2016 FY Consolidated Results

March 24, 2017

A strong base for future growth

November 7th a listed independent company

- Demerger from Snam completed
- Listed on the Milan Stock Exchange in the FTSE Mib Index
- Corporate Governance aligned with best practice

New Financial Structure

- Credit Rating: Moody’s Baa1 and Fitch BBB+
- € 4.3 bn total committed banking facilities
- Snam intercompany debt fully repaid
- EMTN Program for a total amount up to € 2.8 bn

New regulation

- WACC distribution from 6.9% to 6.1%
  metering from 7.2% to 6.6%
- WACC Regulatory period extended to 6 years with mid term review
- Clear and transparent methodology for mid term WACC review

Tenders for ATEMs

- Rules & criteria for concession award set
- 19 tenders published by end of December 2016
- January 2017: First tender offer delivered

Consolidated Accounts

1

Equity method

Fully consolidation method

- Italgas SpA
  - Italgas Reti 100%
    - Acam Gas 100%
    - Napoletana Gas 99.69%
    - Toscana Energia 48.08%
    - Metano S.Angelo Lodigiano 50%
    - Umbria Distribuzione 45%

The consolidated results of the perimeter include:

- Italgas since June 1st, 2016 (in operation since November 7th, 2016)
- Italgas Reti, Napoletanagas and Acam Gas from November 7th to December 31st, 2016

Consolidated 'Distribution' Accounts

2

- Equity method
- Fully consolidation method

Italgas SpA

Italgas Reti 100%

- Acam Gas 100%
- Napoletana Gas 99.69%
- Toscana Energia 48.08%
- Metano S.Angelo Lodigiano 50%
- Umbria Distribuzione 45%

A representation of the consolidated Group accounts **excluding the newly incorporated holding Italgas** has been elaborated in order to compare operational, economical and financial performances for the years 2015 and 2016.

'Pro-Forma' Consolidated Accounts

3

- Italgas SpA
  - Italgas Reti 100%
    - Acam Gas 100%
    - Napoletana Gas 99.69%
    - Toscana Energia 48.08%
    - Metano S.Angelo Lodigiano 50%
    - Umbria Distribuzione 45%

Equity method

Fully consolidation method

It represents the Consolidated 'Distribution' Accounts for the full year including the newly incorporated Holding Italgas since its establishment (June 1st, 2016, but in operation since November 7th, 2016).

2016 Sound financial performance*

3

- Revenue **€1,079** mln
- Adj. EBITDA **€685** mln
  - *Adj. EBITDA Margin ~ 64%*
- Adj. EBIT **€359** mln
  - *Adj. Ebit/RAB ~ 6.3%*
- Adj. Net Profit **€221**mln

A resilient base to build up

- Adj. Operating cash flow **€499** mln
- Capex **€378** mln
- Consolidated net debt **€3,618** mln

Strong cash flow to fuel growth and support sustainable dividend policy

* Pro Forma Consolidated Accounts

Consolidated Accounts

1

[€ mln]	2016
Revenues	196
Operating expenses	- 90
EBITDA	**106**
Depreciation & amortisation	- 77
EBIT	29
EBIT adjusted	***52***
Net interest income (expenses)	- 123
Net income from associates	3
EBT	- 91
Income taxes	19
NET PROFIT	- 72
NET PROFIT adjusted	***30***

The *Net Profit adjusted* benefits of the contribution of the distribution business from November 7th which partially offsets:

- Non recurring financial charges determined by the reimbursement to Snam at market value of the Italgas Reti financing (€ 119 mln)
- Non recurring costs determined by the demerger (€ 8 mln)
- Provisions for severance plan (€ 15 mln)

Consolidated 'Distribution' Accounts: Income Statement

2

[€ mn]	2015	2016	Change
Revenues	1,098	1,080	- 18
Operating expenses	- 356	- 407	- 51
EBITDA	**742**	**673**	**- 69**
Depreciation & amortisation	- 273	- 326	- 53
EBIT	**469**	**347**	**- 122**
EBIT adjusted	***509***	***362***	***- 147***
Net interest income (expenses)	- 48	- 165	- 117
Net income from associates	29	20	- 9
EBT	**450**	**202**	**- 248**
Income taxes	- 110	- 73	+37
NET PROFIT	**340**	**129**	**- 211**
Net Profit Adjusted	**345**	**226**	**- 119**

Consolidated 'Distribution' Accounts: Revenues

2

[€ mn]	2015	2016	Change
Regulated revenues	**1,071**	**1,052**	**- 19**
Distribution	1,023	975	-48
Tariff contribution for meters replacement	4	29	+25
Other distribution revenues	44	48	+4
Other revenues	**27**	**28**	**+1**
TOTAL REVENUES *	**1,098**	**1,080**	**- 18**

* Revenues include in 2016 € 9 mln (€ 8 mln 2015) related to pass through components.

