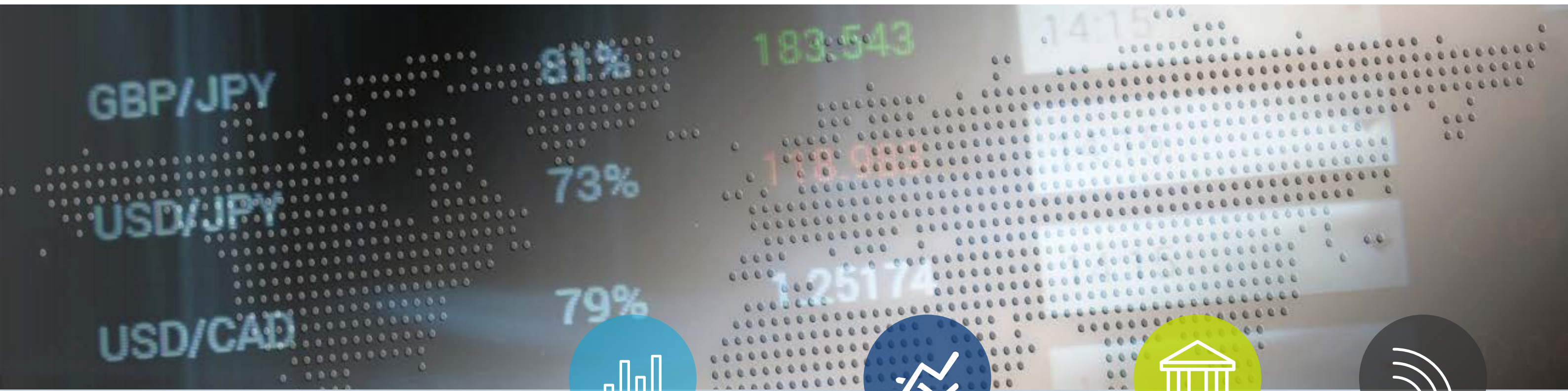
February 2023

Financial Markets Review



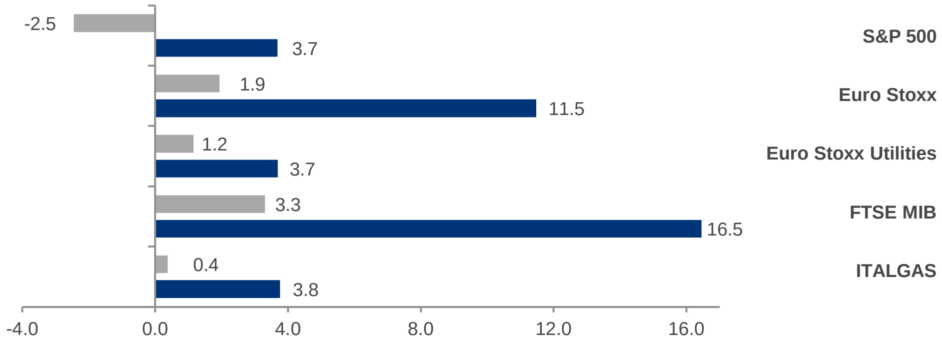
Extension of January's rally for the Euro Stoxx, which updated its highs from 02/2022 and extended the outperformance vs US equities supported by the improved outlook triggered by macro data, quarterly results and a decrease in energy prices. Core yields were significantly up with resilience of inflation dynamics and strengthened expectations of monetary tightening

Financial Markets

EQUITY: Extension of January's rally for Eurozone equities, reflecting the improved outlook induced by further mitigation of energy commodity prices, which frees up disposable income for spending on goods and services, as well as by macro data (composite PMI and Q4 GDP, with upward revision of the related 2023 estimates by the EU Commission) and better than expected company results. The Euro Stoxx advanced by approximately 2%, recovering the levels prior to the conflict in Ukraine, with a moderate outperformance for the FTSE Mib (+3%) due to its high exposure to banks, among the best performers, and to the rally of Stellantis (+15%) after better than expected results and dividend. On the other hand, the S&P 500 declined by 2.5%, weighed down by the significant appreciation of the dollar as a result of the strengthened expectations of monetary tightening by the FED, but even adjusted for currency dynamics the US benchmark underperformed the Eurozone by around 2 percentage points based on the mentioned mitigation of energy commodities price, as Europe is more dependent than the US on gas and oil procurement from abroad.

