

ITALGAS: APPROVED THE CONSOLIDATED RESULTS FOR THE FIRST NINE MONTHS OF 2017

Milan, 23 October 2017 – Italgas's Board of Directors met today under the chairmanship of Lorenzo Bini Smaghi, and approved the consolidated results for the first nine months and third quarter of 2017*.

Summary

Italgas confirms the growth objectives presented to the market, particularly with regards to the increase of 14.7% in EBIT and of 27.8% in net profit. The Group has continued with the implementation of the investment plan, which amounted to €346.5 million as at 30 September 2017 (+39.8% compared with the same period in 2016), and has confirmed the objective of a total of more than €500 million in investments by the end of 2017. Approximately half of these investments are for implementing the programme for the replacement of traditional meters with “smart” meters. In the first nine months of the year 1.1 million meters were added bringing the total of new meters installed to around 2.3 million - equal to 35% of the total and in line with the goal of completing the plan between 2019 and 2020.

In the first nine months of 2017 the Group generated cash flow from operating activities of €375.1 million, which enabled the funding of the investment plan and the payment of a dividend for 2016 maintaining the net financial position as at 30 September 2017 at approximately €3.7 billion.

Paolo Gallo, CEO of Italgas, commented:

"The results confirm the positive growth trend registered since the beginning of the year thanks to the positive effect of the rationalisation process, the corporate restructuring, the control of operating costs and financial optimisation. All the main economic indicators demonstrate a double digit growth; in particular EBITDA rose by

*Unaudited.

20% and net profit by 28%. The implementation of our investment plan is progressing in line with the objectives presented to the market, and with a focus on the replacement of meters, network development and replacement initiatives, and the application of digital technological solutions which will continue to generate efficiencies and benefits for the entire Italian gas distribution system”.

Key figures

Consolidated economic and financial highlights:

- Total revenue: €835.0 million (+7.2%)
- EBITDA: €577.9 million (+20.0%)
- EBIT: €306.7 million (+14.7%)
- Net profit: €213.3 million (+27.8%)
- Technical investments: €346.5 million (+39.8%)
- Net cash flow from operating activities: €375.1 million
- Net financial debt: €3,728.3 million

Operating highlights including unconsolidated affiliates:

- Gas concessions: 1,581
- Number of active meters: 7.4 million
- Gas distribution network: more than 65,000 Km

Economic and financial highlights

Introduction

On 7 November 2016, the transaction transferring 100% of the equity investment in Italgas Reti from Snam S.p.A. to Italgas S.p.A., a company incorporated on 1 June 2016, was completed.

Since this date, Italgas has had direct control of Italgas Reti and indirect control of Napoletanagas and ACAM Gas.

This report shows the values and data for the “Consolidation” as at 30 September 2017, comprising Italgas S.p.A. and consolidated companies Italgas Reti S.p.A., Napoletanagas S.p.A. and Acam Gas S.p.A. (fully consolidated) and Toscana Energia S.p.A., Metano S. Angelo Lodigiano S.p.A. and Umbria Distribuzione Gas S.p.A. (consolidated using the equity method).

In order to provide a comparison with the data for the first nine months of 2016, consolidated values and data within the same scope of consolidation are also shown at that date, whilst specifying that Italgas S.p.A., which was incorporated on 1 June 2016, registered insignificant economic values in its four months of transactions¹.

Income statement

Third quarter			First nine months			Change	
2016	2017	(€ millions)	2016	2017	Change	%	
254.6	265.7	Gas distribution regulated revenue	759.3	820.3	61.0	8.0	
		<i>of which:</i>					
243.8	247.4	- Distribution revenue	728.9	746.1	17.2	2.4	
10.8	18.3	- Other gas distribution regulated revenue	30.4	74.20	43.8		
9.0	4.7	Other revenue	19.8	14.7	(5.1)	(25.8)	
263.6	270.4	Total revenue (*)	779.1	835.0	55.9	7.2	
(102.3)	(82.6)	Operating costs (*)	(297.7)	(257.1)	40.6	(13.6)	
161.3	187.8	EBITDA	481.4	577.9	96.5	20.0	
		Amortisation, depreciation and impairment					
(71.9)	(85.1)	losses	(213.9)	(271.2)	(57.3)	26.8	
89.4	102.7	EBIT	267.5	306.7	39.2	14.7	
(12.8)	(8.6)	Net financial expense	(42.3)	(27.0)	15.3	(36.2)	
4.9	5.3	Net income from equity investments	14.8	15.8	1.0	6.8	
81.5	99.4	Pre-tax profit	240.0	295.5	55.5	23.1	
(28.1)	(25.6)	Income taxes	(73.1)	(82.2)	(9.1)	12.4	
53.4	73.8	Net profit	166.9	213.3	46.4	27.8	

(*) Net of the effects of IFRIC 12 “Concession Service Arrangements” (€215.7 and €323.3 million respectively for the first nine months of 2016 and 2017).

