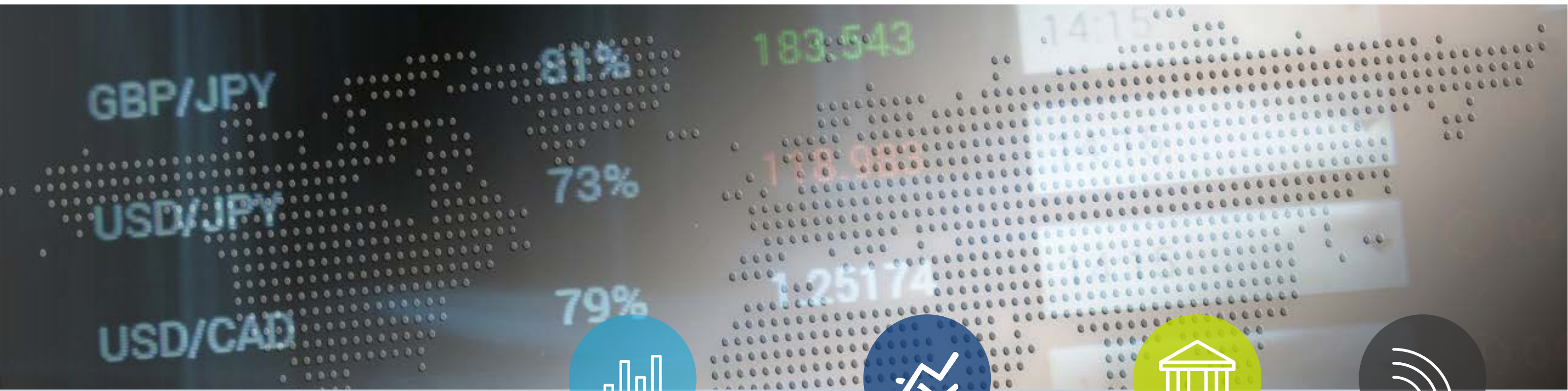
December 2020

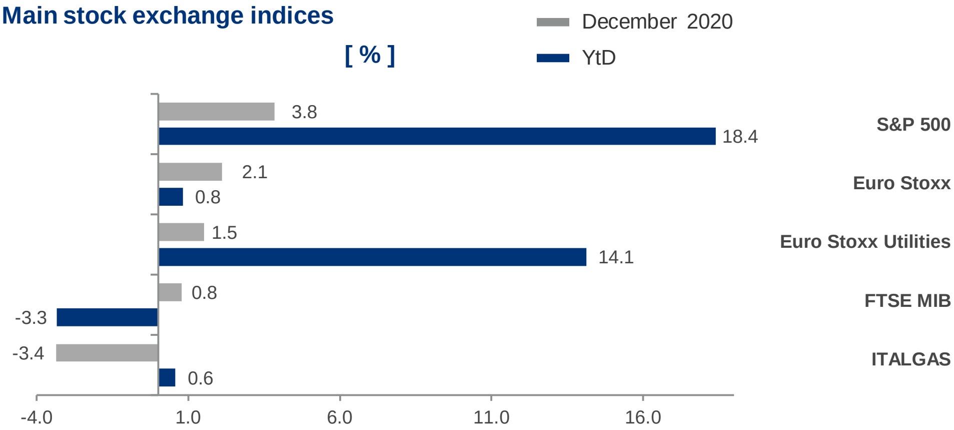
Financial Markets Review



Global equity markets update historical/period highs with US fiscal stimulus and Brexit deal; core yields confirm inelasticity to the upwards with central banks support. BTP-Bund spreads at lows since 04/2016

Financial Markets

Despite the highest monthly rise ever achieved in November, global equities extended earnings with recovery and subsequent finalization of talks for the adoption of a new US fiscal stimulus package of 0.9 tn USD. Furthermore, albeit with volatility induced by the negotiation phase, prices were also supported by the finalization of the Brexit commercial agreement. Euro Stoxx + 2%, max from the end of February vs FTSE Mib + 1%, burdened by exposure to banks with extended dividends distribution limits. The DAX, which is a total return index (it also considers the payment of dividends), has updated historical max (+3% in the month) also supported by the Brexit deal, given the exposure to exporting manufacturers. New historical highs for the US indices, with the S&P 500 almost 4% up, and outperformance vs eurozone benchmark due to the further appreciation of the EUR/USD. Despite risk-on continuation, with implicit US 10y inflation at its high from 11/2018 also due to commodities rally (prices at 8 years highs for iron and copper), core yields continue to show resistance to the upside (UST +7 bps at 0.91%, Bund unchanged at -0.57%) as a



Source: Italgas' elaborations on Bloomberg data

function of confirmed central banks support. The moderate divergence between the Bund and UST is attributable to the continued strengthening of the EUR/USD, which mitigated eurozone inflationary expectations, however at pre-Covid levels. Spread BTP-Bund -8 bps (111 bps), at the lowest since 04/2016 as a result of the continuation of risk-on and central banks support. EUR/USD at new highs from 04/2018 (+2.4% to 1.22), as despite expectations of US fiscal stimulus it reflected underlying risk-on sentiment and inverse correlation between commodities and the US currency. High volatility for the EUR/GBP, which closed however little changed (-0.2% at 0.89), with the Brexit agreement having a moderate impact as it was sealed at the end of the month, against BoE exponents in favor of adopting negative rates to better support the UK economic recovery.

