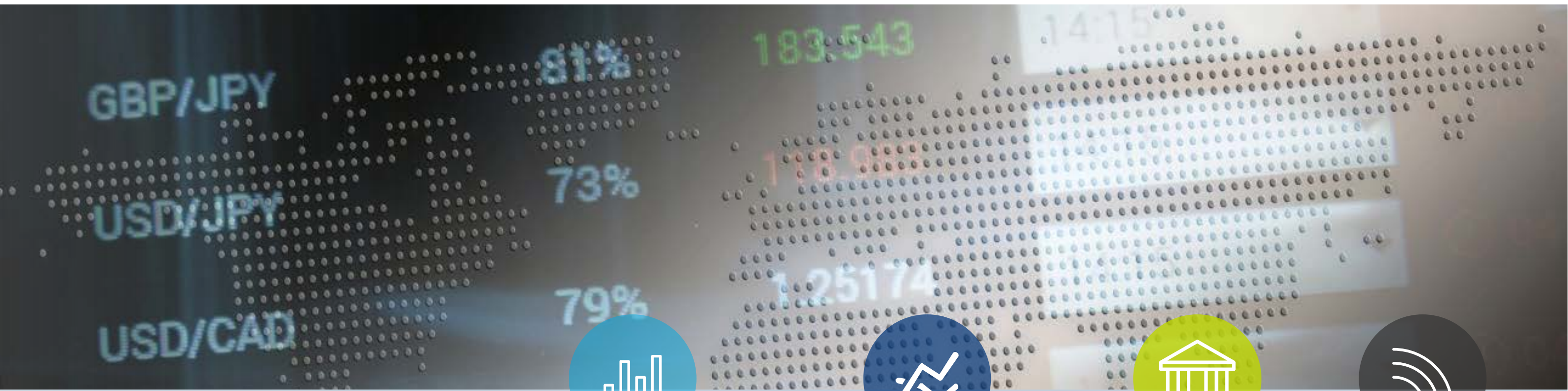
August 2021

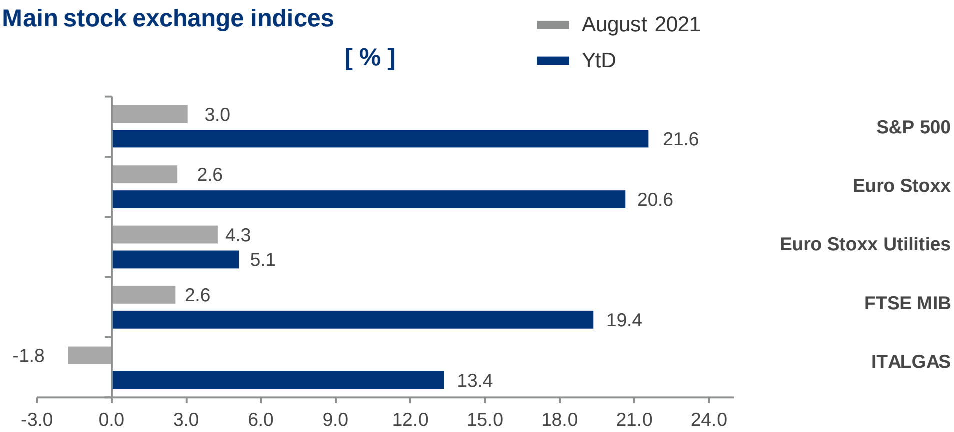
Financial Markets Review



Global equities extended all-time highs (7th month of consecutive increases), supported by quarterly results and reiterated accommodative approach by FED Chairman; real yields remain close to historical lows

