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## Italgas can leverage on a financial strategy that is well on track

Italgas financial strategy is one of the pillars of the 2017-2023 Strategic Plan presented last May. The financial efficiency program that we are committed to execute requires continuous attention in order to keep the debt structure optimally balanced, with the final aim of containing its cost at the minimum possible level. Once fully reimbursed the debt exposure toward Snam, since the listing on the Stock Exchange Italgas can count on an autonomous financial structure, initially represented by 4.3 bn € committed banking facilities. After the achievement of the credit rating from two agencies, Fitch and Moody's, and the approval of the EMTN program, as early as the first months of 2017 Italgas issued 5 to 10-year fixed-rate bonds for 2,150 bn € with the aim of refinancing the "bridge to bond" facility.

**The successful launch of the last 500 mln € bond, which took place on 11 September 2017, has made the Italgas financial structure even more solid and efficient.**

The market welcomed all the bonds that we have issued; the transactions were about 3 times oversubscribed, with high quality and wide geographical diversification of investors.

The bonds issued so far were aimed to:

- Diversify funding sources, while guaranteeing an adequate liquidity profile
- Achieve a better balance between fixed and variable rate
- Increase the average maturity
- Reach and hence maintain a debt cost at the level of excellence.

Starting from scratch, today we have achieved a solid and well-balanced debt structure, with a complete maturity yield curve and an effective diversification of financing instruments; a structure that is sustainable over the medium to long term, with a cost of debt below 1%.

Therefore, the financial strategy provides a crucial contribution in supporting the growth process at a competitive cost.

**Gianfranco Amoroso**, Head of Finance at Italgas

## Debt features

## A virtuous debt structure ensures financial flexibility at competitive costs

THE SUCCESSFUL PLACEMENT OF THE LAST 500 MLN € BOND ALLOWED ITALGAS TO INCREASE THE INCIDENCE OF LONG TERM SOURCES, LENGTHEN THE AVERAGE MATURITY OF DEBT AND RAISE THE WEIGHT OF THE FIXED-RATE COMPONENT.

The presence in a business with a low risk profile favors Italgas also in sourcing funds at attractive conditions

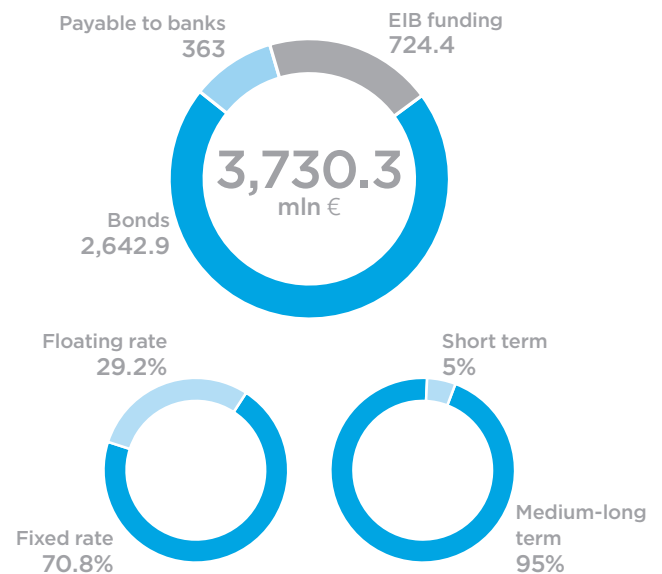
The last bond successfully placed in September 2017 is consistently in line with the financial strategy objectives included in the Plan. The bond, whose amount is 500 mln €, has a coupon of 1.625% and was issued under the EMTN program launched in 2016. The maturity date is 18 January 2029. This bond represents the longest tranche ever issued by Italgas.

On 23 October 2017, the BoD has approved the renewal of the EMTN Program and raised the maximum amount up to 3.5 bn €.

Having already placed 2,650 mln € bonds, Italgas has room for the issue of further 850 mln € over the next 12 months.

The rating of Italgas long-term debt is currently BBB+ for Fitch and Baa1 for Moody's, while the Italy rating is BBB for Fitch and Baa2 for Moody's.

### GROSS DEBT AS OF 30 SEPT. 2017 (MLN €)



Italgas can count on committed banking facilities for a total of 1.1 bn €.

### ITALGAS: GROWTH THROUGH M&A TAKES OFF

#### 100% of Enerco Distribuzione and 12 concessions from Amalfitana Gas acquired

On 19 October 2017, Italgas signed a binding agreement for the acquisition of the whole share capital of Enerco Distribuzione SpA, a gas distribution player operating in two different ATEMs, Padova 3 and Vicenza 1. The Company has 27 concessions and a network of approximately 800 km. The Enterprise Value was set at 51 mln €, compared to 73 mln € of Redemption Value recognized at concession expiry.