The oil market

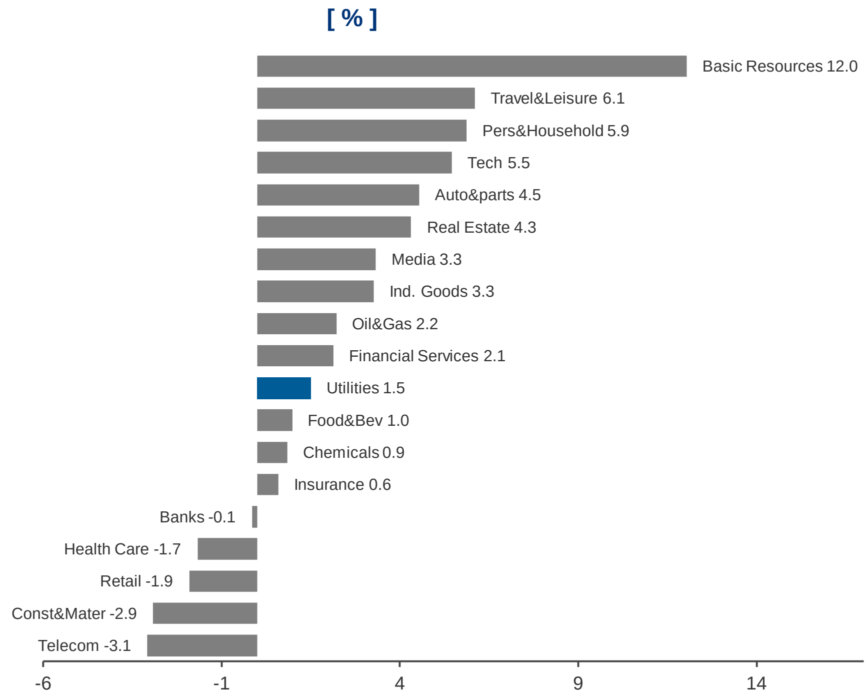
Continuation of the rise for oil (+8% to 51.2 USD/b), on new highs since March, with: 1) OPEC+ agreement on 0.5 mbd production increase starting from January; although less stringent than expected, the agreement is nevertheless seen positively by the market as it avoids splits in the organization; 2) stronger Asian demand, with the Indian national oil company citing national consumption almost at a pre-Covid level. Wide divergence instead for gas prices, which on the TTF platform grew by 24% (max from 01/2019) with confirmed switch prospects from coal in power generation after the European Council agreed on a stronger reduction (to 55% by 2030) of CO_2 emissions, while US prices (-11%) closed near historic lows with temperatures above the seasonal average.

Performance by sector

Extension of risk-on phase supports continuation of outperformance for cyclical sectors; miners topped the index as commodity prices rallied

In view of the continuation of the bullish phase, the sector dynamics highlighted an advantage for cyclicals. Mining (+12%) best performers with commodities at multi-year highs. This was followed by the tourism sector, which benefited from prospects of gradual easing of restrictions on international mobility. Despite its defensive profile, real estate is also amongst the best performers, with prospects of returning to office work and downsizing of smart working (resumption of commercial rentals). On the other hand, despite their cyclical profile, banks (unchanged) are amongst worst performers with extended limitations on the payment of dividends. Defensives were on the opposite side, with telecoms down by 3% due to -6% of Telefonica as a consequence of the UK Antitrust investigation on the merger between its UK subsidiary O2 and Virgin Media.

Main sectors performance, December 2020



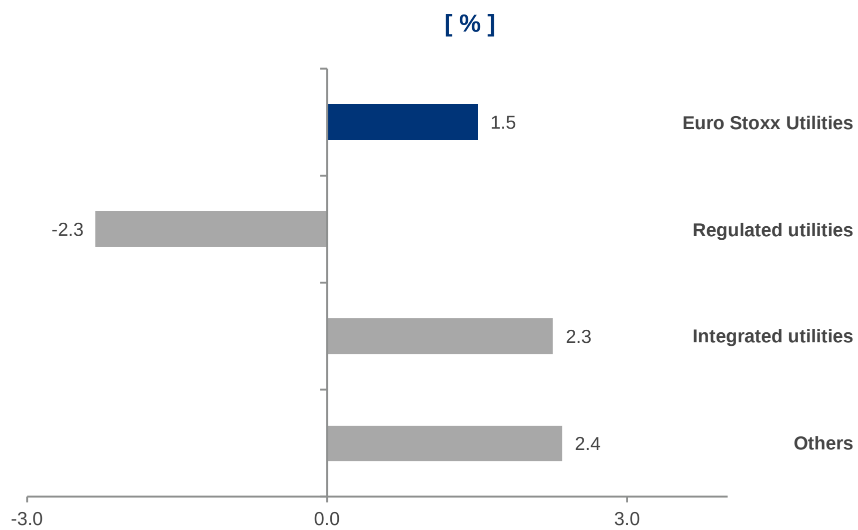
Source: Italgas' elaborations on Bloomberg data

