firstly derives from the regulated nature of the business in which it operates. Since its inception, the Company follows a well-structured approach for governing all risks

that can affect value creation. In addition to having a dedicated function, Italgas applies to all Group companies a model for identifying, assessing, managing and controlling risks.

BoD, supported by the Control and Risks and Related-Party Transactions Committee

It establishes the rules.

It checks the adequacy and effective operation of the system.

It guarantees that corporate risk principles are identified and managed.

Board of Statutory Auditors

It oversees the effectiveness of the system.

CEO

The CEO is in charge of designing, implementing and managing the internal control and risk management system.

Italgas management is primarily responsible for applying the internal control and risk management system: control activities are an integral part of the managerial processes that the individual operating units must implement.

SYSTEM PURPOSES

Ensure compliance with laws and corporate procedures.

Protect Italgas assets.

Manage activities optimally and efficiently.

Provide accurate and complete accounting and financial data.

THOROUGH RISK MAPPING IN THE AREA OF OPERATIONS AND FINANCIAL MANAGEMENT

