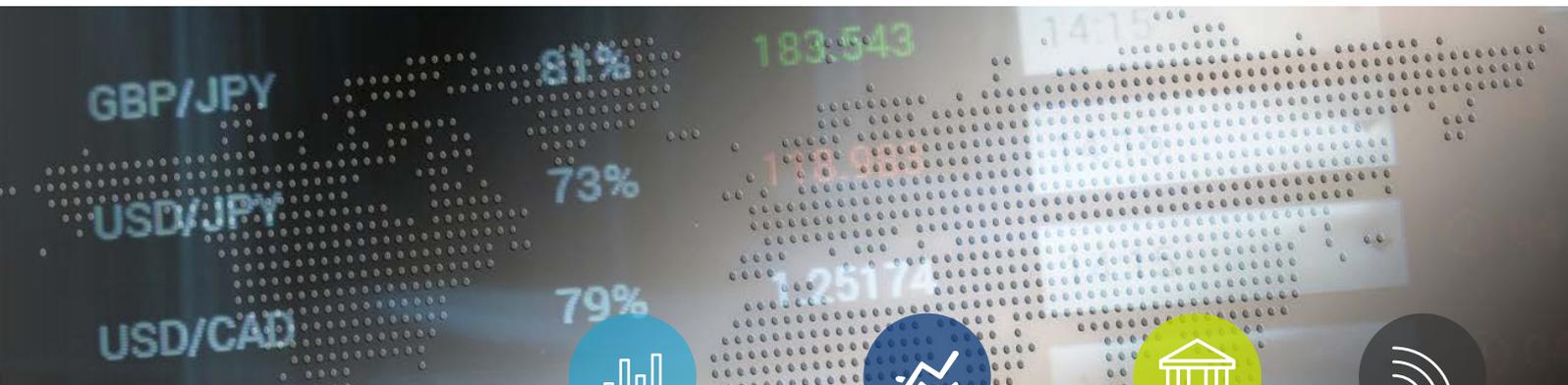


Financial Markets Review



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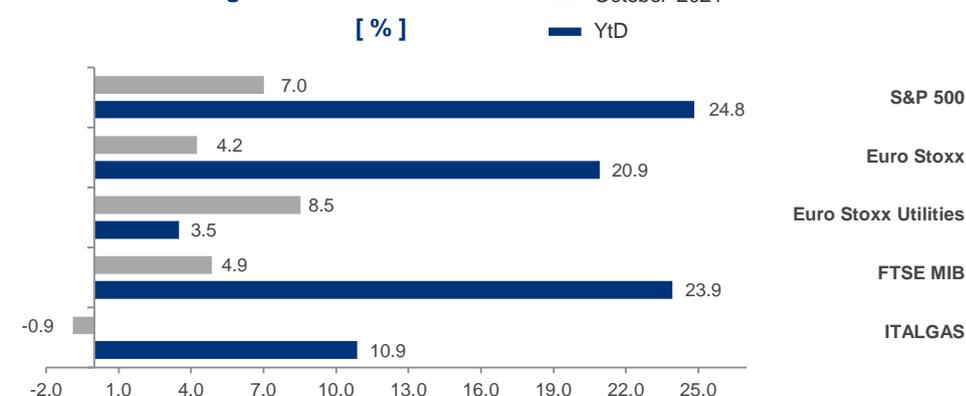


Global equities extend all-time highs supported by quarterly results, but real yields curve flattens with increasing expectations of monetary tightening to calm inflation rally. Peripheral spreads sharply up

Financial Markets

Extension of historical highs for global equities; despite expectations of accelerated monetary tightening by central banks due to the new multi-year highs of inflation, with consequent flattening of the real yields curve induced by weakened expectations of economic recovery, the stock market fully recovered the decline of September, supported by quarterly results overall better than expected. The Euro Stoxx and the FTSE Mib advanced between 4% and 5%, compared to an increase of 7% for the S&P 500 reflecting the larger exposure to tech stocks, which thanks to quarterly results were among the best performers. Due to fears of deceleration of the current economic recovery phase induced by the aforementioned expectations of intensified monetary tightening by central banks in order to calm the inflation dynamics, real yields showed an overall contraction with a flattening of the relative curve. Nominal yields, on the other hand, showed a moderate rise due to the aforementioned inflationary expectations; +9 bps to -0.11% for the Bund and +6 bps to 1.55% for the UST. Despite the improved outlook by S&P on Italy, the strengthened