Regulated utilities underperform integrated ones with higher inflation and electricity prices

Utilities sector performance

Consistently with the trend described, the utilities sector (+1.5%) continued to underperform the general eurozone index, a movement entirely attributable to regulated operators, penalized by the rise in inflation expectations (implicit 10y US inflation at its high from end of 2018, and eurozone equivalent at its high from February) as a result of risk-on and the rally in commodity prices. On the other hand, amongst integrated operators those most exposed to renewables reported the largest increase (EDPR +28%, EDP (controlling 83% of EDPR) +15%, Verbund +19%) thanks to forward electricity prices in Central Europe peaking since 09/2019 due to the aforementioned gas and CO2 rally induced by the EU energy transition.

December 2020 – Utilities sector and subsectors

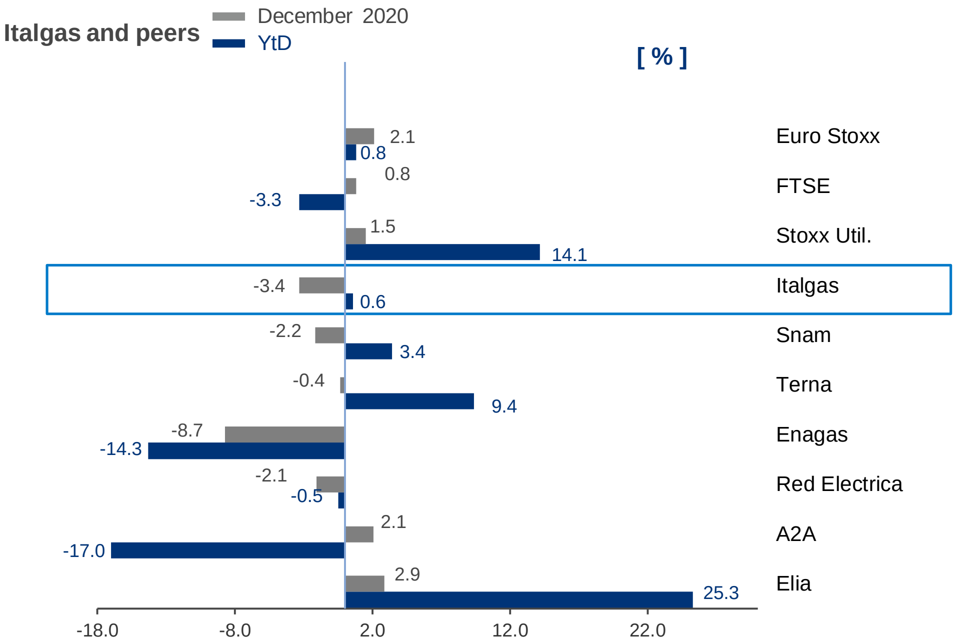


Source: Italgas' elaborations on Bloomberg data

Italgas and its peers

Regulated operators were overall negative as inflation strengthened; Italgas -3%

Overall contraction for regulated operators, due to the aforementioned recovery in inflationary pressures. Italgas closed the month down by 3%, within a context that continues to favor operators in the electricity sector (Elia and Terna respectively at 1st and 2nd place in terms of YTD TSR). Enagas declined by 9%, also burdened by the lower than expected outcome regarding the determination of the allowed opex for the 2021-2026 regulatory period. On the other side Elia and A2A jumped by 3% and 2%, respectively as a function of the recovery after a large retracement between June and October, and the greater cyclicality induced by exposure to merchant activities.



Source: Italgas' elaborations on Bloomberg data

Agenda

Corporate events

2021 financial calendar not yet approved

Corporate News

Moody's and Fitch affirm Italgas

On December 3rd Moody's and Fitch have affirmed Italgas S.p.A rating at 'Baa2', Stable Outlook and 'BBB+', Stable outlook respectively. The rating affirmation is mainly based on Italgas' strong growth perspectives, well highlighted in its Strategic Plan 2020-2026 presented to the financial community on October 30th, 2020, within a sector characterized by stable regulatory framework. In particular, both rating agencies emphasize the Company's profitability and solid cash flow generation, which, firmly underpinned by operational efficiency, preserve Italgas from any economic impact related to the Covid-19 pandemic. The Group's commitment to a resilient capital structure, with a debt mainly at a fixed rate and at competitive costs, without significant refinancing needs, was also positively acknowledged. Both agencies, besides, believe that Italgas' strong focus on digitization - a company-wide process launched in 2017 which has been progressively involving assets, procedures as well as people that allowed effective management of activities so far in 2020 - coupled with the ability demonstrated to efficiently carry out its investment plan, will allow Italgas to consolidate its competitive advantage also in the upcoming tenders for the awarding of new gas concessions and to meet in the mid-term the target to increased market share up to 45%.

Italgas SpA
Via Carlo Bo 11 - 20143 Milano (MI) Italia
www.italgas.it investor.relations@italgas.it
tel: +39 02 81872175 - 2031