Consolidated 'Distribution' Accounts: Opex

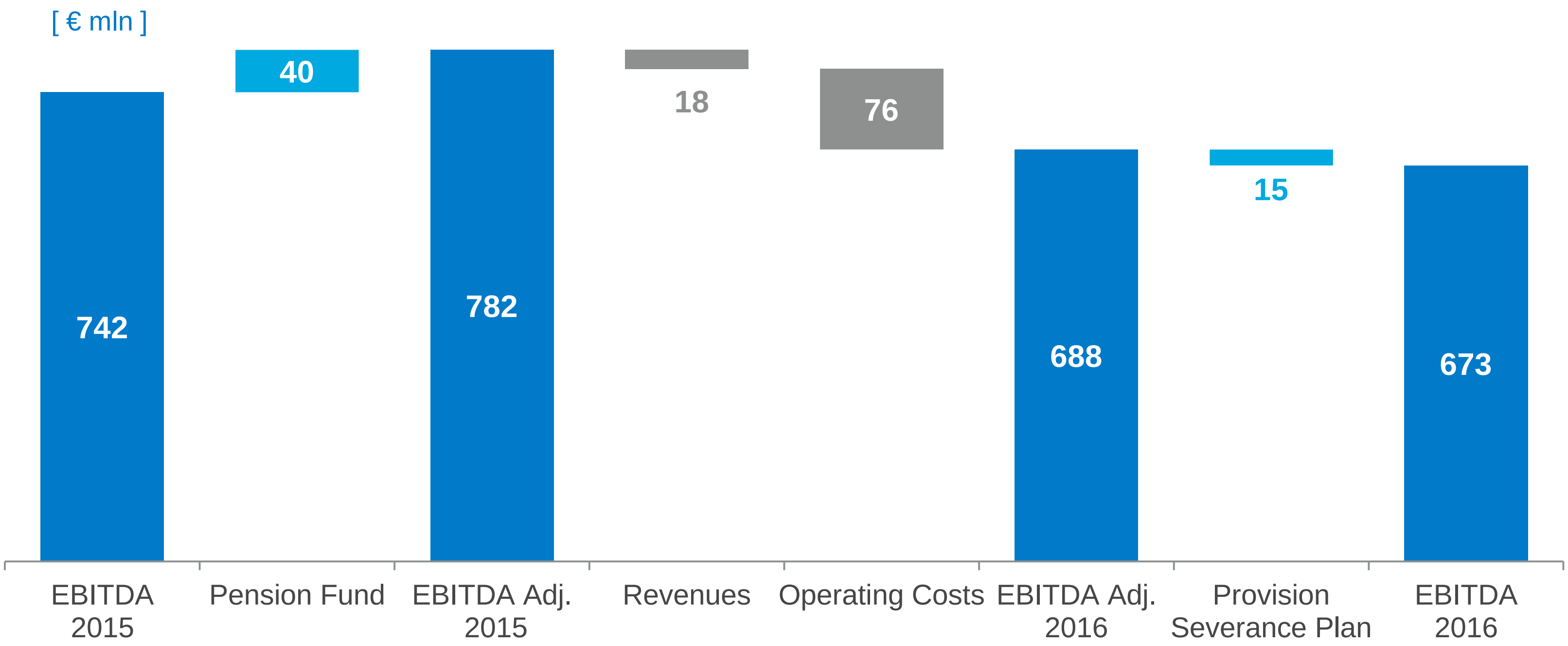
2

[€ mln]	2015	2016	Change
Regulated activities	**338**	**383**	**+45**
Controllable fixed costs	223	243	+20
Net Labour cost	*107*	*117*	*+10*
Net external cost	*116*	*126*	*+10*
Variable costs	7	8	+1
Other costs (*)	108	132	+24
of which Concession fees	*55*	*52*	-3
Non regulated activities	**18**	**24**	**+6**
TOTAL COSTS	**356**	**407**	**+51**
Special Items	**40**	**15**	**- 25**
TOTAL COSTS adjusted	**316**	**392**	**+76**

(*) Costs include in 2016 € 9 mln (€ 8 mln 2015) related to pass through components.

