

ITALGAS: APPROVED RESULTS AS AT 31 DECEMBER 2018

Milan, 22 February 2019 - The Board of Directors of Italgas, which met today under the Chairmanship of Lorenzo Bini Smaghi, approved the results as at 31 December 2018 and resolved to propose to the Shareholders' Meeting the distribution of a dividend of € 0.234 per share (+12,5% compared to 2017).

Key figures

Consolidated economic and financial highlights vs 2017:

- Total revenue: €1,176.2 million (+4.6%)
- EBITDA: €839.5 million (+8.2%)
- EBIT: €453.5 million (+8.5%)
- Net profit: €313.7 million (+7.1%)
- Technical investments: €522.7 million (+0.1%)
- Net cash flow from operating activities: €718.7 million (+30.8%)
- Acquisitions: 7 transactions completed, 110.000 RdP, enterprise value of €215 million
- Net financial debt¹: €3,814.3 million (+2.5%)

Operating highlights including unconsolidated investee companies:

- Municipalities in gas distribution concessions: 1,808
- Number of active meters: 7.56 million
- Gas distribution network: around 70 thousand Km

The economic-financial results obtained by Italgas in 2018, the amount of investments made, acceleration of the digitalisation project and the acquisitions completed provide an effective summary of the goals reached in conclusion of the company management first cycle, started in November 2016 with the company's return to the Stock Market.

¹ Excluding € 49.9 million of leases debt pursuant to IFRS 16 and € 21.0 million of EGN third party shareholder loan. For further information, please refer to the table on pag. 10.

Organic investments in 2018, amounting to €522.7 million, provided a further boost to the attainment of the 2018-2024 Plan objectives: over €4 billion to be invested for the benefit of the entire Italian gas distribution system.

More than a third of investments in 2018 were dedicated to replace traditional meters with smart meters, one of the key elements of the networks digitalisation project launched in 2017.

Also considering the investee companies, 1.8 million smart meters were installed, bringing the total to around 5 million, equal to 59.1% of total meters², in line with the objective of completing the plan by the first few months of 2020.

The transfer of information systems to the Public Cloud, which took place in November, represented the enabling factor for the digitalisation of company processes too. The “digital transformation” will allow the Group to reinforce its market leading position and become a unique reference model in terms of the quality of customer service, efficiency and competitiveness in Italy and in Europe.

The corporate acquisitions made it possible to reach the objective of Group growth and sector consolidation established in the 2018-2024 Business Plan, also strengthening the company's presence in the areas of interest of the Group and creating the conditions for extending the networks to areas still without service as of today. The corporate acquisitions made in Campania, Basilicata, Calabria and Sicily are incorporated in this context, as well as the acquisitions that allowed the Group to enter Sardinia, still lacking the infrastructures for gas distribution, a region for which the 2018-2024 Business Plan provides for a total investment of over €450 million.

The requirements related to the 2018 investments were fully met by the positive cash flow from operating activities, amounting to €718.7 million, with a Free Cash Flow, before the M&A transactions, of €247.4 million and a net financial position of €3.8 billion as at 31 December 2018, with a fixed rate percentage amounting to 85.6% of the total debt.

Careful operating management and continuous cost control allowed the Group to obtain significantly better economic results: operating profit in 2018 reached €453.5 million (+8.5% compared to 2017) and net profit totalled €313.7 million (+7.1% compared to 2017).

² Excluding non-consolidated investees, in 2018 Italgas installed 1.65 million new meters, of which 1.50 million replaced traditional meters, bringing the current total of meters installed to 4.4 million, equal to 58.6% of all meters.

With roughly 70 thousand kilometres of managed network, 7.56 million redelivery points served and 1,808 concessions, Italgas further strengthens its leading position in Italy, with a market share of over 34%, in terms of number of managed RDPs, and the third largest operator in Europe³.

Paolo Gallo, CEO of Italgas, commented:

"The excellent results achieved in 2018 are the outcome of the commitment to pursue and improve the target set by the Strategic Plan and mark a path of growth that began in November 2016 with the return of the Company to the Stock Exchange that allows to create value for shareholders and for the communities we serve. The main figures, such as EBIT and Net Profit, show significant increases also for this year, equal to +8.5% and +7.1% respectively, and reflect the efficient operating management that led to a 3% reduction of costs compared to the previous year and 19% compared to 2016, for a total of about 80 million euro, despite an expansion of the Company business perimeter. Italgas Group further grew with the acquisitions made in the year, strengthening its presence in areas of the country that have a great development potential; areas where we expect significant results in the coming years. Through these transactions, we have acquired new distribution networks for a value of approximately 215 million euros and increased the number of redelivery points, exceeding the target set for 2018. More than 500 million euros of investments have been devoted to the development and improvement of the service, energy efficiency and technological innovation, as well as to the creation of a Digital Factory, which since last November has become the engine of the digital transformation of our business processes. In the next few years this Company will become a reference model for dynamism, attention to the environment, to quality of service and the energy needs of the communities. This will be achieved thanks to the daily commitment and value of the people who work with us".

The Chairman of Italgas, Lorenzo Bini Smaghi, highlighting the robustness of the results, commented:

"The positive results achieved in the period allow us to propose to the next Shareholders' Meeting the distribution of a dividend of 0.234 euro per share, an increase of 12.5% compared to the dividend distributed for 2017. This confirms our commitment to an increasingly attractive and sustainable remuneration policy".

³ Including unconsolidated investees

Economic and financial highlights

Introduction

The scope of consolidation as at 31 December 2018 includes Italgas S.p.A. and Italgas Reti S.p.A. and changed, with respect to 31 December 2017, as a result of the transactions indicated hereunder:

(i) incorporation, on 1 January 2018, of the company Italgas Acqua S.p.A., following the proportional partial demerger of Italgas Reti S.p.A. to a newco through assignment to the latter of the “former Napoletanagas water business unit”;

(ii) acquisition, on 28 February 2018, of 100% of the share capital of Ichnusa Gas S.p.A., a holding company with control of 12 companies granted concessions for the construction and operation of LPG gas distribution and sale networks in Sardinia;

(iii) acquisition, on 13 March 2018, of 100% of the share capital of Seaside S.r.l., a leading company in the energy efficiency sector;

(iv) acquisition, on 6 April 2018, of 100% of the share capital of Medea S.p.A., an LPG distribution and sale company with registered office in Sassari;

(v) acquisition, on 31 May 2018, of 98% (and the remaining 2% on 27 November 2018) of the share capital of Favaragas Reti S.r.l., Siculianagas Reti S.r.l., Baranogas Reti S.r.l., Ischia Reti Gas S.r.l., Progas Metano S.r.l. and Grecanica Gas S.r.l., companies holding a total of 7 concessions for the construction and management of the gas network in 16 municipalities in southern Italy;

(vi) acquisition, on 30 November 2018 a) of a controlling interest, of 60% of EGN (European Gas Network) which wholly owns the share capital of the companies EGN Distribuzione S.r.l., Ischia Gas S.r.l. and Marigliano Gas S.r.l., holders of a total of 37 concessions in operation for gas distribution in Sicily, Calabria and Campania, b) of 100% of the share capital of Fontenergia S.r.l., holder of the gas distribution service concession in Catchment Area 22 in Sardinia, c) of 100% of the share capital of Naturgas S.r.l., holder of the gas distribution service concession in San Giuseppe Vesuviano (NA).

The companies Acam Gas S.p.A., Enerco Distribuzione S.p.A. and S.G.S. S.r.l. were merged by incorporation into Italgas Reti effective from 1 January 2018 for accounting purposes.

The merger of Ichnusa Gas S.p.A. into Medea S.p.A. was also finalised, effective for accounting and tax purposes from 1 January 2018.

It should also be noted that, in January 2018, the subsidiary Italgas Reti completed the acquisitions of the Amalfitana Gas and AEnergia Reti business units relating, respectively, to the distribution of natural gas in three ATEMs in Campania and Basilicata and to the distribution network serving the Municipality of Portopalo di Capo Passero (Syracuse).

Lastly, effective from 25 September 2018, was the partial and proportional spin-off of the equity investments held by Italgas Reti S.p.A. in Toscana Energia S.p.A., Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A. in favour of Italgas S.p.A., all of which were consolidated according to the equity method.