Main stock exchange indices

[%]



Source: Italgas' elaborations on Bloomberg data

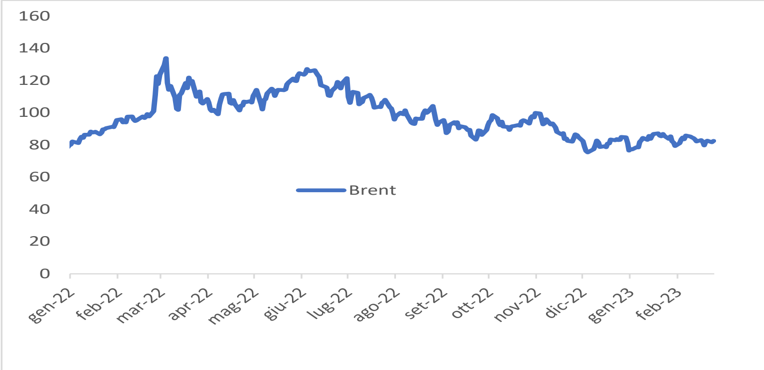
BONDS: The improved outlook and the time-lag in the transmission of energy commodity prices increase to the rest of the economy led to an overall resilience of the inflation dynamics, with the US, French and Spanish CPI above the expectations, and a consequent strengthening of monetary tightening expectations. The US and German 10-year yields rose by around 40 bps, with the latter reaching its highest level since 07/2011. Despite the strengthened expectations of monetary tightening, peripheral spreads were markedly down, reflecting the overall improvement in the outlook. Adjusted for the extension from 12/2032 to 05/2033 of the benchmark maturity of the 10y BTP, which implied a discontinuity of +13 bps in the yield, the Italian differential decreases by 17 bps (to 183 bps).

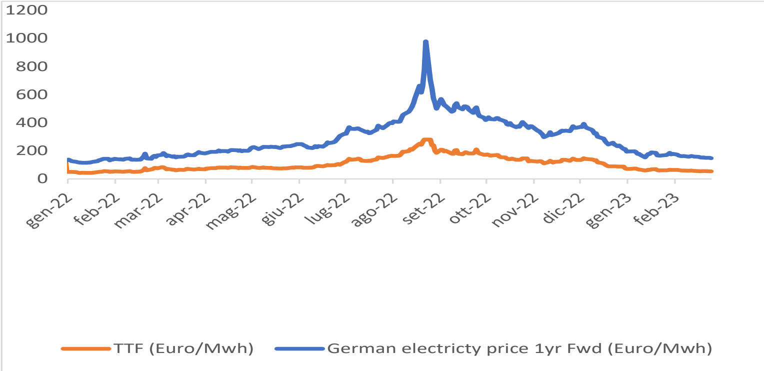
CURRENCIES: The EUR/USD dropped by 2.6% based on: 1) profit-taking after 4 months of uninterrupted increase; 2) firmer expectations of monetary tightening at the FED vs ECB, which at the end of January were still pricing in overall stability of the US rates by the end of the year; 3) inverse correlation between the dollar and the oil price. Substantial stability instead for the EUR/GBP; the upward pressure induced by the BoE meeting (which raised rates by 50 bps, but provided an estimate of 2024 inflation below its 2% target) was offset by the agreement between the UK and the EU regarding the exemption from customs controls for UK businesses sending goods to Northern Ireland in case the same goods are sold there.