Distribution EBITDA Analysis

2



Distribution EBIT Analysis

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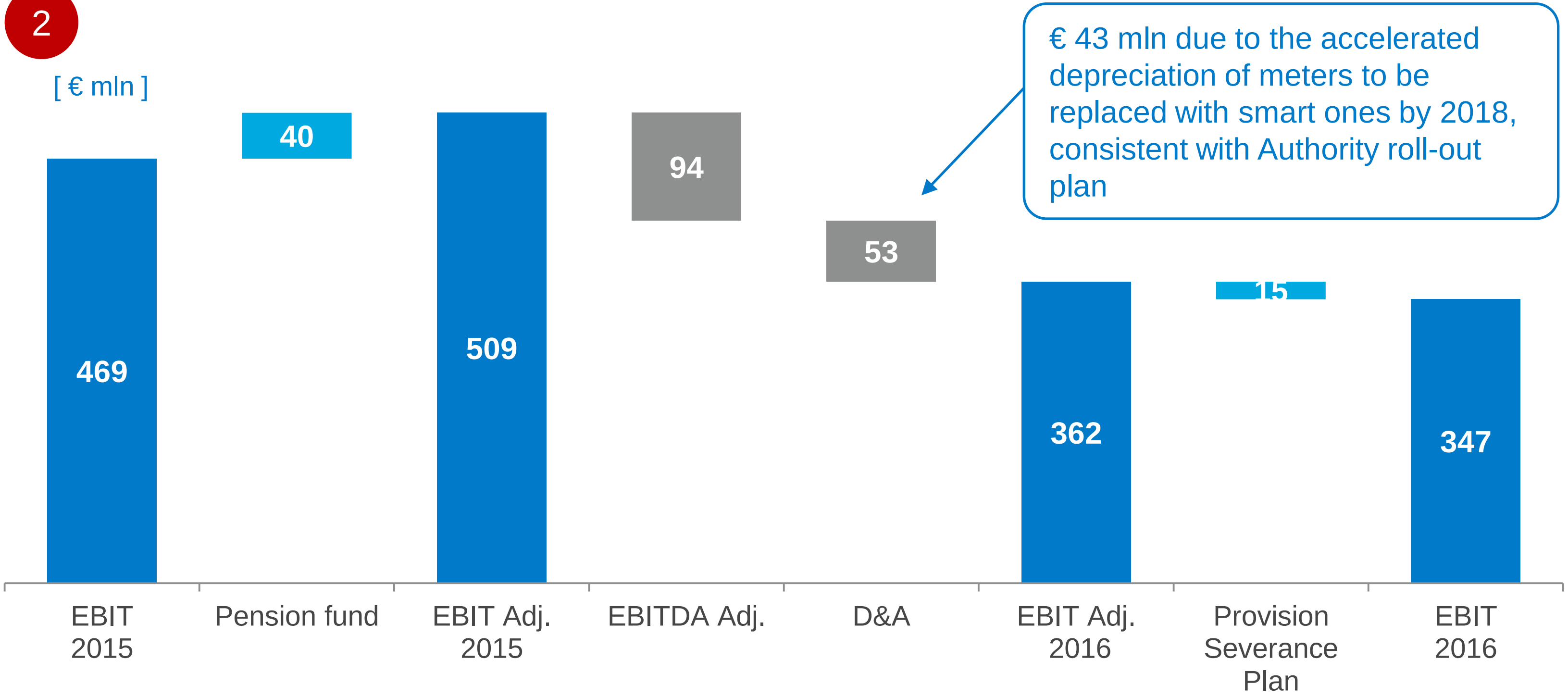
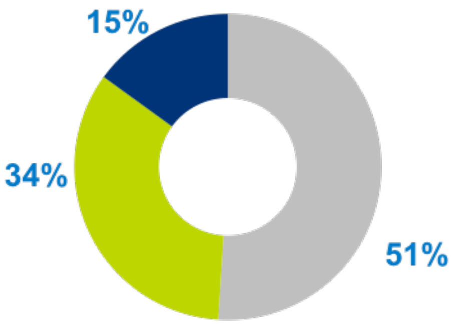