Main stock exchange indices



Source: Italgas' elaborations on Bloomberg data

expectations of monetary tightening by the ECB pushed the peripheral spreads sharply up; net of the extension of the benchmark maturity of the 10y BTP, the Italian differential rose by 17 bps to 128 bps. Despite the intensified expectations of ECB monetary tightening, the EUR/USD was substantially flat, with the US deflator of personal consumptions at the highest level since 02/1991, and expectations that the FED could start tapering

already at the November meeting. EUR/GBP - 1.7% (at 0.84) after the BoE's new chief economist stated that the UK inflation could remain high for a longer than expected period, thus confirming the possibility that the same central bank could raise reference rates already at the meeting of November, coupled with early termination of the QE.

The oil market

Brent was up 7% (84 USD/b), at the highest in 3 years, supported by increased demand for fuel oil for thermolectric generation and heating induced by the very high level of gas prices and the decision by OPEC+ not to take measures to mitigate the rise in prices,

confirming the plan of production step-up already planned in July. High volatility for the TTF; after updating the historical highs as a consequence of Gazprom's decision not to book additional transportation capacity via Ukraine for the month of November, and to only

book about 35% of the additional capacity via Belarus/Poland, prices showed a sharp contraction (-27%) with Russian declarations in favor of increasing supplies to Europe starting from 8 November, when the refilling of national storages should be completed.



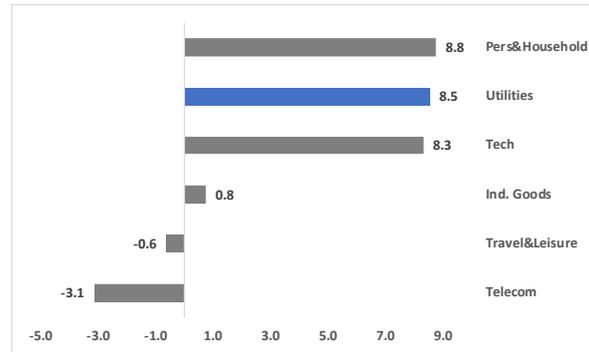
Performance by sector

Sector performances generally reflected quarterly results; utilities were among the best performers as Spain mitigated measures against rising electricity prices

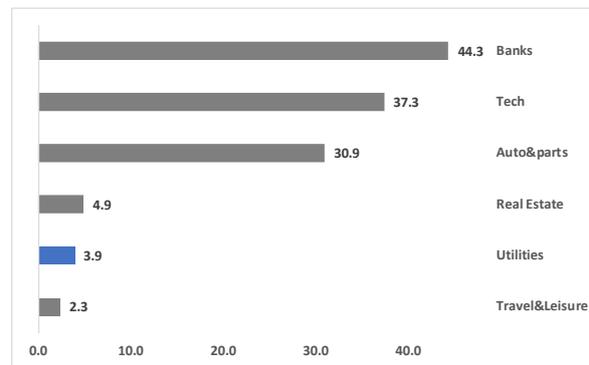
The sector dynamics generally reflected quarterly results. Personal goods and technology sectors were the best performers with better-than-expected results from Moncler and Hermes, Dassault and STM, as well as an upgrade of the guidance by SAP and support from Infineon, which provided a growing outlook on revenues and marginality also for 2022. The utilities sector reabsorbed the contraction of September with the decision of the Spanish government to mitigate the legislation aimed at sterilizing the rise in gas prices from the prices received by renewable and nuclear plants. Telecoms were worst performers with results below expectations and downward revision of the net profit guidance by Telecom Italia, as well as, for Deutsche Telekom, the share placement approximately equal to 2% of the capital by Softbank.

Sector performance; utilities e 3 main ups/downs

Oct. 2021 [%]



YTD 2021 [%]



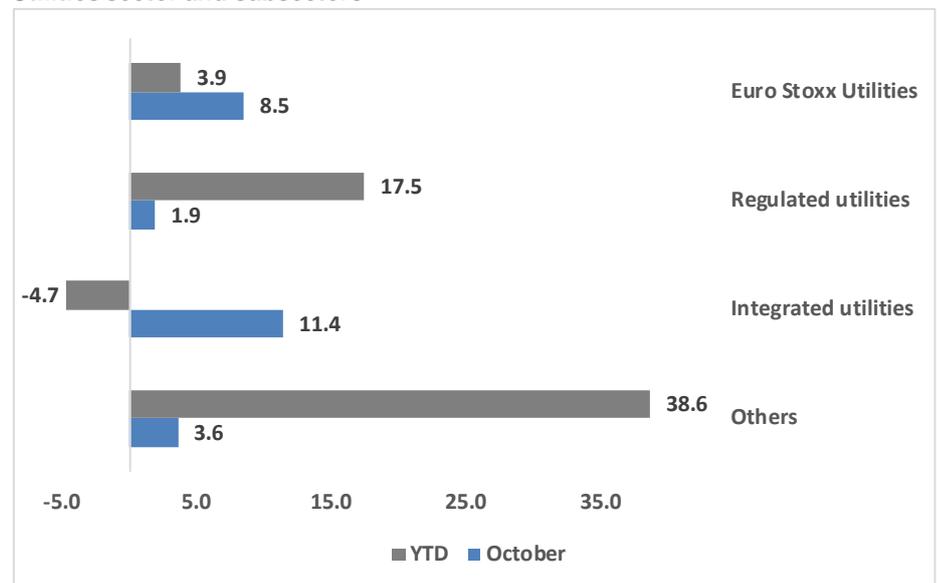
Source: Italgas' elaborations on Bloomberg data

Utilities recovered September's decline with mitigated regulatory risks on electricity bills

Utilities sector performance

With an increase of 9%, the utilities sector was among the best performers and reabsorbed the losses of September due to the factors indicated above. Consequently, the integrated operators exposed to the Spanish electricity market (Iberdrola and Endesa) were by far the best performers within the sector, together with EdF, which benefited from the French government's decision to mitigate the upward pressure on electricity bills for final users only through the reduction of indirect taxation. The other sub-sectors were far behind, with water and environmental operators affected by Suez invariance as a result of the overall alignment to the tender offer price recognized by Veolia (20.5 euro/share, net of the DPS of 0.65 euro).

