



2017 FY Consolidated Results

March 12, 2018

2017: Strong performance delivery



Results Ahead of Targets

- Double digit increase for all margins and net income
- Robust cash flow generation
- Impressive capex execution

Successful M&A activities

- 6 transactions announced
 - RAB* ~120 € mn
 - Pdr ~70K with future potential development up to 150k
 - Additional organic capex >200 € mn

Solid and Efficient Financial & Debt Structure

- Strict control of net debt position
- Limited exposure to interest rate
- Superior cost of debt

Robust Shareholder Remuneration

- DPS 2017 proposal: 0.208 €
(+4% vs DPS 2016)

* Includes Net Assets book value of LPG activities & of networks under construction

Performances exceed targets set for the year



€ mn			vs 2016
Revenues	1,124.2		4.3%
EBITDA	776.2		17.3%
Adj EBITDA	781.2		14.1%
Ebit	417.9		24.4%
Adj EBIT	422.9		17.9%
Net Profit	292.8		145.6%
Adj Net Profit	296.4		34.0%

Double digit increase of all margins

€ mn		vs 2016
Capex	521.9	38.1%
Operating Cash Flow	549.4	10.1%
Consolidated Net Debt	3,720.3	
Leverage (*)	~ 61%	

Vs 2016
adj.cash flow

(*) Calculated as Net Debt/RAB including affiliates

**Strong cash flow
to fuel growth and sustain dividends**

M&A: Bolt-on acquisitions fueling RAB growth

Spending (EV)
~ 135 €mn

RAB⁽¹⁾
~120 €mn

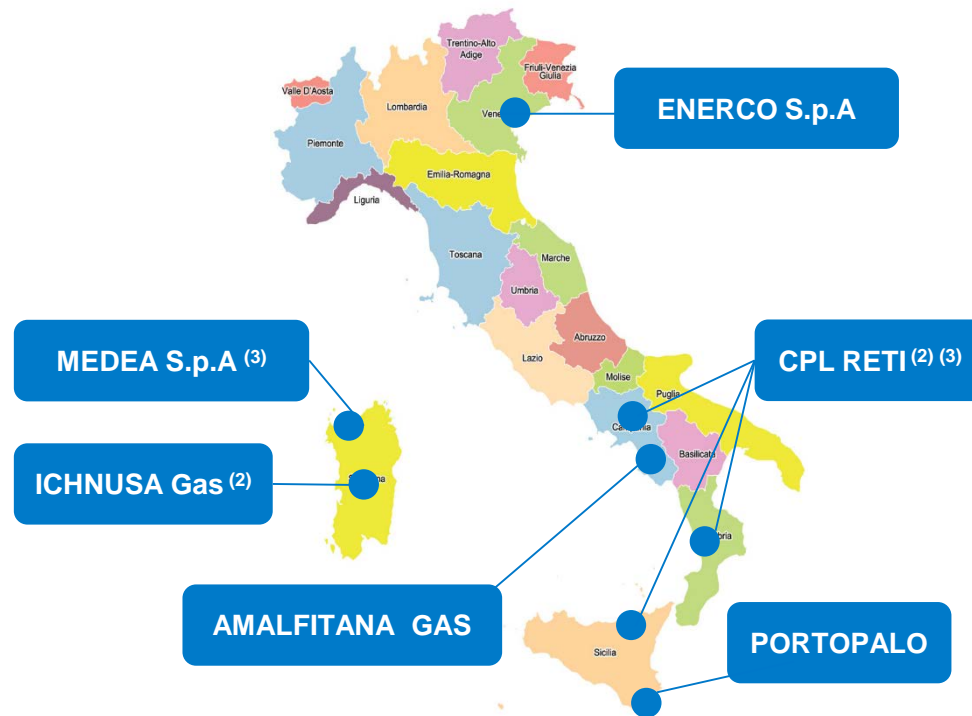