Total revenue for the first nine months of 2017 amounted to €835.0 million, up €55.9 million or +7.2% compared with the first nine months of 2016 (+6.8 million in the third quarter; +2.6%) and relates to gas distribution regulated revenue and other revenue.

The increase in Gas distribution regulated revenue amounted to €61.0 million (+8.0%) in the first nine months, and derives from: (i) higher distribution revenue (+€17.2 million in the first nine months of 2017; 2.4%; +€3.6 million in the third quarter; +1.5%) due to the tariff components (+€5.5 million in the first nine months of 2017; +€1.3 million in the third quarter) and tariff adjustments in relation to previous financial years (+€11.6 million in the first nine months of 2017; +€2.4 million in the

¹ As at 30 September 2016, Italgas S.p.A. recorded a net loss of €1.2 million essentially from costs for the subsequent listing on the stock exchange (€1.5 million), compensation to Directors and personnel on secondment (€0.2 million), partly offset by prepaid taxes (€0.5 million).

third quarter); (ii) higher other regulated revenue from gas distribution (+€43.8 million in the first nine months of 2017; +€7.5 million in the third quarter), mainly due to the contribution pursuant to Article 57 of AEEGSI Resolution 367/14 (+€33.9 million in the first nine months of 2017; +€5 million in the third quarter), in relation to the investment programme for replacing traditional meters with electronic (*smart*) meters, as set out in the remote reading project pursuant to AEEGSI resolutions 631/13 and 554/15, as well as higher revenue from ancillary network services and other regulated revenue (+€9.9 million in the first nine months of 2017; +€2.4 million in the third quarter).

Other revenue of €14.7 million mainly relates to water sales, services to third parties and rental income, and decreased by €5.1 million compared with the first nine months of 2016 mainly as a result of lower income for property rental.

Gross operating profit before depreciation and amortisation (EBITDA²) totalled €577.9 million in the first nine months of 2017, a €96.5 million increase or 20% compared with the same period in 2016 (+€26.5 million in the third quarter; +16.4%). The increase is mainly due to the above-mentioned higher revenue of €55.9 million +7.2%, and to lower operating costs equalling €40.6 million - a decrease of 13.6%; (lower costs equalling €26.5 million in the third quarter, +16.4%). The decrease of €40.6 million in operating costs is a result of (i) the €9.8 million decrease in fixed costs compared with the same period in the previous financial year (€7.5 million in the third quarter), mainly due to the lower costs for services (-€20.2 million for the service agreement with Snam, linked largely to the in-sourcing of technical activities and staff) partly offset by higher costs for maintenance operations (€8 million) and the traditional meter reading process (€1.5 million); (ii) the €24.6 million decrease in other costs (€12.1 million in the third quarter) mainly due to lower net provisions for risks and charges (€2.9 million), lower net costs relating to Energy Efficiency Certificates (€7.5 million), lower variable costs (€3.2 million) and lower write off from properties (€9.6 million); (iii) the reduction in other costs specifically due to lower provisions for environmental liabilities (+€6 million).

Gross operating profit (EBIT) totalled €306.7 million in the first nine months of 2017, an increase of €39.2 million or +14.7% compared with the corresponding period of 2016 (+€13.3 million in the third quarter; equal to +14.9%). The increase is due to the €96.5 million increase of in the above commented EBITDA, which was partly offset by the higher amortisation and depreciation of €57.3 million in the first nine months of 2017, equalling 26.8% (€13.2 million in the third quarter, equal to 18.4%) mainly resulting from the reduction in the useful life of traditional meters³, subject to the plan for replacement with electronic (*smart*) meters, as set out in the AEEGSI Resolutions, as part of the plan for implementing remote meter reading.