Financial Markets

Global equities extended all-time highs for the 7th month in a row. Despite the resumption of infections in the Far East and Pacific, the trend was supported by continued quarterly results above expectations and confirmation of an overall accommodative approach by the FED President, who, declaring that the possible start of the reduction in QE (currently 120 bn USD/month) will take place gradually and without implications in terms of raising the reference rates, mitigated the fears induced by the publication of the July minutes of the US central bank, which envisaged an acceleration in the withdrawal of monetary stimuli, with start of tapering by the end of the year. The Euro Stoxx, the FTSE Mib and the S&P 500 advanced by approximately 3%. Despite the extension of the risk-on phase, the aforementioned FED minutes and increased inflation expectations, Powell's indication in terms of moderation and graduality in the path of monetary policy normalization (absence of correlation between the reduction of QE and the timing in reference rates rise, which will materialize only subject to the recovery of maximum employment levels) has mitigated



Source: Italgas' elaborations on Bloomberg data

the dynamics of US and German yields, which show moderate increases (+15 bps for the UST at 1.31% and +4 bps for the Bund at -0.39), entirely induced by the real component. Also due to power and gas prices at historical highs, German and US inflation expectations have remained close to the maximum for 8 and 20 years respectively. Stability for the BTP-Bund spread (+1 bp at 109 bps), with the downward pressure induced by carry trade operations, which in periods of low expected volatility consist in positioning on the highest yielding securities, earning the highest rate over the duration of the operation, offset by the aforementioned FED minutes. On the currency side, the EUR/USD is down 0.5% (1.18) due to the mentioned FED minutes, while the EUR/GBP is up 0.6% (0.86) with industrial production and UK retail sales below expectations.

The oil market

Oil -5% (at 71 USD/b) reflecting the Indian government's decision to place part of the strategic oil reserves on the market to monetize the increase achieved since the beginning of the year and commercialize the spaces consequently freed up, as well as greater supply from the OPEC+ side (+0.4 mbd vs July, consistently with the agreement reached by the organization) and the aforementioned resumption of infections. Extension of all-time highs for European gas prices due to contraction of Russian supplies via Belarus and Poland following an accident at a Gazprom treatment station, which together with maintenance at Norwegian production sites has increased fears of supply crunch during the winter season, with European gas inventories at a 7-year low for this period of the year.

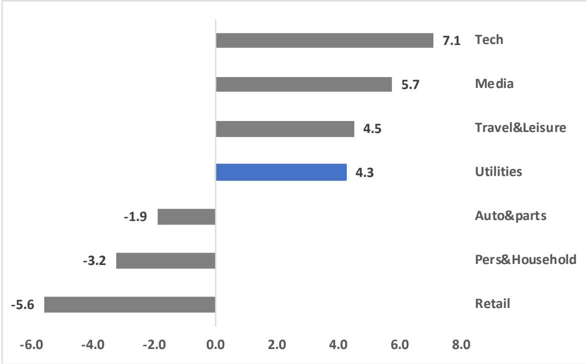
Performance by sector

Lack of underlying sector dynamics, as risk-on extension materialized with flat Bund yield. Tech +7% with production bottlenecks vs retail -6% as fears mount on Chinese market for luxury brands

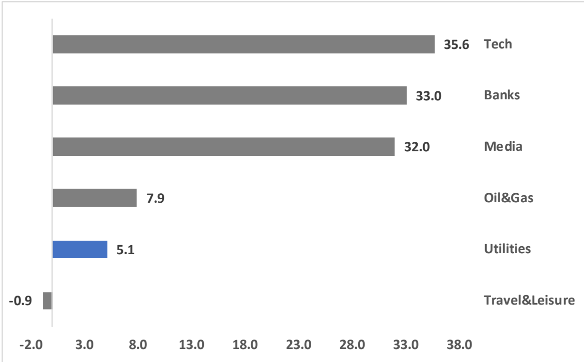
Overall absence of underlying sector dynamics for eurozone equities, with the extension of the risk-on phase accompanied by stable German yields. With an increase of 7%, technology companies are the best performers with persistence of bottlenecks in semiconductors production compared to global demand. Media sector to follow, with +13% of Vivendi after the subsidiary UMG communicated the industrial plan with targets above the consensus. Travel & leisure (+5%) is also noteworthy, with +14% of Flutter Entertainment (online gambling) after better-than-expected results and an increase in FY guidance. Retail and personal goods are worst performers with fears of China introducing measures to contain high incomes and wealth (China is the largest market for European luxury brands).