Existing PDR (#)
~70K

**Full potential
PDR (#)**
~150K

**Additional organic
capex opportunities**
> 200 €mn

New network*
~ 3,000 km

* At completion of construction

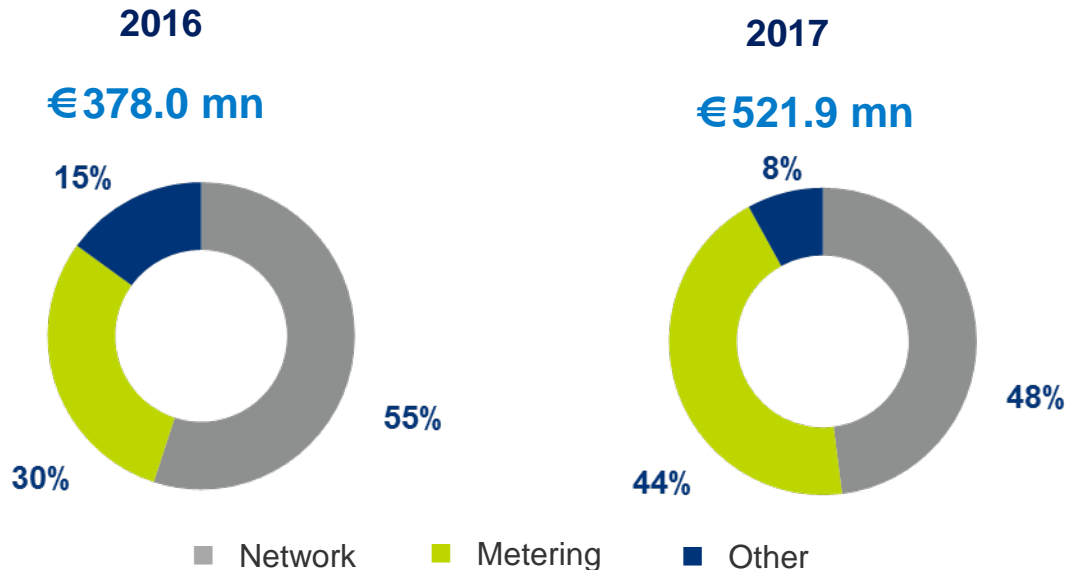


(1) Includes Net Assets book value of LPG activities & of networks under construction

(2) Some parts of the network completed, other in completion, remaining under construction

(3) Binding agreements expected to be finalized within 1H 2018

Impressive delivery in capex execution



TARGET CAPEX 2017
~ €0.5bn



- 1.664 mn smart meters installed: +189% vs 2016
- ~590 km of network entered into operation (~350 Km in 2016)

Areas of efficiencies already exploited in 2017



Workforce

- **Organization of workforce to realign with standard requirements** ✓
- Improvement of skills mix



Operational process

- Increasing productivity through best practices
- Leveraging on «make or buy» mix
- **Optimizing vehicle fleet** ✓



Asset management

- **Optimization of smart meters supply and installation cost** ✓
- **New contractual strategy for network maintenance and expansion** ✓



ICT

- Innovation technology
- **Public Cloud strategy** ✓
- Network digitalisation



Smart meters

- **Reducing telecoms cost associated to reading activity** ✓
- Technology innovation
- Network digitalization



