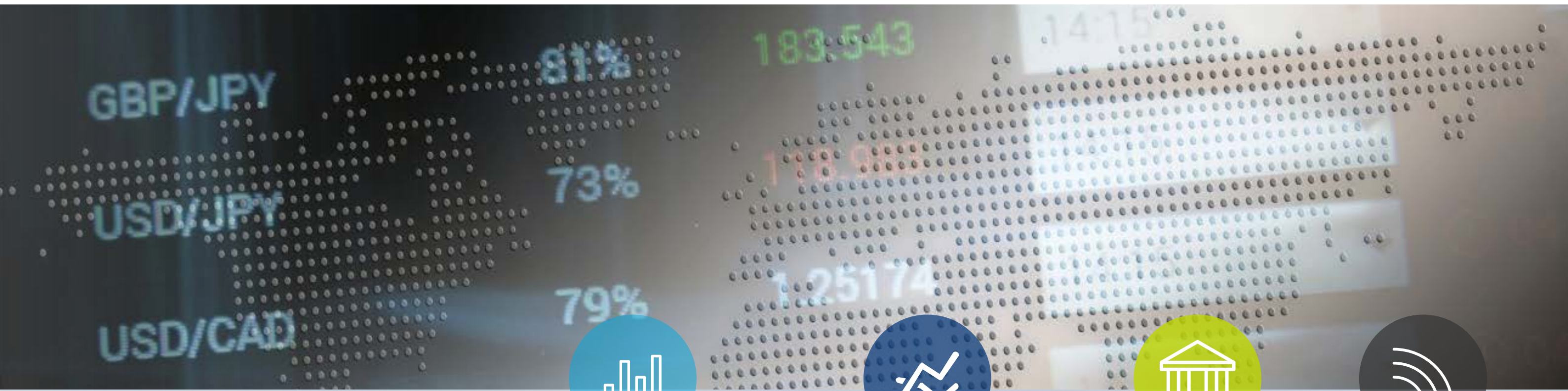
April 2022

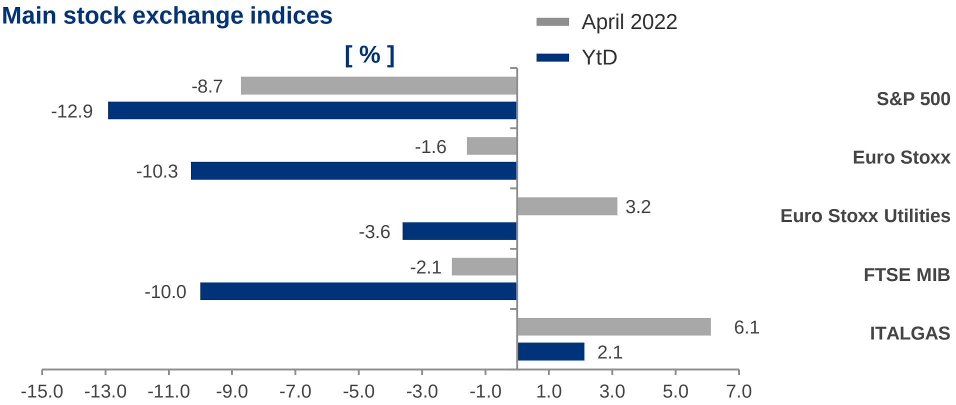
Financial Markets Review



Global equities retreated with growing evidence of stagflation; the Euro Stoxx limits its decline thanks to the depreciation of the euro, which increases competitiveness. Core yields update multi-year highs with expectations of accelerated FED monetary tightening. Spread BTP-Bund extends period highs with end of pandemic QE

Financial Markets

Global equities declined reflecting growing evidence of stagflation (economic deceleration together with persistence of high inflation), with the US GDP contracting on a sequential basis after 2 years and several other countries, including Germany, that revised their economic growth estimates for 2022 downwards due to the conflict in Ukraine, the new all-time highs of inflationary expectations and fears of accelerated monetary tightening. The Euro Stoxx and the FTSE Mib limited the losses to 2% reflecting the sharp contraction of the EUR/USD, which increases competitiveness. Conversely, the S&P 500 fell by 9%, not only due to currency dynamics, but also because of the partial release of the considerable outperformance accumulated since the start of the conflict and a larger exposure to technology stocks, which were the worst performers due to the inverse correlation to bond yields. Core sovereign yields (UST +60 bps at 2.93%, Bund +39 bps at 0.94%) updated their multi-year highs as a result of expectations of accelerated monetary tightening due to a further rise in inflation,



Source: Italgas' elaborations on Bloomberg data

with confirmation by the FED of its intention to launch the Quantitative Tightening as soon as possible. Net rise for peripheral spreads (+34 bps to 184 bps for Italy, at the highest from 06/20) due to the end of the pandemic QE by the ECB and replacement with ordinary QE, which implies a significant contraction in the volume of purchases. Strong decline of the EUR/USD (-4.7% at 1.05), at its lows since 01/2017 reflecting the aforementioned expectations of accelerated monetary tightening by the FED and announcement of the QT in May, the overall risk-off and graphical factors. Contraction, although significantly milder (-0.4% to 0.84) also for the EUR/GBP, as a result of a downward revision of GDP by Germany and German consumer confidence index GfK below the expectations.