Sector performance; utilities e 3 main ups/downs

August 2021 [%]



YTD 2021 [%]



Source: Italgas' elaborations on Bloomberg data

Utilities outperform the eurozone benchmark supported by integrated and renewable players

Utilities sector performance

A 4% increase for the utilities sector, which outperformed the eurozone benchmark supported by integrated operators exposed to renewables as a result of extended historical highs for gas and CO2 prices, with German forward power price at the highest since 13 years (also representing all-time high). Despite the overall weakness of Italian regulated operators following resumption of regulatory fears after the downgrade of Royal Bank of Canada based on stricter assumptions on the allowed return, the regulated space (approximately +2%) was mainly supported by E.ON (main operator of the sub-sector; +8%) due to better than expected Q2 results and upward revision of the FY guidance.

Utilities sector and subsectors

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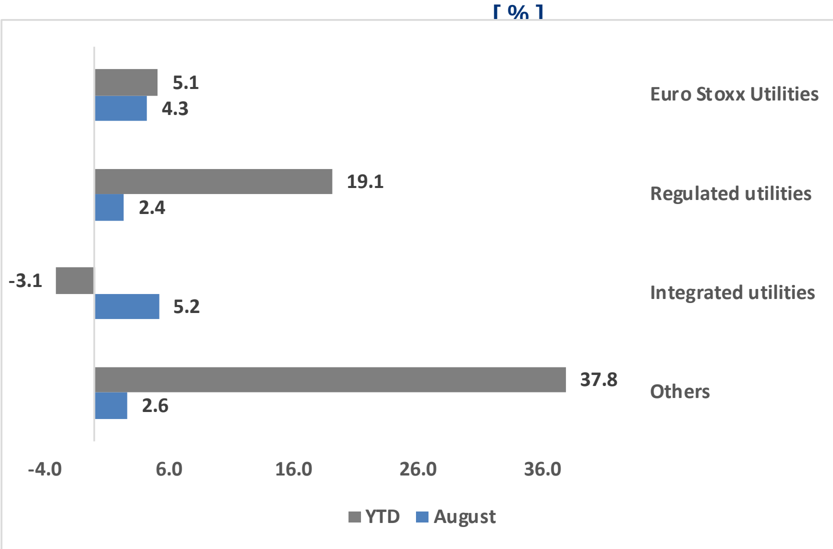
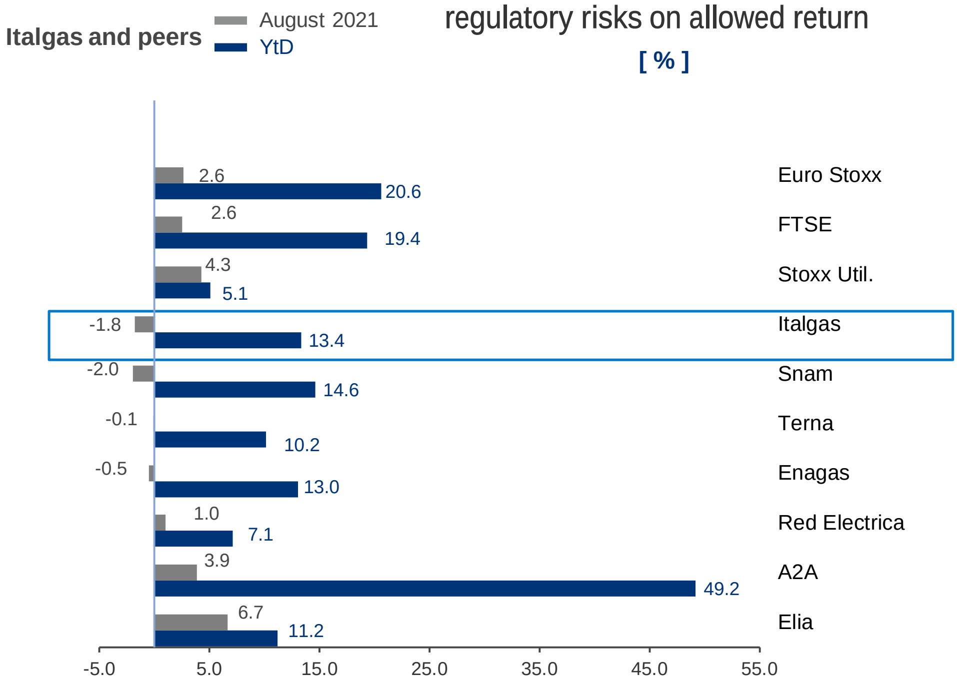