Net profit for the first nine months of 2017, equal to €213.3 million, rose by €46.4 million compared with the corresponding period of 2016, equal to +27.8% (+€20.4

² This press release uses alternative performance indicators including EBITDA (the sum of the value relating to EBIT and amortisation, depreciation and impairment) and EBIT (the sum of the values relating to net profit, income tax and net financial expense, net of net income from equity investments).

³ In line with the plan for replacing meters, expected to be completed by 2018, as of the second half of 2016 the service life of the meters included in the replacement project pursuant to AEEGSI resolutions 631/13 and 554/15 was adjusted in order to complete the depreciation process. As far as 2017 is concerned, the useful life of the meters to be replaced during the year was conventionally considered at the end of the first half-year (-€49.6 million, which also includes normal amortisation and depreciation).

million in the third quarter; +38.2%), as a result, in addition to the above-mentioned increase of €39.2 million in operating profit (EBIT), of: (i) lower net financial expense of €15.3 million, equalling a decrease of 36.2% (a decrease of +€4.2 million in the third quarter; 32.8%), mainly following the lower costs related to the financial debt and lower financial expenses connected to the discounting of environmental provisions; (ii) greater net income on equity investments (+€1.0 million; equal to +6.8%). These factors were, in part, offset by greater income taxes (-€9.1 million in the period, equal to 12.4%), mainly due to the increase in the tax base for the period and the lower ACE (Italian Aid to Economic Growth) benefit, partly offset by the reduction OF the IRES rate from 27.5% to 24%.

Reclassified financial statements

The reclassified statement of financial position aggregates the assets and liabilities from the mandatory statement published in the Annual Financial Report and the Half-Year Report according to the criterion of corporate management function, conventionally divided into three key functions: investment, transactions and financing.

The proposed statement represents useful disclosure for the investor, as it identifies the sources of financial resources (own funds and third-party funds) and the financial resources committed to fixed capital and working capital.

Italgas' reclassified statement of financial position as at 30 September 2017, compared with that as at 31 December 2016, is summarised as follow:

30.06.2017(€ millions)	31.12.2016	30.09.2017	Change
4,831.6Fixed capital	4,792.8	4,842.0	49.2
224.4Property, plant and equipment	227.5	221.3	(6.2)
4,530.3Intangible assets	4,486.5	4,542.5	56.0
172.5Equity investments	175.8	177.7	1.9
0.1Financial receivables and securities held for operations	0.1	0.1	
(95.7)Net payables for investments	(97.1)	(99.6)	(2.5)
(11.3)Net working capital	(9.5)	99.1	108.6
(119.6)Provisions for employee benefits	(120.6)	(117.5)	3.1
19.3Assets held for sale and directly related liabilities	19.0	19.3	0.3
4,720.0NET INVESTED CAPITAL	4,681.7	4,842.9	161.2
Net equity (including third-party shareholder interests)			
1,037.9- attributable to the Group	1,063.4	1,114.6	51.2
- pertaining to third-party shareholders	0.9		(0.9)
1,037.9	1,064.3	1,114.6	50.3
3,682.1Net financial debt	3,617.4	3,728.3	110.9
4,720.0COVERAGE	4,681.7	4,842.9	161.2

Fixed capital (€4,842.0 million) increased by €49.2 million compared with 31 December 2016 mainly due to an increase in intangible assets (+€56.0 million) which,

pursuant to IFRIC 12, include service concessions. This increase was partly offset by a decrease in property, plant and equipment (-€6.2 million) and an increase in net financial payables relating to investment activities (-€2.5 million).

Equity investments

The “equity investments” item (€177.7 million) includes the valuation of equity investments using the equity method and refers to Toscana Energia (€175.3 million), Umbria Distribuzione Gas (€1.4 million) and Metano Sant’Angelo Lodigiano (€1.0 million).

Net working capital

30.06.2017 (€ millions)	31.12.2016	30.09.2017	Change
223.9 Trade receivables	417.6	318.3	(99.3)
20.9 Inventories	32.6	25.1	(7.5)
25.9 Tax receivables	53.5	61.8	8.3
62.1 Accruals and deferrals from regulated activities	33.3	66.6	33.3
276.4 Other assets	149.1	284.2	135.1
(153.4) Trade payables	(174.5)	(169.3)	5.2
(219.1) Provisions for risks and charges	(230.5)	(208.7)	21.8
(72.8) Deferred tax liabilities	(106.3)	(83.6)	22.7
(38.6) Net tax liabilities	(13.5)	(55.9)	(42.4)
(136.6) Other liabilities	(170.8)	(139.4)	31.4
(11.3)	(9.5)	99.1	108.6