Reclassified Income Statement

| (€ million) | 2017 | 2018 | Abs. change | Change % |
|--|----------------|----------------|---------------|-------------|
| Regulated Gas Distribution Revenues | 1,096.8 | 1,143.1 | 46.3 | 4.2 |
| Other revenue | 27.4 | 33.1 | 5.7 | 20.8 |
| Total revenue (*) | 1,124.2 | 1,176.2 | 52.0 | 4.6 |
| Operating costs (*) | (348.0) | (336.7) | 11.3 | (3.2) |
| Adjusted operating costs (*) | (343.0) | (334.2) | 8.8 | (2.6) |
| EBITDA | 776.2 | 839.5 | 63.3 | 8.2 |
| Adjusted gross operating margin (adjusted EBITDA) | 781.2 | 842.0 | 60.8 | 7.8 |
| Amortisation, depreciation and impairment | (358.3) | (386.0) | (27.7) | 7.7 |
| EBIT | 417.9 | 453.5 | 35.6 | 8.5 |
| Adjusted EBIT | 422.9 | 456.0 | 33.1 | 7.8 |
| Net financial expense | (36.2) | (47.0) | (10.8) | 29.8 |
| Adjusted net financial expenses | (36.2) | (47.0) | (10.8) | 29.8 |
| Net income from equity investments | 23.0 | 20.0 | (3.0) | (13.1) |
| Pre-tax profit | 404.7 | 426.5 | 21.8 | 5.4 |
| Adjusted profit before tax | 409.7 | 429.0 | 19.3 | 4.7 |
| Income taxes | (111.9) | (112.8) | (0.9) | 0.8 |
| Adjusted income tax | (113.3) | (113.5) | (0.2) | 0.2 |
| Net profit | 292.8 | 313.7 | 20.9 | 7.1 |
| Adjusted net profit (**) | 296.4 | 315.5 | 19.1 | 6.5 |

(*) Net of the effects of IFRIC 12 "Service Concession Arrangements" (€447 and €479.7 million, respectively in 2018 and in 2017) and other residual items (€18.1 million and €17.1 million, respectively in 2018 and 2017).

(**) Adjusted net profit pertains to Italgas.

Total revenue in 2018 amounted to €1,176.2, a €52 million increase compared with 2017, and refers to gas distribution regulated revenue (€1,143.1 million) and Other revenue (€33.1 million). The increase in gas distribution regulated revenue amounted to €46.3 million (+4.2%) and derives from: (i) through-transmission revenue (+€10.4 million; +1%); ii) the contribution pursuant to art. 57 of the Resolution ARERA no. 367/14 (+€23.6 million), as regards the plan of investments for the replacement of the traditional meters with electronic smart meters, as set forth in the project for remote reading, pursuant to resolutions ARERA no. 631/13 and no. 554/15; iii) from revenue

from ancillary network services (+€4.4 million) as well as incentives recognised by ARERA (+€8.1 million).

Other revenue of €33.1 million, relating essentially to water activities, energy efficiency services, distribution/sale of LPG, district heating activities, services on behalf of third parties and rental income, recorded an increase of €5.7 million compared to 2017, also due to the change in the scope of consolidation.

The **operating costs** totalled €336.7 million, down by €11.3 million compared to 2017. The decrease was mainly due to lower costs for services following the substantial reduction in services received from Snam after the spin-off (-€19.4 million), lower capital losses (€-4.6 million), reductions partially offset by higher labour costs (+€3.3 million), higher concession expenses (€1.5 million), higher net costs related to Energy Efficiency Credits (€2.2 million) and higher external costs deriving from the change in the scope of consolidation (€9.0 million).

Higher **amortisation, depreciations and impairment** (€27.7 million; +7.7%) are due primarily to a reduction in the useful life of the traditional meters⁴ (€21 million; +34%), subject to replacement with electronic smart meters, as set forth in the ARERA Resolutions as part of the remote reading implementation plan.

The **EBIT**⁵ in 2018 totalled €453.5 million, up by €35.6 million, +8.5%, compared to 2017. The increase was due mainly to: (i) higher revenue (+€52.0 million; +4.6%), (ii) lower operating costs (-€11.3 million; -3.2%) and (iii) higher amortisation, depreciation and impairment (+€27.7 million; +7.7%).

The **financial expenses** amounted to €47.0 million, up by €10.8 million, as a result, primarily, of higher expenses related to the financing transactions completed in January 2018 and the charges over the entire year of bond issues carried out in 2017.

The **financial income** (€19.9 million) reduced due to the effect of lower net profit on investments (-€3 million⁶).

Income taxes (€112.8 million) decreased by €0.9 million compared to 2017 due to the effects associated with higher amortisation and depreciation benefits recognised for

⁴ In line with the plan for replacing meters, starting from the second half of 2016, the useful life of the meters included in the replacement project was adjusted pursuant to AEEGSI Resolutions no. 631/13 and no. 554/15, in order to complete the depreciation process in 2018. As regards 2017, the useful life of meters to be replaced during the year was conventionally considered in the first half-year.

⁵ This press release uses alternative performance indicators, including EBITDA (gross operating margin, determined by subtracting operating costs from revenue) and EBIT (the result of operational management, determined by subtracting operating costs, amortisation, depreciation and impairment from revenue). The NON-GAAP financial disclosure must be considered as supplementary, and does not replace the information drafted according to IAS-IFRS standards.

⁶ In particular, the change essentially refers to the restatement associated with deferred taxes on extraordinary transactions carried out in previous years (€2.7 million).

tax purposes, which allowed the offsetting of tax effects linked to the increase in gross profit.

The **net profit** for 2018, equal to €313.7 million, recorded an increase of €20.9 million (7.1%) compared to 2017.

Reconciliation of EBIT and net profit with adjusted EBIT and net profit

The Italgas management deems the performance of the Group, based on the results metrics not set out in the IFRS ("Alternative measures of performance"), obtained by excluding all special items from the operating profit and the net profit.

The income components are classified under special items, if significant, when (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business. The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. Management considers that these performance metrics allow for analysis of the business trends, making it easier to compare results. The Non-GAAP financial reporting must be considered as complementary and does not replace the information drafted according to the IFRS standards.

As in 2017, the income components classified under special items in 2018 concerned non-recurring allocations for redundancy incentives (2018: €2.5 million; €1.8 million net of the tax effect vs 2017: €5.0 million; €3.6 million net of the tax effect).

Reclassified Statement of Financial Position

Italgas' reclassified statement of financial position as at 31 December 2018, compared with that of 31 December 2017, is summarised as follows:

| (€ million) | 2017 | 2018 | Abs. change |
|---|----------------|----------------|---------------|
| Fixed capital | 4,950.9 | 5,284.1 | 333.2 |
| Property, plant and equipment | 224.6 | 259.2 | 34.6 |
| Intangible assets | 4,676.6 | 4,982.8 | 306.2 |
| Equity investments | 184.9 | 175.1 | (9.8) |
| Financial receivables and securities instrumental to operations | 0.1 | 0.1 | |
| Net payables for investments | (135.3) | (133.1) | 2.2 |
| Net working capital | 71.1 | 5.7 | (65.4) |
| Provisions for employee benefits | (116.1) | (107.9) | 8.2 |
| Assets held for sale and directly related liabilities | | 11.6 | 11.6 |
| NET INVESTED CAPITAL | 4,905.9 | 5,193.5 | 287.6 |
| Shareholders' equity (including minority interests) | | | |
| - attributable to the Group | 1,185.6 | 1,329.3 | 143.7 |
| - pertaining to third-party shareholders | | | |
| | 1,185.6 | 1,329.3 | 143.7 |
| Net financial debt (*) | 3,720.3 | 3,814.3 | 94.0 |
| Financial payables for operating leases pursuant to IFRS 16 (**) | | 49.9 | 49.9 |
| HEDGE ACCOUNTING | 4,905.9 | 5,193.5 | 287.6 |

(*) As at 31 December 2018, the debt was also calculated net of liabilities for €21.0 million payable to CPL Concordia, comprising shareholder loans disbursed by CPL Concordia to EGN, for which Italgas will arrange settlement at the time of exercise of the put&call option. These payables are considered part of the purchase price settlement.

(**) Effective 1 January 2018, Italgas has applied IFRS 16 - Leases, which, having eliminated the distinction between financial and operating leases, resulted in the recognition of payables for operating lease instalments in relation to commitments to leasing companies against the recognition of property, plant and equipment for the rights to use the related assets.

Fixed capital (€5,284.1 million) increased by €333.2 million compared with 31 December 2017, mainly due to an increase in intangible assets (€306.2 million), the increase in property, plant and equipment (+€34.6 million), the reduction in net payables relating to investment activities (-€2.2 million) and the value of equity investments (-€9.8 million).