Utilities sector and subsectors



Source: Italgas' elaborations on Bloomberg data

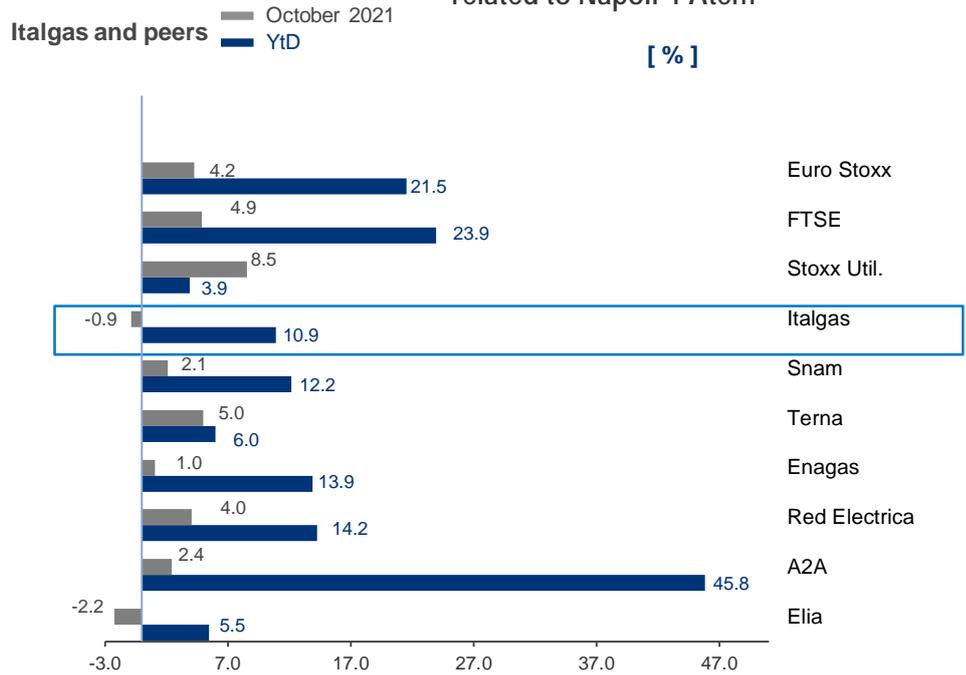


Italgas and its peers

Contraction of around 1% for Italgas (5.49 euro), which despite strong Q3 results was probably penalized by the news of the rejection, by the Campania Regional Administrative Court, of the appeal relating to the award of the Napoli-1 Atem. With a contraction of 2% Elia was the worst performer due to the downgrade operated by the Belgian broker KBC as a result of the allowed Ke lower than expected established by the German regulator for the electricity transmission activity over the period 2024-2028. On the other hand, Terna jumped 5%, mitigating the YTD underperformance, while Red Electrica's +4% reflects the quarterly results, which confirmed the acceleration of investments (perceived as the main critical issue by the market).



Despite solid Q3 results, Italgas decreased by 1% with extension of gas tender stalemate and evolution of the appeal related to Napoli-1 Atem



Source: Italgas' elaborations on Bloomberg data



Agenda

Corporate events

Pending definition of the 2022 financial calendar



Corporate News

9M consolidated results approved

On October 26, the Italgas BoD approved the consolidated results for the first nine months, which see total revenues at 1.005,7 mn euro (+2.8%), EBITDA at 749.0 mn euro (+4.9%), EBIT at 430.6 mn euro (+7.3%), adjusted net profit at 273.6 mn euro (+10.5%), capex at 612.6 mn euro (+10.3%) and net debt at 5.055,4 mn euro. In a context of general economic recovery, favored by the gradual loosening of restrictions related to the health emergency, Italgas' trend continues to grow, with extremely positive performance of all the main economic and financial indicators, combined with further progress on the road to meeting the 2027 ESG targets. Paolo Gallo, CEO of Italgas, commented: "The nineteenth quarter of consecutive growth for Italgas since its return to the stock market is the best demonstration of a Company that has continued on its development and transformation path - started in 2017 - even during the most serious health emergency that the world has known in recent times. Despite a macroeconomic and financial context characterized by ongoing volatility, we have invested more than 610 mn euro, in order to maintain the 2022 objective: to make Italgas the first utility in the world with a fully digitized network".

Italgas stock included in the MIB ESG Index

On October 18 Italgas announced that the stock was included in the MIB ESG Index, the first blue-chip index for Italy dedicated to the Environmental, Social and Governance (ESG) best practices of Borsa Italiana, part of the Euronext group. The MIB ESG Index, made operational by Euronext in collaboration with Vigeo Eiris (V.E, part of Moody's ESG Solutions), includes the most important Italian listed issuers that demonstrate they implement the most effective behaviors within the three main parameters of corporate social responsibility. The inclusion of Italgas' stock in the MIB ESG Index is a further recognition of the Company's strong focus on the sustainability targets set in the 2021-2027 Strategic Plan (-30% in greenhouse gas emissions, -25% of energy consumption, focus on people), as well as of the strategic investment and of the contribution made, through them, to the energy transition process. The MIB ESG Index has been launched in response to a growing demand for sustainable investment tools by investors and by the market.



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