Compared with 31 December 2016, the change of €108.6 million in the working capital is mainly a result of: (i) a reduction in trade receivables (-€99.3 million) reflecting in particular the effects of the seasonality of volumes transported on behalf of the sales companies; (ii) a lower balance of tax items, including deferred liabilities (-€11.4 million); (iii) lower inventories (-€7.5 million) in relation to higher withdrawals connected to the gas meter replacement programme; (iv) the increase in other current assets (€135.1 million) deriving mainly from higher receivables from the CSEA (Energy and Environmental Services Fund) connected to Energy Efficiency Certificates (+€111.5 million) and an increase in receivables from CSEA relating to additional UG2 and Gas Bonus transmission components (+€22.3 million); (v) an increase in the accruals and deferrals from regulated activities (+€33.3 million) relating to the estimated tariff recognition in line with the regulation in force regarding the programme for the replacement of traditional meters with electronic smart meters; (vi) the decrease in trade payables (+€5.2 million) to suppliers; (vi) lower other current liabilities (+€31.4 million) resulting primarily from lower net payables to CSEA relating to additional RE, RS and UG1 transmission components (€23.2 million); (vii) lower provisions for risks and charges (€21.8 million) mainly associated with the use of environmental provisions (€4.3 million), provisions for legal risks (€4.3 million) and provision for early retirement (€8.8 million).

Net financial debt

30.06.2017	(€ millions)	31.12.2016	30.09.2017	Change
3,684.2	Financial and bond debt	3,619.0	3,730.3	111.3
630.9	Short-term financial debt (*)	2,695.6	179.7	(2,515.9)
3,053.3	Long-term financial debt	923.4	3,550.6	2,627.2
(2.1)	Financial receivables and cash and cash equivalents	(1.6)	(2.0)	(0.4)
(2.0)	Cash and cash equivalents	(1.5)	(1.9)	(0.4)
(0.1)	Securities not held for operations	(0.1)	(0.1)	
3,682.1		3,617.4	3,728.3	110.9

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

Net financial debt was €3,728.3 million as at 30 September 2017, a €110.9 million increase compared with €3,617.4 million as at 31 December 2016.

Financial and bond debt as at 30 September 2017, totalling €3,730.3 million (€3,618.8 million as at 31 December 2016) were denominated entirely in euros and referred mainly to bonds (€2,642.9 million), payables to banks (€363 million) and loan agreements concerning European Investment Bank (EIB) funding (€724.4 million).

The reduction in short-term financial debt compared with 31 December 2016, equal to €2,515.9 million, is mainly attributable to the repayment of a bridge to bond syndicate loan originally totalling €2,300 million; this repayment was made possible thanks to the issuing of bond loans with the following characteristics: (i) a nominal value of €1,500 million, issued on 19 January 2017 and divided into two tranches, the first with a term of 5 years and the second 10 years, both at a fixed rate, amounting to €750 million each and an annual coupon of 0.50% and 1.625% respectively ; (ii) a nominal value of €650 million issued on 14 March 2017, maturing on 14 March 2024 with a fixed rate annual coupon of 1.125%. The residual amount of the bridge to bond bank loan, equal to €150 million, was repaid on 13 April 2017. A nominal €500 million was also issued on 18 September 2017 maturing on 18 January 2029 with a fixed rate annual coupon of 1.625%.

The breakdown of debt by type of interest rate as at 30 September 2017 is as follows:

30.06.2017	%	(€ millions)	31.12.2016	%	30.09.2017	%
2,139.4	58.1	Fixed rate			2,642.9	70.8
1,545	41.9	Floating rate	3,619.0	100.0	1,087.4	29.2
3,684.2	100.0		3,619.0	100.0	3,730.3	100.0

Fixed rate financial liabilities stood at €2,642.9 million and refer to bond loans.

Floating rate financial liabilities totalled €1,087.4 million and fell by €2,531.6 compared with 31 December 2016 mainly as a result of the issuing of the above-mentioned bond loans which replaced short-term bank loans.

As at 30 September 2017, Italgas had unused committed long-term credit lines amounting to €1.1 billion.

As at 30 September 2017, there were no financial covenants and unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions.

Some of these contracts provide, *inter alia*, for the following: (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. As at 30 September 2017, these commitments were complied with.

Reclassified statement of cash flows

Third quarter of 2017		First nine months of 2017
73.7	Net profit	213.3
	<i>Adjusted for:</i>	
93.5	- amortisation, depreciation and other non-monetary components	269
(13.2)	- Net capital losses (capital gains) on asset sales and eliminations	(11.6)
34.5	- Interest and income tax	102.9
(133.3)	Change in working capital due to operating activities	(150.7)
(8.3)	Dividends, interest and income taxes collected (paid)	(47.8)
46.9	Net cash flow from operations	375.1
(96.4)	Technical investments	(326.4)
3.4	Other changes relating to investment activities	2.2
(46.1)	Free cash flow	50.9
46.0	Change in short- and long-term financial debt	111.3
	Equity cash flow	(161.8)
(0.1)	Net cash flow for the period	0.4

Third quarter of 2017		First nine months of 2017
	Change in net financial debt	
(46.1)	Free cash flow	50.9
	Change in the scope of consolidation and business units (non-monetary)	
	Equity cash flow	(161.8)
(46.1)	Change in net financial debt	(110.9)

The net cash flow from operating activities in the first nine months of 2017 amounted to €375.1 million which completely covered the flow of the net investments, equal to €324.2 million, generating a free cash flow of €50.9 million, which partly covered the cash flow of equity of -€161.8 million (dividend paid), resulting in a €110.9 million increase in net financial debt.

Key operating figures

Investments

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

To this end, in the first nine months of 2017, technical investments were made, amounting to €346.5 million, an increase of 39.8% compared with the same period in 2016 (€247.9 million).

Third quarter			First nine months			
2016	2017	(€ millions)	2016	2017	Change	Change %
50.3	53.7	Distribution	137.3	163.0	25.7	18.7
41.4	43.3	Network maintenance and development	114.4	133.60	19.2	16.8
8.9	10.4	Replacement of cast-iron pipes	22.9	29.40	6.5	28.4
31.7	46.2	Metering	82.7	161.9	79.2	95.8
13.9	4.0	Other investments	27.9	21.6	(6.3)	(22.6)
95.9	103.9		247.9	346.5	98.6	39.8

Investments in distribution (€163.0 million) mainly related to development projects (extensions and new networks) and the renovation of old sections of pipe, including the replacement of cast-iron pipes.

Metering investments (€161.9 million) mainly relate to the plan to replace traditional meters with electronic (*smart*) meters as part of the remote metering project, resulting in the replacement and installation of over 1.1 million new meters during the first nine months of 2017.

Other investments (€21.6 million) mainly concerned investments in IT, property and vehicles.

Main events

- On 28 June, the tender for the gas distribution services in Atem Torino 2 (around 190,000 redelivery points in 48 municipalities in the area surrounding the Piedmontese capital) was submitted. No tenders were submitted by other operators. Italgas' tender was accepted as it met the requirements stipulated in the notice of invitation to tender. On 1 September, the tender for the gas distribution services in Atem Belluno (around 45,000 redelivery points in 74 Municipalities) was also submitted. At the moment the tender process has been suspended as a result of a protective order by the Veneto Regional Administrative Court following an appeal by one of the competitors;
- The preliminary purchase agreement for the entire capital of Enerco Distribuzione S.p.A., a company with its headquartered in Padua, which distributes natural gas and provides related services, was signed on 18 October. The company manages gas distribution operations in 27 Municipalities in the Provinces of Padua and Vicenza with around 30,000 redelivery points served;
- The new organisation of operations was completed with the establishment of 14 territorial hubs;
- The merger by incorporation of Napoletanagas S.p.A. into Italgas Reti S.p.A. was implemented and took effect from 1 October 2017;

- On 29 September 2017, the Shareholders Meeting of Italgas Reti approved the proportional, partial demerger of Italgas Reti in favour of a newly established beneficiary company through the allocation to the latter of the so-called “former Napoletanagas water division”. The demerger will be signed in December and the effects of the demerger will start in the first days of 2018;
- Today's Board of Directors' meeting approved the establishment, from today, of a single Appointments and Remuneration Committee, combining the existing Appointments Committee and Remuneration Committee. For more details, see the website www.italgas.it;
- With regard to the Energy Efficiency Certificates (EEC), the Authority established, through Resolution DMRT/EFC/10/2017 of 14 July 2017:
 - o the value of the final tariff contribution for the 2016 year of obligation, equal to €191.40/EEC, determined in accordance with the criteria set out in resolution no. 13/2014/R/efr and, in particular, the weighted average trading value of securities traded on the organised market between June 2016 and May 2017;
 - o The value of the reference tariff contribution for the 2017 year of obligation, equal to €170.29/EEC, determined in accordance with the criteria set out in Resolution 435/2017/R/efr and, in particular, the value of the final tariff contribution for the 2015 and 2016 years of obligation and the quantity of securities traded on the market between June 2015 and May 2017.

At the end of the verification of the primary energy savings for 2016, including the additional portions resulting from the offsetting for previous years, on 19 September 2017, the GSE announced the details of the amounts due to each electricity and natural gas distributor subject to the obligation, to cover the costs incurred.

Compensations collected as at 30 September 2017 were equal, respectively, to: €114,790,810.20 for Italgas Reti, €10,189,179.00 for Napoletana Gas and €1,805,859.00 for ACAM Gas.

Business Outlook

Italgas will continue to pursue its strategic objectives, focusing on making investments, streamlining processes and operating costs and optimising the financial structure, whilst paying constant attention to development opportunities.

With specific reference to the **technical investments** in tangible and intangible fixed assets, in 2017, Italgas forecasts an increase in expenditure over the previous year, attributable to the maintenance and development of networks and meter-reading activity, aimed at implementing the relevant electronic meter (*smart meter*) installation programme, in implementation of the resolutions of the Authority, as well as completing the construction of new networks.

Italgas intends to increase its **operating efficiency** by implementing a programme of cost reduction and quality improvement in processes and services.

In the coming months Italgas will also continue to work towards the optimisation of the group financial structure.

Lastly, in accordance with the Plan's guidelines, Italgas will (i) take part in **public tenders** of strategic interest for natural gas distribution services, and (ii) continue to acquire small and medium distributors, in order to achieve its business development aims and to consolidate a sector that is currently very fragmented.

Legislative Decree no. 25 of 15 February 2016, which entered into force on 18 March 2016, implementing European Directive 2013/50/EU of 22 October 2013 (the "new Transparency Directive"), removed the obligation to publish the interim directors' report previously required by Article 154-*ter*, paragraph 5 of the Consolidated Finance Act (TUF).

In line with the development of the reference regulatory framework and taking into account the requirements of stakeholders, Italgas has decided to publish additional periodic financial information on a voluntary basis as well as the Annual and Half-Year Financial Reports.

This decision reflects the regular and transparent corporate information policy on the financial performance of the Group, aimed at the market and investors.

Information on operating results and cash flows is provided with reference to the first nine months and third quarter of 2017 and the first nine months and third quarter of 2016. Information on financial position is provided with reference to 31 December 2016 and 30 September 2017. The form of the financial statements corresponds to that of the statements presented in the Interim Directors' Report of the Consolidated Half-Year Report and the Directors' Report accompanying the Annual Financial Report.

The financial statements were compiled in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission under Article 6 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002.

The accounting and valuation criteria adopted for the preparation of the results for the first nine months of 2017 are unchanged from those adopted for the preparation of the 2017 Consolidated Half-Year Report and the 2016 Annual Report, the description of which should be referred to.

The consolidation scope as at 30 September 2017 was the same as at 31 December 2016.

Given their size and importance, amounts are expressed in millions of euros.

Conference call

A conference call will take place at 17.30 CET today, 23 October 2017, to present the consolidated results for the first nine months and the third quarter of 2017 to investors and financial analysts. The presentation can be viewed via audio webcasting on the Company's website (www.italgas.it). In conjunction with the conference call, the presentation support material will also be provided in the "Investor Relations/Presentations" section of the website.

The manager responsible for preparing the accounting and corporate documents, Claudio Ottaviano, declares, pursuant to paragraph 2, Article 154-*bis* of the

Consolidated Finance Act, that the accounting information contained in this report corresponds to the documented results, books and accounting records.

Disclaimer

This report contains forward-looking statements, especially 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. Actual results may differ from those stated 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.