Once the M&A growth was inaugurated with the Enerco acquisition, Italgas has taken another step in this direction with the binding agreement signed on 2 November with Amalfitana Gas. Under the contract, Italgas acquires 12 concessions in three ATEMs, in Campania and Basilicata, for an Enterprise Value of 18.5 mln €. The agreement, that provides Italgas with over 22,000 redelivery points and 300 km of network, also includes its commitment to invest in the infrastructure development. This acquisition consolidates the Italgas presence in Southern Italy.

Through these deals Italgas executes the acquisition strategy indicated in the growth guidelines of the Strategic Plan: it targets small and mid-sized operators with the aim of playing a leading role in the sector consolidation.

As announced, in case of delay in the tender process, Italgas intends to move toward targeted transactions that create value for its shareholders. Even though the M&A transactions may accelerate the process, the Italgas goal remains to increase its market share from 30% up to a maximum of 40%.



## Double-digit growth of KPIs

The results of the first nine months of 2017 show double-digit growth of the main key performance indicators. The increase in net profit (+27.8%) reflects on one hand the good performance of EBITDA, which grows by 20.0% led by the achievement of new operating efficiencies, and, on the other hand, the benefits from the financial optimization, which resulted into a 36.2% decrease in net financial expenses.

The figures of the first nine months of 2017 prove that the process rationalization, the corporate reorganization, the plan of operating costs efficiencies, as well as the financial optimization allowed Italgas to absorb additional costs deriving from the separation from Snam. Considered the ground already covered, the visibility of the guidance provided on year-end results continues to increase.



## Cash flow generation covers significant capex

### 9M 2017 DATA (VS. 9M 2016)

835.0 mln € (+7.2%) Revenues	306.7 mln € (+14.7%) EBIT	346.5 mln € (+39.8%) Capex
577.9 mln € (+20.0%) EBITDA	213.3 mln € (+27.8%) Net profit	3,728.3 mln € Net financial debt
69.2% EBITDA/Revenues	375 mln € Cash flow from operation	

During the first nine months of the fiscal year, Italgas has carried out a significant capex plan, of 346.5 million euro, with a 39.8% increase over the first nine months of 2016. The replacement of traditional meters with the “smart” ones (161.9 mln €) represented 47% of total capex, with a 122% growth, considering that in the first nine months of 2016 Italgas had installed 516,000 new meters. The total of smart meters installed to date is 2.3 million. They represent approximately 35% of the total and are in line with the goal of completing the meters’ replacement between 2019 and 2020. Moreover, in the first nine months of 2017, Italgas has focused 163 mln € investments in the extension of its distribution network.

The significant increase in Depreciation (+26.8%) mainly results from the reduction in the useful life of meters that are subject to the plan for replacement with smart meters: out of a total of 57 mln €, 40 mln € are represented by accelerated depreciation.

The strong cash flow from operations (375.1 mln €) allowed for funding the significant capex plan, leading to a Free Cash Flow of 51 mln €.

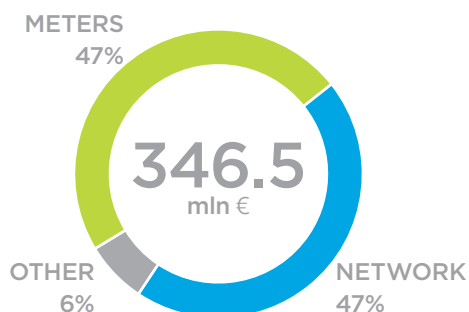
After the payment of 162 mln € of dividends for the 2016 fiscal year, Net Financial Debt as of 30 September 2017 was 3.728 mln € (+110 mln € vs. the level at 2016YE), in line with Company’s expectations.

1,581  
GAS CONCESSIONS

7.4 MLN  
ACTIVE METERS

>65,000 KM  
LENGTH OF GAS  
DISTRIBUTION  
NETWORK

### BREAKDOWN OF INVESTMENTS 9M 2017



## Progress in Group reorganization

Since 1 October 2017, the merger by incorporation of Napoletanagas S.p.A. into Italgas Reti S.p.A. is effective. The effort to simplify the organization goes ahead in line with the planned schedule and generates beneficial effects on the cost structure.





### Stock Exchange performance

Italgas continues  
to outperform  
benchmarks

## Total Shareholder Return since the end of 2016 is close to 40%

At the end of October 2017, Italgas share price (5.02 €) shows a 34.2% increase compared to 2016 year-end (3.74 €). Considering the 2016 dividend of 0.2 € paid in May (5.4% yield), Total Shareholder Return over the 1 January - 31 October 2017 period is 39.6%. Italgas has strongly outperformed its benchmark indices, which also improve vs. their respective 2016 year-end level (FTSE MIB +18.5% and Stoxx Euro 600 Utilities +11.4%). The markets considers the Italgas strategy to be valid and appreciates the results achieved during 2017.

