

Financial Markets Review



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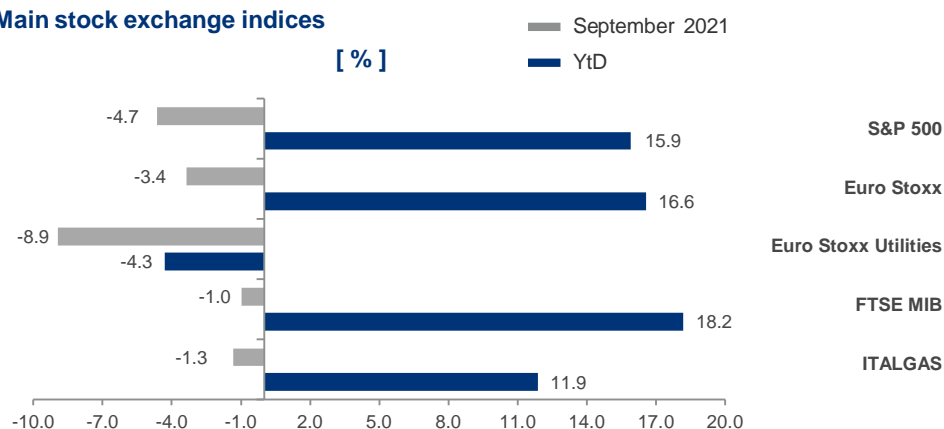


Global equities declined after 7 consecutive monthly increases; the trend reflects inflation from energy commodities, with consequent upward pressures on bond yields

Financial Markets

Moderate and physiological contraction for global equities after 7 months of consecutive increases, which had repeatedly led it to update historical highs. The decline was supported by upward pressures on bond yields consequently to higher inflation expectations driven by energy commodities. The Euro Stoxx declined 3% vs S&P 500 -5%, the latter weighed down by the exposure to the technology sector, among worst performers, and the appreciation of the dollar. Milder decline for the FTSE Mib (-1%), due to its exposure to oil&gas (ENI +15%) and banks, which were instead best performers as a result of further strengthening of the energy scenario and cited upward pressures on bond yields. Divergence in core real yields, with UST +14 bps vs -4 bps for the Bund as a result of the indications of the reference central banks, as well as a German political stalemate caused by the unclear outcome of the parliamentary elections, with consequent expansion of the expected timing for the formation of the new government. While the ECB confirmed an overall dovish approach, as despite the announcement of PEPP moderation in Q4,

Main stock exchange indices



Source: Italgas' elaborations on Bloomberg data

Lagarde declared that the central bank is far from ending the QE and raising reference rates, the FED meeting showed a less accommodating outcome than expected, with Powell indicating that it could be appropriate to terminate the QE by mid-2022. On the other hand, the nominal yield also increased for the Bund (+19 bps to -0.2%; +18 bps for the UST to 1.49%) as a function of growing inflation, supported by energy commodities. The spread

BTP-Bund was down 4 bps (106 bps), probably reflecting the aforementioned confirmation of the dovish approach by the ECB. EUR/USD -1.9% (1.16) with the aforementioned divergence in the outcome of the FED vs ECB meetings and German political deadlock. EUR/GBP stable (at 0.86), with the weakness of the euro offset by the termination of the UK workers protection plan through unemployment subsidies.

The oil market

3-year highs for the Brent price (+11% to 79 USD/b) due to US inventories dropping to 2-year lows, as well as increased demand for fuel oil for powergen and heating purposes induced by the rally in gas prices, which in Europe rose by 79% (90 EUR/MWh) due again to fears of a

supply crunch close to the start of the heating season. In absolute terms, European gas inventories are at their lowest from 8 years for this period of the year, while the percentage level of storage filling (approximately 75%) is at an all-time low (again for this period of the year)

since Bloomberg offers related data (2009). Despite a substantially flat CO₂ (+2% at 62 EUR/ton), the forward prices of electricity in Germany consequently extended the all-time highs (+45% to 127 EUR/MWh).