Property, plant and equipment and intangible assets amounted to €5,242.0 million. Intangible assets include the assets for services in concession, recorded pursuant to IFRIC 12, under the intangible asset item (€4,865.6 million). Tangible fixed assets refer primarily to buildings (€189 million) as well as fixtures and fittings, tools and other equipment (€34 million). The investments in 2018, amounting to €522.7 million concern primarily the replacement of the meters and the placement/replacement of the gas networks.

Equity investments (€175.1 million) include the measurement of equity investments with the equity method and refers to Toscana Energia (€172.5 million), Umbria Distribuzione Gas (€1.4 million), and Metano Sant'Angelo Lodigiano (€1.2 million).

Assets held for sale and directly related liabilities rose by €11.6 million, due to the sale of the property complex in Turin, via XX settembre, whose contract, signed on 21 December 2018, was subject to the condition precedent as at 31 December 2018.

Net working capital

| (€ million) | 31.12.2017 | 31.12.2018 | Abs. change |
|--|------------|------------|-------------|
| Trade receivables | 406.5 | 406.7 | 0.2 |
| Inventories | 22.4 | 26.2 | 3.8 |
| Tax receivables | 45.2 | 47.7 | 2.5 |
| Accruals and deferrals from regulated activities | 78.5 | 141.5 | 63.0 |
| Other assets | 197.3 | 115.0 | (82.3) |
| Trade payables | (184.1) | (230.8) | (46.7) |
| Provisions for risks and charges | (208.3) | (187.6) | 20.7 |
| Deferred tax liabilities | (94.8) | (71.7) | 23.1 |
| Net tax payables | (15.9) | (13.5) | 2.4 |
| Other liabilities | (175.7) | (227.8) | (52.1) |
| | 71.1 | 5.7 | (65.4) |

The change in operating capital of -€65.4 million with respect to 31 December 2017 derives primarily from: i) higher inventories (+€3.8 million) connected with gas meters related to the replacement plan; ii) the increase in accruals and deferrals from regulated activities (€63.0 million) related to the tariff recognition estimated in compliance with applicable regulations as regards the plan for the replacement of the traditional meters with electronic ones; iii) the reduction in other operating assets (€82.3 million) deriving primarily from the lower net receivables from CSEA related to Energy Efficiency Credits (EEC) (-€76.0 million) and the additional gas through-transmission components (+€4.1 million); iv) the increase in trade payables (€46.7 million); v) lower provisions for risks and charges (€20.7 million) connected mainly to the use of environmental expenses (-€5.1 million), for personnel redundancy incentives (-€7.7 million), for contractual disputes (-€7.7 million); vi) lower net tax liabilities (€28 million), due in particular to the decrease in deferred taxes; vii) the increase in other liabilities (€52.1 million) mainly due to liabilities due to CPL Concordia related to the finalisation of the purchase of the remaining 40% of EGN⁷.

⁷ In relation to the put&call options on the capital of EGN exercisable by CPL Concordia and Italgas from the 6th month from the date of completion of the acquisition, involving €21.0 million for repayment of the shareholder loan to CPL Concordia and €20.9 million for purchase of the remaining 40%.

Provisions for risks and charges include €14.0 million resulting from the provision set aside in 2017 and intended for the resolution of the anomalies of remotely read meters, partially used in 2018.

It should be noted that the Company has finalised with financial counterparties factoring agreements based on which the receivables of the Company may be transferred without recourse. More specifically, some transactions for the transfer of receivables related to revenue pertaining to 2018 were finalised, for a total amount of €56.2 million.

Receivables accrued from CSEA were also transferred for a total amount of €100.5 million (of which €37.8 million for Energy Efficiency Credits and €62.7 million for equalisation), as well as tax credits of €17.3 million.

Net financial debt ⁸

| (€ million) | 31.12.2017 | 31.12.2018 | Abs. change |
|--|----------------|----------------|--------------|
| Financial payables and bonds | 3,723.2 | 3,822.4 | 99.2 |
| Short-term financial payables (*) (**) | 106.1 | 156.1 | 50.0 |
| Long-term financial payables | 3,617.1 | 3,666.3 | 49.2 |
| Financial receivables and cash and cash equivalents | (2.9) | (8.1) | (5.2) |
| Cash and cash equivalents (**) | (2.8) | (8.0) | (5.2) |
| Securities not instrumental to operations | (0.1) | (0.1) | |
| Net financial debt | 3,720.3 | 3,814.3 | 94.0 |
| Lease payables pursuant to IFRS 16 | | 49.9 | 49.9 |
| Net financial debt (IFRS 16 effects included) | 3,720.3 | 4,885.2 | 164.9 |

(*) Includes the short-term portion of long-term financial payables.

(**) Net of € 152.8 million relating to factoring transactions, collected on 31 December 2018 and repaid to the factor in the first working days of January 2019 and includes cash needs for € 22.4 million in debt.

The **net financial debt** as at 31 December 2018 amounted to €3,814.3 million, an increase of €94 million (€3,720.3 million as at 31 December 2017).

Financial payables and bonds as at 31 December 2018, totalling €3,822.4 million (€3,723.2 million as at 31 December 2017), were denominated entirely in euros and referred mainly to bonds (€2,912.9 million), payables to banks (€125.8 million) and loan agreements concerning European Investment Bank (EIB) funding (€783.7 million).

⁸ Determined as the sum of short-term and long-term financial payables, net of cash and cash equivalents and lease financial debt ex IFRS 16. As at 31 December 2018, the debt was also calculated net of liabilities for €21.0 million payable to CPL Concordia, comprising shareholder loans disbursed by CPL Concordia to EGN, for which Italgas will arrange settlement at the time of exercise of the put&call option. These payables are considered part of the purchase price settlement.

The increase in financial payables and bonds of €99.2 million derives from the increase in long-term financial payables (€49.2 million) and short-term financial payables (€50 million). The change in long-term financial payables is mainly due to the reopening, on 30 January 2018, of the bond issue originally issued on 18 September 2017 (€500 million, with expiry on 18 January 2029 and a coupon equivalent to 1.625%) for a nominal value of 250 million, as well as the early repayment of a term loan of €200 million in relation to the original expiry date of October 2019.

The breakdown of debt by type of interest rate as at 31 December 2018 is as follows:

| (€ million) | 31.12.2017 | % | 31.12.2018 | % |
|---------------|----------------|------------|----------------|--------------|
| Fixed rate | 2,651.9 | 71.2 | 3,272.6 | 85.6 |
| Floating rate | 1,071.3 | 28.8 | 549.8 | 14.4 |
| | 3,723.2 | 100 | 3,822.4 | 100.0 |

Fixed-rate financial liabilities amount to €3,272.6 million and relate to bonds (€2,912.9 million) and an EIB loan expiring in 2037 (€359.7 million), finalised on 19 December 2017 and converted to a fixed rate in January 2018 through an Interest Rate Swap derivative contract expiring in 2024.

Fixed-rate financial liabilities increased by €620.7 million compared to 31 December 2017 mainly due to the effect of the above-mentioned Interest Rate Swap transaction and the reopening of the bond issue for the nominal value of €250 million, described previously.

Floating-rate financial liabilities totalled €549.8 million, down €521.5 million mainly as a result of the aforementioned transactions.

Italgas had unused committed long-term credit lines amounting to €1.1 billion as at 31 December 2018, of which €600 million expiring in October 2019 and €500 million expiring in October 2021.

As at 31 December 2018, there were no loan agreements containing financial covenants and/or secured by collateral. Some of these contracts envisage, inter alia, compliance with (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. These commitments were satisfied as at 31 December 2018.

Reclassified Statement of Cash Flows

| (€ million) | 2017 | 2018 |
|--|--------------|----------------|
| Net profit | 292.8 | 313.7 |
| <i>Adjusted:</i> | | |
| - Amortisation, depreciation and other non-monetary components | 335.3 | 359.0 |
| - Net capital losses (capital gains) on asset sales and eliminations | 4.1 | 1.3 |
| - Interest and income taxes | 141.5 | 159.8 |
| Change in working capital due to operating activities | (105.7) | 35.3 |
| Dividends, interest and income taxes collected (paid) | (118.6) | (150.4) |
| Net cash flow from operating activities (*) | 549.4 | 718.7 |
| Technical investments | (493.3) | (474.7) |
| Disinvestments | 22.4 | 3.0 |
| Other changes relating to investment activities | 30.7 | 0.4 |
| Free cash flow before M&A transactions | 109.2 | 247.4 |
| Change in scope of consolidation | (38.7) | (149.3) |
| of which: | | |
| <i>price paid for equity</i> | (35.9) | <i>(84.8)</i> |
| <i>taking on the payables of acquired companies</i> | (2.8) | <i>(64.6)</i> |
| Acquisition of business units | | <i>(23.8)</i> |
| Free cash flow | 70.5 | 74.3 |
| Change in short- and long-term financial debt (**) | 92.6 | 99.2 |
| Equity cash flow | (161.8) | (168.3) |
| Net cash flow for the year | 1.3 | 5.2 |

(*) Net of the effects deriving from IFRS 15 and 16.

