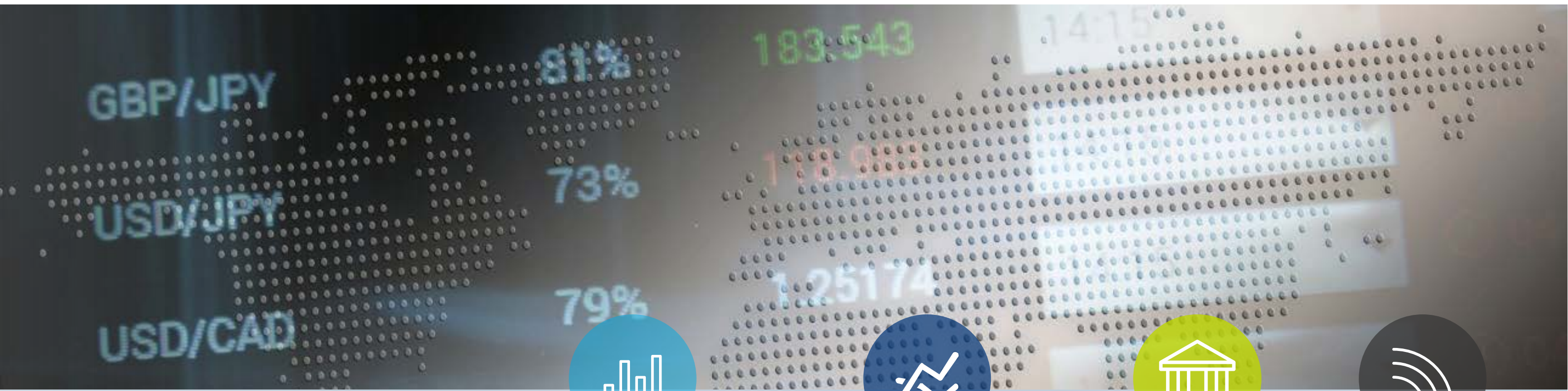
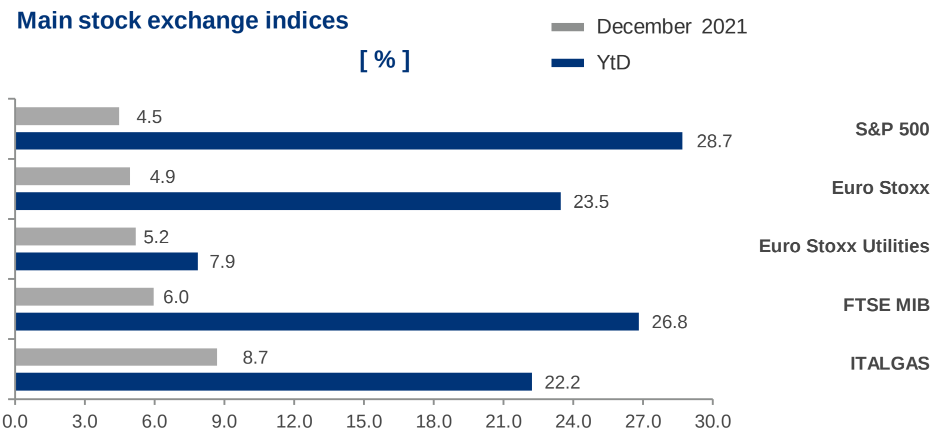
Financial Markets Review



Global equities extended all-time highs after the November contraction, supported by mitigated fears about the Omicron variant. As expected, central banks accelerated the withdrawal of monetary stimuli to cool inflation, which updated the multi-year highs

Financial Markets

After the decline in November, global equities showed ample recovery and updated the historical highs based on evidence that, although very contagious, the Omicron variant generates less severe effects than expected, as well as the adoption of expansionary measures by China, with the central bank which, starting from mid-December, has reduced the mandatory reserve ratio for several credit institutions by 50 bps, and the intention of the central government to relax the credit restrictions in the real estate sector recently introduced to calm the price bubble otherwise in place. The Euro Stoxx and the S&P 500 advanced by around 5%, with a substantial alignment of the FTSE Mib. On fixed income, as expected and in order to mitigate the inflationary pressure underway, the main central banks have adopted decisions aimed at accelerating the exit from monetary support programs. In particular: 1) the FED has brought the monthly reduction in QE from 15 to 30 bn USD; 2) the ECB announced a slowdown and termination of the PEPP in March 2022; 3) the BoE has decided to raise by 15 bps the reference rate. Core



Source: Italgas' elaborations on Bloomberg data

sovereign yields showed a moderate rise (10y Bund +17 bps at -0.18%, UST +7 bps at 1.51%), essentially supported by the risk-on phase due to the improved outlook on the Omicron variant, while the outcomes of the meetings of the central banks were broadly as expected. Despite the upgrade by Fitch, the BTP-Bund spread is unchanged overall (+3 bps to 135 bps), due to fears that Draghi will take over as President of the Republic, leaving the office of Prime Minister. The EUR/USD was overall stable (+0.3% to 1.14), with the acceleration of the US inflation offset by the risk-on phase and the inverse correlation between raw materials and the dollar. EUR/GBP declined by 1.3% (to 0.84), reflecting better than expected retail sales and UK GDP in Q3, as well as the BoE decision to raise the benchmark rate.