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 Oct. 2017: **5.02 euro**

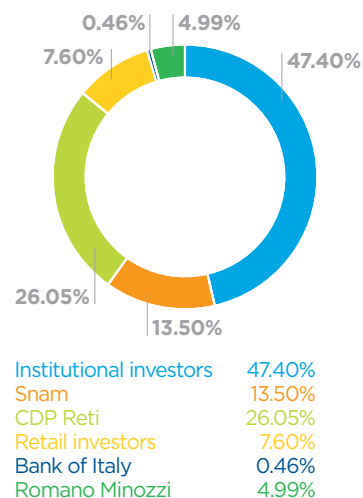
Mkt capitalisation as at 31 Oct. 2017: **4.06 billion euro**

Head of Investor Relations:  
**Marco Porro**  
[investor.relations@italgas.it](mailto:investor.relations@italgas.it)

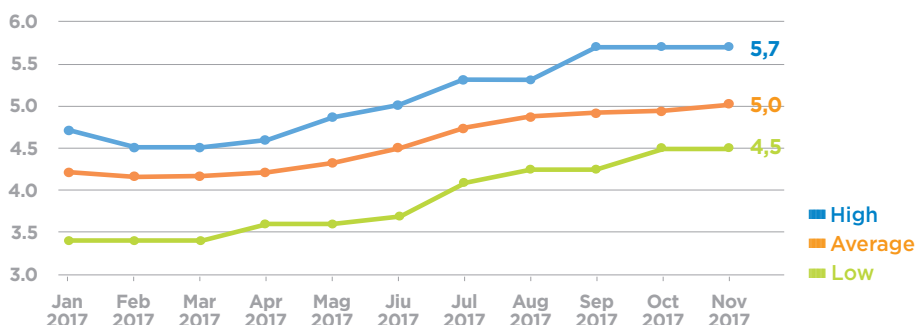
### ITALGAS VS. BENCHMARK INDICES FROM BEGINNING 2017 (BASE 2 JAN. 2017=100)



### SHAREHOLDERS' STRUCTURE

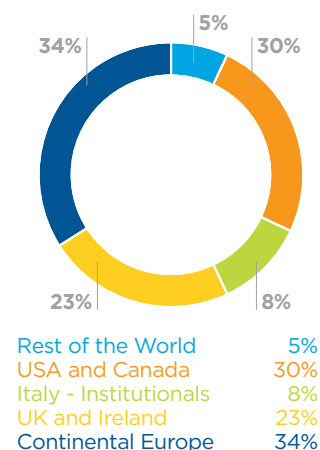


### EVOLUTION OF BROKERS TARGET PRICES (€)



The positive performance of the utility sector over the last few weeks has been driven by the fall in the Eurozone government yields, which has particularly favored peripheral countries such as Italy, in a context in which the ECB can be expected to maintain an easing attitude. In addition to benefitting from favorable premises for the whole sector, the strong share price performance of Italgas was also led by good 2017 nine-month results released on 23 October 2017, and by the Enerco acquisition, which proves that the Company can accelerate the growth process through M&A deals that create value for its shareholders. The consensus target price for the stock is 5.0 €, on the rise vs. the level at the end of July (4.9 €).

### GEOGRAPHICAL DISTRIBUTION OF INSTITUTIONAL INVESTORS



# Toward the Sustainability Plan

Italgas is working on the integration of the Environment, Social and Governance (ESG) issues with the business strategies: here are the first steps undertaken

Even though Italgas has a 180-year-long history behind itself, in the current structure it is a Company established just over a year ago. Starting from 2016, it is on a journey toward the definition of its own

Sustainability Plan. The Sustainability Plan will integrate the business development guidelines envisaged in the 2018-2024 Strategic Plan with the 17 Sustainable Development Goals for 2030 set by the United Nations.

## VISION

Italgas wants to be a business **capable of promoting the connection between networks, areas and communities**, participating in an open ecosystem in which the Company recognizes the **centrality of stakeholders** and their needs to create social value as well as economic value, also through the drive towards **innovation**.

## MATERIALITY

Materiality provides the **baseline** of the Plan. **ESG «material» issues** have been identified through the structuring of the materiality matrix, by combining aspects that are more important for the Company with the aspects that are more important for its stakeholders.

### Environment

- Energy efficiency
- Environmental protection

### Social

- Creation of new employment and labor protection
- Development of human capital
- Health and safety
- Welfare and equal opportunity
- Efficiency, reliability and quality of services
- Relationship with local communities and territories

### Governance

- Business lead management
- Corporate Governance
- Supply chain management
- Openness in the relationship with customers
- Innovation

## STRATEGIC GUIDELINES