IFRS Financial Statements

Statement of financial position

(€ millions)	31.12.2016	30.09.2017
ASSETS		
Current assets		
Cash and cash equivalents	1.5	1.9
Other financial assets held for trading or available for sale	0.1	0.1
Trade and other receivables	579.1	617.2
Inventories	32.6	25.2
Current income tax assets	34.6	18.1
Other current tax assets	3.3	28.5
Other current assets	4.4	5.1
	655.6	696.1
Non-current assets		
Property, plant and equipment	227.5	221.3
Intangible assets	4,486.5	4,542.5
Investments valued using the equity method	175.7	177.7
Other equity investments	0.1	0.1
Other financial assets	0.2	0.2
Other receivables	-	-
Other non-current assets	37.9	67.3
	4,927.8	5,009.1
Non-current assets held for sale	25	25.0
TOTAL ASSETS	5,608.4	5,730.2
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term financial liabilities	2,695.6	163.3
Short-term portion of long-term financial liabilities	0.4	16.6
Trade and other payables	443.1	411.3
Current income tax liabilities	1.0	48.2
Other current tax liabilities	12.5	7.7
Other current liabilities	0.2	0.5
	3,152.80	647.6
Non-current liabilities		
Long-term financial liabilities	923.0	3,550.6
Provisions for risks and charges	230.5	208.8
Provisions for employee benefits	120.7	117.5
Deferred tax liabilities	106.3	83.6
Other non-current liabilities	4.9	1.9
	1,385.3	3,962.4
Liabilities directly associated with assets held for sale	6.0	5.6
TOTAL LIABILITIES	4,544.1	4,615.6
SHAREHOLDERS' EQUITY		
Italgas shareholders' equity		
Share capital	1,001.2	1,001.2
Reserves	134.4	(99.8)
Profit (loss) for the period	(72.2)	213.2
Treasury shares	-	-
Total Italgas shareholders' equity	1,063.4	1,114.6
Minority interests	0.9	0.0
TOTAL SHAREHOLDERS' EQUITY	1,064.3	1,114.6
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,608.4	5,730.2

Income statement

(€ millions)	First nine months of 2017
REVENUE	
Core business revenue	1,137.4
Other revenue and income	21.9
	1,159.3
OPERATING COSTS	
Purchases, services and other costs	(415.5)
Personnel cost	(165.9)
	(581.4)
AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	(271.2)
OPERATING PROFIT (LOSS)	306.7
FINANCIAL (EXPENSE) INCOME	
Financial income	0.7
Financial expenses	(27.7)
INCOME FROM EQUITY INVESTMENTS	15.8
PRE-TAX PROFIT	295.5
Income taxes	(82.2)
Net profit	213.3

Cash flow statement

(€ millions)	First nine months of 2017
Profit (loss) for the period	213.3
Adjustments for reconciling net profit with cash flows from operating activities:	
Amortisation and depreciation	269.0
Net impairments of tangible and intangible assets	2.2
Equity method valuation effect	(15.8)
Net capital losses (capital gains) on asset sales, cancellations and eliminations	4.4
Interest income	(0.5)
Interest expenses	21.2
Income taxes	82.2
Other changes	
Changes in working capital:	
- Inventories	7.4
- Trade receivables	99.3
- Trade payables	(5.2)
- Provisions for risks and charges	(20.9)
- Other assets and liabilities	(231.3)
Working capital cash flow	(150.7)
Change in provisions for employee benefits	(2.4)
Dividends collected	13.8
Interest collected	0.4
Interest paid	(21.2)
Income taxes paid net of reimbursed tax credits	(40.8)
Net cash flow from operations	375.1
Investments:	
- Property, plant and equipment	(6.0)
- Intangible assets	(320.4)
- Companies joining the scope of consolidation and business units	
- Equity investments	(1.1)
- Financial receivables held for operations	
- Change in payables and receivables relating to investments	2.6
Cash flow from investments	(324.9)
Divestments:	
- Property, plant and equipment	0.4
- Intangible assets	0.3
- Equity investments	
- Change in receivables relating to divestment activities	
<i>Cash flow from divestments</i>	
Net cash flow from investment activities	(324.2)
Assumption of long-term financial debt	2,643.7
Repayment of long-term financial debt	
Increase (decrease) in short-term financial debt	(2,532.4)
Financial receivables not held for operations	
Sale of treasury shares	
Dividends paid to Italgas shareholders	(161.8)
Net cash flow from financing activities	(50.5)
Changes in scope of consolidation and other changes	
Net cash flow for the period	0.4
Cash and cash equivalents at the beginning of the period	1.5
Cash and cash equivalents at the end of the period	1.9