Source: Italgas' elaborations on Bloomberg data

Italgas and its peers

Italgas -2%; after updating dividend adjusted historical highs, the stock was penalized (like Snam/Terna) by the downgrade of RBC, with resuming regulatory risks on allowed return

Italgas -2% (5.614 euro); after updating on 23/08 the dividend adjusted all-time high (5.996 euro), similarly to Snam and Terna the stock felt following a downgrade by Royal Bank of Canada due to stricter assumptions in terms of expected allowed return. Similar contraction for Snam, while Terna is substantially unchanged, still supported by the improved visibility on the long-term capex after updating, at the beginning of July, the ten-year development plan of the national grid. On the opposite side, Elia rose by 7%, mitigating the YTD underperformance, supported by the stability of the German yield and the upward revision of the FY guidance in terms of RoE materialized at the end of July.



Source: Italgas' elaborations on Bloomberg data

Agenda

Corporate events

26 October	BoD Q3/9M Results
27 October	Press Release and Conference Call

Corporate News

Italgas starts operations in the Aosta Valley Atem

On August 31, and effective from September 1, Italgas and the Municipality of Aosta announced the start-up, by Italgas, of the management of the natural gas distribution service in the "Valle d'Aosta" territorial area. The completion of the tender procedures allows Italgas to give continuity to the management of the service in the Valley for the next 12 years and to start the implementation of the important investment program of approximately 100 mn euro proposed in the winning offer. The Area is made up of 74 municipalities, of which 24 are currently already methanized (served by about 350 kms of networks), for a total of 20K end users and a RAB of over 40 mn euro. Valle d'Aosta is one of the six Areas, out of 177 into which Italy is divided, which have so far successfully completed the award process, and the second in chronological order in which the service contract has been signed. "The attribution of this concession to Italgas - commented Italgas CEO, Paolo Gallo - shows how the real winner of the Atem tenders is always the territory. Our interventions will focus on the first half of the concession period, and will lead to a doubling of the number of families reached by the service and will make our network entirely digital, so as to be able to accommodate and distribute, in a not too far future, also renewable gases such as biomethane, synthetic methane. and hydrogen. Today's signature starts the construction of an important infrastructure that will guarantee the sustainable development of the Valley. The future of gas distribution in the region begins today ".

Methanization of Basins 7 and 9 in Sardinia

On August 30 Medea (Italgas Group) completed the conversion from LPG to natural gas of the distribution networks serving Basins 7 and 9, which involve 12 municipalities in the north of Sardinia for a total population of approximately 50K inhabitants. The interventions made possible to convert to methane over 170 kms of networks fed by cryogenic LNG deposits. Similar conversion activities from LPG to natural gas are also underway in Basin 22, where the completion of the activities is expected by the end of 2021. "After the newly acquired Basin 19 and the recently acquired Basin 33 - commented Medea's CEO Francesca Zanninotti - we are proud to announce that two more of our 18 Basins in Sardinia are entirely fueled by natural gas. Methane is now a reality for the island and the benefits are evident: from environmental ones to savings on bills, up to the issue of people safety and security of supplies. We continue to work to bring the Sardinian energy system to the level of the rest of the country, without forgetting that our networks are already the most advanced in Italy ".

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