Facility

- Utilities cost reduction



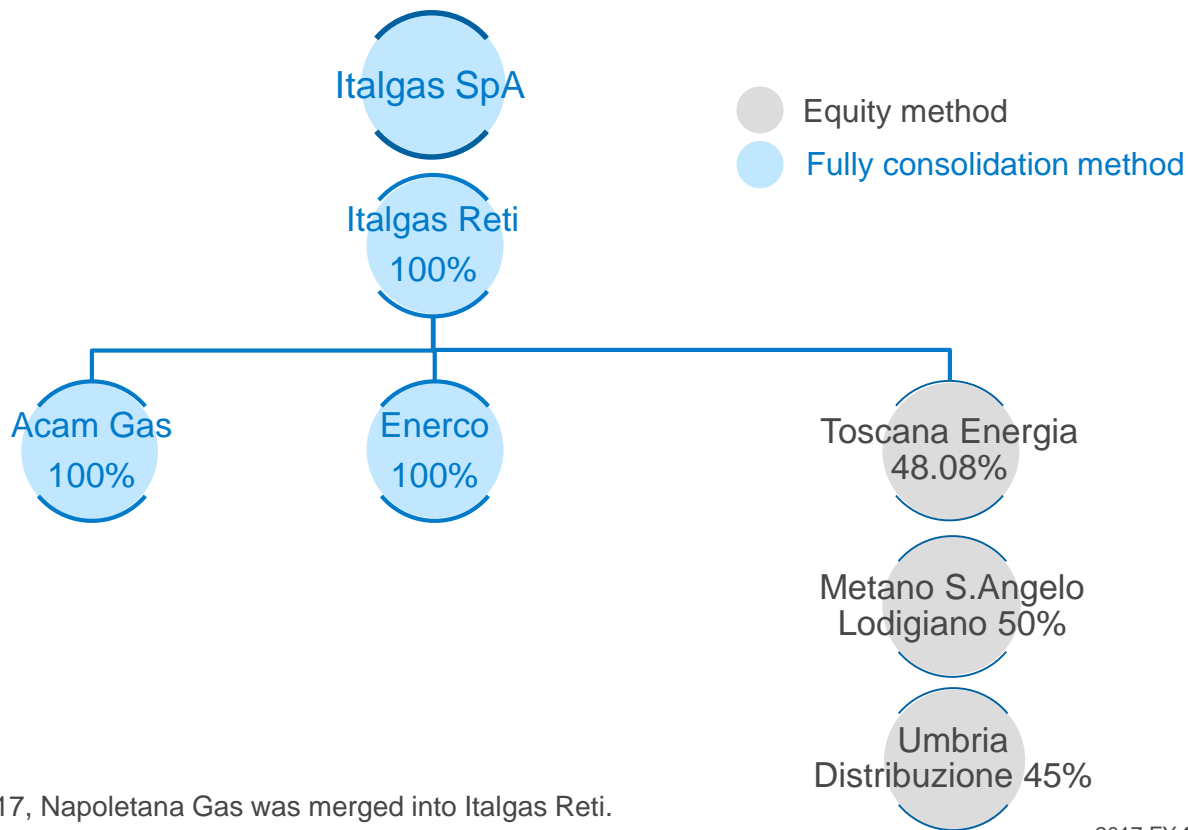
Corporate reorganization

- **Group Distribution activities integrated in Italgas Reti** ✓
- Affiliates ownership concentrated in Italgas

.... and

Continuous Improvement Program “on line”

Consolidated Perimeter as of 31st December 2017



As of October 1st 2017, Napoletana Gas was merged into Italgas Reti.

Consolidated Income Statement



[€ mn]	2016	2017	Change
Revenues	1,077.9	1,124.2	46.3
Operating expenses	- 416.3	- 348.0	68.3
EBITDA	661.6	776.2	114.6
<i>EBITDA adjusted</i>	<i>684.4</i>	<i>781.2</i>	<i>96.8</i>
Depreciation & amortisation	- 325.6	- 358.3	-32.7
EBIT	336.0	417.9	81.9
<i>EBIT adjusted</i>	<i>358.8</i>	<i>422.9</i>	<i>64.1</i>
Net interest income (expenses)	- 167.4	- 36.2	131.2
Net income from associates	20.2	23.0	2.8
EBT	188.8	404.7	215.9
Income taxes	- 69.6	- 111.9	-42.3
NET PROFIT	119.2	292.8	173.6
<i>Net Profit Adjusted</i>	<i>221.1</i>	<i>296.4</i>	<i>75.3</i>

Consolidated Revenues



[€ mn]	2016	2017	Change
Regulated revenues	1,051.3	1,096.8	45.5
Distribution	974.8	996.9	22.1
Tariff contribution for meters replacement	29.0	47.9	18.9
Other distribution revenues	47.5	52.0	4.5
Other revenues	26.6	27.4	0.8
TOTAL REVENUES	1,077.9	1,124.2	46.3