The oil market

Oil prices (107 USD/b) were overall stable. The bearish effect induced by: 1) expectations of an overall economic deceleration; 2) extension of Covid containment measures in China; 3) decision by the IEA member countries to release a further 60 mboe of strategic reserves in addition to the 180 mboe already declared by the USA to calm the price rally; 4) strong appreciation of the dollar (inverse correlation between the US currency and commodities), was offset by IEA estimates on Russian output contraction, expected to increase from 1.5 mbd in April to 3.0 mbd starting in May due to more difficult access to the market, and growing likelihood of an embargo on European imports of Russian fuel after Germany has declared its willingness not to oppose the EU proposal as long as the process is managed gradually.

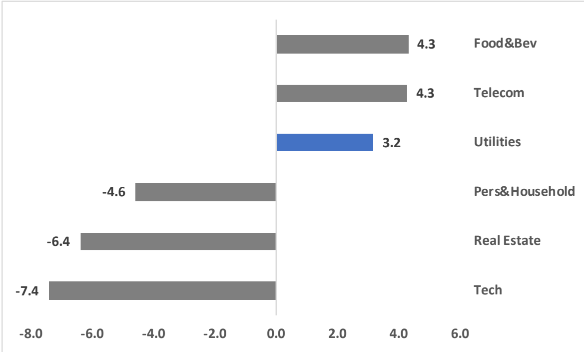
Performance by sector

The sector performance is influenced by the extension of multi-year highs of core sovereign yields; technology and real estate worst performers

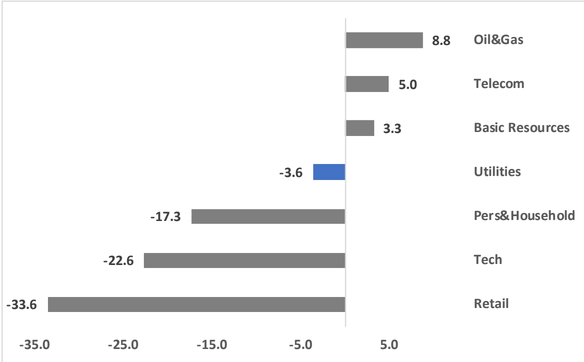
As a result of extended multi-year highs of sovereign yields, the sectors inversely related to this trend were penalized the most. With a decline of 7% and 6%, the technology sector (negatively correlated to bond yields as it is composed by "growth" stocks) and real estate were worst performers. Among the best performers, instead, the trend was more linked to specific company newsflow, with food&beverage and telecoms leading due to Danone's quarterly results above expectations (+15%) and confirmation of the 2022 guidance despite the all-time highs of food prices, and +8% of Deutsche Telekom after Spain's Cellnex confirmed interest in taking over the transmission tower business, and the US subsidiary T-Mobile increased the FY guidance after strong Q1 results.

Sector performance; utilities e 3 main ups/downs

April 2022 [%]



YTD 2022 [%]



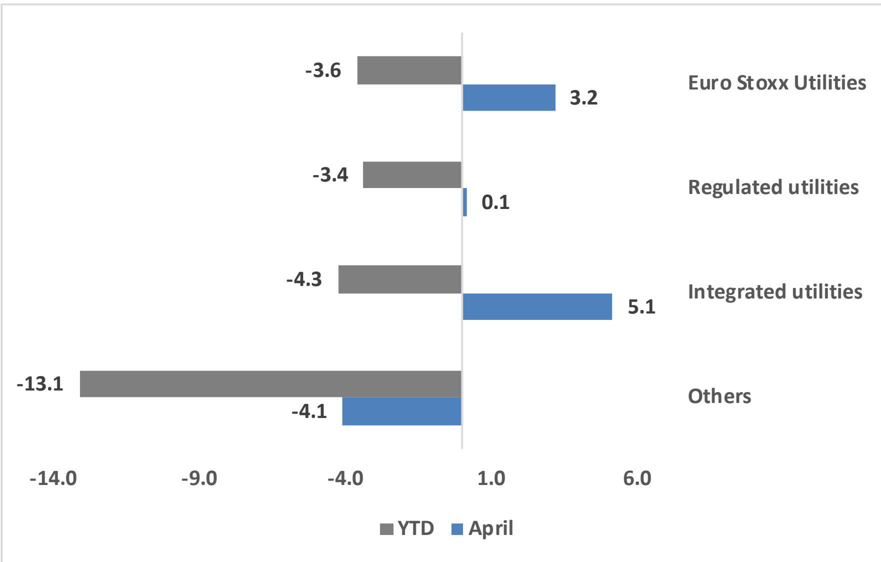
Source: Italgas' elaborations on Bloomberg data