(**) Includes the net financial indebtedness of the acquired companies.

Change in net financial debt

| | 2017 | 2018 |
|---|----------------|----------------|
| Free cash flow before M&A transactions | 109.2 | 247.4 |
| Change for acquisition of equity investments (**) | (50.3) | (173.1) |
| Equity cash flow | (161.8) | (168.3) |
| Change in net financial debt | (102.9) | (94.0) |
| Change in financial payables pursuant to IFRS 16 | | (49.9) |
| Change in net financial debt | (102.9) | (143.9) |

(**) Includes the net financial indebtedness of the acquired companies.

Net cash flow from operating activities in 2018 amounted to €718.7 million (+30.8% compared to 2017) and made it possible to fully finance the flow deriving from investments, net of grants and the change in relative payables, equal to €417.3 million, generating a free cash flow before the M&A transactions of €247.4 million. Following the M&A transactions and dividend distributions relative to the 2017 result, the increase in net financial debt was €94.0 million, net of the increase from the change due to the adoption of IFRS 16 relating to leases payables (€49.9 million).

Key operating figures

Investments

Italgas is committed to maintaining a sustained level of the efficiency of its networks through the renewal and the development of existing networks.

In 2018, technical investments amounted to €522.7 million, of which €22.4 million due to the application of IFRS 16.

| (€ million) | 2017 | 2018 | Abs. change | Change % |
|--|--------------|--------------|---------------|---------------|
| Distribution | 253.2 | 278.5 | 25.3 | 10.0 |
| <i>Network maintenance and development</i> | 216.4 | 248.7 | 32.3 | 14.9 |
| <i>New networks</i> | 36.8 | 29.8 | (7.0) | (19.0) |
| Metering | 229.5 | 178.8 | (50.7) | (22.1) |
| Other investments | 39.2 | 65.4 | 26.2 | 66.8 |
| <i>- of which, effect of IFRS 16</i> | | 22.4 | 22.4 | |
| | 521.9 | 522.7 | 0.8 | 0.1 |

Investments in distribution (€278.5 million) mainly related to development projects (network extensions for €63.8 million and new networks for €29.8 million) and the renovation of old sections of pipe, including the replacement of cast-iron pipes for €38.9 million. Investments were also made in the network digitalisation project (€6.3 million), primarily for GRF remote reading initiatives.

Investments in metering (€178.8 million) primarily concerned the plan to replace traditional meters with “smart” meters, as part of the remote-reading plan. The Company installed approximately 1.65 million new meters in 2018, of which 1.5 million to replace traditional meters and roughly 150 thousand for the repair of digital meters with anomalies. The decrease in investments in metering is partly linked to the reduction in unit cost for the installation of meters.

Other investments (€65.4 million) mainly concerned investments in IT, property and vehicles and include the effect of the application of IFRS 16 (€22.4 million).

Operating highlights

Key operating figures

| Key operating figures | 2017 | 2018 | Abs. change | Change % |
|---|--------|---------------|-------------|----------|
| Active meters (million) | 6.586 | 6.708 | 0.12 | 1.9 |
| Municipalities in gas distribution concessions (number) | 1,500 | 1,700 | 200.0 | 13.3 |
| Distribution network (kilometres) (a) | 57,773 | 61,361 | 3,588 | 6.2 |

(a) The data refers to kilometres of Italgas operating networks.

Municipalities in concession and local area tenders

As at 31 December 2018, Italgas was the gas distribution service concession holder in 1,700 municipalities (1,500 as at 31 December 2017), of which 1,614 operative (1,484 as at 31 December 2017). The higher number of concessions is essentially due to the acquisitions made in 2018. Also taking investee companies into account, the number of concessions totals 1,808, of which 1,722 are operational.

Distributed gas

As at 31 December 2018, Italgas distributed 7,873 million cubic meters of gas (7,767 million in 2017) through 323 trading companies (284 in 2017). Also considering the investee companies, the gas distributed in 2018 amounted to 9,098 million of cubic meters.

Distribution network

The gas distribution network as at 31 December 2018 was 61,361 kilometres long (57,773 Kilometres as at 31 December 2017), an increase of 3,588 kilometres compared with 31 December 2017. Also taking investee companies into account, the distribution network spans 69,782 kilometres.

Meters

As at 31 December 2018, the number of active meters at delivery points amounted to 6.708 million (6.586 million as at 31 December 2017). Also considering investee companies, the total number of active meters is 7.562 million.

Main events

Extraordinary and M&A transactions

- Italgas Acqua S.p.A. was established on 1 January 2018 following the proportional partial demerger of Italgas Reti S.p.A. to a newco through assignment to the latter of the “former Neapolitanagas water business unit”.
- On 26 January 2018, the acquisition of the Amalfitana Gas business unit was finalised for natural gas distribution activities in three ATEMs in Campania and Basilicata. The group of Amalfitana Gas assets acquired includes 12 concessions in the municipalities of Somma Vesuviana, Viggiano, Baronissi, Calvanico, Pellezzano, Fisciano, Siano, Oliveto Citra, Contursi Terme, Montesano sulla Marcellana, Monte San Giacomo and Atena Lucana, and stretches for around 330 network kilometres in operation, with more than 22,000 users served. The value of the transaction was €20.8 million.
- The acquisition of the business unit of AEnergia Reti related to the distribution network for the Municipality of Portopalo di Capopassero (Syracuse) was concluded on 31 January 2018. The acquisition of the AEnergia Reti business unit concerned a network, completed, but still not operational, which stretches for approximately 35 kilometres and serves a catchment area of around 1,400 potential users; the consideration paid was €2.2 million.
- On 28 February 2018, in implementation of the binding agreement signed on 8 November 2017 by CPL Concordia and Impresa Costruzioni Ing. Raffello Pellegrini S.r.l., 100% of the share capital of Ichnusa Gas S.p.A. was acquired, a holding company with control of 12 companies granted concessions for the construction and operation of gas distribution networks in 74 municipalities in Sardinia. The total enterprise value of Ichnusa Gas was set at €26.2 million. At the date of the acquisition, 2 of the 12 concessions were provisionally operational with the first customers served with LPG, while the remaining 10 relate to networks under construction and to be built, for a total planned investment of over €170 million, partly financed by regional public grants.
- The acquisition of 100% of Seaside S.r.l., one of the biggest Italian Energy Service Companies (ESCO), at the leading edge in offering digital services, thanks to its expertise in the field of Big Data, Business Intelligence and Machine Learning, was finalised on 13 March 2018. The total value of Seaside assets (enterprise value) was set at €8.5 million. White 1, wholly-owned by Seaside, was merged by

incorporation in the latter, effective from 1 January 2018 for accounting and tax purposes.

- On 6 April 2018, the acquisition of 100% of Medea was finalised, an LPG distribution and sale company in the Municipality of Sassari, which currently serves around 13,000 customers in a potential catchment area of almost 30,000 users and which distributes on average a volume of over 5 million cubic metres of LPG every year. The total value of the transaction was €24.1 million.
- On 1 May 2018, the merger by incorporation of Enerco Distribuzione S.p.A. and SGS in Italgas Reti was finalised, effective from 1 January 2018 for accounting and tax purposes.
- On 31 May 2018, a controlling share of 98% of the share capital of each of the 6 companies operating in Southern Italy, holding concessions for the construction and management of the gas network in 16 municipalities, of which 4 already in operation, was acquired from CPL Concordia. The relevant companies are Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti and Siculianagas Reti. The overall valuation of the assets involved in the transaction was set at €17 million. The total investment for the completion of the networks amounted to approximately €95 million, partially financed by public grants. As of today, works amounting to €32.5 million have already been completed, not including grants received.
- On 1 June 2018, the merger by incorporation of Acam Gas in Italgas Reti was finalised, effective from 1 January 2018 for accounting and tax purposes.
- On 25 September 2018, the partial and proportional spin-off of equity investments held by Italgas Reti S.p.A. in Toscana Energia S.p.A., Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A. in favour of Italgas S.p.A. became effective.
- The acquisition of the remaining 2% of the capital of the companies Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti and Siculianagas Reti, was completed on 27 November 2018.
- The following were acquired from CPL Concordia on 30 November 2018:
 - a controlling share, equal to 60%, of European Gas Network (hereinafter also EGN), a company that directly and indirectly manages 60,000 users and 37 gas distribution concessions in Sicily, Calabria and Campania;
 - 100% of Naturgas, natural gas distribution service manager in San Giuseppe Vesuviano (NA), with approximately 2,700 users served;

- 100% of Fontenergia, concession holder of the distribution service in Catchment Area 22 of the Sardinia region, with more than 7,000 users temporarily served with LPG.