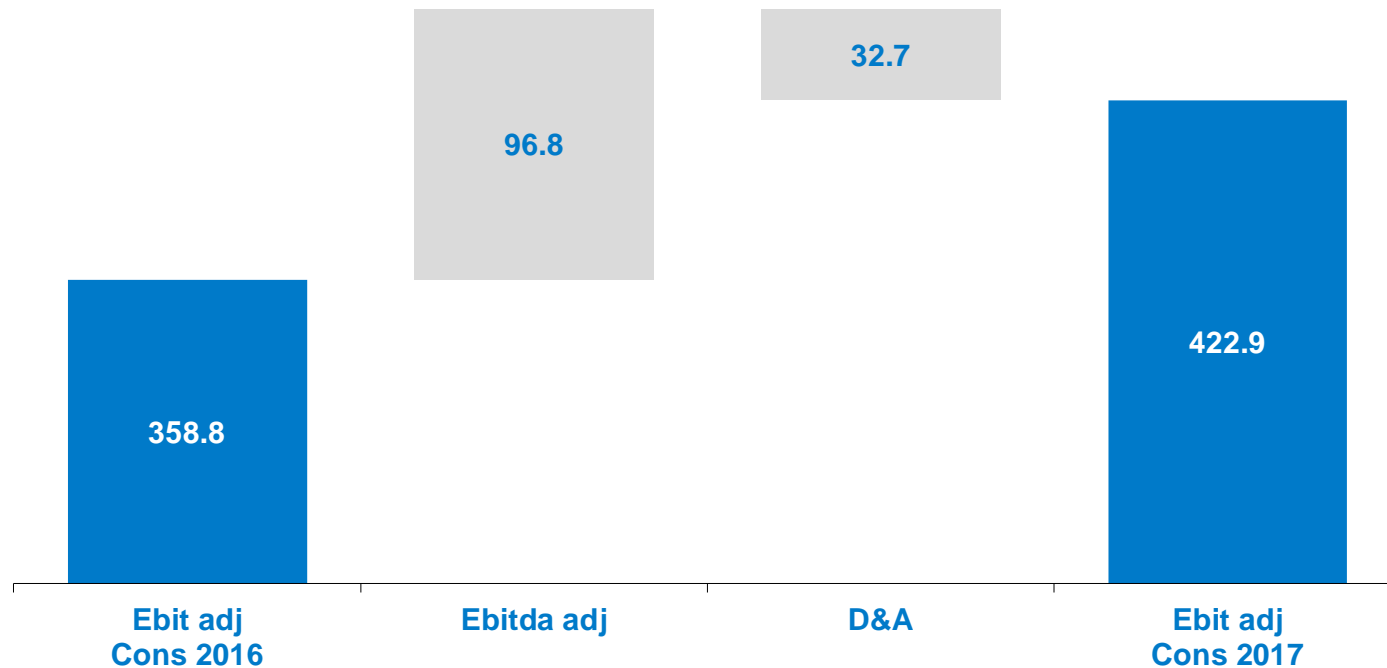
Consolidated Opex

[€ mn]	2016	2017	Change
Gas Distribution activities	392.4	337.8	-54.6
Fixed costs	283.3	267.2	-16.1
<i>Net labour cost</i>	130.3	139.1	8.8
<i>Net external cost</i>	153.0	128.1	-24.9
Variable costs	4.7	3.4	-1.3
Other costs	37.3	13.9	-23.5
Tee	14.8	0.1	-14.7
Concessions fees	52.3	53.2	0.9
Other activities	23.9	10.2	-13.7
<i>Net labour cost</i>	4.5	1.6	-2.9
<i>Net external cost</i>	19.4	8.6	-10.8
TOTAL COSTS	416.3	348.0	-68.3
Special Items	22.8	5.0	-17.8
TOTAL COSTS adjusted	393.5	343.0	-50.5