Consistently capex delivery

2015

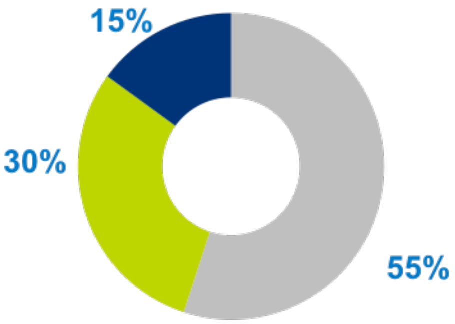
€ 393 mln



- Network
- Metering
- Other

2016

€ 378 mln



522.000 smart meters installed

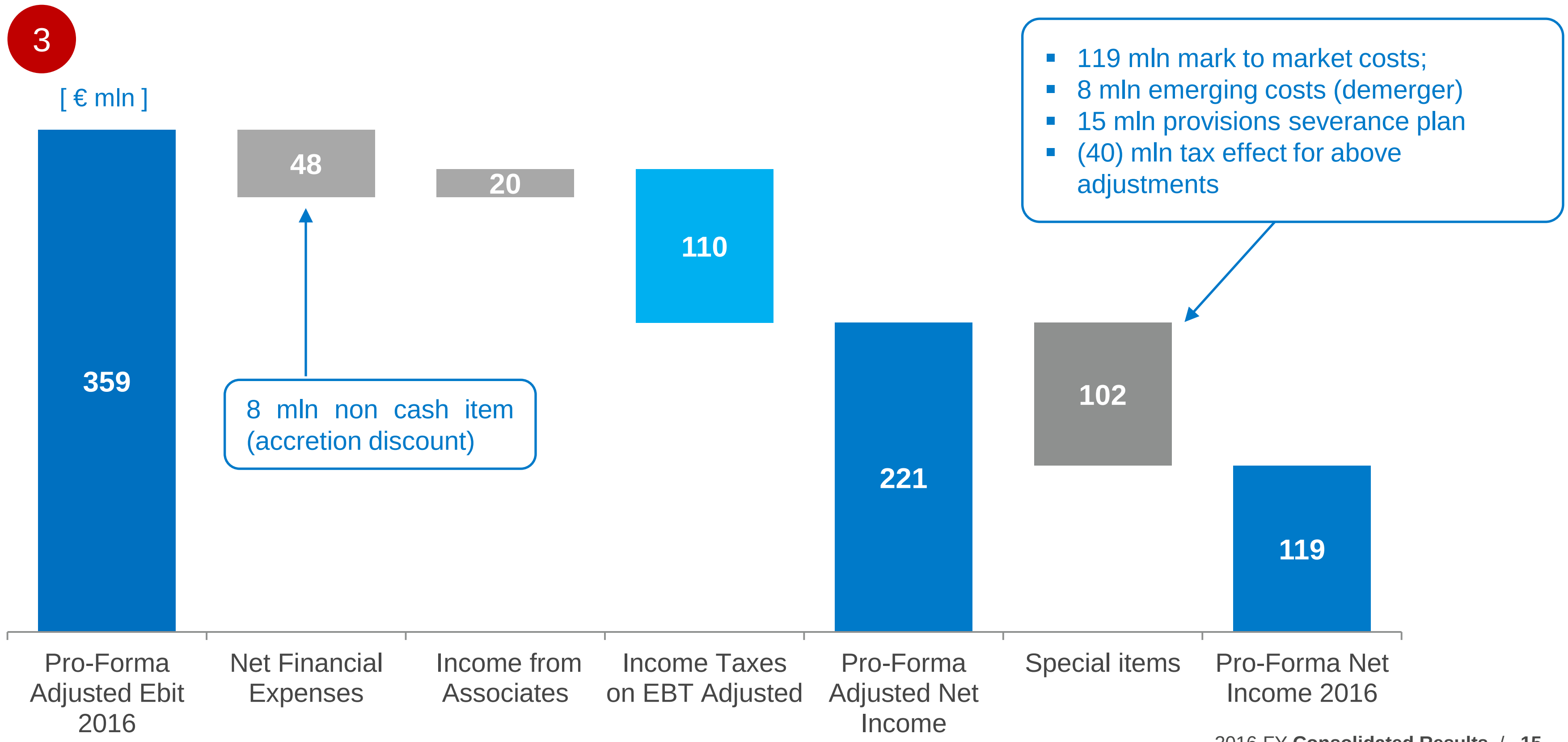
575.000 smart meters installed

'Pro-Forma' Consolidated Accounts vs Consolidated 'Distribution' Accounts

3 2 3

[€ mln]	2015 Distribution	2016 Distribution	2016 Pro-Forma	Δ 2016
Revenues	1,098	1,080	1,079	- 1
Operating expenses	- 356	- 407	- 417	- 10
EBITDA	**742**	**673**	**662**	**- 11**
EBITDA adjusted	*782*	*688*	*685*	*- 3*