The total valuation of the companies was set at €116 million; therefore, in proportion to the share acquired and net of debt, the consideration paid at closing to CPL Concordia was €43.5 million, for 60% of EGN's capital, and €2.5 million for 100% of the capital of Fontenergia and Naturgas.

The agreements for the acquisition of EGN entail a put & call option on the remaining 40% stake held by the seller, which can be exercised from the 6th month from the date of closing of the transaction, and at the same price per share defined at closing for the 60%, less the amount of dividends distributed by the company.

- The merger of Ichnusa Gas in Medea was completed on 12 December 2018, effective for accounting and tax purposes from 1 January 2018.
- The merger processes (i) of the companies belonging to the Ichnusa Group and Fontenergia in Medea were launched in December 2018; and (ii) of Baranogas Reti, Ischia Reti Gas, Progas Metano, Grecanica Gas, Favaragas Reti, Siculianagas Reti and Naturgas in Italgas Reti. The transaction should be concluded in the first few months of 2019, effective for accounting and tax purposes from 1 January 2019.
- A binding agreement was signed on 28 December 2018 with the CONSCOOP Group for the purchase of shareholdings and business units including 19 gas distribution concessions and more than 50,000 redelivery points concentrated in the Central-Southern Italy and in Sardinia.

The agreement mainly concerns:

- the business unit of Aquamet S.p.A., including, inter alia, 9 natural gas distribution concessions in some municipalities in Lazio, Campania, Basilicata and Calabria, for a total of 23,800 users served;
- 100% of Mediterranea S.r.l., holder of 6 concessions for natural gas distribution in the Province of Salerno, with approximately 3,600 users served;
- the business unit of Isgas Energit Multiutilities S.p.A., holder of gas distribution concessions in the Sardinian municipalities of Cagliari, Nuoro and Oristano, for a total of roughly 22,300 users currently served with LPG.

The total enterprise value was set at €68.6 million.

Italgas will also acquire 10% of the share capital of Isgastrentatrè S.p.A., holder of the gas distribution concession in Catchment Area 33 of Sardinia, with the commitment to acquire the remaining 90% if certain conditions should arise, including the conversion to natural gas of the network currently powered by LPG is

also verified. In the opposite case, Italgas will be entitled to resell and CONSCOOP obliged to repurchase the 10% share at a price equal to the purchase price.

Digitisation

- The first step was completed for the digital transformation of the network and simplification of the application map where, by drawing on the advantages offered by the Public Cloud (Microsoft Azure), the “Infrastructure as a Service (IaaS)” was adopted. This technological enhancement will enable Italgas to not only improve the management and reliability of its own IT system, but also to lay down the foundation on which the future digitalisation of the Company will be based. In 2018, Italgas launched the Digital Factory, which already sees tens of employees working in multi-functional teams, that will develop new IT solutions targeted at transforming company processes; the Digital Team will grow in 2019, and the Digital Factory will become the driver of the digitalisation of company processes, improving and innovating the services offered.

Legal and Regulatory

- On 4 July 2018, ruling no. 4104/2018 was filed by the Council of State, rejecting the appeal lodged by Italgas Reti against the verdict of Veneto Regional Administrative Court no. 654/2017, confirming the acquisition free of charge by the Municipality of Venice of the assets included in “block A”, as well as the obligation on the part of the Company to pay a fee for the use of the portion of network subject to free transfer. Italgas filed an appeal against the ruling of the Council of State before the European Court of Human Rights. Against a fee request by the Municipality of Venice equivalent to the tariff remuneration for the assets of “block A”, in the absence of specific reference regulations, the Company, which in any case already pays an annual fee of €0.5 million for the entire concession, is unable, so far, to reliably calculate the amount of the liability according to the terms of said ruling. The Company has nonetheless arranged to accelerate the depreciation of the portion of network relating to “block A”, for a value equal to €6 million in the period.
- The Decree of 10 May 2018, adopted by the Ministry for Economic Development and the Ministry for the Environment, which modified and updated the Ministerial Decree of 11 January 2017, which determined the national numeric objectives for energy savings for the years 2017 to 2020 and approved the new Guidelines for the preparation, execution and assessment of energy efficiency projects was published in the Official Gazette no. 158 of 10 July 2018.

The adoption of the measure was necessary to make it possible or, in any case, favour the fulfilment of energy efficiency obligations by gas and electricity distribution companies, provide stability to the market, and stop the continuous increases in the price of the Energy Efficiency Certificates.

The Decree, on which opinions by the relevant Parliamentary Committees and the Authority, agreement by the Joint Conference, and registration in the Court of Audit have been obtained, has been in force since the day after publication, that is, from 11 July 2018, and applies, with certain exceptions, to all projects submitted pursuant to the Ministerial Decree of 11 January 2017.

The Ministerial Decree includes many of the observations formulated in the opinion issued by ARERA with deed no. 265/2018//EFR relating mainly to the procedures for exchange and valuation of Energy Efficiency Certificates and the measures designed to provide corporate information on parties participating in the market.

On 27 September 2018, ARERA published Resolution 487/2018, which defines the tariff contribution to cover the costs incurred by electricity and natural gas distributors, subject to the obligations under the energy efficiency certificate mechanism pursuant to the aforementioned Ministerial Decree of 10 May 2018.

In summary, it introduces:

- a cap on the contribution recognised by ARERA of €250 per Energy Efficiency Certificate;
- the possibility of purchasing Energy Efficiency Certificates on credit from the GSE at a price of €260 per certificate, after at least 30% of the mandatory minimum volume of Energy Efficiency Certificates has been reached in the reference period;
- the contribution is calculated as the weighted average of the stock exchange transactions and bilateral transactions;

To date, regulatory amendments introduced by the Ministerial Decree and the ARERA Resolution have not helped to resolve the numerous issues that have characterised the Energy Efficiency Certificate mechanism in recent months. The stock market is still suffering from a lack of liquidity, as demonstrated by the fact that, in the period 1 June 2018 - 31 December 2018, the volume of energy efficiency certificates traded was 1,502,268 (-56% compared to the same period of 2017), while prices showed an increasing trend, with a period average of €257.22 per certificate. Furthermore, limitations imposed on the inclusion of bilateral contracts for calculating the contribution as well as the lack of transparency of the terms of their financial settlement, can be assumed to distort the calculation of the reference contribution, bringing it well below the threshold of €250 per certificate.

Thus, on 9 October 2018, Italgas was compelled to challenge the Ministerial Decree of 10 May 2018 before the Lazio Regional Administrative Court, appealing both the provision according to which the tariff contribution must be calculated taking into account bilateral contracts as well as the provision setting the minimum threshold for accessing the mechanism for purchasing Energy Efficiency Certificates from the GSE on credit.

In order to cover potential liabilities deriving from the fulfilment of all energy efficiency certificate purchase obligations, the company established an adequate provision for expenses.

- With Resolution 494/2018/E/gas of 9 October 2018 - "Closing of the fact-finding investigation on the subject of investments of regulated companies pursuant to the Authority's Resolutions 177/2016/E/gas and 220/2017/R/gas, relating to data and information communicated to the Authority by Italgas and Napoletana gas", the Authority approved the final report of the fact-finding investigation referred to in Resolutions 177/2016/E/gas and 220/2017/R/gas, concerning the audit of data and information relating to investment costs disclosed by Italgas Reti and Napoletana gas for the purpose of their recognition in gas distribution tariffs. The investigation included specific analyses on:
 - the capitalisation of public land occupation costs (known as "COSAP") for the municipality of Rome, in relation to the investments declared to the Authority from 2009 to 2013;
 - the suitability of the economic and financial valuation of the gas distribution network, with specific regard to the sections of the network noted by the Italgas Judicial Administrators;
 - the accuracy of information communicated to the Authority for purposes of the incentive mechanisms envisaged by the Regulation on Gas Distribution Service Quality, with particular reference to service obligations.

In summary, the Authority highlights the following findings that emerged from the audits conducted as part of the investigation:

- with reference to 2009 and 2010, the investigation confirmed the framework already outlined in the investigation concluded with Resolution 520/2014/E/gas, for which the Company has filed an appeal with the Lombardy Regional Administrative Court, currently in progress;
- The same assessments regarding the inadequacy of the supporting material provided by the Company were applied to COSAP for 2011-2013;
- with regard to the locations indicated by the Italgas technical consultant, the Company, where it has identified issues with the fact-finding investigation, has

performed specific interventions (carried out directly or through the contracting companies) to make the sites compliant with the primary technical regulations.