The oil market

After an initial contraction induced by the OPEC+ decision to extend to January the 400 kbd/month production increase implemented starting from August, oil prices closed at +11% (77 USD/b) reflecting the improved outlook on the Omicron variant. Extreme volatility for the TTF, which after updating the all-time highs with: 1) growing fears regarding Russian supplies due to tensions relating to Ukraine; 2) further delays in the entry into operation of the Nord Stream 2; 3) 10% unavailability of the French nuclear park, with France becoming a net electricity importer, has overall declined by 29% (66 EUR/MWh) due to greater supplies of LNG from the USA and mitigation of temperatures in Europe.

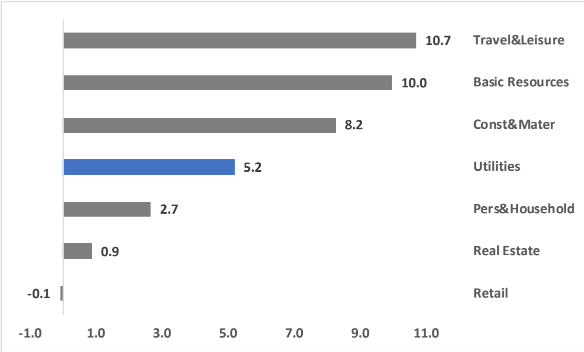
Performance by sector

Consistent with the risk-on phase and mitigated Omicron fears, the sector dynamics show an advantage for cyclicals and travel/leisure vs defensives on the opposite side

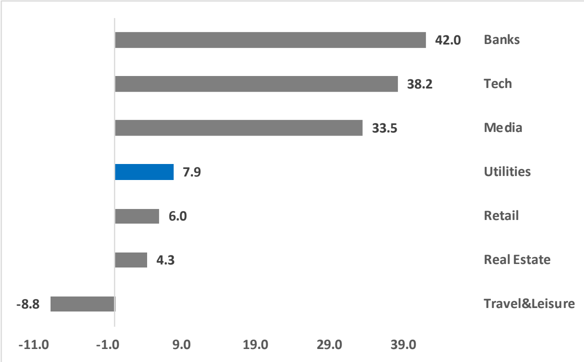
Consistent with the risk-on phase and the mitigated fears related to the Omicron variant, the sector dynamics highlighted an overall advantage for cyclicals and travel/leisure versus defensives on the opposite side. After being worst performer YTD, the travel/leisure sector benefited, in particular, from the recovery of airlines (Lufthansa +15%). The mining/basic resources sector followed, supported by the cyclical profile, with an increase in the main mining commodities. Defensives were on the opposite side, with the retail sector worst performer due to the decline of operators most active in online sales (Zalando -11%) as a result of the improved outlook on the pandemic. Real estate followed, reflecting the countercyclical and bond-proxy profile.

Sector performance; utilities e 3 main ups/downs

Dec. 2021 [%]



YTD 2021 [%]



Source: Italgas' elaborations on Bloomberg data

Utilities aligned to the Eurozone benchmark; regulated companies outperform with E.ON and Italian operators

Utilities sector performance

The utilities sector rose by around 5%, broadly in line with the Eurozone benchmark. The trend highlighted a moderate outperformance of regulated and water/environmental sectors operators. The former were supported by the rally of E.ON (+12%), the sector's main operator, reflecting the energy and environmental program announced at the end of November by the new German government coalition, with the consequent need to intensify investments in electricity grids to manage the greater flexibility required by the development of renewables. The water and environmental sector benefited from the +14% of Veolia after the EU Commission approved the acquisition of Suez.

Utilities sector and subsectors

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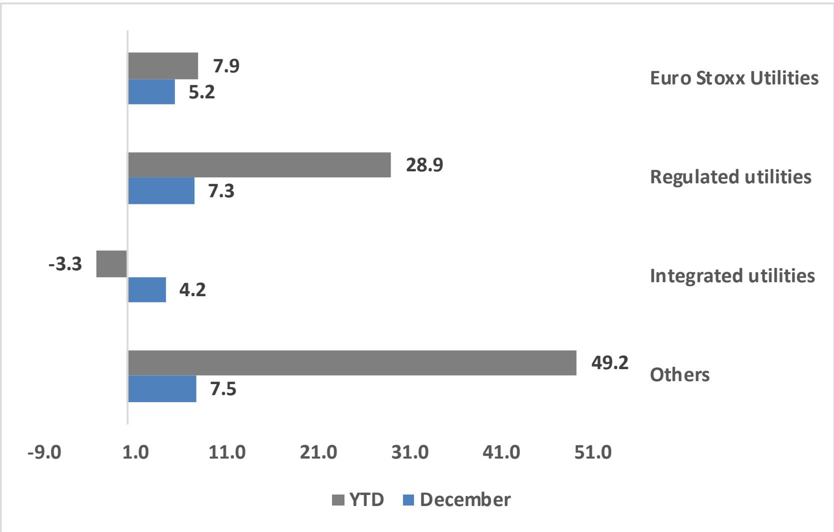