**Target 2018
already achieved**

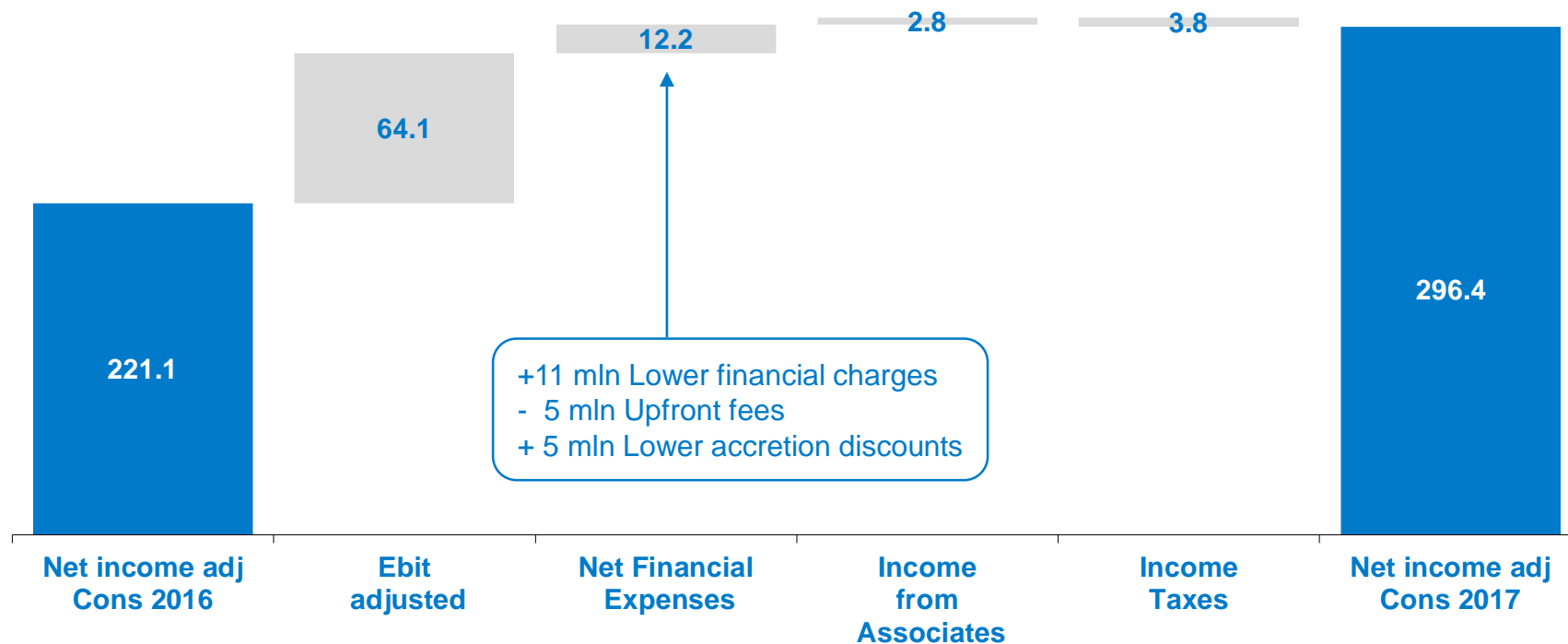
Adjusted Consolidated EBIT Analysis

[€mn]