Performance by sector

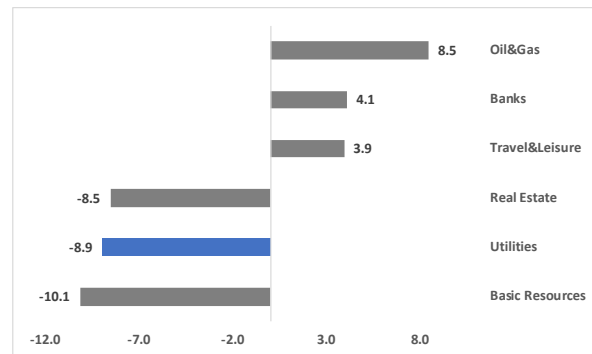


Consistent with the strengthened energy scenario and increased inflation and bond yields, oil&gas and banking stocks are the best performers

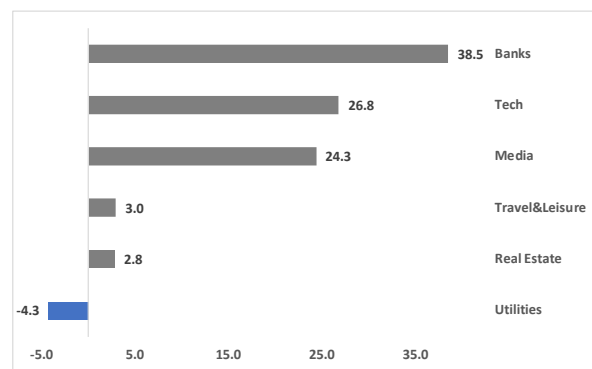
Consistent with the previously described macro picture, the performance by sector highlighted an advantage for oil&gas and banks, respectively due to the strengthened energy scenario and the positive correlation to inflation. Travel&leisure benefited from the restart of catering services (Sodexo +8%). On the other hand, real estate and utilities were penalized by the inverse correlation to inflation and bond yields, and increased regulatory risks induced by growing political pressures aimed at limiting the impact of gas and electricity price steep growth on the final tariffs. The steel industry was the worst performer (Voestalpine -17%) with the deceleration of Chinese steel demand, induced by the contraction of credit in the local real estate sector and increased production costs relating to the energy component.

Sector performance; utilities e 3 main ups/downs

Sept. 2021 [%]



YTD 2021 [%]



Source: Italgas' elaborations on Bloomberg data



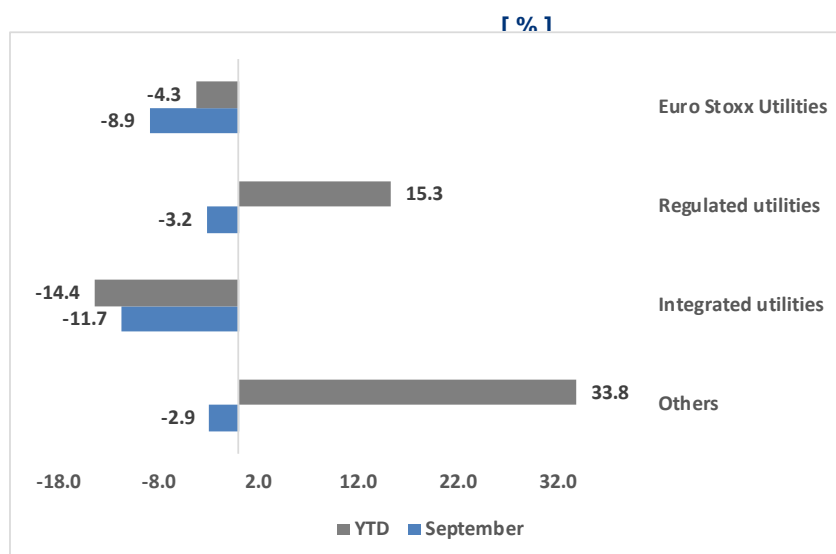
Utilities among worst performers with growing pressures to limit commodities impact on the bills



Utilities sector performance

Utilities sector -9%, essentially burdened by integrated operators as a result of the deteriorated regulatory risk profile induced by growing political pressures aimed at limiting the impact of the steep growth of gas and electricity prices on tariffs for end users. The Spanish government introduced measures aimed at almost completely sterilizing the rise in gas prices for the purpose of determining the remuneration of renewable and nuclear plants. The stocks exposed to the Spanish market are by far the worst performers, with Enel and Iberdrola -14% and -17%. However, water/waste and regulated sectors also declined (-3%), the latter due to the weakness of Italian operators, penalized by the uncertainty relating to the allowed wacc review.