The oil&gas market

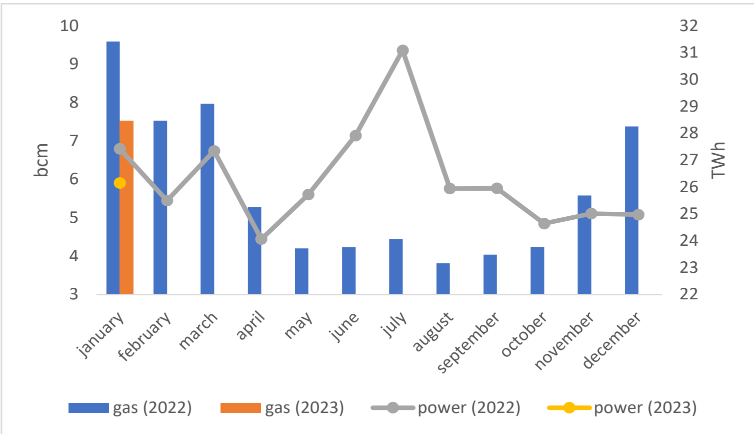
OIL MARKET: Despite stronger-than-expected macro data, with Saudi Aramco revising its March prices upwards for several Asian customers reflecting growing confidence in Chinese demand recovery, and Russia's intention to cut production by 0.5 mbd in March in response to the embargo on their oil and refined products decided by the G7 countries, oil prices fell by 3% (to 82 USD/b) due to the expansion of US inventories, which increased by around 30 mboe, reaching its highest since May 2021. The EU has introduced 2 price-caps on Russian refined petroleum products. The first sets a ceiling of 100 USD/b for products that quote at a premium to crude oil, and the second of 45 USD/b for products that quote at a discount. These are the maximum price limits at which EU operators will be able to provide shipping and insurance services to Russian products sold globally. The measure entered into force on February 5, although a transitional period of 55 days is foreseen for products purchased and loaded on ships before February 5, to be unloaded by April 1.

GAS MARKET: Further drop in the TTF price (-20% to 47 EUR/MWh), to the lowest since August 2021 due to the restart of exports from the Texan liquefaction terminal of Freeport and storage levels that, although down by 11 percentage points compared to January, at the end of the month remain at 61%, or 22 percentage points above the average level recorded over the last 5 years for this period of the year.





Italy: gas and power demand



Key news energy sector February 2023

1. **OIL:** Russia announced to cut production by 0.5 mbd in March in response to the G7 embargo on its oil and refined products, with other OPEC+ members indicating they will not increase their production share to compensate for the cut
2. **OIL:** the EU has introduced 2 price-caps on Russian refined petroleum products. The first sets a ceiling of 100 USD/b for products that quote at a premium to crude oil, and the second of 45 USD/b for products that quote at a discount. These are the maximum price limits at which EU operators will be able to provide shipping and insurance services against Russian products sold globally. The measure entered into force on February 5, although a transitional period of 55 days is foreseen for products purchased and loaded on ships before February 5, to be unloaded by April 1
3. **OIL:** temporary closure of the BTC (Baku–Tbilisi–Ceyhan) pipeline, the main export route for Azerbaijani crude, following the earthquake that affected Turkey and Syria, as the Turkish terminal of Ceyhan is located right in the affected area from the earthquake
4. **GAS:** restart of exports from the Texan liquefaction terminal of Freeport (through which 15% of US LNG exports transit), which remained interrupted since last June
5. **GAS:** Eurostat has announced that EU gas consumption fell by 19% between August and January (target August March -15%)
6. **EU:** formal consultations for the proposed reform of the electricity market closed on 13 February. The European Commission is expected to publish its proposal on 14 March
7. **ELECTRICITY DEMAND IN ITALY:** -4.6% y/y in January with net production -13.7% and net imports +86%