Adjusted Consolidated Net Income Analysis

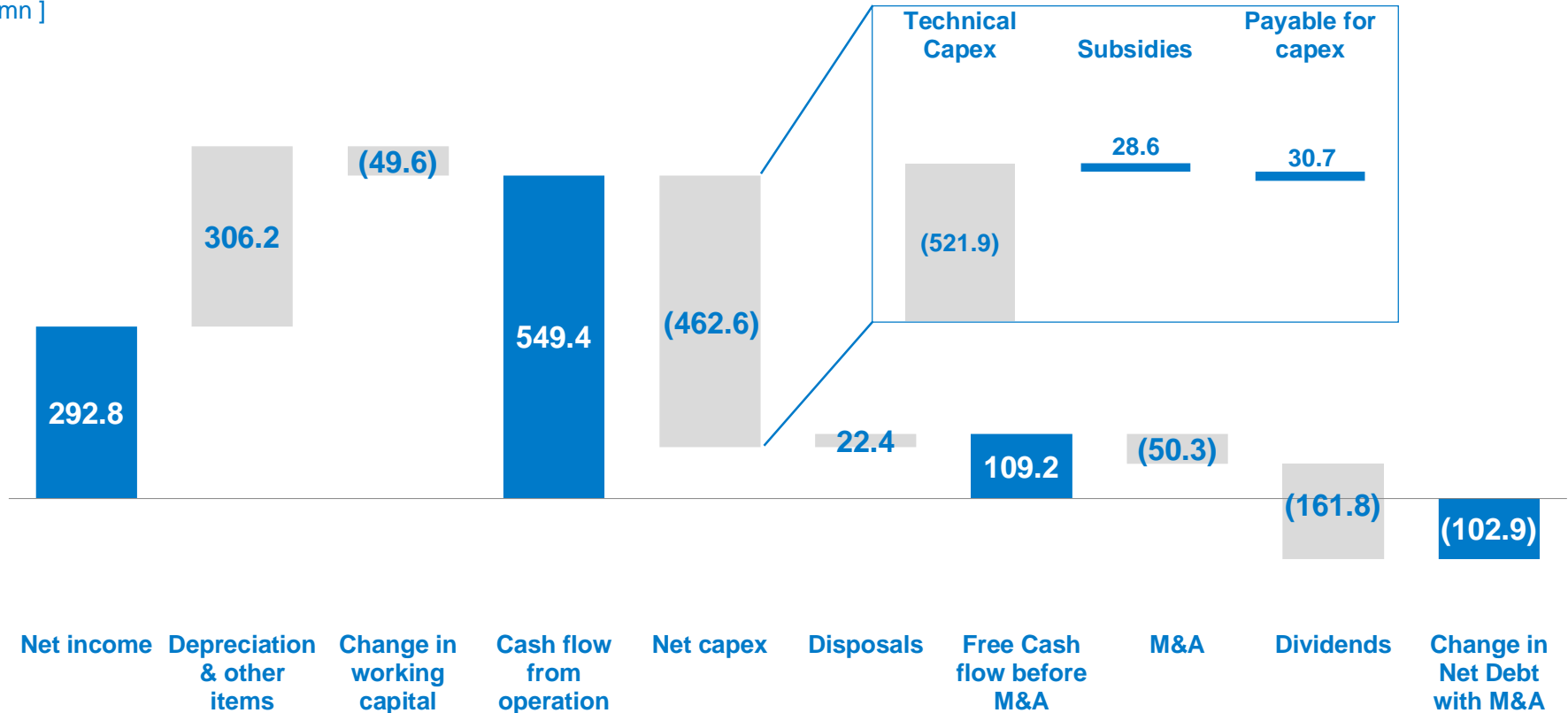
[€mn]



Consolidated Cash Flow



[€mn]



Financial Strategy

Debt structure consistent with:

- i. regulatory profile
 - ii. limited exposure to interest rate
 - iii. financial outperformance
 - iv. controlling refinancing risk
- i. secured competitive cost of debt, in line with guidance

2017 Main Actions

- ✓ **€ 2.65 bn bond issues** at an **average cost of 1.25%**; average maturity of **more than 7 years**
- ✓ **Loan agreement with the European Investment Bank (EIB)** for **€360 mn** at floating rate; 20 years maturity
- ✓ **Cash Management** exploiting the advantage of uncommitted credit lines

Recent Developments

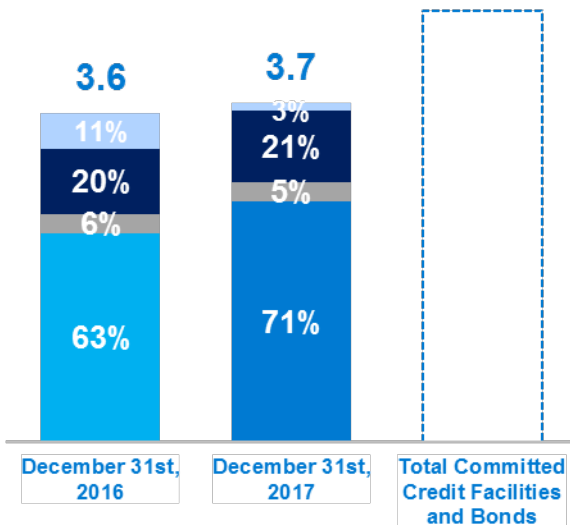
- ✓ January 2018: **bond** issued in September 2017 (maturing on January 2029 with a coupon of 1.625%) **reopened for a further amount of € 250 mn** (spread of **58 bps vs the original 72 bps**)
- ✓ January 2018: € 360 mn EIB loan agreement at floating rate **locked to fixed rate** (7 years maturity; “all in” 97bps)