Utilities sector and subsectors



Source: Italgas' elaborations on Bloomberg data

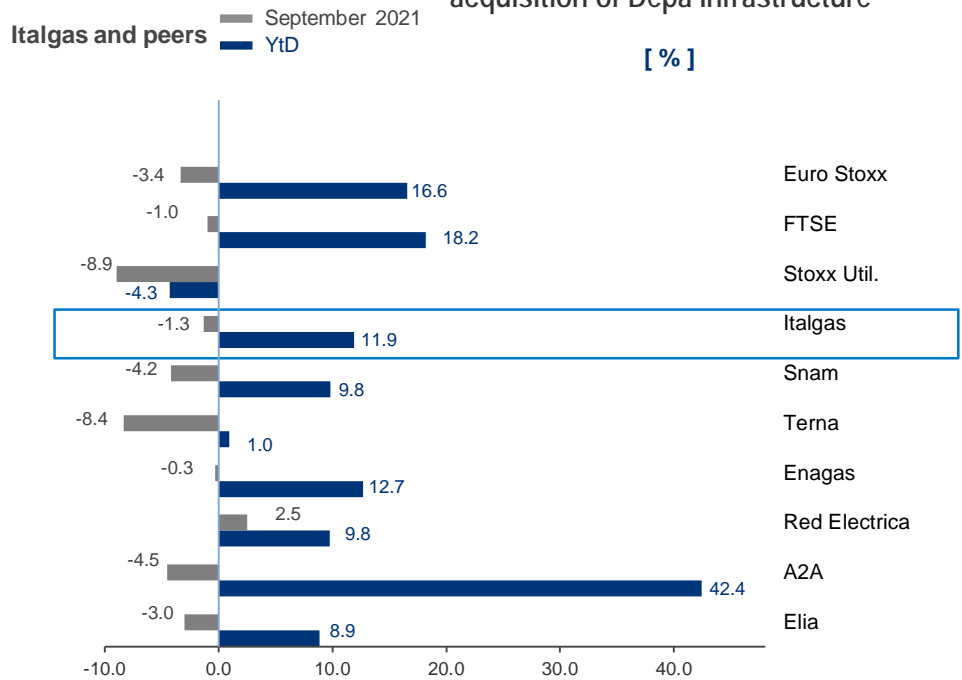


Italgas and its peers

Contraction around 1% for Italgas (5.54 euro), with Italian regulated operators still penalized by the uncertainty on the allowed wacc review, in a context characterized by upward pressures on the energy bill due to the commodity component. However, the stock largely outperformed Terna and Snam as a result of the general appreciation for the award of the tender related to Depa Infrastructure. Among peers, Red Electrica rose by 2% with the launch of the sale of a minority stake in the optical fiber business. In terms of YTD TSR Italgas (+11.9%) is in 3rd position, with the Italian regulated operators losing ground against the Spanish peers due to the aforementioned uncertainty about the WACC review.



Despite the uncertainty on allowed return review, Italgas limits the decrease to 1%; generalized appreciation for the acquisition of Depa Infrastructure



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 Preferred Bidder in the tender for Depa

On September 9 Italgas announced that it has been selected as "Preferred Bidder" in the tender process for the acquisition of 100% of the share capital of DEPA Infrastructure S.A., currently owned by the Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE). DEPA Infrastructure holds a 51% stake in Thessaloniki – Thessalia Gas Distribution S.A. (EDA Thess), a 100% stake in Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and a 100% stake in Public Gas Distribution Networks S.A. (DEDA), the three major gas distribution companies in Greece. Italgas CEO Paolo Gallo commented: "We are the ideal partner to support the Greek government in the development of a key energy infrastructure that will allow the country to rapidly proceed along the path of decarbonisation of the economy. Thanks to a new generation of «native digital» grids - extensive, flexible and smart - we will support the phase-out programme from coal and lignite via natural gas, while at the same time promoting the energy transition to renewable sources such as biomethane, e-gas and green hydrogen. Alberto Dell'Acqua, Italgas Chairman, stated: "I am proud of the result achieved, which rewards the Italian entrepreneurial capability as well as the technical and technological leadership of Italgas. In recent years, the company has been able to continue to grow and is now recognized as an international benchmark for the sector also in the perspective of energy transition". Italgas has agreed to pay a consideration equal to 733 mn euro for 100% of DEPA Infrastructure equity.

EMTN Programme reviewed

On September 15 Italgas' Board of Directors approved the renewal of the EMTN Programme, confirming the maximum nominal amount of 6.5 bn euro. As of today, under the current EMTN Programme the notes outstanding are in nominal amount equal to 4.59 bn euro. The Board of Directors has also approved the issue of one or more bonds to be placed only with institutional investors within one year by the signing date of the EMTN Programme. The total amount of the bonds issued may not in any case exceed the abovementioned maximum amount. The newly bonds issued may be listed on the regulated markets. The EMTN Programme will also allow the Company to issue ESG bonds in the form of "Sustainability-Linked Notes", in line with the financial strategy communicated to the market during the Strategic Plan 2021-2027 presentation.



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