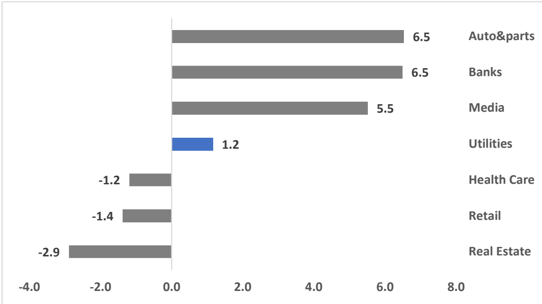
Performance by sector

Overall advantage for cyclicals and financials reflecting improved outlook and rising bond yields vs defensives and bond-proxies on the opposite side

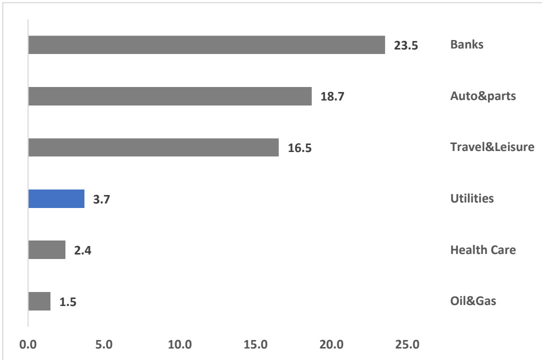
Reflecting the improved outlook and the significant rise in bond yields, the sector dynamics saw an overall advantage for cyclicals and financials, with automotive and banking (+7%) as the best performers. Stellantis (+15%) in evidence within the automotive sector, reflecting the factors mentioned in the equity markets section. Media sector (+6%) to follow, supported by the results and outlook of Wolters Kluwer, which with a weight of 37% is by far the main contributor to the sector index. Consistent with this context, bond-proxies and defensives are on the opposite side, with real estate (-3%) worst performer, followed by retail and pharmaceuticals (-1%).

Sector performance; utilities e 3 main ups/downs

Feb. 2023 [%]



YTD 2023 [%]



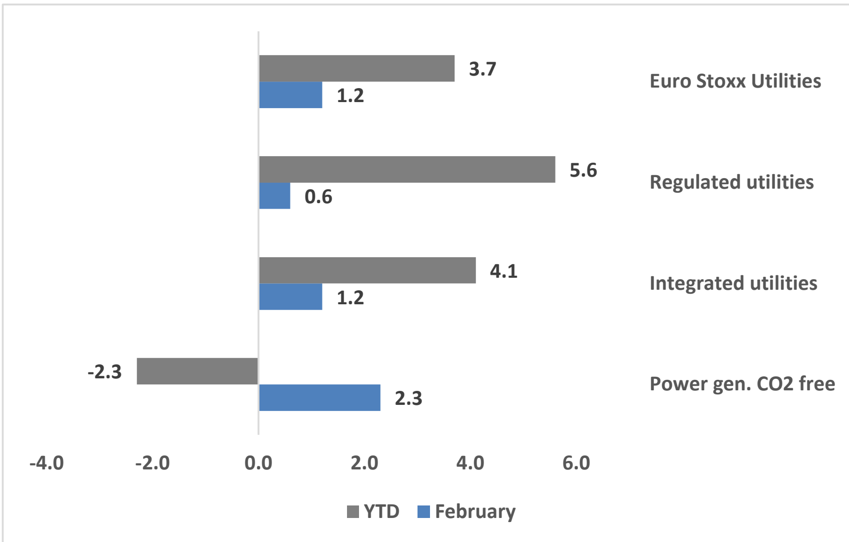
Source: Italgas' elaborations on Bloomberg data

The utilities sector (+1%) extends the recent underperformance due to its bond-proxy profile

Utilities sector performance

The utilities sector was up 1%, underperforming the Eurozone benchmark due to the bond-proxy profile in a context characterized by a significant rise in bond yields. Despite a further decline in electricity prices, with an average increase of 2% the operators most exposed to renewables outperformed the sector index due to a repositioning on the stocks after the large underperformance developed in 2022 following the introduction of price-caps and windfall taxes aimed at reducing the extra-profits otherwise induced by the energy scenario. In the sector, Fortum (+5%) is among the best performers after having obtained an extension of the license to operate nuclear activities (national energy security reasons). On the other hand, Engie (+6%) emerged among the integrated companies after FY results, dividend and 2023 guidance better than expected.