A solid and efficient debt structure

Italgas Net Debt Structure

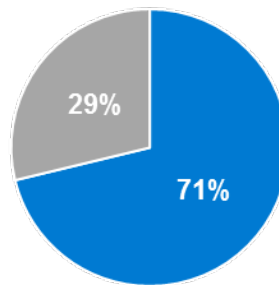
€ bn

4.7



- Bridge to Bond
- Bond
- Term Loan
- Institutional Lenders Financing
- Banking Facilities

Fixed/Floating ratio

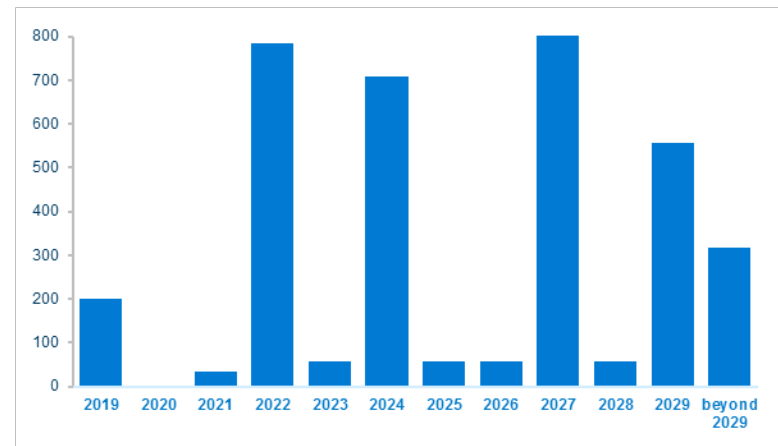


- Fixed Rate Debt
- Floating Rate Debt

Debt Maturity Profile

As of December 31st, 2017

€ mn



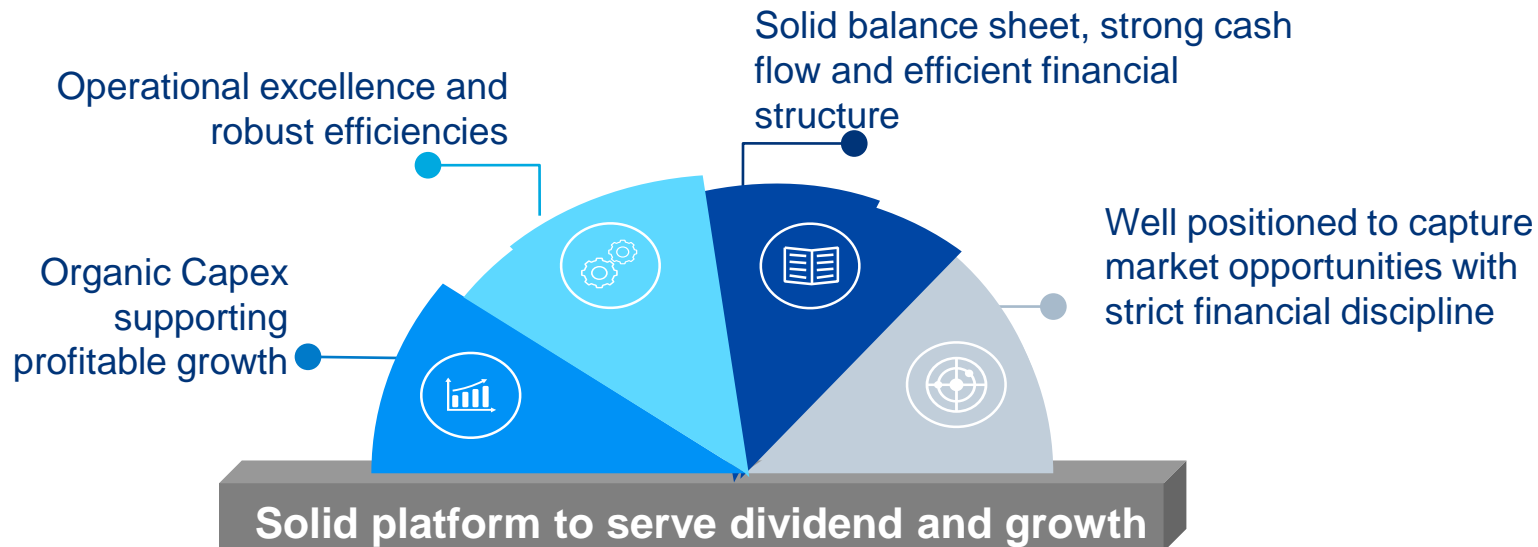
Term Loan early repayment (€ 100 mn) in February 2018

Fixed rate debt at 31/12/17 is 2.65 bn.
Thanks to January 2018 developments,
current fixed rate debt is 3.2 bn.