Utilities among best performers; integrated operators recovered after weakness due to fears of tariff interventions

Utilities sector performance

With an increase of 3%, utilities are among the best performers, supported by the recovery of integrated operators after the recent weakness induced by fears of regulatory measures aimed at mitigating the impact of the commodities rally on the end users. The focus on power TSOs was also confirmed in a context which, despite the new multi-year highs of sovereign yields, remains extremely favorable for regulated operators thanks to the opportunities offered by the changed European energy scenario. The water and environmental sector, instead, is positioned on the opposite side, with extended profit-taking on Veolia (-4%) after being the best performer in 2021 (TSR +72%) following the integration with Suez.

Utilities sector and subsectors

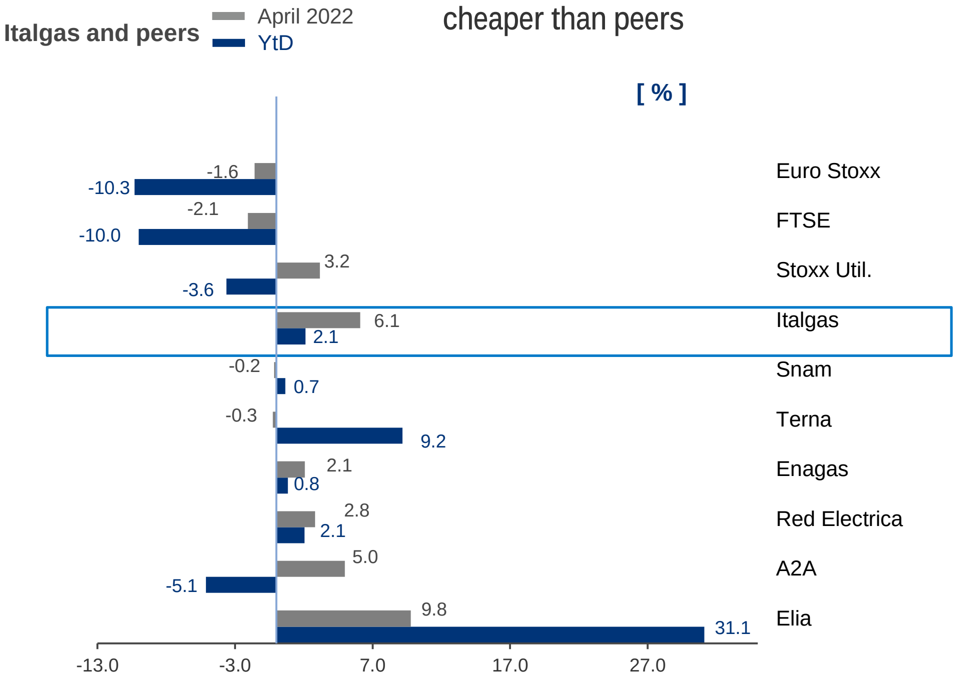


Source: Italgas' elaborations on Bloomberg data

Italgas and its peers

Italgas rose by 6% (6.18 euro) in a context that remains extremely favorable for regulated operators, thanks to the opportunities in terms of infrastructure upgrades embedded in the changed European energy scenario. The stock mitigated March's underperformance vs regulated peers, probably due to significantly lower multiples. On April 20 Italgas updated its all-time highs also without adjusting for dividends (6.375 euros vs previous all-time high (closing) reached on 19 February 2020 at 6.294 euro). On the other hand, Terna and Snam (basically flat) were worst performers, also penalized by the downgrade operated by Citigroup.

Italgas (+6%) updates its historical highs also without adjusting for dividends; stock supported by multiples significantly cheaper than peers



Source: Italgas' elaborations on Bloomberg data

Agenda

Corporate events

02 May BoD on Q1 consolidated results; press release & c. call

Links to Corporate News

The Board of Directors appoints Paolo Gallo as Chief Executive Officer. Amendments to the calendar of corporate events 2022 26 april 2022

The Shareholders' Meeting has approved the 2021 Financial Statements and renewed the corporate bodies: Benedetta Navarra elected as Chairman 26 april 2022

Atem area "Naples 1": Council of State rejects the appeal by Italgas Reti 11 april 2022

Italgas: slates filed for renewal of the corporate bodies. The shareholders CDP Reti S.p.a. and Inarcassa submit resolution proposals pursuant to article 126-bis, subsection 1, penultimate sentence of the CLF 5 april 2022

Edison signs an agreement with Italgas and Marguerite to acquire the majority of Gaxa and contribute to the development of retail market in Sardinia 1 april 2022

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