Utilities sector and subsectors **[%]**

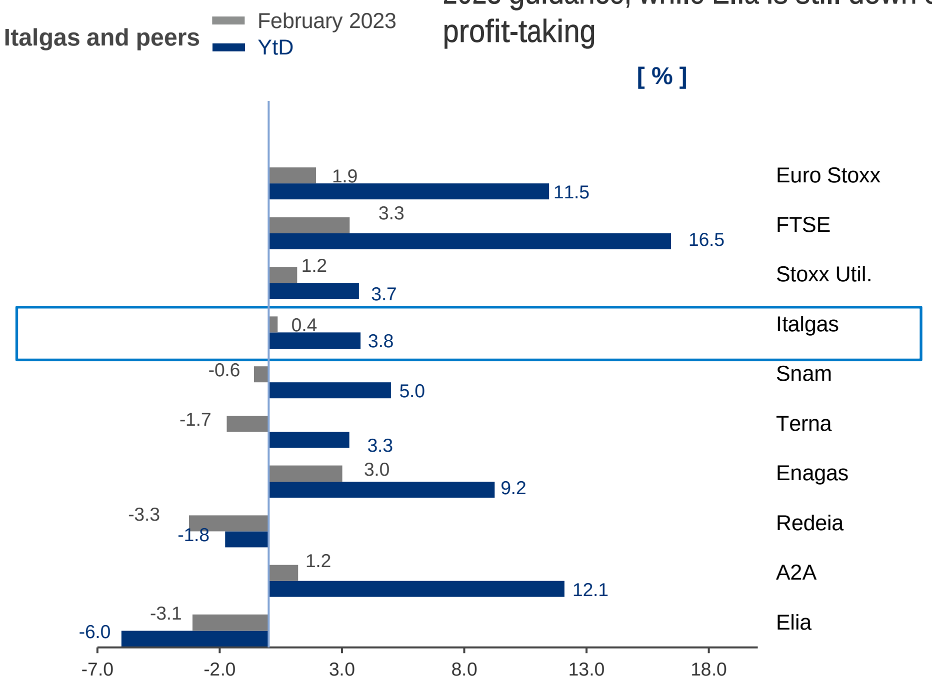


Source: Italgas' elaborations on Bloomberg data
Veolia included amongst integrated operators

Italgas and its peers

Italgas (+0.4%) recovers the moderate underperformance of January vs peers. Enagas extends the YTD increase with 2023 guidance, while Elia is still down on profit-taking

Italgas was up 0.4% (to 5.385 euro), moderately outperforming (by about 1 percentage point) the panel of fully regulated peers, probably recovering the opposite dynamics of January. Amongst regulated operators, although not included in the panel, E.ON advanced 4% after preliminary FY results better than expected and a persisting decrease in gas prices, which improves commercial margins due to the time-lag in transferring to the sale price and lack of upstream assets. Within the panel, Enagas (+3%) is the best performer after 2023 Ebitda guidance 2% higher than the consensus vs Redeia and Elia (in the region of -3%) on the opposite side respectively due to 2022 results below expectations and extension of realizations after the significant outperformance recorded last year.



Source: Italgas' elaborations on Bloomberg data

Agenda
Corporate events

20 April Shareholders' Meeting on 2022FY results
Press Release

Links to Corporate News

Italgas' Board of Directors approved changes the members of the Board Committees 22 February

Italgas confirmed for fourth consecutive year in S&P Global Sustainability Yearbook 07 February

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