Source: Italgas' elaborations on Bloomberg data

Italgas and its peers

Italgas +9%, best performer vs peers in the month; 3rd place in the year. Italian regulated operators mitigate recent weakness with expected wacc review outcome

Italgas rose by around 9% (6.052 euro), best performer within the panel of eurozone peers. After a phase of underperformance induced by uncertainties about the WACC review, the Italian regulated operators showed a remarkable recovery on expectations of a regulatory outcome better than that implied in the 2nd DCO and in the consensus. Snam and Terna advanced by 7% and 8%, ranking 2nd and 3rd in the month. Divergence for A2A (unchanged) due to profit-taking after the YTD rally and a different business mix, with significant exposure to merchant activities. Over the whole year, with an increase of 22.2%, Italgas ranked 3rd, behind A2A (+38.0%) and Enagas (+23.8%).

Italgas and peers

December 2021
YtD

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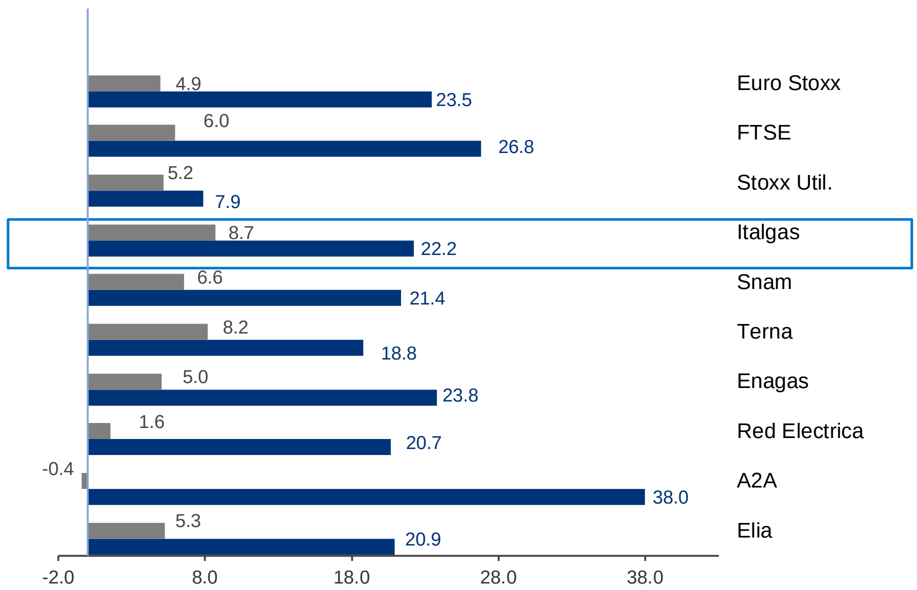

Source: Italgas' elaborations on Bloomberg data

Agenda
Corporate events

Pending definition of the 2022 financial calendar

Corporate News

Fitch affirms Italgas rating

On December 6th, the rating agency Fitch has affirmed Italgas long-term issuer default rating at 'BBB+', with Stable Outlook. The rating affirmation is based on Italgas Group's significant growth perspectives in 2022-2027, despite the expectations of a WACC reduction for the gas distribution sector from next year onwards, as confirmed by the second consultation document published by ARERA last 12 November. Moreover, Fitch assesses positively the potential acquisition of DEPA Infrastructure, given that it would allow Italgas to diversify its geographical footprint outside of Italy towards a growing market, benefiting from a regulatory framework that is currently favourable compared to the Italian one in terms of expected remuneration.The rating agency also highlights that the postponement of new gas tenders and the actions planned by Italgas' management to face a less favourable regulatory framework from 2022 on are able to support the Company's financial strength and credit rating. The Group's commitment to proactively manage its financial structure was also acknowledged, thanks to the transactions recently executed on both capital and banking markets, which have enabled Italgas to eliminate the short-term refinancing risk and have an adequate amount of liquidity available.

Contract signed for the acquisition of Depa Infrastructure

On December 10th Italgas signed the Sale and Purchase Agreement (SPA) for the acquisition of 100% of DEPA Infrastructure S.A. owned by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), for an equity value of 733 mn euro. The completion of the acquisition is subject to the fulfilment of certain conditions, such as the approval of the transaction by the Greek supervisory authority RAE and the clearing of the Greek antitrust authority HCC. Paolo Gallo, CEO of Italgas, commented: "Today marks the beginning of a new and important phase in the recent history of Italgas. After nearly twenty years, we are returning to operate abroad, and we are doing so in a country like Greece, which has recognized our technical and technological leadership and our role as a strategic partner in effectively tackling the process of phase-out from coal and lignite for the decarbonization of the economy".

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