Balance Sheet



[€ mn]	Dec, 31st 2016	2017	Change
Net invested capital	4,681.7	4,905.9	224.2
Fixed capital	4,792.8	4,950.9	158.1
Tangible fixed assets	227.5	224.6	-2.9
Net intangible fixed assets	4,486.5	4,676.6	190.1
Net payables investments	-97.1	-135.3	-38.2
Equity-accounted and other investments	175.9	185.0	9.1
Net working capital	-9.5	71.1	80.6
Receivables	686.1	749.9	63.8
Liabilities	-695.6	-678.8	16.8
Provisions for employee benefits	-120.6	-116.1	4.5
Assets held for sale and directly related liabilities	19.0	-	-19.0
Net financial debt	3,617.4	3,720.3	102.9
Shareholders' equity	1,064.3	1,185.6	121.3



DPS 2017 proposal*: 0.208 € + 4% vs DPS 2016
In line with DPS growth announced to the market

*Payable on May 23rd 2018



Q & A



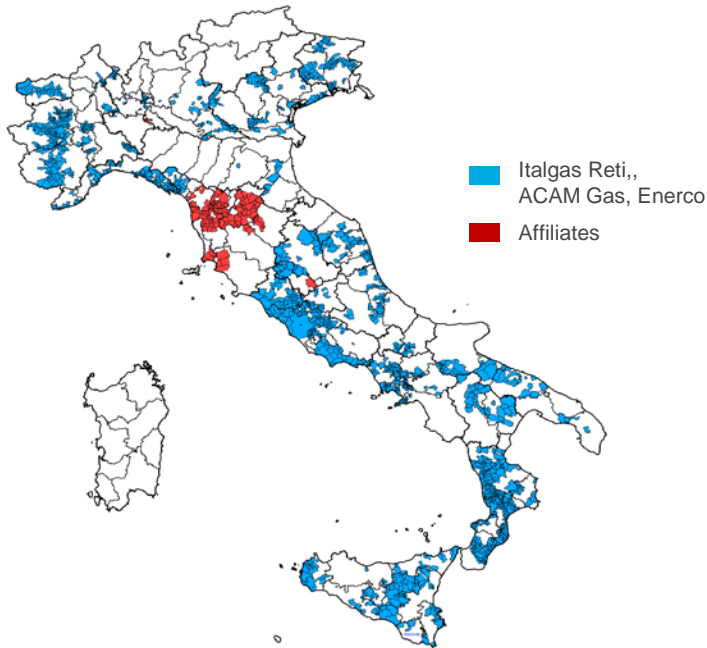
Annexes

Consolidated Income Statement: Quarterly breakdown



[€ mn]	2017 1st Quarter	2017 2nd Quarter	2017 3rd Quarter	2017 4th Quarter
Revenues	278.2	286.4	270.4	289.2
Operating expenses	- 85.2	- 89.2	- 82.6	- 91.0
EBITDA	193.0	197.2	187.8	198.2
Depreciation & amortisation	- 89.4	- 96.6	- 85.1	- 87.2
EBIT	103.6	100.5	102.7	111.0
Net interest income (expenses)	- 10.4	- 8.0	- 8.6	- 9.3
Net income from associates	5.2	5.4	5.3	7.1
EBT	98.5	97.9	99.4	108.8
Income taxes	- 26.9	- 29.7	- 25.6	- 29.7
NET PROFIT	71.6	68.2	73.8	79.2

The leading Italian natural gas distributor



	OPERATING METRICS (TOTAL)	OF WHICH AFFILIATES
Network length	> 66,000 km	~9,000 km
Concessions	1,609	109
Redelivery points	~7.5 m	~0.9 m
Market share*	34.0%	3.6%
Gas distributed**	~9 bcm	~1.2 bcm
Employees	~4,000	~450

* Calculated by redelivery points

** Annual Volume

Source: Companies reports at Year End 207

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