- The Authority's investigation shows that in these locations, the networks are not compliant with respect to the Company's Tender Specifications. Lastly, in acknowledging the declarations provided by Italgas on the security of the networks at these locations, the Authority notes that the Company has prudently undertaken specific monitoring actions (intensification of the leak search programmes and the measurements of odourisation levels). The technical controls carried out by the Authority in certain locations included in the investigation did not reveal any non-compliance in the area of odourisation.

Resolution 494/2018/E/gas of 9 October 2018 was challenged before the Regional Administrative Court with motives added as in the main appeal against Resolution 520/2014/E/gas, limited to provisions concerning the non-recognition of extra remuneration of investments for the years 2019 and 2010, within the scope of the appeal.

Other events

- On 30 January 2018, Italgas successfully arranged the reopening of €250 million of the previous bond issue of 18 September 2017 (€500 million, maturing 18 January 2029 and with a coupon of 1.625%). Moreover, in January 2018 an Interest Rate Swap transaction in derivatives was completed with maturity in 2024, used to transform the entire EIB loan for the Gas Network Upgrade amounting to €360 million from floating rate to fixed rate.
- Following the downgrade announced on 23 October 2018 by Moody's Investor Services of the rating for Italian government bonds to Baa3, stable outlook, from Baa2, a corresponding action was taken by the agency on the long-term rating of the Company, reduced to Baa2, stable outlook, from the previous Baa1 rating, in consideration of the relationship with the government credit rating.
Moody's Investor Services noted that the strategic position of Italgas, its leadership in the Italian gas distribution sector, and its completely regulated revenue, together with the solid liquidity position and limited exposure to the risk of volatility in financial markets, make it possible to position the rating of the Company just a notch above the government rating.
- Italgas and Italgas Reti obtained the UNI ISO 37001:2016 "anti-corruption" certification on 24 December 2018, issued by the independent body DNV-GL. The certification, created on a voluntary basis, required a long and accurate process of auditing the management system for the prevention of and fight against corruption,

and recognised the robustness of a business model based on principles of integrity, sustainability and transparency vis-à-vis all stakeholders.

Post-Balance Sheet events

- By means of **judgement no. 588/2019 of 24 January 2019, the Council of State** ruled on the free transfer of a portion of the network relating to the concession in place with the Municipality of Cavallino-Treporti, similar to the existing case with the Municipality of Venice. In fact, Italgas manages the public natural gas distribution service in the area of the aforementioned Municipality based on the same concessions approved in due course by the Municipality of Venice. This is due to the fact that the Municipality of Cavallino-Treporti was established in 1999 through the parcelling off of a portion of the territory already falling under the Municipality of Venice. By means of the aforementioned ruling, the Council of State sanctioned the acquisition, free of charge, by the Municipality of Cavallino Treporti of the assets included in “block A”, as well as the obligation on the part of the Company to pay a fee for the use of the portion of network subject to free transfer. The Company filed an appeal for revocation before the Council of State against the ruling of 24 January 2019. The Company will also appeal the aforementioned ruling before the European Court of Human Rights. Against a fee request by the Municipality of Cavallino Treporti equivalent to the tariff remuneration for the assets of “block A”, in the absence of specific reference regulations, the Company is unable, so far, to reliably calculate the amount of the liability.
- By means of **Determination no. 1/2019 – DMRT of 29 January 2019**, the Authority defined and transmitted to the Ministry of Economic Development and the GSE (Energy Services Operator) the national quantitative obligations for the increase in the energy efficiency of final natural gas uses, to be achieved in 2019 by distributors with more than 50,000 end customers connected to their distribution network as at 31 December 2017.
For subsidiaries and investee companies of Italgas S.p.A., the quantitative obligation for the year 2019, rounded to the nearest unit using the commercial method and expressed in terms of number of White Certificates, is equal to: i)

948,473 for Italgas Reti; ii) 137,759 for Toscana Energia; iii) 7,121 for Umbria Distribuzione Gas; iv) 4,157 for EGN Distribuzione.

Business Outlook

Italgas will continue to pursue its strategic objectives, focusing on the digitalisation of the network and company processes, on making investments, on the quality of the service provided, on rationalising operating costs and optimising the financial structure, whilst paying constant attention to development opportunities.

With specific regard to technical investments in tangible and intangible fixed assets, in 2019, Italgas expects to continue its significant plan of investments targeted primarily at the implementation of network digitalisation projects and the installation of “smart” meters and natural gas distribution of Sardinia, plus the normal maintenance and development of the networks managed.

Consistent with the strategic priorities of the 2018-2024 plan, Italgas will participate in the tenders for the concession of natural gas distribution services, pursuing the development objectives of the business and consolidation of the sector, which is currently very fragmented.

In addition, in line with the objectives of the Strategic Plan, after the acquisitions, in 2018, the year 2019 can expect to see the completion of additional initiatives for external growth, which will enable the strengthening of the regional presence by anticipating the effects of future area tenders in terms of the growth of the perimeter of activities.

Italgas intends to continue to increase its operating efficiency through the implementation of the program for cost reduction and the improvement of the processes and services started in 2017, with a review of the organisational structure of Italgas Reti, characterised by a new territorial model and the streamlining of operating processes, thus introducing a cultural change for the sustainability of the model over time.

Finally, activities will continue in 2019 aimed at optimising the financial structure of the Italgas Group, in line with the objectives defined in the 2018-2024 Strategic Plan.

Italian Legislative Decree no. 25 of 15 February 2016, effective from 18 March 2016, which implemented European Directive 2013/50/EU of 22 October 2013 (new Transparency Directive), eliminated the obligation to publish the interim directors’

report, previously provided for by Art. 154-ter, paragraph 5 of the Consolidated Finance Act.

In accordance with the development of the reference regulatory framework and taking into account the needs of stakeholders, Italgas has chosen to voluntarily publish periodic financial information in addition to the Annual and Half-Year Financial Report.

This decision reflects the business policy of regular and transparent disclosure of the Group's financial performance to the market and investors.

The economic and financial information was drafted in compliance with the valuation and measurement criteria established by International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Art. 6 of (EC) Regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002.

Given their size, amounts of the relevant items are expressed in millions of euros to the first decimal place.

Conference call

At 15:30 pm of 22 February 2019, a conference call will be held to present to financial analysts and investors the 2018 results. The presentation may be viewed, through audio webcasting, on the Company's website (www.italgas.it). In conjunction with the conference call, the supporting material for the presentation will also be provided in the "Investor Relations/Presentations" section of the website.

The Chief Financial Officer, Giovanni Mercante, declares, pursuant to Art. 154-bis, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

IFRS financial statements

Balance sheet (*)

| 31.12.2017 | 31.12.2018 |
|----------------------------|----------------------------|
| <i>of which toward</i> | <i>of which toward</i> |

| (€ thousands) | Total | related parties | Total | related parties |
|---|------------------|-----------------|--|-----------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 2,831 | | 138,476 | |
| Other financial negotiable or available for sale financial assets | 119 | | 119 | |
| Trade and other receivables | 619,202 | 225,387 | 536,199 | 213,715 |
| Inventories | 22,41 | | 26,181 | |
| Current tax assets on income | 12,511 | | 7,533 | |
| Other current tax assets | 21,139 | | 25,427 | |
| Other current assets | 5,944 | 30 | 13,677 | |
| | 684,156 | | 747,612 | |
| Non-current assets | | | | |
| Property, plant and equipment | 224,651 | | 259,178 | |
| | | | <i>Of which Rights of use (**)</i> | 49,425 |
| Intangible assets | 4,676,561 | | 5,431,923 | |
| Investments valued using the equity method | 184,829 | 184,829 | 174,955 | 174,955 |
| Other investments | 54 | 54 | 96 | 96 |
| Other financial assets | 156 | | 156 | |
| Other non-current assets | 77,891 | 702 | 133,707 | 549 |
| | 5,164,142 | | 6,000,015 | |
| Non-current assets held for sale | 11 | | 11,583 | |
| TOTAL ASSETS | 5,848,309 | | 6,759,210 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities | | | | |
| Short-term financial liabilities | 81,133 | | 274,499 | |
| Short-term portion of long-term financial liabilities | 25,043 | | 43,303 | |
| | | | <i>Of which related to Right of use (**)</i> | 10,204 |
| Trade and other payables | 498,174 | 72,469 | 564,663 | 59,024 |
| Current tax liabilities on income | 8,429 | | 3,479 | |
| Other current tax liabilities | 11,424 | | 10,032 | |
| Other current liabilities | 182 | 175 | 2,890 | 177 |
| | 624,385 | | 898,866 | |
| Non-current liabilities | | | | |
| Long-term financial liabilities | 3,617,044 | | 3,705,980 | |
| | | | <i>Of which related to Right of use (**)</i> | 39,635 |
| Provisions for risks and charges | 208,246 | | 187,567 | |
| Provisions for employee benefits | 116,149 | | 107,878 | |
| Deferred tax liabilities | 94,79 | | 71,772 | |
| Other non-current liabilities | 2,055 | 165 | 457,800 | |
| | 4,038,284 | | 4,530,997 | |
| Liabilities directly associated with assets held for sale | | | | |