Depreciation & amortisation	- 273	- 326	- 326	-
EBIT	**469**	**347**	**336**	**- 11**
EBIT adjusted	*509*	*362*	*359*	*- 3*
Net interest income (expenses)	- 48	- 165	- 167	- 2
Net income from associates	29	20	20	-
EBT	**450**	**202**	**189**	**- 13**
Income taxes	- 110	- 73	- 70	3
NET PROFIT	**340**	**129**	**119**	**- 10**
Net Profit Adjusted	*345*	*226*	*221*	*- 5*

'2016 Pro-Forma' Consolidated Net Income



Free Cash Flow Adjusted Pro-Forma

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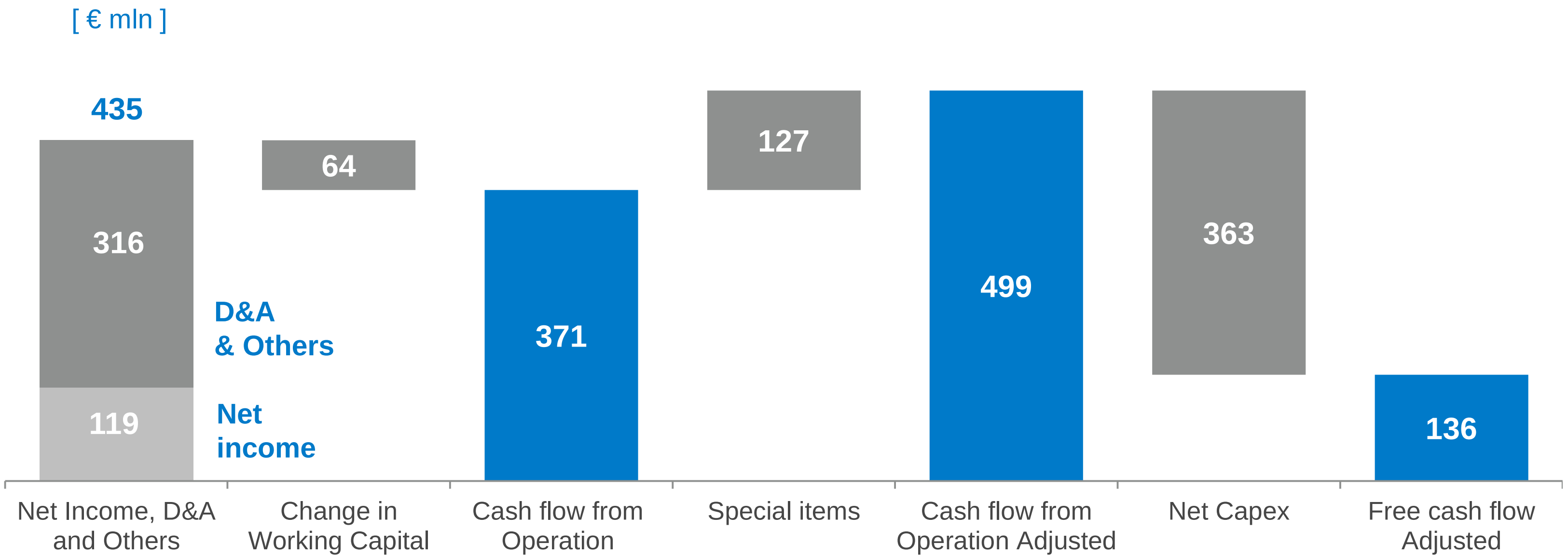

2016 Consolidated Net Financial Debt

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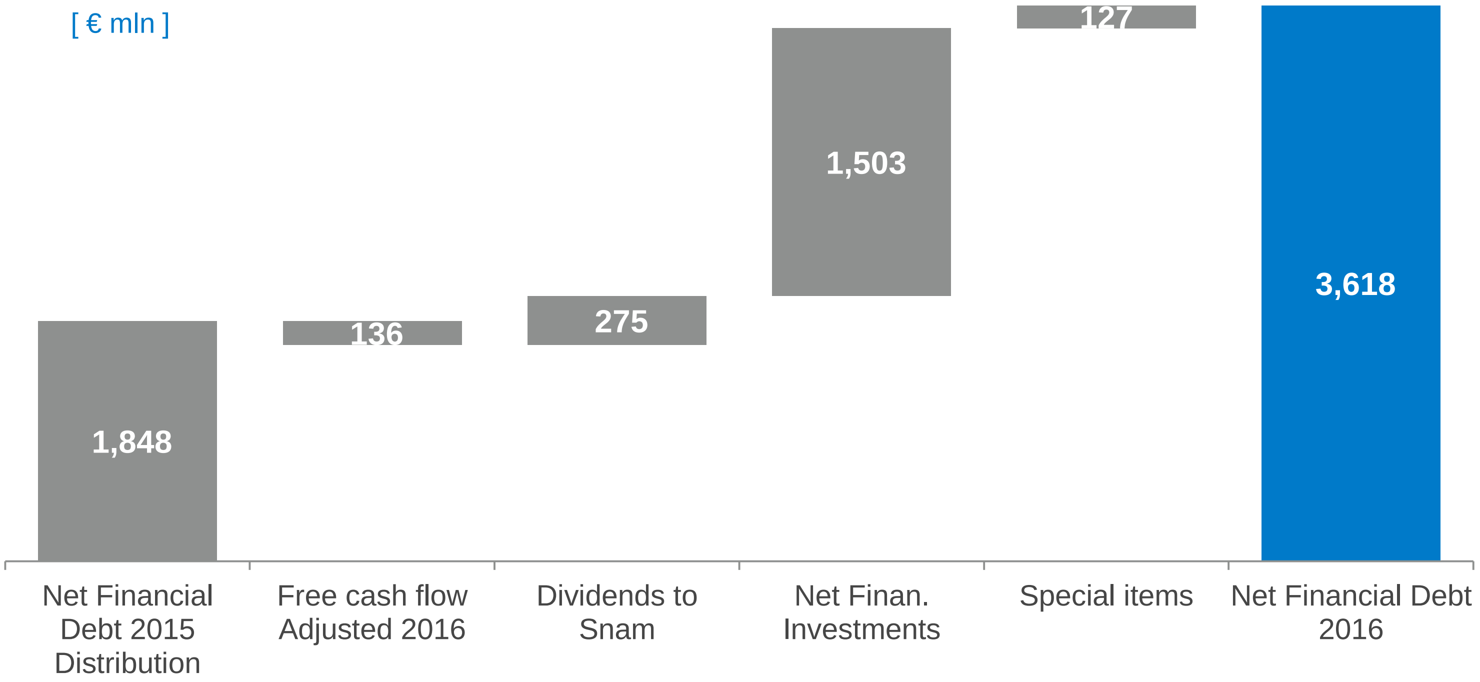


Remarkable financial actions in 2016…

End of October

- €3.9bn financial agreements including €2.3bn bridge to bond signed with 11 major international banks
- €0.4bn obtained through a deed of assumption of EIB loans previously granted to SNAM

November 7th/8th

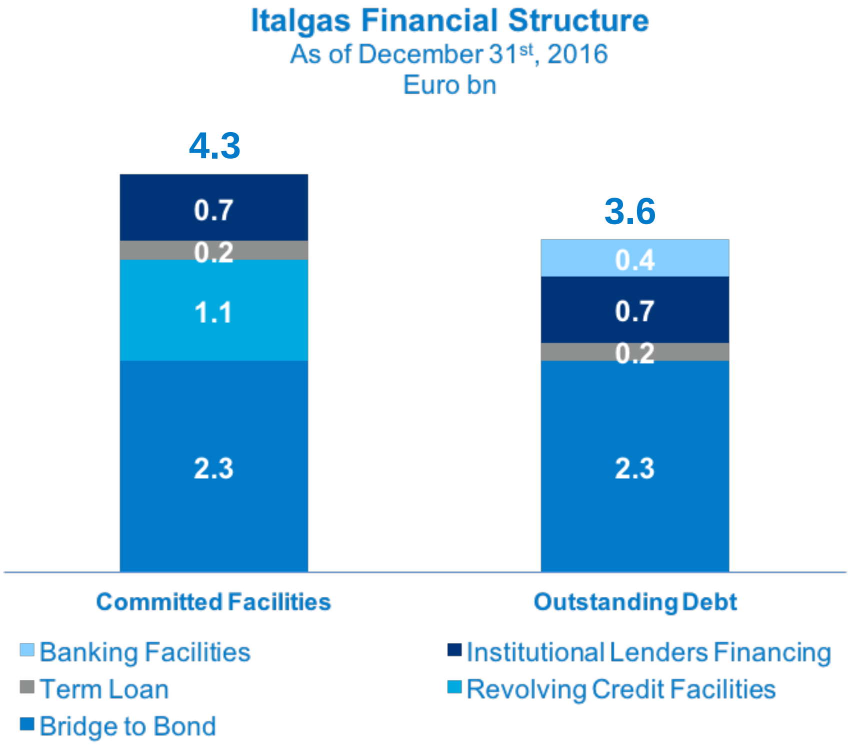
- Demerger from Snam and FTSE MIB listing completed
- Moody's (Baa1, stable outlook)* and Fitch (BBB+, stable outlook) definitive rating assignment

November 18th

- €2.8bn EMTN program establishment

November 29th

- European Investment Bank €300mn loan agreement ('smart metering')



* Following the outlook change on the Italian Government's long-term rating from stable to negative, Moody's has revised the outlook on Italgas long-term rating from stable to negative.

…and strict financial discipline in 2017

Recent Developments

- January 19th: debut dual-tranche Bond issue
  - **Euro 750mn 0.5% January 2022 (5Y)**
  - **Euro 750mn 1.625% January 2027 (10Y)**
- March 14th: Bond issue, **Euro 650mn 1.125% March 2024 (7Y)**

Debt Structure

Targets achieved

- Debt structure consistent with (i) regulatory profile, (ii) limited exposure to interest rate, (iii) protect financial outperformance
  - **Bond issues average maturity more than 7 years**
  - **average fixed rate debt is ~ 60%**
  - **medium-long term debt is ~ 80%**
- Appropriate mix of funding sources
- Flexible debt capital structure to manage financial needs related to tender opportunities

Financial strategy presented to the market is well on track

Cost of debt secured in line with guidance

Balance Sheet

[€ mln]	Distribution 2015	Distribution 2016	Consolidated 2016
Net invested capital	**4,572**	**4,671**	**4,682**
Fixed capital	4,761	4,793	4,793
Tangible fixed assets	230	227	227
Intangible fixed assets	4,362	4,390	4,390
Equity-accounted and other investments	169	176	176
Net working capital	-91	-25	-9
Receivables	607	664	686
Liabilities	-698	-689	-695
Provisions for employee benefits	-116	-116	-121
Assets held for sale and directly related liabilities	18	19	19
Net financial debt	**1,848**	**2,283**	**3,618**
Shareholders' equity	**2,724**	**2,388**	**1,064**

Solid platform to drive sustainable and profitable growth

Robust and sustainable Shareholders return

DPS 2016: **0.20 €**
Payable on May 24th 2017

Actions in progress

- **New Operations organization** (launched Feb 1st)
- **Corporate structure re-organization** (Napoletana Gas & Acam)
- **Continuous Improvement Program** (started March 20th)
- **Financial structure optimization**

Boost efficiency
Improve service level
Empower personnel
Drive the change

Strategic Plan

Update in late spring

Clearer guidance for dividends

Q & A

Annex

Non consolidated affiliates

€mln)	Metano S.Angelo Lodigiano 2015	Metano S.Angelo Lodigiano 2016	Toscana Energia 2015	Toscana Energia 2016	Umbria Distribuzione Gas 2015	Umbria Distribuzione Gas 2016
Revenues	1.6	1.6	128.6	136.0	6.7	6.5
Ebitda	0.7	0.7	90.0	95.7	0.9	0.5
Net Income	0.4	0.4	39.9	40.5	0.3	-
Net Invested Capital	2.8	2.8	732.2	741.1	3.9	5.3
Net Debt	0.5	0.5	355.8	352.6	0.9	2.5
Capex	0.2	0.2	156.0(*)	50.1	1.4	0.9
Redelivery points *(units)*	10,000	10,000	787,000	789,000	50,000	50,000
Network *(km)*	115	115	7,734	7,789	397	400

(*) Toscana Energia acquired Prato concession (€ 104 mln) in September 2015

Disclaimer

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Italgas

2016 FY Consolidated Results

March 24, 2017