| | | |
|---|-----------------------------|-----------------------------|
| TOTAL LIABILITIES | 4,662,66 9 | 5,429,86 3 |
| SHAREHOLDERS' EQUITY | | |
| <i>Italgas shareholders' equity</i> | | |
| Share capital | 1,001,23 2 | 1,001,23 2 |
| Reserves | -108,358 | 14,420 |
| Profit (loss) for the year | 292,766 | 313,695 |
| Total Italgas shareholders' equity | 1,185,64 0 | 1,329,34 7 |
| Minority interests | | |
| TOTAL SHAREHOLDERS' EQUITY | 1,185,64 0 | 1,329,34 7 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 5,848,30 9 | 6,759,21 0 |

(*) Following the adoption of "IFRS 15 - Revenue from Contracts with Customers", from 1 January 2018 the connection contributions from private customers represent revenues to be recorded over time, or to be identified on the basis of the useful life of the asset to which they refer. The Company has subsequently reclassified in the Financial statement the above contributions under the item Other assets (liabilities) and the relative use under Other revenue and income in the Income statement. For the purposes of the representation of the reclassified assets/liabilities situation, the connection contributions (€ 443.8 million in the first nine months of 2018) continue to be deducted from the assets to which they refer in accordance with the representation adopted in the first nine months of 2017.

(**) Italgas has, since 1 January 2018, applied the IFRS 16 - Leases international accounting standard which, having eliminated the difference between financial and operating leases, determined the writing of debts for commitments to leasing companies with respect to the writing of Tangible assets for the Right of use of relative goods for payments of operating leases.

Statement of changes in shareholders' equity

| | |
|---|------------------|
| (€ thousands) | |
| Shareholders' equity at 31 December 2017 | 1,185,640 |
| <i>Increase for:</i> | |
| - 2018 Comprehensive income | 311,373 |
| - Other variations | 634 |
| | 312,007 |
| <i>Decrease for:</i> | |
| - 2017 Dividend distribution | (168,300) |
| Shareholders' equity at 31 December 2018 | 1,329,347 |

Income Statement

| | | | | |
|---------------|--------------|--|--------------|--|
| | 2017 | | 2018 | |
| (€ thousands) | Total | of which toward related parties | Total | of which toward related parties |

| | | | | |
|---|------------------|----------|------------------|----------|
| REVENUE | | | | |
| Core business revenue | 1,570,929 | 749,397 | 1,583,752 | 772,763 |
| Other revenue and income | 50,112 | 24,999 | 57,544 | 19,491 |
| | 1,621,041 | | 1,641,296 | |
| OPERATING COSTS | | | | |
| Purchases, services and other costs | (613,112) | (44,623) | (552,896) | (29,477) |
| Personnel cost | (231,685) | 6,458 | (233,672) | 865 |
| | (844,797) | | (786,568) | |
| AMORTISATION, DEPRECIATION AND IMPAIRMENT | (358,342) | | (401,256) | |
| <i>of which Right of use (IFRS16) amortisation</i> | | | 7,195 | |
| EBIT | 417,902 | | 453,472 | |
| FINANCIAL INCOME (EXPENSES) | | | | |
| Financial expense | (37,334) | (466) | (47,913) | (714) |
| <i>of which Right of use (IFRS16) interest expenses</i> | | | (286) | |
| Financial income | 1,085 | | 948 | |
| | (36,249) | | (46,965) | |
| INCOME (EXPENSE) ON EQUITY INVESTMENTS | | | | |
| Equity method valuation effect | 22,958 | 10,555 | 19,999 | 19,981 |
| Other income (expense) from equity investments | 15 | | | |
| | 22,973 | | 19,999 | |
| PRE-TAX PROFIT | 404,626 | | 426,506 | |
| Income taxes | 111,860 | | 112,811 | |
| Profit (loss) for the year | 292,766 | | 313,695 | |
| Applicable to: | | | | |
| - Italgas | 292,766 | | 313,695 | |
| - Minority interests | | | | |
| Net profit (loss) per share (€ per share) | | | | |
| - basic | 0,36 | | 0,39 | |
| - diluted | 0,36 | | 0,39 | |

Statement of Cash Flows

| | | |
|------------------------------|---------|---------|
| (€ thousands) | 2017 | 2018 |
| Profit (loss) for the period | 292,766 | 313,695 |

| | | |
|--|-----------------|-----------------|
| Adjustments to reclassify net profit to cash flow from operating activities: | | |
| Amortisation and depreciation | | 399,507 |
| <i>of which Right of use (IFRS16) amortisation</i> | | 7,195 |
| Net impairment of property, plant and equipment and intangible assets | 6,341 | 1,749 |
| Effect of valuation using the equity method | -22,958 | -19,999 |
| Net capital losses (gains) on asset disposals, transfers and eliminations | 4,124 | 1,270 |
| Dividends | -15 | |
| Interest income | -836 | -948 |
| Interest expense | 30,423 | 47,913 |
| Income taxes | 111,860 | 113,630 |
| Changes in working capital: | | |
| - Inventories | 10,306 | -3,352 |
| - Trade receivables | 12,423 | 22,772 |
| - Trade payables | 8,365 | 26,735 |
| - Provisions for risks and charges | -22,456 | -23,440 |
| - Other assets and liabilities | -112,193 | 9,329 |
| <i>of which Connection contributions - uses</i> | | -15,188 |
| <i>of which Connection contributions – increases</i> | | 24,500 |
| <i>Cash flow from working capital</i> | -103,555 | 32,044 |
| Change in provisions for employee benefits | -4,907 | -9,099 |
| Dividends collected | 13,820 | 29,872 |
| Interest income | 836 | 948 |
| Interest expense | -30,423 | -47,913 |
| Income taxes paid, net of tax credits reimbursed | -102,765 | -133,289 |
| Net cash flow from operating activities | 546,712 | 729,380 |
| - <i>of which with related parties</i> | 766,791 | 788,043 |
| Investments: | | |
| - Property, plant and equipment | -10,867 | -15,385 |
| - Intangible assets | -482,435 | -483,818 |
| - Change in scope of consolidation and business units | -35,941 | -173,102 |
| <i>Of which:</i> | | |
| - <i>taking on the payables of acquired companies</i> | | -64,558 |
| - <i>Acquisition of business units</i> | | -23,769 |
| - Equity investments | | -42 |
| - Change in payables and receivables relating to investment activities | 30,754 | 409 |
| <i>Cash flow from investments</i> | -498,489 | -671,938 |
| Disinvestments: | | |
| - Property, plant and equipment | | 424 |
| - Intangible assets | 419 | 2,554 |
| - Disposals of operating assets | 21,961 | |
| - Change in receivables relating to disinvestment activities | -1 | |
| <i>Cash flow from disinvestments</i> | 22,379 | 2,978 |
| Net cash flow from investment activities | -476,110 | -668,960 |

| | | |
|--|----------------|----------------|
| Assumptions of long-term financial payables | 3,011,855 | 251,794 |
| Repayments of long-term financial payables | -300,355 | -162,858 |
| Increase (decrease) in short-term financial payables | -2,618,988 | 161,708 |
| Dividends paid to Italgas shareholders | -161,827 | -168,300 |
| Financial debt decrease for Right of use (IFRS 16) | | -5,469 |
| Net cash flow from financing activities | -69,315 | 76,875 |
| - of which with related parties | -64,003 | -168,300 |
| Other changes | | -1,650 |
| Net cash flow for the year | 1,287 | 135,645 |
| Opening cash and cash equivalents | 1,544 | 2,831 |
| Closing cash and cash equivalents | 2,831 | 138,476 |

Italgas S.p.A. IFRS Financial Statements

Balance sheet

| (in €) | 31.12.2017 | | 31.12.2018 | |
|---|----------------------|---------------------------------|----------------------|---------------------------------|
| | Total | of which toward related parties | Total | of which toward related parties |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 87,945 | | 130,396,709 | |
| Trade and other receivables | 189,102,864 | 188,820,228 | 104,440,780 | 104,317,297 |
| Current tax assets on income | 15 | | 234,953 | |
| Other current assets | 1,054,999 | | 1,585,073 | |
| | 190,245,823 | | 236,657,515 | |
| Non-current assets | | | | |
| Property, plant and equipment | 1,940,240 | | 17,450,698 | |
| <i>Of which Rights of use</i> | | | 15,230,264 | |
| Intangible assets | | | 12,059,118 | |
| Investments valued using the equity method | 2,974,230,948 | 2,974,230,948 | 2,983,528,365 | 2,983,528,365 |
| Other investments | | | 12,000 | |
| Other financial assets | 2,240,757,345 | 2,240,757,345 | 2,392,128,147 | 2,392,128,147 |
| Assets for prepaid tax | 2,336,691 | | 3,619,984 | |
| Other non-current assets | 966,682 | | 782,931 | |
| | 5,220,231,906 | | 5,409,581,243 | |
| TOTAL ASSETS | 5,410,477,729 | | 5,646,238,758 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Current liabilities | | | | |
| Short-term financial liabilities | 76,480,195 | | 203,189,253 | 102,789,642 |
| Short-term portion of long-term | | | | |
| Financial liabilities | 23,388,866 | | 35,038,987 | |

| | | | | |
|--|---|------------|----------------------|------------|
| | | | 2,423,114 | |
| | <i>Of which related to Right of use</i> | | | |
| Trade and other payables | 32,325,869 | 17,809,673 | 41,044,990 | 21,994,666 |
| Current tax liabilities on income | 1,865,447 | | - | |
| Other current tax liabilities | 2,579,182 | | 1,633,362 | |
| Other current liabilities | | | 120,190 | |
| Non-current liabilities | 136,639,559 | | 281,026,781 | |
| Long-term financial liabilities | 3,611,906,672 | | 3,677,067,738 | |
| | | | | |
| | <i>Of which related to Right of use</i> | | 13,102,937 | |
| Provisions for risks and charges | 2,249,530 | | 1,535,948 | |
| Provisions for employee benefits | 6,522,358 | | 6,154,401 | |
| Deferred tax liabilities | | | 27,371 | |
| Other non-current liabilities | | | 6,527,239 | |
| | 3,620,678,560 | | 3,691,312,696 | |
| Liabilities directly associated with assets held for sale | | | | |
| | | | | |
| TOTAL LIABILITIES | 3,757,318,119 | | 3,972,339,478 | |
| | | | | |
| SHAREHOLDERS' EQUITY | | | | |
| Share capital | 1,001,231,518 | | 1,001,231,518 | |
| Legal reserve | 200,246,304 | | 200,246,304 | |
| Share premium reserve | 620,130,651 | | 620,130,651 | |
| Reserve from IAS 19 remeasurement | -55,320 | | -116,122 | |
| Other reserves | -349,839,085 | | -349,523,332 | |
| Profit (losses) carried forward | 7,293,191 | | 8,185,357 | |
| Net profit | 174,152,351 | | 193,744,904 | |
| TOTAL SHAREHOLDERS' EQUITY | 1,653,159,610 | | 1,673,899,281 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 5,410,477,729 | | 5,646,238,758 | |

Income Statement

| (in €) | 2017 | | 2018 | |
|-------------------------------------|-------------------|--|-------------------|--|
| | Total | <i>of which toward related parties</i> | Total | <i>of which toward related parties</i> |
| REVENUE | | | | |
| Core business revenue | 64,469,214 | 64,469,214 | 74,541,060 | 74,541,060 |
| Other revenue and income | 409,190 | 60,680 | 388,534 | 48,649 |
| | 64,878,404 | | 74,929,594 | |
| OPERATING COSTS | | | | |
| Purchases, services and other costs | (36,321,697) | (14,675,165) | (31,568,741) | (20,164,652) |
| Personnel cost | (41,806,583) | (21,223,407) | (46,198,975) | (25,479,364) |

| | | | | |
|--|--------------------------|-------------|--------------------------|-------------|
| | (78,128, 280) | | (77,767, 716) | |
| AMORTISATION, DEPRECIATION AND IMPAIRMENT | (60,817) | | (2,174,3 02) | |
| <i>of which Right of use (IFRS16) amortisation</i> | | | <i>(1,927,7 66)</i> | |
| EBIT | (13,310, 693) | | (5,012,4 24) | |
| FINANCIAL INCOME (EXPENSES) | | | | |
| Financial income | 21,805,9 24 | 21,799,513 | 24,805,4 86 | 24,804,480 |
| Income from derivative instruments | | | | |
| Financial expenses | (36,085, 114) | (465,563) | (45,593, 039) | (864,915) |
| <i>- of which Right of use (IFRS16) financial expenses</i> | | | <i>(80,595)</i> | |
| Expense from derivative instruments | | | (22,671) | |
| PRE-TAX PROFIT | (14,279, 190) | | (20,810, 224) | |
| INCOME (EXPENSE) ON EQUITY INVESTMENTS | 197,416, 267 | 197,416,267 | 216,191, 786 | 216,191,786 |
| PRE-TAX PROFIT | 169,826, 384 | | 190,369, 138 | |
| Income taxes | 4,325,96 7 | | 3,375,76 6 | |
| NET PROFIT | 174,152, 351 | | 193,744, 904 | |

Statement of Cash Flows

| (€ thousands) | 2017 | 2018 |
|--|----------------|----------------|
| Net profit | 174,152 | 193,745 |
| Adjustments to reclassify net profit to cash flow from operating activities: | | |
| Amortisation and depreciation | 61 | 2,174 |
| <i>- Of which Right of use (IFRS 16) amortisation</i> | | <i>1,928</i> |
| Dividends and other interest income | (197,416) | (216,192) |
| Interest income | (21,520) | (24,350) |
| Interest expense | 29,871 | 42,774 |
| Income taxes | (4,325) | (3,375) |
| Changes in working capital: | | |
| - Trade receivables | (12,903) | (6,791) |
| - Trade payables | 555 | 13,674 |
| - Provisions for risks and charges | 930 | (708) |
| - Other assets and liabilities | 15,237 | 1,141 |
| <i>Cash flow from working capital</i> | 3,819 | 7,316 |
| Change in provisions for employee benefits | 1,088 | (487) |
| Dividends and other income collected from equity investments | 197,416 | 216,192 |
| Interest income | 21,520 | 24,350 |
| Interest expense | (29,871) | (42,774) |
| Income taxes paid net of reimbursed tax credits | 10,217 | 7,223 |
| Net cash flow from operating activities | 185,012 | 206,596 |
| <i>- of which with related parties</i> | <i>59,304</i> | <i>141,338</i> |
| Investments: | | |
| - Property, plant and equipment | (1,638) | (527) |
| - Intangible assets | | (12,059) |
| - Equity investments | (7,522) | (9,250) |
| - Financial receivables held for operating activities | (1,517,422) | (151,291) |
| | 1,402,987 | 82,653 |

| | | |
|--|------------------|-----------------|
| - Change in payables and receivables relating to investment activities | 7,765 | (3,700) |
| <i>Cash flow from investments</i> | <i>(115,830)</i> | <i>(94,174)</i> |
| Disinvestments: | | |
| - Equity investments | | |
| - Financial receivables held for operating activities | | |
| <i>Cash flow from disinvestments</i> | | |
| Net cash flow from investment activities | (115,830) | (94,174) |
| - of which with related parties | (121,957) | (160,668) |
| Assumptions of long-term financial payables | 2,711,855 | 251,794 |
| Repayment of long-term financial debt | | (199,736) |
| Increase (decrease) in short-term financial payables | (2,619,123) | 135,956 |
| Increase (Decrease) in financial receivables not held for operating activities | | |
| Financial debt decrease for Right of use (IFRS 16) | | (1,632) |
| | 92,732 | 186,382 |
| Dividends distributed to shareholders | (161,827) | (168,300) |
| Net cash flow from financing activities | (69,095) | 18,082 |
| - of which with related parties | (64,003) | (168,300) |
| Other changes | | (196) |
| Net cash flow for the period | 87 | 130,308 |
| - of which related parties | (64,003) | (65,563) |
| Cash and cash equivalents at the beginning of the period | 1 | 88 |
| Cash and cash equivalents at the end of the period | 88 | 130,396 |

Disclaimer

This press release contains forward-looking statements, specifically in the "Outlook" section, relating to: investment plans, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions.