ANNUAL FINANCIAL REPORT

as at 31 December 2021

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II Corporate Boards

Board of Directors	Board of Statutory Auditors	Independent Auditors
Chairman Ugo de Carolis	Chairman Giovanna Conca	PricewaterhouseCoopers S.p.A.
Deputy Chairman Carlo Michelini	Standing auditors Giovanni Cappa Marco Giuliani	
Chief Executive Officer Michele Enrico De Censi	Alternate auditors Walter Bonardi Ercole Fano	
Directors Rosaria Calabrese Alessandra Polerà Stefano Gatti Marion Calcine Carlo Maddalena		

The Acquaviva delle Fonti office (BA)

III Directors' Report

1. Background

Gross domestic product in Italy was flying high in Q3 of 2021, thanks in the main to household consumption. Growth then slowed down, and in Q4 GDP grew by about half a percentage point according to Bank of Italy models.

A rise in the number of Covid-19 cases and the consequent general dip in confidence levels adversely affected spending on services in particular.

Over the year GDP posted a record growth of 6.5%, but this was after the previous year's fall of 9.2% compared with the year before that.
The cost of energy also had an impact on the current situation, causing a rise in annual inflation to 1.9%, compared with a fall of 0.3% in the previous reporting period.
Medium-term projections remain dependent on the full implementation of government spending programmes and the timely enactment of all actions listed in the National Recovery and Resilience Plan.

Trends regarding the gas distribution network and new connections continued to be affected by the health emergency, but thanks to the acquisition operation during the year, the number of Redelivery Points supplied by the Group rose by approximately 166,000 units.

The report of the Italian Ministry of Economic Development on "gas balancing" shows a rise in gross domestic gas consumption nationally in 2021. In December 2021, gas consumption totalled 76,118 million cubic metres, 7.2% more than the 70,998 million cubic metres in the previous year, a sign that the industrial recovery had begun during the year.
This figure, presented here to show the annual trends in the production chain, did not have a direct impact on the Group's financial results in view of the tariff set-up in place.

Looking at activities performed by the 2i Rete Gas Group, the acquisition of Infrastrutture Italiane Gas S.p.A. (IDG S.p.A.) was completed in April 2021. This operation was a challenging one, taking up the final months of 2020 and the early months of 2021, with the performance of due diligence activity plus the need to work quickly in order to merge the acquired company with the parent company in order to quickly obtain economies of scale and rationalise the Group structure.
For 2021 the Group's operational data (number of managed concessions, active redelivery points, Km of network managed) showed improvements compared with the previous year, thanks in part to the above-mentioned acquisition. Transported volumes rose by about 10.8%, and there was a rise in the number of managed Redelivery Points.
From an economic point of view, this consolidated financial report for 2021 shows an increase in revenues thanks to tariff adjustments established by ARERA in connection with the substitution of traditional meters and to the

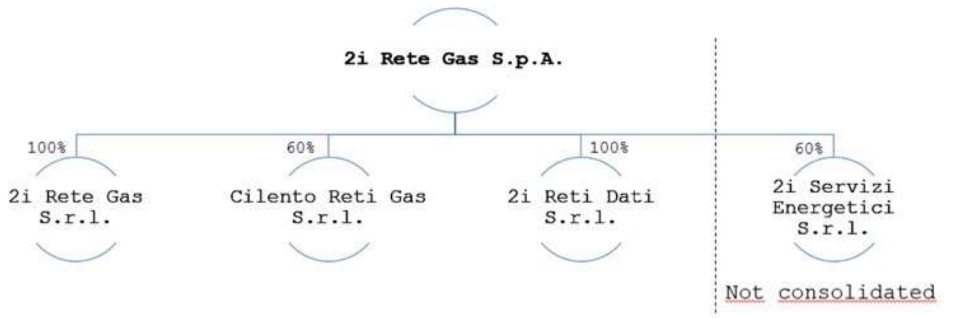
change in the scope of consolidation. EBITDA grew by 13.4 million euro, with a significant part played by the adjustments mentioned above.
There was a net profit of 211.2 million euro, thanks in part to a tax realignment during the year, significantly reducing the incidence of taxes. The net financial position was impacted by the acquisition operation, financed with the Group's resources, and grew by 193.5 million euro.

The Group approves the Consolidated Financial Report at the same time as it approves its Non-Financial Disclosure ("NFD") in accordance with the provisions of Legislative Decree 254/2016.

In 2021 the Group continued to pursue the objectives set in the three-year Sustainability Plan (all related to Sustainable Development goals agreed upon by the United Nations).
The macro areas covering Environmental, Social and Corporate Governance issues have all been considered: the Group has continued its formal and substantial commitment to making a real contribution to improving conditions for the environment and the community at large.

2. Group structure and highlights

The following diagram sets out the Group's equity investments at 31 December 2021:



The company 2i Rete Dati S.r.l. was not operational at the end of last year, however in early 2021 it received an injection of assets from the parent company, including all the field infrastructure needed to remotely collect meter data, and began to provide communication services to Group companies. This company will independently develop the data transmission business, taking advantage of the expertise acquired by the Group in recent years thanks to experience with data networks created to communicate with electronic meters.

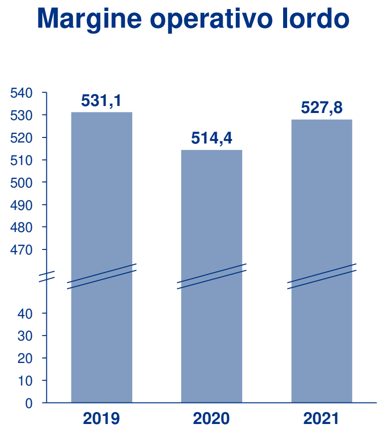
During the year 2i Servizi energetici S.r.l. (controlled jointly with other shareholders) continued efforts to propose energy efficiency in relations with municipal authorities. It was awarded the public tender to modernise, raise the efficiency of and manage the public street lighting of Villa di Tirano.

As for the Group's highlights, the following table shows the key operating, income statement and statement of financial position indicators of the Group:

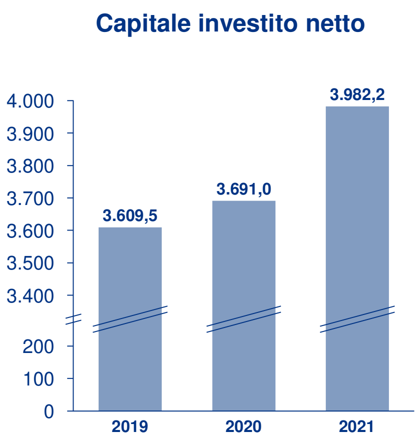
	31.12.2021	31.12.2020	2021 - 2020
Active concessions:	2,193	2,148	45
Active redelivery points:	4,521,498	4,355,413	166,085
Distributed Gas (Natural gas and LPG) in millions of cubic metres	6,395	5,771	624
EBITDA in millions of euro:	527.8	514.4	13
Net income in millions of euro:	211.2	183.8	27
Managed networks in kilometres:	69,864	66,772	3,092

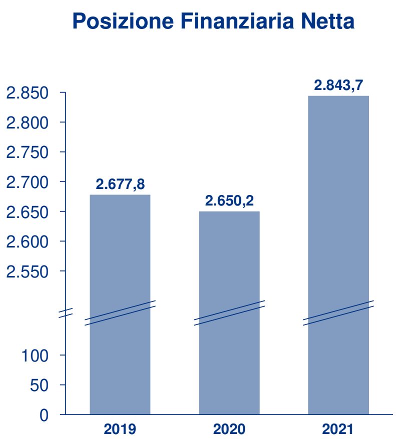
	31.12.2021	31.12.2020	2021 - 2020
Net financial position in millions of euro:	2,843.7	2,650.2	194
Net invested capital in millions of euro:	3,982.2	3,691.0	291

In order to better appreciate the development of some fundamental parameters for the Group over time, the diagrams below show the main income economic and financial indicators. For an analysis of the reported figures, reference should be made to section "Results of the 2i Rete Gas Group":
EBITDA trends from 2019 to 2021:

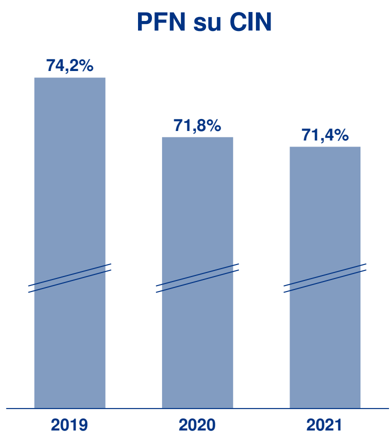


Net Invested Capital and Net Financial Position trends from 2019 to 2021:





In order to better appreciate balance sheet movements over the years, the diagram below shows the ratio Net Financial Position to Net Invested Capital:



The Net Financial Position to Net Invested Capital ratio fell slightly during the year, notwithstanding the year's acquisition operation, due to Group operations.

3. Significant events during the reporting period

In 2021 the Group operated in compliance with new standards that had been quickly prepared during 2020 to deal with the pandemic. They had already shown themselves to be valid during the initial phase of the pandemic.
The transformation of the traditional way of operating, thanks to the ongoing digitalisation process, was key to the resilience shown in both 2020 and 2021. Notwithstanding the continuing health emergency, the Group grew further with the acquisition of a medium-sized company, which merged directly during the year with the parent company within just 6 months of its acquisition, in order to quickly make the most of expected synergies.

Following this latest merger, the Group structure has been further optimised, despite having added a further 151,000 redelivery points and 74 human resources.

On the financial side, at the end of December 2020 the Group had renewed its debenture loan issue programme (4 *billion Medium Term Note (EMTN) Programme*). In January 2021 the Parent Company issued a further 500 million euro of 10-year debenture loans, with a pricing that represents the lowest coupon (irrespective of duration) since 2i Rete Gas has had recourse to public funding. The main goals of the issue were to finance the future acquisition of the company Infrastrutture Distribuzione Gas S.p.A., which was completed in April 2021, and to refinance issues maturing in coming years.
In June 2021 parent company 2i Rete Gas S.p.A. was awarded the tender for ATEM Napoli 1 (city of Naples and neighbouring municipalities). The award has been contested by the outgoing operator Italgas Reti S.p.A., in an appeal to the Council of State, after the regional administration court (TAR) of Campania had rejected the company's initial appeal. The appeal and the suspension solicited by the outgoing operator is scheduled to be debated on 7 April 2022.

As part of the annual rating *review* by both Standard and Poor's and Moody's, the company presented likely future business trends and the key metrics for assessing financial strength. In July 2021 both agencies confirmed the rating attributed in previous years (BBB Outlook Stable and Baa2 Outlook Stable, respectively). In 2020 Standard and Poors had raised its so-called "*Liquidity profile*" rating from *Adequate* to *Strong*, and in January 2021 confirmed this appraisal in its updated report, also in light of the acquisition of IDG S.p.A. from the Edison group.

4. Results of the 2i Rete Gas Group

The Group consistently uses certain popular non-IAS/IFRS measures over time. In particular, the income statement presents intermediate measures, such as EBITDA and EBIT, which are the algebraic sum of the items preceding them. As for statement of financial position data, similar considerations apply to net invested capital, net financial position, ESMA financial position, *adjusted* financial position, and accounting net financial debt, which are broken down in the following tables. As the measures used by the Group are not defined in the reference accounting standards, their definitions may not be aligned with those adopted by other companies/groups, and therefore they may not be comparable.

Millions of euro	**31.12.2021**	**31.12.2020**	**Change**
Revenue	**1,076.8**	**1,038.8**	**38.0**
Transport and sale of methane gas and LPG	682.4	674.4	8.0
Connection fees and accessory rights	14.9	14.8	0.1
Other sales and services	24.3	22.4	1.9
Revenue from intangible assets / assets under development	319.4	296.5	22.9
Other revenue	35.8	30.7	5.1
Operating costs	**(549.0)**	**(524.5)**	**(24.5)**
Labour costs	(124.0)	(116.5)	(7.5)
Raw materials and inventories	(54.4)	(67.3)	12.9
Services	(335.7)	(292.2)	(43.5)
Other costs	(21.6)	(26.9)	5.2
Net allocations to provisions for risks and charges	(14.3)	(23.0)	8.7
Increase in fixed assets not subject to IFRIC 12	1.0	1.4	(0.3)
EBITDA	**527.8**	**514.4**	**13.4**
Amortisation, depreciation and write-downs	**(209.5)**	**(200.6)**	**(8.9)**
Amortisation, depreciation and impairment losses	(209.5)	(200.6)	(8.9)
EBIT	**318.3**	**313.8**	**4.5**
Net financial income (expenses) and income (expenses) from equity ir	(56.7)	(54.8)	(1.9)
Pre-tax income	**261.6**	**259.0**	**2.6**
Income taxes for the year	(50.4)	(75.2)	24.7
Net income (expenses) from continuing operations	**211.2**	**183.8**	**27.3**
Net income (expenses) from discontinued operations	**-**	**-**	**-**
Net income for the year	**211.2**	**183.8**	**27.3**

The result from operations for the year is shown in the table below and has been obtained by reclassifying the income statement data in accordance with operational criteria that conform to international practice and reporting the costs for the purchase of Energy Efficiency Certificates net of the related revenue.

The interpretation of IFRIC 12, on which the presentation of the tables for the statutory and consolidated financial statements of the 2i Rete Gas Group is based, does not entail an impact on profits, but only the recognition of equal revenues and costs, which totalled 319.4 million euro in the year, and relate to the construction of the distribution network infrastructure. Therefore, for the purposes of easier analysis of any deviations, the income statement showing the consolidated revenue and costs, net of the impact of the application of the aforementioned interpretation, is also set out below.

Millions of euro	**31.12.2021 without IFRIC 12**	**31.12.2020 without IFRIC 12**	**Change**
Revenue	**757.4**	**742.3**	**15.1**
Transport and sale of methane gas and LPG	682.4	674.4	8.0
Connection fees and accessory rights	14.9	14.8	0.1
Other sales and services	24.3	22.4	1.9
Other revenue	35.8	30.7	5.1
Operating costs	**(232.4)**	**(231.3)**	**(1.1)**
Labour costs	(61.7)	(57.5)	(4.1)
Raw materials and inventories	(4.3)	(8.1)	3.8
Services	(132.4)	(118.0)	(14.4)
Other costs	(20.8)	(26.0)	5.2
Allocations to provisions for risks and charges	(14.3)	(23.0)	8.7
Increase in fixed assets not subject to IFRIC 12	1.0	1.4	(0.3)
EBITDA	**525.0**	**511.0**	**14.0**
Amortisation, depreciation and write-downs	**(206.7)**	**(197.2)**	**(9.5)**
Amortisation, depreciation and impairment losses	(206.7)	(197.2)	(9.5)
EBIT	**318.3**	**313.8**	**4.5**

The comment is shown for practical purposes on this second chart.
Revenues totalled 757.4 million euro, an overall increase of 15.1 million euro. Revenue from natural gas and LPG transport amounted to 682.4 million euro, a net increase of 8.0 million euro. This figure is influenced by a net release in the year of funds for the tariff recognition of traditional meter depreciation (3.1 million euro, in the previous year 22.3 million euro had been issued with the settlement of the dispute on recognition of the tariff associated with networks owned by third parties), and by the recording of an upward adjustment on the same subject, of approximately 9.2 million euro.
The figure is naturally affected by the change to the scope of consolidation by virtue of the acquisition operation during the year, to the estimated extent of 14.9 million euro.

Connection fees and associated costs, amounting to 14.9 million euro, were basically in line with the previous year.

Revenue from other sales and services, totalling 24.3 million euro, was up on the previous year. Revenues from meter reading and the suspension and reactivation of customers in arrears, slowed down due to the health emergency, but picked up in the second half of the year.
The net values for Energy Efficiency Certificates (EEC) are shown, as the difference between revenue and related costs, including any allocation to the provisions for risks.
The rise in the margin of these certificates meant that net revenues in the item Other revenues amounted to 1.8 million euro.
In addition to the impact of EEC net revenues, the item saw an overall increase of 5.1 million euro, due mainly to the estimated recognition of technical quality bonuses (resolution 574/13) and contingent assets following the settlement of a 10-year-old dispute with a Municipality. Capital gains on sales totalled 0.5 million euro for the year, while the first tranche of damage compensation payments were recorded for the damage caused by the weather event that struck the Rozzano datacenter in July 2021.

Operating costs net of IFRIC 12 totalled 232.4 million euro, a slight rise of 1.1 million euro, the result of a significant rise in costs for services, linked to greater field activity, and in labour costs, following the acquisition of the new company. On the other hand, costs fell for raw materials and stocks and for other costs and net provisions.
In greater detail, labour costs totalled 61.7 million euro net of capitalisation, a rise of 4.1 million euro compared to the previous year, mainly due to the increase in personnel since the acquisition in April, partially offset by the greater use of internal staff for investment activities.
Costs for raw materials and inventory fell chiefly due to a greater use of existing meter stocks and to fewer purchases of meters and concentrators.
Service costs were up by 14.4 million euro net of capitalisations during the year, partly due to the increase in the scope of consolidation and to the presence of the new Single Property Tax (Canone Unico Patrimoniale CUP). Other costs fell overall by 5.2 million euro due to the absence of EEC net costs (improved positive margins during the year, as seen in the item Other revenues, having been recorded in the item Other costs last year, as the margin was negative), and the absence of costs for Tosap, partially offset by higher capital losses from the liquidation and sale of assets of 2.0 million euro. It is recalled that as from 2021 Tosap and Cosap has been replaced with the Single Property Tax (CUP) recorded in the item Costs for services. Compared with Tosap and Cosap values for the previous year, CUP in 2021 entailed higher costs in the year (approx. 1,205 thousand euro).
Other costs included the two donations amounting to 1 million euro, to the Fondo Fondazione Fiera – Ospedale in Fiera coronavirus fund and to the Civil Protection organisation, supporting efforts to combat the ongoing pandemic.

Finally, net allocations to provisions for risks and charges fell by 8.7 million euro as some risks were contained, such as the risk of penalties for technical quality and the substitution of meters not compliant with company standards.

EBITDA therefore amounted to 525.0 million euro, 14.0 million euro up on the previous year (511.0 million euro). As already mentioned, the margin was affected by higher ARERA tariff adjustments and EEC net revenues, and naturally by the change to the Group perimeter, having an estimated effect on EBITDA of approx. 8.1 million euro.
The pandemic situation did not have a significant impact on the year's figures apart from higher safety costs following new protocols adopted by the Group.

Amortisation, depreciation and write-downs were up slightly in the reporting period to 206.7 million euro due to the large investments being made by the Group and by the acquisition operation completed in the early months of the year.
These values were mainly the result of amortisations, and only marginally IFRS 16 right-of-use assets and depreciation, and are net of the portion of IFRS 16 assets capitalised in the year.

EBIT therefore totalled 318.3 million euro, compared with 313.8 million euro in the previous year, a rise of 4.5 million euro.

The negative balance for financial income and charges (-56.7 million euro) rose slightly vis-à-vis the previous year due to the new bond issue at the start of the year to fund the acquisition of IDG S.p.A.

The pre-tax profit of 261.6 million euro was 2.6 million euro up on the previous year.

The Group’s income taxes for the year amounted to 50.4 million euro (75.2 million euro in 2020).
The 2021 result also includes the net effect of the realignment of the current and deferred taxation balance at 31 December2020 (approx. 28 million euro), resulting from the higher values of extraordinary past transactions already present at 31 December 2019.
As a consequence of the above, the net income for the year was 211.2 million euro, compared to 183.8 million euro in the previous year.
The financial position for the year is shown in the table below. This was obtained by reclassifying the statement of financial position in accordance with operational criteria.

Millions of euro	31.12.2021	31.12.2020	Change
	A	B	A-B
Net fixed assets	**3,917.7**	**3,630.0**	**287.7**
Property, plant and equipment	37.7	35.7	2.0
IFRS 16 Rights of use	26.0	24.3	1.7
Intangible assets	4,146.3	3,880.1	266.2
Equity investments	3.7	3.6	0.1
Other non-current assets	52.7	56.1	(3.4)
Other non-current liabilities	(338.5)	(331.1)	(7.4)
Fair value of derivatives	(10.2)	(38.8)	28.6
Net working capital:	**34.6**	**54.0**	**(19.4)**
Inventories	20.0	18.3	1.7
Trade receivables from third parties	221.7	234.9	(13.2)
Net receivables/(payables) for income taxes	(0.2)	8.8	(8.9)
Other current assets	216.2	211.5	4.7
Trade payables to third parties	(218.8)	(216.0)	(2.9)
Other current liabilities	(204.4)	(203.5)	(0.8)
Gross invested capital	**3,952.2**	**3,684.0**	**268.3**
Other provisions	**(30.0)**	**(7.1)**	**(22.9)**
Post-employment and other employee benefit	37.1	40.3	(3.2)
Provisions for risks and charges	78.6	85.8	(7.3)
Net deferred taxes	(145.7)	(133.2)	(12.5)
Net invested capital	**3,982.2**	**3,691.0**	**291.2**
Assets held for sale	**10.5**	**-**	**10.5**
Liabilities held for sale	**1.3**	**-**	**1.3**
Equity	**1,147.7**	**1,040.8**	**106.9**
Net Financial Position	**2,843.7**	**2,650.2**	**193.5**

Net fixed assets of 3,917.7 million euro mainly represent intangible assets related to gas distribution concessions, a net increase of 287.7 million euro compared to 31 December 2020, the result of Group acquisitions carried out during the year (157.7 million euro recognised as tangible and intangible assets) and of ordinary Group investment trends.

The increase in "Other non-current liabilities", amounting to 7.4 million euro, was due to collection and release to income statement movements pertaining to medium/long-term accrued liabilities for connections, property development, equipment relocation and network extension fees.
The *fair value* in the year of the derivative contract entered into in August 2019 to hedge future issues of debenture loan tranches felt the negative effects of interest rate trends, falling by 10.2 million euro, however it marked a 28.6 million euro improvement on the previous year's figure. This item was offset, net of the relative tax, by a negative equity reserve.

Net working capital totalled 34.6 million euro, a fall of 19.4 million euro compared to the previous year.
Trade receivables fell by 13.2 million euro, thanks to careful credit management.
The increase in Other current assets, net of the modest rise in current liabilities, had a negative effect on net working capital, the result of normal credit and debit movements towards CSEA net of VAT credit.
At the same time, trade payables grew by 2.9 million euro due to the impetus of investments in the latter months of the year, while there was a fall in income tax receivables (-8.9 million euro), compared with the previous year, a result of normal down payments and final payments to the Italian tax authority (Agenzia delle Entrate).
The value of inventory for the period was 20 million euro, up 1.7 million euro due to increased activity in the distribution network.

Therefore, due to the combined effect of the changes in net fixed assets and net working capital, gross invested capital increased by 268.3 million euro from 3,684 million euro in the previous year to 3,952.2 million euro at 31 December 2021, due to investments undertaken and the effect of the newly acquired company.

Other provisions, the total balance of which was -30 million euro, fell by 22.9 million euro overall. This was affected by the issue of the remaining part of the provision created for tariff disputes and by changes to the deferred taxes fund, which underwent a significant change following the fiscal realignment for greater book values deriving from extraordinary transactions (-12.5 million euro).

Net invested capital thus rose from 3,691 million euro in the previous year to 3,982.2 million euro, up by 291.2 million euro.
Assets and liabilities held for sale presented a balance of 9.2 million euro, pertaining to assets and liabilities of the Cinisello Balsamo and Mortegliano plants, which are likely to be sold following territorial tenders ("gare d'Ambito") by the end of 2022, plus two properties whose sale procedure has been approved and is under way.

Equity rose from 1,040.8 million euro at 31 December 2020 to 1,147.7 million euro at 31 December 2021, due to the net impact of the following changes:

- a 125 million euro decrease following the ordinary dividend payout;
- a 20.7 million euro rise in reserves for derivative instruments and other risks, net of the relevant tax impact;
- a 211.2 million euro increase following the recognition of the result at 31 December 2021.

Minority interests stood at 2.2 million euro as at 31 December 2021.

The table below shows the breakdown of the items that make up the accounting net financial position, the *adjusted* net financial position and the ESMA net financial position:

Millions of euro	Notes	31.12.2021	31.12.2020	Changes
Medium-/long-term bank loans	27	(470.5)	(488.6)	18.2
Medium/long-term debenture loans	27	(2,765.0)	(2,265.0)	(500.0)
Cash and cash equivalents with third parties	22	443.0	187.0	256.0
Short-term financial receivables	20	2.0	1.8	0.2
Other current financial assets	21	0.0	0.0	0.0
Short-term financial debt	33	-	(36.4)	36.4
Current portion of medium-/long-term loans	34	(18.2)	(18.2)	0.0
Current financial liabilities	38	(20.0)	(17.1)	(2.9)
Non-current IFRS 16 financial liabilities	31	(20.0)	(18.4)	(1.6)
Current IFRS 16 financial liabilities	39	(5.6)	(5.3)	(0.3)
ESMA Net Financial Position		**(2,854.3)**	**(2,660.2)**	**(194.1)**
Non-current financial assets	16	0.2	0.2	(0.0)
Adjusted Net Financial Position		**(2,854.1)**	**(2,660.0)**	**(194.1)**
Non-current financial assets - costs on loan	16	0.4	0.6	(0.1)
Adjustment to payables due to costs on MLT loan (IAS 39)	27	9.9	9.2	0.7
Net Financial Position		**(2,843.7)**	**(2,650.2)**	**(193.5)**
Negative fair value of derivatives	38	(10.2)	(38.8)	28.6
Accounting net financial debt		**(2,853.9)**	**(2,689.0)**	**(164.9)**

The net financial position went from 2,650.2 million euro at 31 December 2020 to 2,843.7 million euro at the end of 2021 due chiefly to the aforementioned acquisition, the distribution of dividends and the rise in operational investments. The *Adjusted* net financial position went from 2,660 to 2,854.1 million euro .

5. Regulatory and tariff framework

In addition to industry laws and regulations, natural gas distribution is specifically regulated by the Regulatory Authority for Energy, Networks and Environment – ARERA - which regulates the sectors it is responsible for through specific provisions, which specifically involve determining and updating infrastructure service tariffs, as well as defining the supply levels of these services and the rules for non-discriminatory access and use of the infrastructure.

In addition, the Authority has an advisory role in relations with the Parliament and the Government, to which it can provide indications and proposals.

5.1 Regulation

2021 was the second year of the new regulatory period (2020-2025) for tariffs and the quality of the natural gas distribution service.

With regard to regulatory activity in the sphere of energy infrastructure services in the electricity and gas sectors (thus including gas distribution), during the year the Authority developed the procedure (begun in the latter stages of 2020 with resolution 380/2020/R/ com) for reviewing criteria for determining and updating the WACC for the second regulatory period, starting on 1 January 2022.

In the second half of the year two specific consultations were pursued on the subject, as a result of which, in the final days of the year, the relative final document was approved and published bearing these new criteria, applicable from 1 January 2022.

In November the Authority held the customary yearly Hearings dedicated chiefly to drawing up the 2022-2025 Strategic Framework, for which 2i Rete Gas made a contribution, attending the hearing themselves and submitting specific observations in a document as part of the aforementioned consultations.

One of the main topics broached by the Authority concerning the gas sector in consultations on the new Strategic Framework related to the role that would be played by that carrier in the future as part of the energy transition process and in order to achieve global climate goals. The Authority proposed the evolution of the regulation as follows:

- referring to new EU legislation, with the publication of the so-called "Gas package" (on 15 December 2021) seeking to lay the foundations for an evolution of the gas system - and of relative infrastructure – with the gradual integration of growing percentages of renewable and low-carbon gases in order to gradually replace natural gas;
- seeking an integrated vision of selective development and efficient use of electricity and gas infrastructures, following a sector coupling logic, required for energy transition and economic and environmental sustainability, and also in the interests of the system.

Although the pandemic emergency continued throughout 2021, to varying degrees, during the year the Authority carried on its intense activity, issuing over 600 acts, consisting of decisions and consultation documents, including numerous decisions of interest to the Group regarding the gas sector.

Several decisions pertaining in particular to the gas distribution sector on the questions of: tariffs and the quality and safety of distribution and metering services; energy efficiency objectives for operators and obligated distributors' contribution to obtaining energy efficiency certificates (EEC); smart metering for gas and innovative uses of gas infrastructures; access to the gas distribution service and practical gas settlement and transport service rules; data exchange among operators and with the Integrated Information System (SII); rules for the gas distribution default service; application of rules for gas distribution service award tenders; safeguarding of end customers and the two-year prescription period; the "social bonus" (electricity, gas and water) and relief for the seismic events of 2016-2017; finally, checks on operators.
ARERA transmitted briefings and opinions to the competent parliamentary committees, the Government and Ministries on topics pertaining to the regulated sectors, and also submitted its opinion or considerations, in the first half of the year, on provisions for new energy saving quantitative objectives for the period 2021-2024 as part of the EEC mechanism (provisions later adopted with the M.D. of 21 May 2021), and in the second half of the year on the rising prices of energy commodities, the cause of consequent rising energy bills for end customers.
On this latter question, the Authority proposed that some costs, not directly connected with the energy sector that have an effect on the bills of end customers, being general system costs, could be subsidised through the use of general fiscal measures. Pending more structural regulatory interventions, the Authority provisionally cancelled, for all end customers in the gas sector, some tariff components covering general cost types, in order to partially offset relevant energy bill hikes, when updating the tariff for Q4 2021 (and then QI 2022).

Regulation on tariffs for the gas distribution and metering service

2021 was, as already mentioned, the second year of the 5th regulatory period for gas distribution and metering service tariffs (2020-2025), initiated with resolution 570/2019/R/gas, approved at the end of 2019.

During the year the Authority also set the final tariffs for gas distribution and metering services for 2020 (Resolution 117/2021/R/gas) based on definitive financial data for 2019, as communicated by the companies, the provisional tariffs for 2021 (Resolution 122/2021/R/gas), based on provisional data for 2020, the usual periodic updates of some tariff components (general system charges for the natural gas sector and tariffs for other gases) and, at year end, the mandatory tariffs and bi-monthly equalisation payments on account for natural gas distribution and metering services for 2022 (resolution 620/2021/R/gas).

As recalled above, in view of the conclusion of the first regulatory period (2016-2021) of the WACC, in 2021 the Authority developed the procedure for the review of criteria for determining and updating the WACC, applicable as from 1 January 2022. Two consultation campaigns were conducted (the first through the DCO consultation document 308/2021/R/com, published in July, containing the initial views of the regulator, the second through DCO 488/2021/R/com, published in November, containing the final views of the Authority). At the end of the year the relative decision was approved (resolution 614/2021/ R/com), resulting in a WACC for gas distribution and metering activities of 5.6%. This decision was basically in line with the regulatory model for the previous period, however the Authority made some changes to the previous set-up, such as the elimination of a floor when determining the risk free parameter , and the introduction of bonuses when calculating the rate of return for risk-free activities (taking into greater account the volatile conditions of the current macroeconomic situation), in addition to the country risk bonus and changes to the way the cost of debt is calculated.

For some services there has also been a modest extraordinary update to the parameter expressing sectoral risk (the so-called βasset), with the proposal of a specific window for updating this parameter for all services covered by the WACC update for the second sub-period (i.e. as from 2025); in that period further studies would be conducted on the parameter, distinguishing the various regulated services.

As regards the customary quarterly update of tariff components for Q4 2021, in compliance with the extraordinary measures adopted by the Government with L.D. 130/21 to mitigate the effects of price hikes in the gas and electricity sectors, ARERA cancelled, for the period October-December 2021, for all gas sector users, some additional components for the distribution tariff, pertaining to some general costs (e.g. RE, GS, UG3). These provisions were later confirmed (with further provisions dated 30 December 2021) for the period

January-March 2022, enacting the extraordinary measures of the 2022 Budget Law.

At the end of June a procedure was initiated (resolution 271/2021/R/gas) for the adoption of tariff regulation criteria and methodologies for spending and service objectives (so-called ROSS-base), with reference to one of the objectives of the Strategic Framework 2019-2021 (later confirmed in the Strategic Framework 2022-2025), to be applied to all regulated energy infrastructure services, for determining the recognised cost, based on total spending. As part of this procedure, in the final days of December DCO 615/2021/R/com was published, with which the Authority sought opinions on the logic of the main actions for developing tariff regulation criteria, based on total expenditure and common to the various electricity and gas infrastructure services, so as to move beyond the current "differentiated" approach to the recognition of “capex” and “opex” in the tariff. The Authority also announced further consultation documents in 2022 offering greater details of the specific regulatory solutions proposed, in order to reach a decision by the end of the year, with the initial application of ROSS-base criteria in 2024 for the transmission and distribution of electricity and for gas transport, and at a later time for gas distribution (presumably, for some aspects only, as from 2026).

In July ARERA standardised (with resolution 287/2021/R/gas) criteria for the replacement for regulatory purposes of traditional meters, applying smart meter Directives, in order to reduce the stratification of fixed assets in relation to assets that have been installed for a long time (so-called regulatory FIFO). According to resolution 570/2019/R/gas and RTDG 2020-2025, the Authority also established provisions for the recognition of non-depreciated residual costs (so-called IRMA) for traditional meters, class ≤G6 replaced with smart meters in compliance with the Authority's provisions.

In the later months of the year (resolution 413/2021/R/gas and decision 6/2021 – DIEU), costs recognised for the natural gas metering service for remote-reading and remote-management systems and concentrators for 2019 and procedures for submitting requests for the recognition of these costs for the years 2020, 2021 and 2022 were approved.

During the year the Authority also developed the procedure to comply with the ruling of the Council of State no. 341/2021 and to re-determine, at a constant or decreasing rate, the rate of recovery of productivity ("X-factor"), to be applied to the updating of gas distribution tariffs for years in the period 2014-2016. Following consultations in October (DCO 415/2021/R/gas), it adopted the relative final decision (resolution 559/2021/R/gas), confirming the adoption of a constant-rate X-factor for the period in question.

In December a consultation document was published regarding the ways of applying a cap to the tariff recognition of investments in start-up localities (DCO 539/2021/R/gas). This measure basically confirmed the proposed system, with application in several stages in order to acquire a range of user

types over several years. In 2021 there was however no evidence of the development of the procedure commenced by the Authority in 2020 (resolution 435/2020/R/gas) - which was initially due for completion by the end of 2021 - for the application of provisions contained in art. 114-ter of L.D. 34/2020, for the full tariff coverage of investments in new networks and installations in specific parts of the country.
At the end of December a new procedure (resolution 634/2021/R/gas), to be completed by 31 December 2022, was begun for the definition of graduality criteria to be applied to end customers when moving from the mandatory area tariff, in place for networks connected to the national transport system, to tariff options established for isolated networks (such as those served by fuel tankers). Deadlines were also modified for the approval and publication of provisional reference tariffs (from 31 March to 30 April of the year in question), and for final tariffs (from 28 February to 31 March of the year following the year in question).
Further information on tariffs is set out in section 5.3 "Tariff framework".

Regulation on quality for the gas distribution and metering service

In December 2021 the Authority decided (resolution 596/2021/R/gas) on incentives and penalties for 2018 following a series of checks. Of the 170+ companies taking part in the incentive mechanism, 2i Rete Gas was given the highest incentive among those granted (over 12.5 million euro, of which over 4.7 million for measuring the level of gas odorisation and over 7.8 million for leak reduction). This significant recognition (as in previous years) bears witness to the high technical quality of the company's plant management.
At the end of the year a procedure was initiated (resolution 571/2021/R/com) for the updating of procedures for the Authority's checking of data on the commercial quality of the following services: distribution, metering and sale of gas and electricity (as well as procedures for checking data on the contractual quality of the integrated water service). A corresponding consultation document was later published (DCO 572/2021/R/com), presenting proposals for the removal of some unevenness present today in rules in place for different sectors.

Energy efficiency targets and contribution to obtain energy efficiency certificates (EEC)

With regard to energy efficiency objectives and the corresponding need for obligated parties to obtain EEC (or "white certificates") in June, following the publication of the M.D. of 21 May 2021, the Authority issued decision 6/2021 – DMRT, re-determining data on primary energy saving objectives for 2020, compared with those previously assigned to electricity and natural gas distributors (for the 2i Rete Gas Group a general objective of 341,000 white

certificates was set, including the objective set for the subsidiary - subsequently merged into the parent company - Infrastrutture Distribuzione Gas S.p.A., compared with the previous objective of approx. 815,000 EEC). In November, based on the quantities of electricity and natural gas distributed in 2019 by obligated parties (decision 16/2021 – DMRT), figures were set for primary energy saving objectives for 2021 (with the 2i Rete Gas Group being assigned an overall objective of approx. 118,000 white certificates).
At the beginning of August the amount of the tariff contribution to be given to obligated distributors as part of the EEC mechanism for 2020 was determined (decision 358/2021/R/efr), amounting to 250 €/EEC, with a further unit payment of 10 €/EEC, thus a total of 260 €/EEC for obligated parties).
In response to requests from operators and following summer consultations (DCO 359/2021/R/efr), at the end of November resolution 547/2021/R/efr provided for the extraordinary disbursement, for 2020 only, of a one-off additional component of 7.26 €/EEC, to partially offset additional costs incurred by distributors for the purchase of EEC at very high prices in respect of the sum of expected contribution and extra costs for "virtual" EECs. This took into account the shortage of available certificates (partly due to the reduction of the duration of the year from 12 to 6 months) compared with objectives for 2020 and the quantity needed to request the issue of "virtual" EECs before these objectives were reduced by the M.D. of 21 May 2021, which was issued close to the original conclusion of the mandatory year, then extended to 16 July 2021 (M.D. subject to preliminary opinion 153/2021/I/efr issued by the Authority in April and published after the M.D.).

Smart gas metering regulation

On the subject of smart metering, previous consultations were followed by the Authority promoting further consultations in the summer (DCO 263/2021/R/gas) about the output and performance of the smart gas metering service (pertaining, among other things, to the commissioning of smart meters, frequency of meter data collections, time needed for data to be made available through the SII and compensation to end customers and sellers). The corresponding final measure is expected for 2022 based on observations received from stakeholders during consultations.

Regulation on optimisation of management and innovative uses of gas infrastructure

Consultations were held in June and July (DCO 250/2021/R/gas), further to those already undertaken in 2020 (DCO 39/2020/R/gas), presenting the Authority's final thoughts on pilot projects for optimising the management and innovative use of gas infrastructures (both transport and distribution). The relative decision is expected in 2022.

Access to the gas distribution service and rules pursuant to the network code and gas settlement

With regard to the regulation of physical and economic items of the natural gas balancing service (known as "settlement"), in 2021 additional provisions were approved (resolution 3/2021/R/gas) regarding rules on deviations applied to Balancing Users (UdB) for gas volume allocations further to the final balance, based on withdrawals communicated by distribution companies.

In the latter part of the year some proposals were approved for the updating of the Snam Rete Gas Network Transport Code (resolution 496/2021/R/gas), regarding the outcomes of balancing and adjustment sessions. This had effects on distribution companies as regards the transmission to SII of data on withdrawal to redelivery points in their networks and their correction.

Following consultations in September and October (DCO 386/2021/R/com), the Authority implemented rules regarding the short (two-year) prescription introduced by Law 205/17, defining (with resolution 604/2021/R/com) the ways of offsetting settlement items arising from prescription objections raised by the end customer and the seller.

The Authority undertook further consultations (with DCO 357/2021/R/gas) from August to October concerning the possible introduction of accountability mechanisms for distribution companies regarding volumes covering the difference between quantities introduced to points exiting the transport network connected with distribution networks and withdrawn from end customers connected to them (so-called "delta in-out").

In October procedures for the approval of changes to the standard network Code for the natural gas distribution service (CRDG) that distributors must introduce following the award of service tenders for "Ambiti Territoriali Minimi" (ATEM) were also put in place (resolution 436/2021/R/gas).

Regulations governing transport service

With regard to aspects of interest to the gas distribution sector, the coming into force of the reform of the process for the allocation of capacity to points exiting the gas transport network that feed distribution networks (city gate) was put off (resolution 134/2021/R/gas) by another year (to 01 October 2022) so as to be able to try out, as from 01 October 2021, all information exchanges and practical procedures to ensure the process is a success. Following consultations held from April to June (DCO 167/2021/R/gas), in November the Authority approved (resolution 512/2021/R/gas) the new "Regulation for the metering service in the natural gas transport network" (RMTG). This decision confirmed the general set-up already in place, responsibility for and the perimeter of metering and meter-reading activities. Also defined were minimum and optimal requirements in terms of plant engineering, efficiency and maintenance, service quality levels for metering and meter reading and the amounts that operators must pay if these levels are not attained.

Data exchange among operators and with the Integrated Information System (SII)

To take into account the data that the SII can make directly available (in particular data on gas switching, managed today – unlike in the past - through the SII), the Authority simplified the ways of undertaking retail monitoring, in accordance with the TIMR (Retail Monitoring Integrated Text), updating this text (resolution 191/2021/R/com).

Rules for gas distribution default service

Implementing the M.D. of 27 May 2021, ARERA decided (resolution 290/2021/R/gas) on procedural rules to identify last resort suppliers and default service suppliers for the period 01 October 2021-30 September 2023, confirming the rules adopted for the previous period (for the "natural gas year" 01 October 2020-30 September 2021).

Measures for the implementation of rules governing tenders for the award of gas distribution services

With regard to its own verification procedures, the Authority published decisions on observations regarding the residual industrial value of plants (VIR) and/or tender documentation submitted by contracting authorities for some ATEM tenders (Ancona, Como 3-Cernobbio plant and Nord-Sondrio, Brindisi, Genova 2-Province, Trieste, Piacenza 1-Ovest, Vicenza 2-Nord-Est, Catanzaro-Crotone, Biella, Torino 5-Nord-Est).

Regulation on the safeguarding of end customers and the two-year prescription

At the end of the year, after consultations held from the end of October to mid-November (DCO 457/2021/R/com) as part of the procedure begun with resolution 455/2021/R/com to comply with the rulings of TAR Lombardy of 14 June 2021 nos. 1441, 1444 and 1449, voiding resolution 184/2020/R/com (on safeguarding end customers for the billing of amounts referring to consumption going back more than two years), the Authority amended the provisions (resolution 603/2021/R/com) of the previous resolution 569/2018/R/com, with the distributor obliged to inform the seller, together with metering/adjustment data for consumption referring to more than 2 years ago, any causes that might impede the prescription laid down by primary and general legislation, giving specific indications.

Regulation on the social bonus (electricity, gas and water)

In February the ways of applying the new system for the automatic recognition of gas, electricity and water social bonuses as per L.D. 124/19, in force since 01.01.2021, were approved (resolution 63/2021/R/com), with the application of measures as from 01 June 2021 as regards activities pertaining to the Single Buyer and as from 01 July

2021 for activities to be performed by operators, and with information obligations (quarterly reporting on bonuses granted in the previous period) for distributors in relations with the Single Buyer.
With resolution 257/2021/R/com the Authority made some changes to resolution 63/2021/R/com on the ways of paying percentages of the 2021 bonus already accrued, the frequency of disclosure obligations on the activation and disbursement of social bonuses and other aspects related to the management of bonuses.
Finally, in August ARERA approved (resolution 343/2021/A) proposals put forward by the Single Buyer regarding the "Gas Bonus indirect customers project 2021-2022", for identifying centralised gas supplies for domestic heating for the purpose of recognising the gas social bonus.

Relief measures concerning the earthquakes that occurred in 2016 and 2017

Following the provisions adopted in 2016, 2017, 2018 and 2020, the Authority approved further measures – following consultations in September (DCO 368/2021/R/com) - on electricity, gas and water bill relief for the communities struck by the earthquakes that started in August 2016. This had operational implications for the management of such relief by distributors and sellers (Resolutions 111/2021/R/com, 277/2021/R/com) and 503/2021/R/com).

Checks on operators

As regards checks on operators, the Authority ordered the usual annual campaign of telephone calls (50 checks) and audits of gas distributors concerning compliance with emergency gas interventions, to be completed by 31 July 2022 (resolution 176/2021/E/gas)
The Authority approved (Resolution 227/2021/E/gas) a programme of 2 gas settlement audits with reference to the years 2013-2018 on gas distributors (2i Rete Gas S.p.A. was the subject of one of these inspections, in November).
The Authority also approved (Resolution 90/2021/E/gas) a programme of 5 audits regarding service safety improvements to be carried out by 31 March 2022 with reference to data for 2019. The Authority will audit natural gas distribution companies selected from among those that have not been audited for the purposes of awarding incentives in the last 5 years, considering also their distribution across Italy. In September the Authority approved (resolution 377/2021/E/gas) a further 3 audits regarding service safety improvements, again to be carried out by 31 March 2022, with reference to data for 2019, on the same type of subjects as those specified in resolution 90/2021/E/gas.

5.2 Other significant events and/or aspects

Below are some of the events of greatest interest to the Group during the year:

- Following the filing (resolution 459/202/S/efr) of the penalty procedure started in 2019 against 2i Rete Gas for EEC-based violations regarding its obligations for 2016, in January, with decision 1/2021/efr – DSAI, a new penalty procedure was brought against 2i Rete Gas S.p.A. for EEC-based violations regarding its obligations for 2018. The procedure relates to the communication from GSE regarding the correction of findings on the achievement of energy efficiency objectives by obligated parties for 2018, as a result of which 2i Rete Gas was in default for that year. In this procedure the company has given full details on the circumstances of the aforementioned correction made by GSE, which for the year 2018 resulted in a default of approx. 92,000 EEC (which were than promptly acquired and made available for annulment by 2i Rete Gas). Having heard the company's arguments, with resolution 309/2021/S/efr dated 20 July 2021, the Authority closed the penalty procedure, considering there was no case to answer.
- In March, as the COVID-19 emergency showed no sign of abating, the Authority extended for a further 12 months (resolution 81/2021/R/ com) the measures introduced with resolution 248/2020/R/com to manage guarantees provided by the users of the gas distribution and electricity transport services (in the form of credit ratings) in the event of downgrades due to Covid-19 containment measures.
- In April the Authority (resolution 130/2021/A) published the report on activities performed in the period 2019-20 in the sphere of the "Strategic framework 2019-2021", stressing that the health emergency had prevented plans from being realised, in terms of meeting deadlines and achieving set goals.
- Resolution 334/2021/A, published in September, related to the calculation, for 2021, of the contribution towards the running of the Authority to be made by operators in the electricity and gas sectors (0.31‰ of revenues as per financial statements approved for the year 2020, with an additional contribution corresponding to 0.02‰ of revenues for subjects carrying out one or more tariff-based infrastructural activities).
- In addition to the above, during 2021 the Authority held numerous consultations on issues regarding gas distribution of interest to the company and its subsidiaries, with the publication of documents in regard to which the company made observations and put forward proposals on all the issues it considered relevant.

Provisions and/or other events subsequent to 31 December 2021

After 31 December 2021, resolution 2/2022/A was published by the Authority following hearings and consultations held in November 2021, with the adoption of the Strategic Framework for the period 2022-2025.
In early January 2022 the Authority adopted resolution 3/2022/R/gas, containing urgent provisions regarding the

transport default service and activation of last resort services in view of the rising number of terminations of transport agreements and activation of the relative default service as a result of anomalous wholesale gas prices and the difficulties for distribution users (UdD), as reported by operators, in finding replacement Balancing Users (UdB) within the time frames established by the regulation, for withdrawals from redelivery points previously associated with the UdBs whose transport agreements had been terminated.
Finally, again in January 2022, the Authority issued resolution 13/2022/R/gas, approving proposals for the updating of the Snam Rete Gas Network Code and amendments to the Gas Settlement Integrated Text (TISG). This included the extension of dates for the final publication of the yearly adjustment session for 2020 and the multi-year adjustment session.

5.3 Tariff framework

In 2021 gas distribution and metering tariffs continued to be applied in accordance with the principles introduced with resolution 570/2019/R/gas for the fifth regulatory period (2020-2025). As in the previous regulatory period, distribution and metering tariffs will continue to apply according to the basic principles by which revenue components related to remuneration and depreciation are determined based on the annual update to net invested capital (RAB), considering (net) investments undertaken in the year t-1.

The invested capital of distribution companies continues to be broken down into localised and centralised invested capital. The valuation criterion for localised invested capital in distribution and metering is based essentially on the revised historical cost method, except for new investments in smart meters, whose recognised cost continues to be determined as the weighted average between actual cost and the standard cost set by the Authority, with variable weights over the years of 70% and 30%, respectively, for 2021 tariffs. The valuation criterion for centralised invested capital is based on a parametric method, except for assets regarding remote metering/remote management/concentrator systems, which are valued at effective cost. However, starting with 2018 tariffs, for these assets there is a cap per redelivery point where a smart meter is operational, such cap comprising the cost of capital, depreciation, and the recognition of operating costs.
Under the same resolution, the Authority also completed the regulatory framework concerning the portion of public and private contributions as at 31 December 2011, started with Resolution No. 573/2013/R/gas, envisaging complete amortisation thereof based on a 40-year useful life.
The weighted average cost of capital (WACC) of natural gas distribution and metering operations, the bases for determining and updating said indicator from 1 January 2016 through 31 December 2021, were established with resolution 583/2015/R/com, was set for both services at 6.3% for the years 2020 and

2021 under resolution 570/2020/R/gas. As already mentioned in the paragraph above, on 23 December 2021 the Authority published resolution 614/2021/R/com, defining criteria for determining and updating the WACC for infrastructural regulations of the electricity and gas sectors in the second regulatory period 2022-2027 (PWACC), corresponding to 5.6% for 2022.

With resolution 570/2019/R/gas, the initial levels of operating costs and x-factors for the new regulatory period were set. More specifically, as regards operating costs, the initial level was established on the basis of the separate annual accounts of the Unbundling Financial Statements of operators, broken down by company size and customer density. For 2021 operating costs were adjusted for inflation trends and subjected to an X-factor set in the RTDG, based on the size class of the enterprise (large, medium and small) which for large companies amounted to 3.53% for the distribution service, 0% for metering and 1.57% for sales.

Finally, with regard to the start-up localities affected by resolution 704/2016/R/gas, the Authority confirmed the cap on the recognition of investments starting with the 2018 tariffs, for the fifth regulatory period, however this will apply only to the localities whose first year of service was after 2017. The Authority arranged for testing in several stages, up to the sixth year, to establish whether the cap is exceeded, without prejudice to the correct interpretation and expectation of new Authority provisions regarding new methane gas supplies following the approval of the law converting the "Relaunch" Legislative Decree. Pending the final decision, with consultation document 539/2021/R/gas the Authority illustrated its ideas regarding ways of applying the cap on investments in the multi-stage mechanism and consequent methods for recognising capital costs.

"Definitive" annual reporting on investments for the purposes of determining the net invested capital of distribution and metering (RAB) for 2021 was issued as normal in November by computing capital changes in the previous year.

The Authority will publish the "final" 2021 tariffs including the above-mentioned changes in the first months of 2022, and Cassa per i Servizi Energetici e Ambientali (CSEA) will apply them to the equalisation, which is scheduled to be calculated and settled by the end of 2022.

From a decision-making viewpoint, during 2021 the Authority proceeded with resolution 117/2021/R/gas to determine the "final" benchmark tariffs for gas distribution and metering services for 2020 and with resolution 122/2021/R/gas and 350/2021/R/gas to determine the "provisional" benchmark tariffs for gas distribution and metering services for 2021. With resolution 287/2021/R/gas, the Authority updated provisions on the elimination of traditional metering units, to be replaced, implementing directives, by gas smart meters. With resolution 559/2021/R/gas the Authority approved the amounts to recover non-depreciation pursuant to para. 3 of article 57 of the RTDG. This brought about the recalculation of benchmark tariffs for gas distribution and metering services for the period 2015-2020.

In the same period, on the basis of the relevant resolutions, the tariff components destined to cover the system costs of the gas sector (RE, RS, GS, UG1, UG2, UG3) and the fees for arrears (CMOR) were updated.

In December the Authority published, with resolution 620/2021/R/gas, the "mandatory" tariffs for 2022 for invoicing natural gas distribution and metering services, the amount of the bi-monthly equalisation payments on account, and the tariff options for gas other than natural gas. The same resolution also approved the maximum amount that can be recognised in the tariff for higher costs arising from concession fees (COL) to be paid to municipalities pursuant to art. 46-bis of Italian Legislative Decree 159/2007.

6. Concession development and operation

The delays run up by Contracting Authorities in calling ATEM (Ambito Territoriale Minimo) tenders continued in 2021, despite regulatory intervention as early as 2017 to simplify the tender process. Hoped-for action by the Regions and by the Ministry for Economic Development (today renamed as Ministry for Ecological Transition) failed to materialise during the year.
Nevertheless, the following tenders were called:

- on 3 February, with an open procedure, ATEM La Spezia (approx. 111,000 end customers, value of contract 207.0 million euro for the management of La Spezia and 32 other municipalities);
- on 4 August, with an open procedure, ATEM Genova 2 - Province (approx. 110,000 end customers, value of contract 194.9 million euro for the management of 40 municipalities);
- on 24 December, with an open procedure, ATEM Biella (approx. 61,000 end customers, value of contract 135.8 million euro for the management of 80 municipalities);
- on 27 December, with a closed procedure, ATEM Torino 5 - Nord-Est (approx. 58,000 end customers, value of contract 105.1 million euro for the management of 80 municipalities).

As at 31 December 2021, in relation to the 27 ATEM tenders on the ARERA dashboard, the instrument that gives out information on the findings of the analysis of tender documentation sent by the contracting authorities as set out in article 9(2) of Ministerial Decree 226 of 12 November 2011, the situation was as follows:

- the tenders for which management is under way are : Torino 2 – Turin plant and Valle d'Aosta;
- tenders completed with final award are: Belluno, Milano 1, Napoli 1, Torino 1 and Udine 2;
- there is one previously called tender for which evaluation of the offers submitted is still ongoing by the tender commission: La Spezia;
- there were nine tenders for which ARERA has temporarily deferred the analysis of the tender with a request for additional documentation: Catanzaro-Crotone, Firenze 1-Firenze 2, Genova 1, Lucca, Massa e Carrara, Modena 2, Pordenone, Verona 2 e Vicenza 3;
- there are five tenders for which ARERA has completed the analysis of the tender documentation sent by the contracting authorities and, thus, the related announcements could be published: Forlì e Cesena, Modena 1, Prato, Roma 1 and Venezia 1;
- one tender for which the call was withdrawn by way of "self-defence": Trieste.

The terms for the submission of bids for ATEM Rimini (about 190,000 active users and a contract value in the region of 318 million euro) is still pending, the tender being announced on 28 December 2020 and the deadline for the submission of bids being set at 29 April 2022.

As for so-called “non-ATEM” tenders, during 2021 the procedure for the concession of the LPG distribution service was called, with a natural gas conversion constraint, in the municipality of Zuccarello (SV), on 16 July 2021

6.1 Participation in ATEM tenders

2i Rete Gas S.p.A. submitted a bid for the ATEM La Spezia tender on 27 November 2021. On 1 December 2021 the first public session was held, during which the Contracting Authority verified that the bidders, namely 2i Rete Gas S.p.A. 2i Rete Gas S.p.A., IReti S.p.A. and Italgas Reti S.p.A. had provided appropriate administrative documentation, and were admitted to the next phase.

2i Rete Gas S.p.A. submitted a bid for the ATEM Napoli 1 tender on 26 June 2021; on 2 July 2020 the first public session was held, during which the Contracting Authority verified that both bidders, namely, 2i Rete Gas S.p.A. and Italgas Reti S.p.A. had provided appropriate administrative documentation, and were admitted to the next phase. The second phase, the opening of technical offers, was held in four public meetings (22 September, 29 September, 6 October and 13 October 2020), in which the Committee could verify technical documentation submitted via electronic media (CD-rom) and the hard copy list in the second envelope containing the technical offer. Following the appraisal of technical offers, in the public session held on 29 January 2021 the Committee opened the economic offers submitted by the bidders and compiled a provisional ranking, in which 2i Rete Gas S.p.A. came out on top. Following checks for offer anomalies and statutory checks, Executive Decision no. 20/E of 21 June 2021, received on 23 June 2021, was taken, awarding the tender to 2i Rete Gas S.p.A.
The second ranked bidder, Italgas Reti S.p.A., lodged an appeal on 22 July 2021 with the T.A.R. of Campania - Naples (RG 3201/2021) against the award to 2i Rete Gas S.p.A. and the tender documents. With ruling no. 6744 of 27 October 2021 the T.A.R. court rejected Italgas Reti S.p.A.'s appeal; on 11 November 2021 the latter lodged another appeal, to the Council of State (RG 9517/2021), with an application for the precautionary suspension of the above ruling. 2i Rete Gas S.p.A. cross-appealed the same ruling, and the Council of State, in a closed session on 13 January 2022, set the hearing to debate the appeal and suspension, for 7 April 2022.

With regard to the Udine 2 tender, on 23 December 2019 the first public session was held, during which the Contracting Authority verified that both bidders, namely 2i Rete Gas S.p.A. and AcegasApsAmga S.p.A. had provided appropriate administrative documentation, and were admitted to the next phase. On 31 August 2020 a meeting was held to check the technical offer submitted by 2i Rete Gas S.p.A. At the public session of 21 April 2021, during which the scores assigned to the two technical bids were disclosed and the envelopes containing the financial bids were opened, the final ranking was drawn up, with AcegasApsAmga S.p.A. ranking first. The Tender Committee undertook checks for offer anomalies on the top ranked company, before issuing on 17.09.2021 Executive Decision no. 2021/4703/7 of 16 September 2021 for the final award of the tender to AcegasApsAmga S.p.A.

As regards the ATEM Turin 2 tender, Italgas Reti S.p.A., in its capacity as bidder, appealed against the ARERA decisions containing observations about tender documentation and the non-recognition in the tariff of the residual industrial value of plants (VIR) of the Municipality of Givoletto, which was rejected by the T.A.R. Lombardy - Milan in its ruling no. 467 of 9 March 2020 due to the absence of interest. After being awarded the tender, Italgas Reti contested the actions of the Metropolitan City of Turin and of ARERA for not having required the contracting authority to bring the tender call into line with ARERA's instructions regarding the VIR to be recognised for 2i Rete Gas S.p.A. Following the public hearing held on 7 October 2020, ruling no. 510 of 25 February 2021 was passed by T.A.R. Lombardy - Milan, rejecting Italgas Reti S.p.A.'s appeal. The latter then appealed against this ruling to the Council of State (RG 5219). This appeal will be debated on 10 March 2022.

2i Rete Gas S.p.A., through its subsidiary 2i Rete Gas S.r.l. (company subject to the management and coordination of 2i Rete Gas S.p.A.), submitted a bid on 16 January 2017 for the tender Milano 1 – City and Milan Plant.
Following the announcement of the final award to another distributor (Unareti S.p.A., a company in the A2A group) communicated on 3 September 2018, on 3 October 2018 2i Rete Gas S.r.l. lodged an appeal against the tender documents and the final award, as well as against the refusal of the Contracting Authority to grant full access to the tender documents.
After the T.A.R. of Lombardy-Milan issued order no. 300 on 13 February 2019, initially upholding 2i Rete Gas S.r.l.'s appeal, granting it the chance to fully examine the bid made by the successful bidder, the Council of State passed ruling no. 3936 of 12 June 2019, upholding the appeal of Unareti S.p.A., thus rejecting 2i Rete Gas S.r.l.'s request for full access to the tender documents.
Regarding the appeal against the tender documents and final award to Unareti S.p.A., on 5 December 2019 the T.A.R. Lombardy - Milan passed ruling no. 2598, partially upholding the appeals of both bidders, excluded both Unareti S.p.A. and 2i Rete Gas S.r.l. from the tender and ordered the tender to be repeated. This decision was challenged in an appeal to the Council of State by 2i Rete Gas S.r.l., the Municipality of Milan and Unareti S.p.A. After the public hearing held on 9 July 2020, the Council of State met in chamber and passed ruling no. 5370/2020 dated 7 September 2020, in which it held the

tender called by the Municipality of Milan to be lawful. On 16 February 2021 2i Rete Gas S.r.l. filed an appeal with the Court of Cassation against the decision of the Council of State regarding the Municipality of Milan's rejection of the tender documents.
On 16 December 2021, following the award, the Municipality of Milan signed the service agreement for the management of the ATEM with Unareti S.p.A.

During the course of 2021 the Group continued to draft and transmit to local administrations and/or Contracting Authorities all the documentation required by art. 4 (Disclosure obligations for operators) and art. 5 (Compensation to the outgoing operator) of the M.D. of 226/2011 in order to draft and subsequently issue the call for tenders. This information, should it be necessary, needs to be updated.

6.2 Participation in "non-ATEM" tenders

With regard to the tender called by the Municipality of Zuccarello (SV), 2i Rete Gas S.p.A. did not take part for strategic reasons.

With regard to the concession of the natural gas distribution service in the municipality of Cisliano (MI), which on 31 July 2019, had published the "single" tender notice for the natural gas distribution public service in the municipality, 2iRG filed an appeal with the T.A.R. of Lombardy - Milan. The appeal was upheld in ruling no. 1009/2020 of 8 June 2020, as a result of which the tender documents were rejected. The Municipality of Cisliano lodged an appeal against this decision with the Council of State. In ruling no. 07987/2021 of 30 November 2021, the Council upheld the appeal and reversed the judgement, but without going into the merits of the legitimacy of the single tender.

6.3 Participation in tenders for the acquisition of companies

During the year there was no participation in tenders for the acquisition of public and/or private companies managing the natural gas distribution service.

6.4 Concessions awarded

In 2021 no concessions were awarded through gas distribution tenders.

6.5 Concessions lost

In 2021, no concessions were lost through gas distribution tender awards.

6.6 Acquisition of companies

On 30 April 2021 the acquisition of all the share capital of Infrastrutture Distribuzione Gas S.p.A. (part of the Edison S.p.A. group) was completed. This company operates in the sphere of natural gas distribution in Italy, managing around 2,678 km of networks, serving approximately 152,000 end customers in 5 regions, 13 provinces and 58 municipalities.

The operation was concluded following the authorisation of the AGCM, with decision no. 28622 taken in its meeting of 30 March 2021, closing procedure no. C12360, measures mitigating the potential anti-competitive effects of the operation in question.
2i Rete Gas S.p.A. promptly enacted the above through the procedure for the transfer of the natural gas distribution activities performed in ATEM Roma 4.
Having completed the above procedure, 2i Rete Gas S.p.A. failed to identify any suitable buyer, accordingly within ATEM Roma 4 it will ensure the required conduct in the relative tender as set forth, as an alternative to transfer, in the mentioned Decision.

7. Support for gas transport activities

7.1 Main regulatory changes

As regards gas transport, during 2021 ARERA issued numerous decisions, which are set out and explained in brief in section 5.2.

The processes and related upgrading of the company's information systems pertaining to legislation coming into force in 2021 were successfully implemented.

7.2 Relations with Traders and Customer Care

Commercial quality

The "non-standard" quality index, pursuant to service quality parameters set out by ARERA in resolution 569/2019/R/gas, achieved in 2021 (referring to the Commercial Quality report for week 52/2021) by Group companies was as follows:

A general index of 0.24% (0.05% last year) for specific quality levels.

For general quality levels the overall result was 0.43% (0.33% last year).

These results take into account the services carried out by IDG only from the date of acquisition. However, it should be noted that in 2021 the company only dealt with 1 non-standard service for specific levels and no non-standard service for general quality levels.

The performance in 2021 was affected by a disruption to the Data Center in July caused by a violent weather event.

Major customers

In 2021, the Group continued managing the gas distribution business, undertaking normal commercial relations with its customers (gas sales companies or "traders").

Due to the serious health emergency, there was a rise in the costs of raw materials, and some small- and medium-sized traders faced financial difficulties.

The Group's main customers are Italian companies of high standing in the gas market. Enel Energia was the only customer whose turnover exceeded 10% of the total during the year.

Requirements of the Integrated Information System

In the first half of 2021 regulatory developments continued to expand and update the information and data in the Official Central Register (known locally as RCU) made available to the Integrated Information System (IIS).

In particular, 2i Rete Gas focused on identifying and remedying any misalignments between its database and the RCU, with the aim of minimising the number of misalignments through continuous improvements, in accordance

with recent regulations issued on settlement and metering.
The legislative aim being pursued was to provide the IIS with a complete and accurate database to ensure the appropriate management of all commercial processes, with special reference to network access by selling companies, metering, settlement and social bonuses, based on the principle of shared responsibilities between the IIS and the distributor.
Therefore, the new regulatory system has been in force since 1 January 2020, giving the Single Buyer, rather than the distributor, responsibility for the execution of settlement processes.
In December 2020 the new version of IIS technical specifications was published. These specifications introduced two new types of contract transfer, effective as from 1 June 2021, and explicitly set out that the transferred redelivery point must be likewise reactivated if it had previously been suspended due to arrears.
In accordance with regulations and the publication of resolution 63/2021/R/com, the new gas bonus process was implemented, with applications managed directly by the Integrated Information System and no longer by the S.G.A.T.E. system. This entails changes to logic regarding the admissibility and management of applications and connects procedures between the new and the old system as regards the payment and reporting of the social bonus.

7.3 Gas Invoicing and Balancing

Invoicing of Transport and Services

Ordinary activities for billing transport, commercial and compensation disbursement services were performed regularly on a monthly basis during 2021.
Following the publication of ARERA Resolution 429/2020/com, which extended to 31 December 2020 tariff-related relief to the populations hit by the earthquakes of 2016 and 2017, invoicing was realigned with the recovery of this relief for the 2019-2020 period.
Moreover, processes and related IT tools were upgraded to allow for the application of resolution 111/2021/R/com dated 18 March 2021, which implements regulatory provisions pursuant to Article 17 of Decree Law 183 dated 31 December 2020, as written into law complete with amendments by Law 21 of 26 February 2021, and sets out the extension until 31 December 2021 of tariff-related relief, already envisaged under resolutions 252/2017/R/com and 429/2020/R/com, to users located in "red" zones, in emergency housing solutions (locally known as SAEs) and in emergency rural temporary housing modules (locally known as MAPREs) and to utility connections and supplies relating to uninhabitable properties located in Central Italy, affected by the earthquakes of 2016 and 2017.
The Group defined the necessary measures in relation to the provisions of Resolution 247/2020/R/gas, which redefines the scope of the UG2k component introduced under resolution 32/2019/R/gas.

In relation to ARERA's provisions as per resolution 89/2020/R/gas, as from 01 January 2021 the UG2k component will be applied to all end customers connected to the distribution network.
Its application entails:

- using the redelivery point CA parameter (made available by the IIS under art. 22 of the TISG) to identify the two groups of redelivery points, updating it for each thermal year.
- defining two different contribution rates [c€/Sm3], one for the redelivery points to which UG2k has already been applied, starting from 1 April 2019 (CApdr up to 200,000 Sm3), and the other for the redelivery points to which it has not been applied so far (CApdr over 200,000 Sm3), the precise level of the latter being determined by ARERA resolution 603/2020/R/gas.

With measure no. 99922/2020 of 28 February 2020, the Italian Revenue Agency published the new technical specifications of the xml layout for electronic invoicing.
The new detail codes for specifying the nature of VAT became effective on 1 January 2021, and it is now possible to include social security deductions in the invoice. New types of documents are also available.
Following the publication of resolution 596/2020/R/gas dated 29 December 2020 ARERA updated tariffs for gas distribution and metering services, for 2021. For the first time, the components of the mandatory tariff VR and ST were recorded, albeit for the North-West Area only.

Following the publication of Decision 11 2020 DACU Gas of 29 December 2020, governing the management of the period of transition from the existing system to the new system for automatically recognising social bonuses, in 2021 fewer bonuses were disbursed using the old procedures.
The intention is to stop disbursing bonuses based on the rules of the old system in March 2022.
During 2021 activities and relative IT developments for the new methods of social bonus invoicing introduced by resolution 63/2021/R/com, in force since August 2021, amended by the prescriptions of resolution 396/2021/R/com, were defined.
With domestic and international energy commodity prices rising strongly, and extraordinary measures as set forth in Law Decree 130/2021 to keep prices in check in the gas and electricity sectors being applied, ARERA issued Resolution 396/2021/R/com of 28 September 2021, eliminating for all gas sector users the components RE, RET, GS and GST for the period October-December 2021. An additional component of the social bonus (CCI component) was also introduced, for the same period, supplementing the amounts already determined on a yearly basis for 2021 by Resolution 63/2021/R/com, establishing that:

• the additional gas bonus component be calculated taking into account the gross quarterly increase in expenditure expected between Q3 and Q4 of 2021 for protected customers, and average consumption posted from October to December in each climate zone;

- that payment methods are the same as those set forth in Resolution 63/2021/R/com.

Pursuing the goal of keeping prices in check in the gas and electricity sectors, the component UG3 and UG3T have also been eliminated, further to Resolution 401/2021/R/com del 28 September 2021.

Gas Balances

28 February 2021 saw the completion of the production and provision to national/regional transporters and interconnected distributors of data relating to the so-called "Multi-year Adjustment Session" for 2016-2019.

Under the new regulatory framework – whereby as from 1 January 2020 the Single Buyer, together with the Integrated Information System, is responsible for calculating balancing sessions, as there was no parallel run during the handover between the distributor and the Single Buyer, for the purpose of assessing the results of said sessions, reporting any inconsistencies, and preventing any complaints from network users – 2i Rete Gas continued the calculations in 2021 in accordance with regulatory deadlines.

This made it possible to highlight/anticipate any critical issues emerging during the various sessions conducted by the Single Buyer and to have fruitful and constructive discussions, which also involved the Snam Rete Gas Head of Balancing.

While showing a partial improvement compared to the balancing sessions carried out by the Single Buyer in 2020, the technical and operational issues that emerged in 2020 persisted in 2021. With the aim of resolving the critical issues that have emerged thus far and in an attempt to improve the new process for calculating Monthly Balancing, efforts continued as part of the "Technical discussions between operators and the IIS Manager for the purpose of addressing Settlement activities in the gas sector", started in 2020.

Starting in June and ending in November 2021, the Single Buyer published the different updated versions of findings from the first Yearly Adjustment session for 2020 and operating procedures for possible reports/inconsistencies.

Further to complex checks on aggregate data, the adjustment sessions bore out the difficulties already highlighted for monthly balancing sessions, which involved the entire gas chain.

With the publication of Resolution 496/2021/R/com of 16 November 2021, approving proposed changes to the Snam Rete Gas (hereafter SRG) Network Code, concerning methods for billing economic items further to adjustment sessions and correcting distribution withdrawal data that do not pass consistency checks carried out by the IIC and consequent operating procedures issued by the Head of Balancing in December 2021, ARERA defined procedures for further suitable checks and possible corrections relating to the relationship between players in the gas chain and Transporters.

The Authority took decisions on:

- the approval of the proposed change to the SRG Network Code, which introduces changes to the billing of economic items further to the findings of adjustment and rectifying sessions, if necessary, for withdrawals deemed to be inconsistent with findings of the adjustment session;
- the extension to 28 February 2022 of the deadline for the final publication of findings of the yearly adjustment session for 2020 (due to the problems encountered and the new calculations made by IIS for that session);
- SRG making available to distributors the findings of the balancing and adjustment sessions in accordance with agreed procedures and time frames;

With reference to the payment requested by SRG to rectify withdrawal data, the following was decided:

- to adopt for the first yearly adjustment session carried out in accordance with the new settlement rules (pertaining to 2020) a reduced payment of 50% (charged to the Balancing User ("UdB"), to be applied only to requests for withdrawals that prove to be inconsistent in several aggregation findings made available by IIS;
- that the payment should not apply to the Balancing User that produces certification for itself and for the Distribution User ("UdD") that they have fulfilled obligations asked of them for the success of the adjustment session regarding the withdrawal to be rectified, or certification from the distributor on the actions taken to correct the withdrawal providing that it has acted with due diligence;
- The "UdD" and the distributor are required to transmit these certificates to the "UdB" and attach suitable documentation in support of the declarations made;
- that SRG should define operating procedures for the transmission of certification by the above parties and send to ARERA the documentation and certificates received in order to fulfil its surveillance and sanctioning powers and obligations.

Also to be noted is the issue of resolution 604/2021/R/com of 21 December 2021, implementing the provisions of Law 205/17 on the two-year settlement prescription and on disclosure obligations for distributors.
This decision establishes a mechanism for compensating amounts pertaining to the natural gas wholesale transport and procurement service billed by the requesting distribution user to end customers and not collected due to the two-year prescription.
The compensation mechanism entails the following:

- the CSEA as manager for the Gas and Electricity sectors (receiving compensation requests);
- quantifying compensation, referring to the gas sector, by applying an average value for the cost of the raw material and of variable transport costs, monitoring the consequent effects on the compensation system, considering current price trends in markets;

- communication by CSEA of the amount of compensation to the applicant and the relative payment;
- the definition and consequent application of the distributor accountability mechanism in the gas sector is put off until a later stage, pending further studies.

During 2021, as part of the company's sustainability plan, monitoring and analysis activities continued on the so-called "Δ In-Out", with special reference to cases of significant deviations between the volume injected into and the volume withdrawn from the network, already begun in 2020, and operations continued on the "Δ In-Out pilot project" which, for an initial set of plants, gradually led to the definition of a shared, tracked and repeatable methodology, allowing, through the analysis of available data, field studies, the definition and performance of actions on plants, necessary support initiatives, identification of the origin of Δ In-Out and the preparation of suitable mitigation actions.

The most complex operations already defined will continue in 2022, and the project will be expanded further.

The inspection carried out in accordance with Resolution 227/2021/R/gas of 1 June 2021 regarding the regulation of physical and economic items of the natural gas balancing (settlement) service sought to verify compliance with the provisions in place for:

- the regulation of physical and economic items of the natural gas balancing (settlement) service;
- the correctness of data for settlement purposes;
- the efficiency of metering systems whose data are used for settlement purposes;
- the correct technical operation of the distribution network in relation to parameters of relevance in controlling the Δ In-Out.

7.4 Metering

As the roll-out of the new electronic meters continues, pursuant to Resolution 631/2013/R/gas (which replaced the previous Resolution 155/ARG/gas of 22 October 2008), manual meter readings at the redelivery points that still have traditional meters have significantly declined. As at 31 December 2021, over 85% of the redelivery points operated by the Group transmitted data by smart metering.

With Resolution 185/2020/R/gas, which follows Resolution 271/2019/R/gas and subsequent Resolution 493/2019/R/gas, effective 1 January 2021, the procedure whereby all measurement flows and technical data pertaining to redelivery points are sent to the Integrated Information System, came fully on stream. In this regard, measurements taken following delivery of technical services and periodic measurements concerning withdrawals as of January 2021 will be shared.

Finally, we wish to note the publication of the T.A.R. of Milan ruling, voiding Resolution ARERA 184/2020/com of 26 May 2020, that added to rules governing the two-year prescription. The regulation, in force since 1 January 2020, provided for the repeal of para. 5 of Art. 1 of the 2018 Budget Law, which did not permit exceptions to the prescription if the non- or incorrect measuring of consumption was the ascertained liability of the end customer.

Following this ruling, ARERA issued Resolution 455/2021/R/com of 26 October 2021, initiating the procedure to comply with the TAR Lombardy rulings on the billing of amounts referring to consumption from more than two years ago.

Although TAR Lombardy acknowledged that the preceptive content of ARERA Resolution 184/2020/com was in keeping with amended legislation pursuant to art. 1(295) of the 2020 Budget Law (repealing art. 1(5) of the 2018 Budget Law, which provided for the non-applicability of the short-term prescription if the non- or incorrect measuring of consumption was the ascertained liability of the end customer) and with general principles of the Civil Code on the subject of prescription, and although it believed the claim of unconstitutionality made in judgements against the ARERA Resolution 184/2020/com to be manifestly groundless, it upheld the criticism that ARERA had failed to hold consultations before the measure was adopted, and therefore voided the decision. The TAR also stressed the need for ARERA to define the ways in which distributors should ensure the checking and acquisition of data on actual consumption, in order to safeguard consumers, and to define measures to incentivise self-readings without consumers incurring relative costs.

With this procedure, ARERA thus intends to:

- further to the repeal of art. 1(5) of the 2018 Budget Law, amend the regulatory framework on the question of safeguarding the interests of small-sized end customers in cases of billing amounts referring to consumption going back more than two years;
- providing adequate information to the end customer in those cases in which the seller believes it can bill amounts referring to consumption going back more than 2 years, assuming in such cases, in line with the grounds given by TAR Lombardy, the existence of an impediment to the prescription in accordance with primary, reference legislation (in particular art. 2935 of the Civil Code, which correlates the commencement of the prescription with the possibility of the right being exercised, and art. 2941 of the Civil Code, which provides for the suspension of the prescription between the debtor that has wilfully concealed the existence of the debt and the creditor, until the fraudulent conduct is discovered).

The consultation document DCO 457/2021/R/com dated 26 October 2021 follows up on the above-cited Resolution, and illustrates orientations and ideas to comply with TAR Lombardy rulings regarding the billing of amounts referring to consumption going back more than 2 years.

Finally, the impact on company processes of the coming into force of Resolution 603/2021/R/com of 21 December 2021, reflecting the amendment to resolution 569/2018/R/com regarding the billing of amounts referring to consumption going back more than 2 years following DCO 457/2021/R/com consultations are being assessed.

The disclosure obligations contained in the above resolution have been modified, with the following requirements:

- the obligation for the distributor, as from 1 January 2023, to inform the seller not only of metering/rectifying data referring to consumption going back more than 2 years, using metering flows made available to the Integrated Information System, but also of impediments to the accrual of prescription in accordance with primary and general legislation, and to indicate to the seller, via PEC (certified mail), the regulatory reference deemed to be applicable (in particular, articles 2935 and 2941 of the Civil Code), providing a detailed, precise and exhaustive description of the impediments to prescription, so that the seller is able to provide adequate information to the customer;
- the obligation, in those cases in which the seller believes there is a reason for suspending the prescription, for a specific notice informing the end customer of the reasons for the non-accrual of the prescription, in accordance with reference primary and general legislation based on what the distributor has communicated to the seller.

In view of the time needed to update IIS metering data, ARERA has adopted provisional measures applicable to invoices relating to metering/rectifying data for consumption going back more than 2 years communicated by 31 December 2022 for which the seller does not have the elements needed to identify possible impediments to the accrual of prescription, in particular:

- specific disclosure obligations for the seller towards the end customer;
- the non-submission of amounts liable to prescription for the use of pre-authorised payment methods;
- the obligation for the seller receiving an end customer's prescription exception to promptly inform the distributor and the obligation for the distributor to provide the seller, within 7 working days, with the information it possesses about impediments to upholding the customer's prescription exception, in accordance with primary and general legislation, the applicable regulatory reference and a detailed, precise and exhaustive description of the assumed impediments and related circumstances (if the distributor does not provide such information within the established terms and time frames, it is assumed there are no impediments to the prescription exception);
- the possibility for the seller to autonomously waive the right to credit for amounts relating to consumption going back more than 2 years.

The initiative started in November 2020, aimed at end customers for whom it had not been possible to gain access to their meters for more than 12/18 months in order to collect data, because they owned a traditional meter that could not be accessed. The Group sent further written communications with the aim of establishing contact and arranging an appointment to replace the existing traditional meter with a new electronic one and take the reading at the same time. Once installed and activated, the new electronic meter will allow remote readings, so that it will no longer be necessary to go onto premises to read meters. This continuous acquisition of meter readings will obviate the possibility of the end customer having to pay large amounts should estimates be incorrect over long periods of time. It will also eliminate the possibility of users being able to object to payments referring to periods too far back in time.

7.5 Commercial Development

Commercial development initiatives performed in 2021 are described in the 2021 Non-Financial Disclosure (DNF).
Please consult the paragraph "Promoting gas as a resource for the transition to a cleaner future" in the section "DISTRIBUTING ENERGY FOR A CLEANER FUTURE".

8. Plant construction, environment and safety

8.1 Gas distribution plants

During 2021 a total of approx. 330 km of piping was laid, of which around 140 was medium pressure and 190 low pressure.
In line with past years and with the Company's technological choices, around 97% of the piping laid in the year was in HDPE (high-density polyethylene), which is a technologically advanced material widely used by the main international gas operators and has lower operating and laying costs compared to traditional coated steel.
Indeed, steel networks rolled out in 2021 totalled less than 10 km, and chiefly related to short stretches that were part of existing networks already made of steel. This work arises from needed improvements to maintain levels of service and acquisition of new customers as well as to meet the concession obligations deriving from agreements with the relevant Entities and rationalisation initiatives in relation to plant distribution structures.
The total length of piping managed by 2i Rete Gas at 31 December 2021 was, therefore, over 69,800 km, servicing approx. 2,200 municipalities.
More specifically, the network consists of steel piping (around 77%), HDPE piping (23%), and residual amount (less than 1%) of cast iron pipes.
Further to the acquisition of the company IDG, merged into 2iRG in 2021, the network now includes approx. 100 km of PVC piping with regard to which, in accordance with ARERA regulations on materials that are no longer allowed by law, a removal plan has been drawn up for coming years.
In addition, about 1,280 primary substations are included in the amount. Upstream of the distribution networks which the Group manages, these facilities reduce, measure and odorise the gas from the national transport networks.
On the network there are also over 16,000 secondary reduction groups with a capacity of at least 125 sm3/h used to reduce pressure between the medium- and low-pressure networks, provide direct supplies to large customers and reduce intermediate pressure between medium pressure networks.

8.2 Network and plant design

In 2021 design work for preparing territorial tenders continued and, to this end, work continued on the preparation of documentation for published tenders.

Work continued during the year to settle disputes following the award of the ATEM Naples 1 - City of Naples and Coastal System tender, for which 2i Rete Gas S.p.A. came first in the ranking.
During the year, consistent with the action plans budgeted by local units, a number of projects were also developed, their main purpose being to (i) interconnect existing plants to make their management more efficient or (ii)

deploy new extensions to meet new requests.
Plans were also made to extend the network to new areas not yet served by the gas distribution service, or through natural gas supplies to new municipalities.
Major projects include:

- Methane-conversion project for the Municipality of Poggiomarino (NA) for about 56 km;
- Municipality of Gottolengo (BS), Planned expansion of the section Medole – Castel Goffredo – Casalmoro up to the municipality of Pralboino for about 18 km;
- Municipality of Frattaminore (NA), Methane-conversion project branching off from the Frattamaggiore plant (NA) for about 25 km;
- Municipality of Mesagne (LE), Network project, various routes to be connected to the network already under construction for approx. 8 km;
- Municipality of Locorotondo (BA), Extension of gas network to the localities of Mavugliola and Cuppa for approx. 4 km;
- Municipality of Montefalcone di Val Fortore (BN). Interconnecting plants to mitigate landslide risks for approx. 10 km;
- Municipality of Cerda (PA), Extension of gas network for approx. 15 km (6.5 KM MP + 8.5 KM LP) branching from ALIMINUSA (Alia plant);
- Municipality of Nardò (LE), Completion of methane conversion project for marinas of Nardò for approx. 18 km;
- Municipality of Ruffano (LE), Network project, various routes, for approx. 7 km:

In addition to the above, also worthy of note are projects for the potential injection of biomethane into distribution networks by producers in the Municipalities of Caltanissetta, Surbo (LE), Colle Sannita (BN), Briona (NO), Romentino (NO) and relative connecting networks.

8.3 Service continuity and safety

During the year the Group carried out checks on data concerning service Continuity and Safety processes as set out in Resolution 569/2019/R/gas.
The main monitored parameters relate to services showing the distributor's ability to promptly intervene in potentially dangerous situations (emergency interventions, intervention time), or to organise and carry out preventive checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odorisation, percentage of network with cathodic protection).
In compliance with current ARERA regulations, by March 2022 the Group will publish the data on the 2021 technical standards. This activity is performed by retrieving the data that local units entered directly into the IT systems during the year, verifying whether they are correct and consistent as needed.

In general, in keeping with the experience of previous years, we can already confirm the qualitatively high level of the service in respect of the Regulator's requirements and best market practices.
In terms of constant attention to the safety of plants and end customers, campaigns were undertaken regarding the preventive search for leaks: relating to the planned inspection on the distribution network, about 81% of high and medium pressure piping and over 68% of low pressure piping were covered.
As regards checks on the level of odorisation of the gas distributed, which were carried out in the field in order to provide a complete check on the actual level of odorisation of such gas, data was recorded (around 16,500 gas chromatography tests) well above the minimum value required by ARERA (around 3,500 tests), a sign of the particular attention paid to service safety.

8.4 Smart meters

The installation of smart meters continued in 2021, while the infrastructure for collecting consumption reading data was transferred to the Group company established to concentrate on the data transmission service (2i Rete Dati). This activity is one of the most important for the Group, both from the point of view of innovative and technological content, and in terms of investment. The installation and use of new generation smart meters ensures greater metering accuracy and promptness and the precise recording of actual consumption, while improving the effectiveness of corporate processes.

The Group's targets for 2021 and the obligations set by the Authority were met and indeed exceeded.

In addition to the mass substitution of mass market meters, work continued on improving the efficiency and routine maintenance of installed meters.

8.5 Regulatory oversight

During 2021 the 2i Rete Gas Group again played an active role in regulatory oversight both at a national level, in numerous working groups and committees of the UNI-CIG (Italian Gas Committee), and in Europe.

8.6 Innovation and research

In the second half of 2020 a three-year scientific cooperation agreement was signed by the Politecnico of Milan and 2i Rete Gas, centring on research into the management, development and exploitation of gas distribution technologies and procedures, with special reference to energy transition. Studies continued in 2021, with the involvement of a number of Polytechnic Departments. Activities covered the efficiency of cathode protection and gas preheating processes. There are also plans for 2022 and beyond on the topics of the medium- and long-term compatibility of methane and hydrogen mixtures with current materials used for existing gas distribution plants.

9. Quality, Safety and Environment

9.1 Management of the Integrated Quality, Safety and Environment (QSE) System

Maintenance of 2i Rete Gas S.p.A. Integrated QSE System

The parent company 2i Rete Gas S.p.A. has implemented and maintains an Integrated Management System called "Quality, Health, Safety and Environment" for operations pertaining to:

- the design, construction and installation of natural gas and LPG distribution networks and plants; IAF 28 sector
- natural gas and LPG distribution (operation, maintenance and assistance for natural gas and LPG distribution networks and plants); IAF 26 sector

In May 2021 the activities needed for the three-year renewal of certified systems were performed.
The service contract was awarded to the company Certiquality S.r.l. (body accredited by ACCREDIA for certification, inspection and verification activities and for validating Management Systems).

Controls carried out resulted in a full conformity judgement, confirming compliance with IMS/QSE requirements and no non-conformities in respect of reference regulatory standards.
Renewed certification refers to the following standards:

- Quality Management, UNI EN ISO 9001:2015;
- Environmental Management, UNI EN ISO 14001:2015;
- Health and Safety Management, UNI ISO 45001:2018.

The organisational model implemented to manage Health and Safety possesses the level of efficacy required by Art.6 of Leg. Dec. 231/2001.
Following the three-year renewal, validity was confirmed through 3 June 2024. Surveillance audits are planned for 2022 and 2023 to confirm that the Management Systems are being properly maintained.
To meet the required in-house supervisory requirements, during 2021 the QSE Unit of the Operations Department scheduled inspections (internal audits), the purpose of which was to test-check the management model with reference to the standards expected by the Quality, Safety and Environment management system, as well as implementing planned actions to control relevant risks.
Controls were carried out by a team of internal auditors, all qualified as "Auditors for management systems" according to reference regulations, having passed an examination to demonstrate possession of the necessary technical and methodological knowledge.
All scheduled audits were carried out, with the completion of audits at 8 head-office units, 6 departmental units and all 24 territorial offices. Department structures, with QSE staff auditors, also monitored 18 secondary territorial offices;

The 56 audit visits carried out showed that no Serious Non-Compliance situations existed, and that corrective actions required to keep management aligned with the IMS had been appropriately identified and implemented.

Certification of 2i Rete Gas S.r.l.'s Quality System

The Certification Body was also engaged to conduct the planned audit for the three-year renewal of certification of the quality management system of 2i Rete Gas S.r.l.
In April the Certification Body performed a surveillance audit – once again conducted fully OFF-SITE – in conjunction with North Department and Tradate Area functions. Through a joint effort with the QSE/IMS Unit, they provided the evidence required and necessary to show compliance with the relevant standards.

At this point in time 2i Rete Gas S.r.l. possesses UNI EN ISO 9001:2015 certification, valid up to 13 May 2024.

9.2 Prevention and Protection Service

In 2021 the RADs of Business Units were updated, with special reference to assessments on Noise Risk, Working Alone, Chemical Risk, Electromagnetic Fields, Vibrations and updating or support document number 12, "Biological Agents – COVID 19 DOSSIER". The yearly meetings required by art. 35 of Leg. Dec. 81/08 referring to activities in 2020 were held in June and July 2021 . All Business Units discussed safety-related issues based on the events of the year. The following issues were addressed and discussed at the meetings: the trend in injuries and work-related illnesses; review of the Risk Assessment Document; verification of the suitability and effectiveness of protective equipment; assessment of training programmes; analysis of workplace health monitoring.
During 2021 three assessment and training projects got under way, involving all 2I Rete Gas Group personnel.
The Safe Driving project will see the involvement of around 1,100 staff over three years. The second, called "Project Skills", will involve all staff, and will end in 2022 with specific training initiatives. The third project relates to Assessment of Work-related Stress, and will conclude with the updating of the RAD during 2022.

9.3 Workplace injuries

As for injuries to operational staff, 2021 saw an increase compared with the previous year.
Indeed, in the previous year, 5 "minor" accidents occurred (i.e. injuries with initial diagnosis of under 30 days) with regard to blue collars. In 2021 9 accidents occurred, all "minor". One of these occurred while an employee was on duty, travelling in a company vehicle, which was hit from behind. Injuries related mainly to over-exertion and

awkward movements, slipping/tripping and collisions against solid objects.
As far as white collar workers are concerned, there was one injury, compared with no injuries in 2020 (tripping on stairs to offices).
With regard to "commuting" accidents, blue-collar workers suffered three injuries, compared with no cases in 2020.
White-collar workers suffered 5 commuting accidents in 2021, compared with 3 such accidents in 2020. The number of accidents for 2021 as a whole was 6 more than the previous year due to an increase in injuries to blue collar workers (+4) and white collar workers (+6). Thus there were 18 work-related accidents in 2021, compared with 8 in 2020. This was due above all to the resumption in activities performed by blue collar workers and to the gradual resumption of office staff activity compared with 2020, which had been more affected by the Covid-19 emergency. There were consequent rises in the Lost Day and Accident Frequency rates.

In order to achieve "zero injuries", the QSE structure, in collaboration with the Head of the Prevention and Protection Service, continues auditing workplace safety at the territorial facilities as well as the work sites managed by contractors.
In 2021, due to the health emergency, in-person check-ups in surgeries were supplemented by telephone-based triage, in particular for advice on re-entering work after contracting Covid.
Compared with 2020, when some services were suspended, such as inspections and of work settings, due to the issue of some ministerial decrees/clarifications from the Health Ministry, in 2021, apart from difficulties caused by personnel absences due to illness, healthcare protocols returned to normal and were fully applied, including inspections of work settings. Workplace health monitoring involved 579 middle managers/white collar workers and 544 manual workers.

9.4 Environmental issues

The QSE structure of the parent company's Operating Department constantly monitors material environmental aspects and ensures the company is aligned with changes in environmental regulations.
The Corporate Environmental Analysis, the main document for the assessment of corporate environmental impacts, is in line with the requirements of the new version of UNI EN 14001:2015 and other system documents.
In 2021 the Group continued to remove asbestos from buildings as a preventive action, analysing on-site airborne fibres in collaboration with the Head of the Prevention and Protection Service.
In the context of environmental system indicators, the adoption of the sustainability policy relating to the new regulatory model resulted in a review of set goals, which were divided between parameters to monitor regulatory compliance and objectives for continuous improvement.

In the first case (regulatory compliance), in 2021 checks were carried out on the organisation's ability to monitor environmental aspects linked to the management of the companies' worksites (generation of noise and vibrations, handling of land and rocks/waste/spills), the management of waste produced by the 2i Rete Gas Group, the management of asbestos in buildings in compliance with Law 257/92, as amended, and Regional Regulations, the correct management of the authorisation process for water discharges (Legislative Decree 152/06 as amended), and compliance with Environmental Restrictions in planning and construction stages.
Environmental parameters, introduced as improvement goals and established by the sustainability policy, were in line with expectations for 2021.
The Group's companies handle the non-hazardous and hazardous special waste they generate using processes complying with regulatory provisions, tracking operations by keeping paper-based waste acceptance and deposit records as well as a specific digital application.

9.5 Technical and Commercial Quality, communication of commercial quality data to ARERA

In 2021 the parent company continued to carry out random inspections of Territorial Areas, with the auditing of Authority facilities.
The check aimed to verify the quality of the documents certifying service safety and continuity (management of the emergency service, management of leaks, management of checks on the level of odorisation of the gas distributed) guaranteed during 2020 and the first half of 2021.
The overall assessment, referring to the selected sample, made it possible to issue a low-risk or no-risk opinion on the operations carried out. The proposed corrective or preventive actions, once implemented by the structures concerned, made it possible to further improve the confidence on compliance of audited data.
This activity was also geared towards ensuring that any changes to technical standards in force are constantly reflected in the instructions related to operating procedures monitored by ARERA and used as bid documentation during calls for tenders.
As for Safety and Continuity events, the QSE/IMS unit, working in close collaboration with the Operations Unit and Departments, undertook random inspections in 2021 to determine the compliance of registrations of the commercial quality of the service, carried out on samples selected on the basis of the Province's territory. The results recorded made it possible to certify, with some confidence, a low level of risk related to data non-compliance.

9.6 Coordination of Safety at Worksites

In 2021 the coordination of key site construction safety roles continued, as did monitoring activities aimed at ensuring appropriate management of safety aspects related to core and non-core business operations falling under art. 26 and those in Title IV of Leg. Dec. 81/08, based on corporate instructions and procedures setting out clear guidelines regarding the approach to safety issues at construction sites run by the 2i Rete Gas Group.

Company documents relating to the definition of roles and responsibilities of the figures involved were updated to implement the above.

The document "CSE Guidelines", published in 2020, is designed to provide uniform criteria for the management of specific safety aspects, and is used in concert with "best practices" adopted for given work processes at 2i Rete Gas worksites.

This text is intended to be a practical tool for CSEs who, in addition to performing the activities relating to statutory obligations as set forth in Leg. Dec. 81/08, as amended, may prescribe and enact the same coordination and safety measures for similar situations at all 2i Rete Gas construction sites over the whole country.

As for safety coordination management during the execution of work at worksites, the activities undertaken by internal and external safety coordinators throughout the Group were monitored.

All CSEs use the same company format for reporting site visits (guaranteeing a uniform approach to carrying out controls), suitably integrated with checkpoints for the management of efforts to curb the Covid-19 virus at worksites, applying the Ministerial Protocol and the 2i Rete Gas construction site anti-contagion Safety Protocol updated to come into line with new regulations.

In 2021, the internal and external CSEs drafted a total of 6,105 site visit reports, identifying a total of 1,020 non-conformities (NCs), 401 of which serious. All were remedied through actions carried out by the enterprises as instructed by the CSEs.

In 2021, after suspensions and slowdowns due to the pandemic, the programme of safety cross-checks resumed at construction sites, carried out by in-house CSEs, with the assistance of the QSE/CSC head-office Unit, with the aim of directly checking in the field the MO of internal coordinators and verifying the consistency of operations performed by coordinators for subsidiaries.

In 2021 there was a resumption of Department safety meetings, called by the QSE/CVC unit, with the participation of the main figures responsible for company safety, primarily the Customer, Works Managers and CSEs, in full compliance with the company's anti-Covid rules.

9.7 Checks on Cilento Reti Gas operations

With reference to the commitments undertaken under shareholders' agreements and regulations governing activities underpinning technical, planning and works management operations, the QSE Function of the Operations Department of 2i Rete Gas S.p.A. performs tasks pertaining to quality control and the coordination of material

testing activities carried out by contractors selected by the shareholder Bonatti.
During 2021 the Function coordinated inspection visits on sites in the construction phase. The results of such visits certified work conformity to technical specifications and quantities accounted for.
With regard to the materials supplied, 2i Rete Gas ensured that checks were performed on the supplies required by Bonatti, such checks consisting of production visits or documentary audits on quality certifications and test outcome declarations. All materials that were test-checked were found to comply with expected standards.

10. Human resources

10.1 Company organisation

In line with the works schedule, the third phase of the Job Evaluation Project centring on the analysis of central staff Units was completed.
This resulted in the definition of professional, territorial and staff profiles within the company, providing certain resource/job associations for all personnel and facilitating all processes within the Human Resources Department (e.g. in the areas of training, compensation and development).
Having consolidated the classification of jobs within the company, work was done to identify technical skills to be associated with each professional profile. This was done by interviewing the heads of the various Units and analysing the company's typical work processes, in order to draw up a list of corporate skills and competences. The result is a decalogue of competences, identifying the typical and distinctive skills for each job and highlighting the "points of contact" between figures from different Functions brought together by process "interdependencies", and the sharing of knowledge within the Organisation.
The list of "job skills" will be fundamental for helping the company to draw up a catalogue of effective training courses centring increasingly on the activities performed by personnel.
These activities have meant significant changes to the Job Evaluation information system. This system has been expanded, with a new module dedicated to the computerised management of the census of company processes and the updating of the jobs module, with a section dedicated to the census of worker skills.
From the viewpoint of corporate transactions, the Unit was called upon to manage activities focusing on reorganisation further to the acquisition and merger of the company Infrastrutture Distribuzione Gas S.p.A. By analysing processes and studying documentation on the organisation of the acquired company, the most suitable organisational solutions were found for the synergic integration of human resources and functions in the parent company, in order to create a new reality that is as effective and efficient as possible.
Like in the previous year, 2021 felt the effects of the continuing health emergency and of efforts to combat the spread of the Covid-19 virus.
In 2020 efforts focused on new needs emerging as the pandemic took hold, while in 2021 the company had to adapt to the new, exceptional circumstances. An analysis on the status and ways of managing company processes and activities was conducted by interviewing the various department heads and identifying specific KPIs in order to gauge the impact of new work methods in relation to the company's quality standards. This study, and the more intense collection and analysis of data on different work methods (in-person/remote), by office and organisational

unit, made it possible to pinpoint parameters for evaluating new working methods. The study culminated with a survey on Smart Work experiences administered to all white collar workers.
The information acquired formed the basis for drafting an agreement on smart work, to be applied when the State of Emergency comes to an end.

10.2 Relations with trade unions

In 2021 the acquisition of the company Infrastrutture Distribuzione Gas (IDG) was completed. This extraordinary operation resulted in a series of actions for the merger of IDG in the parent company, a procedure completed in November. The involvement of social parts in consultations and in the negotiating phases was marked by constructive dialogue, allowing the efficient integration of the acquired company's 74 employees.

The results relating to indicators for the 2020 performance bonus were finalised in a report signed by the parties concerned. Employees were given the opportunity to elect to convert the monetary component into benefits/services using a new and innovative company application.
Pursuant to the performance bonus settlement agreement, the percentages (up to 100% of the accrued bonus) and the reasons for converting the performance bonus were expanded to include additional measures, benefits and services. At the same time, the welfare system was strengthened by deploying a new unilateral company initiative relating to "2insieme a Te" credit, with the possibility of increasing spending for the use of services and goods related to 4 Welfare packages (education, health, assistance and wellbeing).
Referring specifically to the family, health, assistance and wellbeing area, employees were given the opportunity to access Welfare Services through credit from the Performance Bonus as well as credit pertaining to the "2insieme a Te" initiative.
With the state of emergency still in place during the year, regular monthly meetings of local Committees continued for the management of measures relating to the Covid-19 emergency, implementing Protocols between the Government and Social Partners of 14 March and 24 April 2020 and 6 April 2021, within single Departments and at the company's Headquarters, involving trade union (RLS/RSU) and company (Employer, Prevention and Protection Officer, Human Resources) representatives.
These Committees discussed actions to take, and confirmed measures already adopted, such as flexible working hours and in/out times, alternation of in-person activity and smart work, monitoring of tools to combat the health emergency and application of relative instructions, such as the Green Pass needed to enter the workplace.

On the welfare front, a specific trade union agreement was also signed for the overall closure of Head Offices on

the eve of bank holidays (24 and 31 December) and in the two central weeks of August (from 9th to 20th of the month). Carrying on long-term "holidays accrued" company programmes, a similar project was re-proposed and rolled out in 2021.
An agreement was reached with trade unions on the question of so-called "solidarity holidays", entailing the waiving of rest days and holidays for solidarity ends.

Discussions were initiated with trade unions for reaching a trial agreement on "smart work", as a flexible organisational tool, to promote a better work-life balance and to manage the post-emergency phase.

Negotiations with social partners also got under way for regulating, within a framework agreement, measures to facilitate the logistical reorganisation of working spaces that can improve on current collective bargaining regulations. Carrying on with the programme from past years, local bargaining continued on the reorganisation of some local offices as a tool for improving and increasing the effectiveness of workspace.

Trade union agreements were signed on training programmes funded by Fondi Paritetici Interprofessionali (Inter-professional State funds) with the aim of fostering and raising the theoretical and practical skills of company personnel.
Towards the end of the year the company's Trade Union and Safety Representatives were elected, in compliance with the Industrial Relations protocol signed in 2019.
The current collective bargaining agreement was formally terminated as part of its renewal procedure, prior to the start of negotiations between trade union and employer delegations.

10.3 Recruitment

At 31 December 2021 the Group had 2,029 employees.

Promoting a project for generational change and raising the professional skills needed to develop the company's strategy, 2i Rete Gas has embarked on a major long-term recruitment plan which, in 2021, led to the hiring of 80 new employees, from external recruitment drives, including a work-training scheme.

The reasons for hiring from outside were diverse, relating partly to the need to replace resources that had left the company, primarily due to retirement. It was also necessary to fill positions that had become vacant as a result of the job posting process or internal job rotation. The new positions were also partly required to address maternity leaves and staffing requirements.
The recruitment plan mainly met the need to reinforce local technical and operational structures and, to a lesser extent, to consolidate head office structures, such as Procurement and Services, Engineering, Administration, Finance and Control.
As regards the internal job posting process, 27 recruiting procedures were

started in 2021 for as many vacancies, with 34 applications received and 7 selection processes completed.
With the Covid-19 emergency not at an end, almost all selection processes were completed in 2021, without delays, thanks to videoconferencing platforms for the various interviews with applicants.

10.4 Training and development

Training is a strategic factor for the Group, and plays a key role in driving development and generating value. It is an integrated system consisting of different routes, methods and innovative approaches aimed at developing and raising the skills and capabilities of all employees. There is a wide variety of training tools and contents, inspired by best practices on the market and the experiences of people already working in the company.
A number of training initiatives were developed in 2021, focusing on managerial and specialist themes (including language and IT skills), as well as on technical and safety themes.

Managerial training: training projects seek to develop soft skills and reinforce specific individual capabilities of Persons involved in the growth of roles and/or the organisation, to encourage ever higher objectives for personal and professional growth. In the managerial area, courses related mainly to Project Management, Team Working (Working together to form a network), Problem Solving & Time Management.
Employees were involved in ad hoc programmes to bridge the gaps identified in the analysis of training needs emerging from 2020 performance assessments.
In the first half of 2021 the performance evaluation process was completed, aiding the persons responsible for User Management and CMI who, as already mentioned, had the chance to assess their team members, with the assistance of their Head. 2i Rete Gas extended the performance assessment process, with Heads not only evaluating results but also individual behaviour, encouraging employees to be inspired by the company's values. The evaluation process is structured to allow an improved and shared awareness about company goals, performance levels and expected results, and to discover the room for improvement regarding individual competencies, further training needs and job rotation opportunities, also in other fields.
The Training Course for Key People was held towards the end of the year. The course dealt with topical themes such as emotional intelligence, learning agility, leadership styles and effective communication in the digitalisation age.

Technical training: to develop technical and operational skills, with participation in external courses, events and conferences, and internal courses given by specific groups of employees with experience, to raise skills and foster the contamination of ideas. It included tools and methods for operational improvements, technological updating and constant awareness of regulatory changes.

Projects included First Aid for newly hired employees and the completion of training on new operational functions.

A new E-Learning course was introduced on "First Aid and classification of airborne fibres" for the staff of external enterprises and territorial areas of the Group. The course was given to 515 workers of external enterprises and 363 local area colleagues, making up over 10,000 training hours.

In 2021 approx. 230 qualified employees, in compliance with standard UNI PDR 11632 and 39:2018, were given refresher training out of the approx. 1,000 qualified workers. The 30 hour refresher course is given in the 5 years after qualifying, enabling the individual worker to renew the qualification. Based on the number of qualified workers in the company, this course should be given to around 200 workers every year.

In 2021 the training course for "Testers", specially created by a working group made up of some colleagues from departments able to present best practices regarding the process, was completed. This made it possible to achieve the goal of harmonising methods and conduct at a national level.

In 2021 about 14 classroom-based and distance training sessions were organised, involving around 90 colleagues, on the handling and maintenance of Tartarini equipment installed in units and substations throughout the country.

Again in 2021 about 40 new "Polyethylene Welding Coordinators" were trained, in addition to the re-training of already qualified "Polyethylene Welding Coordinators" and "Steel Welders".

Finally, about 170 company workers were given training on the "SIR Mapping" application, while 60 colleagues were taught about the AUTOCAD (basic and advanced) programme. These courses set out to raise the mapping skills of departments and handle the growing demands for plans/maps from external organisations.

Specialist/IT/Language training: includes activities to acquire, maintain and develop specialist knowledge belonging to one's professional family and business area

A virtual course, Ethical Policy in Business, was organised. This training is one of the goals of the sustainability plan approved by the Board of Directors in its meeting of 14 May 2021. The Plan seeks to develop specific training courses on business ethics for certain company figures. The course lasted 2 hours, taught by members of the Legal, Procurement and Human Resources departments.

A new Business Intelligence Tool for SAP BW, called ANALYSIS FOR EXCEL, has made it necessary to update specific analysis skills. This first training course involved around 110 colleagues in a pilot course that will be extended in 2022 to all users of the SAP BW system.

Welfare Training: training sessions in webinar mode were organised to enable personnel to be fully informed about benefits on offer and the relative advantages.

With regard to courses on IT applications, an Excel course was given, and a course on the Qlik Sense application, begun in 2020, continued for around 30 colleagues towards the end of 2021, with new Basic and Advanced sessions planned for 2022.

Quality and Safety: training courses were organised on Decree 81/08 to maintain staff awareness about this topic.
In collaboration with Quality Safety Environment and Prevention and Protection Services, refresher training was organised in the sphere of safety, in particular first aid, firefighting (medium risk) and road signage in the presence of vehicular traffic. Preparatory courses were organised for newly qualified workers such as Internal Auditors of Quality, Health and Safety Management Systems. In addition, training was organised for experienced workers recognised by the company as suitable for doing work on live parts or parts that are momentarily powered off.
With regard to the management of access to the company's premises during the pandemic, about 180 colleagues were trained as Green Pass controllers.
With regard to the e-learning general and specialist course on Health and Safety and on Legislative Decree 231/01, all company workers received relative training.

Corporate climate

Throughout the year the Group continued its efforts to coordinate an effective internal network of information flows, continuing to communicate to employees in a timely manner all news and decisions related to the Covid-19 emergency.

In addition to Newsletters with fresh news and indications, it continued to stimulate consultations on the company's Intranet, where all information related to the various Prime Minister's Decrees (DPCM) and guidelines on conduct to be able to work in safety during the pandemic, as well as updates related to smart work and flexitime, were collected and made available.

As smart work was kept on, it was not possible to organise the usual annual meetings marked by the motto “Noi2i facciamo rete”, designed to reinforce our corporate identity. The use of online collaboration tools, with modern videoconferencing tools, continued to be encouraged, especially as a way of staying in touch with colleagues, promoting the exchange of mutual knowledge, trying to overcome distance limitations and the complexities of the territorial organisation.

This complex situation did not prevent us from achieving our goals, colleagues collaborating more closely and better relations forged between managers and their collaborators. In this regard, 2021 also saw the organisation of a series of "virtual room" meetings, with many people taking an active part in committees to manage the health emergency, in projects to share and harmonise operating methods, raising efficiency and simplifying processes and work practices, with the consolidation of positive interpersonal relationships. Working groups were more aware and proud of being part of the same professional network, where the exchange of management experiences and knowledge can only be good for all. A series of staff alignment meetings were organised in individual units and departments on the subject of company trends and results, in respect of budget objectives.

With no end to the pandemic situation in sight, attempts were also made to organise programmes/projects and initiatives to involve employees, guiding our people to grow professionally and feel more and more a part of 2i Rete Gas.

The People Survey tool was introduced on a series of topics, as a tool to listen to people and give employees the opportunity to express and share their opinions and provide useful feedback. This is useful for measuring the progress and efficacy of actions put in place and identifying new initiatives to improve the company.

In early July, in collaboration with ADAPT, a non-profit association founded by Marco Biagi in the year 2000 to promote, from an international and comparative perspective, studies and job searches, colleagues were asked to fill out a questionnaire aimed at understanding the various aspects of smart work, pointing out any strengths and weaknesses.

Another important initiative begun in October was the new survey, via an (anonymous) questionnaire, relating to work-related stress.
This year's initiative follows the survey conducted in 2018 and, at the same time, is included in the lines of action contained in the Group's Sustainability Plan, with the aim of updating assessments and monitoring the effectiveness of action plans put in place over the last three years, as well as proposing new solutions to make working activity more sustainable, protecting the health of all workers and ensuring a continuous improvement in safety conditions.
With regard to the importance of the sustainability policy and relative plan, a specific communication campaign was launched aimed at making the entire company universe aware of the principles, targets and lines of priority actions that the Group has identified to help achieve a more sustainable future.
A series of briefings and training notes were issued, and in early November a questionnaire related to the topic was sent, for collecting opinions on the Group's sustainability commitments.
On the company's Intranet, in the section "Our company", everything concerning the group's Sustainability Plan and Policy can be viewed.

Finally, in 2021 another new project related to the revamping of the portal FOUR (Front Office Unico della Rete system), which will undergo a major facelift in 2022.

Employees will be personally involved in this renewal process. As a side initiative to the technical and information project, a prize competition was launched dedicated to colleagues who, through a dedicated platform - Service Now - will be able to take part in the contest and propose a new name for the portal. Winners will receive high-tech prizes.

10.5 Staff Administration

In 2021 the following initiatives were undertaken:

The Working Time Solidarity Bank

The company decided to implement the provision set forth in art. 24 of Legislative Decree 151/2015 in compliance with art. 10 of Legislative Decree 66/2003. To this end, after having taken compulsory annual holidays, employees will be allowed to gift any excess holidays they may have to colleagues who find themselves with the problem of looking after children and/or spouse and/or cohabitant, who for health reasons require constant care.

After carrying out a preliminary analysis on the administrative feasibility of the working time bank, the project was rolled out, concluding with the necessary changes to the management and payroll systems. On 30 November 2021 test and rollout activities ended positively.

The Working Time Solidarity Bank was launched in January 2022.

Document Dematerialisation - Expense Reimbursements

With the project concluded, the new procedure was defined, along with the objectives aimed at consolidating the set goals of environmental sustainability, business efficiency and transparency, such as:

- dematerialisation of evidence needed to certify the use of personally owned cars;
- detailed reporting. A management tool was devised to allow individual travel/expense items to be analysed;
- automatic calculation of travel if allowance only or lump sum are applicable.

The new functions, linked to the dematerialisation project, were implemented and communicated to staff on 1 October 2021.

Gas Fund extraordinary contribution

In June 2021 the National Social Security Institute (INPS) notified the basic criteria whereby it will calculate the extraordinary contribution to cover expenses relating to supplementary pension benefits for the years 2015 to 2020 following cancellation of the Gas Fund pursuant to Legislative Decree no. 78/2015.

The Social Security Institute asked companies to verify by 15 September 2021 the data contained in the files transmitted by the same institute.
The company undertook the required checks and sent the documents within the given deadlines.
The company is awaiting the INPS communication on the amount of the extraordinary contribution to be paid by the company.

11. IT systems

In 2021 IT commitment focused mainly on design projects, with the upgrading and optimisation of the application architecture, the evolution of the Group's activities, actions in support of smart work and the introduction of digitalisation, new Cybersecurity solutions and extraordinary actions in response to the events affecting the company's primary Data Center.
Activities in support of new operating methods deriving from the introduction of smart work and digitalisation made it possible to improve the adoption of collaborative tools and the management of spaces to make staff activities more efficient both when they are present and when working remotely, ensuring compliance with current regulations.
An important commitment concerns initiatives to support the group's corporate evolution, in particular, the integration in the company's systems of the company Infrastrutture Distribuzione Gas. This activity was completed in November, with operational planning synergies to be enabled in 2022. In addition, in the first half of the year operational and control processes of the company 2i Rete Dati S.r.l were put into place, and this company was given the network assets RF WM-Bus 169 MHz for the end-to-end management of Data Concentrators. Finally, the necessary actions were taken to manage the introduction of biomethane supplies in the main processes of plant construction, maintenance, management and metering.
During the year, the Cyber Security programme launched in late 2020 was completed, making it possible to carry out an in-depth Risk Assessment, verifying and validating the level of resilience to Cyber Attacks on both central and distributed systems, and on the IoT infrastructure, identifying areas where further action is needed, with a special focus on field systems. As part of the programme, a comprehensive classification of all sensitive business data was carried out in order to allow the extensive implementation of Data Loss Prevention tools. A pilot trial was conducted for some business processes and structures. The programme also included a review of the Business Impact Analysis (BIA), aimed at determining the impact of potential events that might cause the interruption of production or service provision, with consequent effects on Disaster Recovery processes and infrastructures.
A major initiative was launched with a view to achieving Service Quality and Operational Efficiency: the programme to revamp the Commercial Network Front Office system. This entails technological upgrades and the adoption of

modern paradigms and rapid development technologies, as well as a review of relative processes. The upgrading of the commercial network Front Office is the first of a series of initiatives during a three-year period to upgrade the technologies of SAP platforms, create a new IoT platform for the management of field devices (the feasibility study of which was completed during the year) and the review of management systems for assets, maps and metering treatment systems. It is hoped this will have a positive rebound in terms of better performance, reliability, time to market and integration inside and outside the application map.

In the second half of the year (8 July) an extraordinary atmospheric event occurred that affected the main Data Center in Rozzano (MI), making it necessary to activate Disaster Recovery procedures. This required a significant commitment on the part of all structures to enable business processes to continue and avoid service interruptions. Subsequent investments were then undertaken and additional activities were performed to restore the Server Farm on the Rozzano Data Center and reactivate the service. The event as a whole partially impacted on some initiatives, although it did not prevent us from completing a major plan of interventions on applications and infrastructures.

Just as in recent years, considerable commitment was needed to ensure regulatory compliance, in light of standardisation and regulation changes and, in particular, changes in the field of metering, balancing and relations with sellers, support for the structured and integrated management of metrological checks on meters above the G6 class, and the management of the new process for handling gas relief applications ("gas social bonus").

To raise Operational Efficiency, actions were carried out in the field of Smart Meters, with the aim of greater control and efficiency regarding the remote reading and remote management of smart meters for achieving regulatory commissioning objectives; Management and Maintenance of plants, with the aim of optimising operational management of the Workforce Management system, for the monitoring of processes and systems, with the aim of minimising anomalies and compensation by identifying and implementing functions for greater reliability and performance of systems for the provision of services and works; in the area of Asset Management, with the aim of better integration with contractors for the execution of works through functions that allow external companies to acquire and manage technical information on works performed in digital format.

Technological upgrades carried on throughout the year, with the revamping of the telephone platform used for Emergency Services, the updating of Data Center infrastructures, in particular the creation of a further development and testing landscape, and the start of works to update the Disaster Recovery infrastructure, in line with

the findings of the Business Impact Analysis (BIA).
Finally, to improve control over management processes for an ever-growing number of IT and OT assets, the IT Asset Management Review (ITAM) project was launched, to review processes and operating instructions and allow a more structured and efficient management of corporate IT assets in the distributed field (e.g. workstations and SIM) and in central structures (e.g. Datacenter and licences).

12. Research and development

Research and development activities were carried out mainly in the IT field and on the smart metering management system.

During the year a new algorithm was implemented for validating consumption in order to automate remote reading procedures and predict meter malfunctions.
In terms of innovation, new digital solutions and new algorithmic features were introduced in support of reporting activities in the field, including the optimisation of meter batteries and the introduction of NB-IoT (Narrow-Band-Internet of Things), a new communication technology for the point-to-point smart meter.

In 2021 the placement of "Sirio" systems continued, the in-house solution studied to automate control of the odorisation rate through remote feedback governed by a neural network.

13. Risk management

This section concerning Enterprise Risk Management describes the main operational risks characterising the sector in which the Group operates. For liquidity, credit and market risks, reference should be made to the relevant section in the notes to the separate and consolidated financial statements.

13.1 Operational risks

Operating natural gas distribution networks entails the risks of malfunction or unanticipated interruption of the service, due to factors that are not under the Group's control, such as accidents, breakdowns or malfunctions of equipment or control systems, underperformance of the plants, and extraordinary events such as explosions, fires, earthquakes, landslides, and other natural disasters. These events can result in service disruption, significant damage to people or property as well as the environment, and/or economic and social turmoil.

Any service disruptions, underperformance, or inadequacy of the Group structures and/or the consequent obligations to provide compensation could result in a drop in revenue, an increase in costs, and/or regulatory actions.

To prevent these risks, and specifically the risk of natural events damaging the networks, the Group has taken out insurance policies that are considered adequate for the damage that could be incurred or caused.

The installation of so-called smart meters and infrastructures for the collection of data on consumption pursuant to ARERA Resolution 155/2008 is one of the Group's most important projects in terms of innovative technology and investment levels.

The installation and use of new generation smart meters ensures greater accuracy and promptness in metering and prompt recording of actual consumption, while improving the effectiveness of corporate processes.

There is the risk however that the Group might be obliged to bear maintenance or replacement costs sooner than anticipated in its strategic plans and not covered by tariffs, since smart meter technology and their supply market have only been created recently, and no historic data exist as to the duration of such meters or their technology. The ongoing smart meter implementation plan might also result in an increase in operating costs for the new meters, which in turn might raise technical and operational difficulties during their actual life cycle.

13.2 Risks linked to the development of the legal and regulatory context

The Group might be exposed to risks related to changes in the tariffs for regulated natural gas distribution activities. A change in the regulatory variables or in the method used for regulation – including, but not limited to, how the contributions received to develop the network and infrastructure are included in the tariff in each regulated period – might for example impact the tariffs applicable to the Group's business, with negative repercussions on revenues and margins.
The regulatory period has a six-year duration, and the WACC (*Weighted Average Cost of Capital*) is reviewed every three years.

13.3 Risks pertaining to gas distribution service tenders

The Group's ability to perform its business activity depends on the gas distribution concessions granted by local Italian authorities.
While the Group is in a sound state in terms of market position and financial standing, there are no guarantees that it will be able to retain or renew concessions for the areas in which it operates, or obtain new concessions. Even if it is awarded new or renewed concessions, there is no guarantee that the Group will benefit from conditions that are generally equal to or better than existing ones (combination of payments and planned investments). The results of future tenders may give rise to legal disputes among concession holders, and even between the Group's gas distribution companies and other parties such as business operators and municipalities, in view of the complexity of regulations governing the new tender procedure.
In recent years however the Group has carefully studied and prepared its development strategy, and has all the financial resources and know-how at its disposal to face up to this challenge.

13.4 Risks deriving from any likely reduction in natural gas consumption

Though the regulated income of the Group's operating companies does not directly depend on distribution volumes, in regard to which the Group has not incurred any risks insofar as the volumes of demand, a prolonged economic crisis or other external event that may lead to reduced customers served and/or customers gas consumption levels could give rise to government and/or regulatory interventions and changes to the regulatory framework, which could impact negatively on the Group.
In relation to the climate change objectives set out in 2015 at the Paris Conference between the Parties to the United Nations Framework Convention (UNFCCC) and to the further targets set at the EU level for a progressive decarbonisation of energy, the energy industry could, in the medium/long term, evolve towards new scenarios and arrangements where the role of gas in end uses could change as compared to today. In such scenarios, the number of customers served and the demand

for gas could decrease, which could result in a lower use of the underlying infrastructures, with the risk of ending up with "stranded assets", i.e. capabilities that are not fully used during their entire amortisation period. On the other hand, the prospect of using existing infrastructures for the injection and transport of renewable gas (e.g. biomethane, synthetic methane from renewable sources or hydrogen) can contribute to the achievement of decarbonisation objectives, facilitating integration between different energy sectors (sector coupling), in particular between the electricity and gas sectors, while mitigating the risk of stranded assets.

With a view to interdependence between the gas and electricity sectors, gas infrastructures could indeed prove to play a major role in helping to produce greater quantities of energy from renewable electrical sources, offsetting their intermittence and variability by relying on storage mechanisms, thereby making a significant contribution to system flexibility.

13.5 Environmental and safety risks

Operating and maintaining gas distribution networks is potentially dangerous and could cause damage to third parties and/or Group employees. The Group is subject to Italian and European Union laws and regulations that govern health and safety to protect the general public and employees.

As part of its operations, the Group uses potentially hazardous products and sub-products, and the worksites in which it operates are subject to laws and regulations (including zoning laws) regarding pollution, environmental protection and the use and disposal of hazardous substances and waste.

These laws and regulations expose the Group to costs and liabilities associated with its operations and plants, including the question of waste disposal.

The costs for any future environmental remediation obligations involve uncertainty as to the extent of the contamination, the appropriate corrective actions and the Group's liability – which are often hard to estimate.

To mitigate this risk, in addition to specific compliance procedures and a constant monitoring of the main environmental parameters managed, the Group has taken out specific insurance policies covering both the cost of containing potential contamination as well as of the relevant restoration further to damage caused.

13.6 Risks pertaining to energy transition

With regard to the possible decarbonisation of the energy system to combat climate change, it is possible in the very long term that some components of aggregate demand for natural gas might gradually be replaced for final uses by other energy sources (including so-called green gas) when pursuing decarbonisation goals. The long-term

likelihood of a reduction in final uses of gas might therefore lead to a reduction in the use of natural gas distribution infrastructures, with the risk of having so-called "stranded assets" (infrastructures funded by the system that are used for an insufficient period of time for the investment to be repaid). With regard to unrecoverable assets in reference to the possible decline in the use of natural gas for final uses supplied by distribution networks, ARERA has indicated the possibility of considering briefer pay-back periods for any infrastructures that may be affected.
In this regard, the Group is working on the transformation of its networks into digital infrastructures, in order to assess the technical and commercial feasibility of the distribution of gases other than methane, e.g. hydrogen and biomethane, and contribute to the development of power-to-gas technology, producing gases that can be used in existing networks through renewable energy conversion and storage systems and energy efficiency projects.

13.7 Risks related to the supply chain

The Group might be subject to risks of procurement difficulties in the supply chain that might make it difficult to continue operations on the distribution network as planned, or the risk of rising prices of the materials used in the performance of its business.

To this end, the Group operates, where possible, with mechanisms for the procurement and storage of materials that are essential for the continuation of activities in order to maintain sufficient stocks and ensure operations. In addition, tenders for the procurement of materials can also be carried out at a European level, therefore they are open to a multiplicity of operators (providing they comply with admission requirements for the Group's suppliers list).

The current tariff system also requires, albeit with long-term deadlines, the recognition of expenditure in order to maintain, manage, improve and innovate the gas distribution network.

14. Main features of the risk management and internal control systems in relation to financial disclosure

This section of the Report describes the main features of the Group's *Corporate Governance*, thus discharging the specific disclosure obligations envisaged pursuant to art. 123 bis of Leg. Dec. 58/1998 – Consolidated Law on Finance (Report on corporate governance and shareholding structure) regarding the information required by paragraph 2, letter b).

14.1 Background

The Internal Control System adopted, in its broadest sense, is defined as a process undertaken by the company's Board of Directors, by Executives and by other people in the corporate structure, the purpose of which is to provide a reasonable guarantee concerning the achievement of all the corporate objectives, whether strategic, operational or in terms of legislative/regulatory *compliance*.
Specifically, the Internal Control System aims to provide reasonable assurance that the Company:

- respects the laws, regulations and internal procedures;
- safeguards the Company's assets;
- provides reliable accounting and operational information;
- applies criteria of efficiency and effectiveness in the activities it undertakes.

The Internal Control System, in relation to the financial disclosure process, aims to identify and assess the actions or events whose occurrence or non-occurrence may jeopardise, in full or in part, the achievement of the objectives of trustworthiness, accuracy, reliability and timeliness of the above-mentioned disclosure.

In general reference to the whole Internal Control System and, in particular, to the Parent Company's financial disclosure, the Board of Directors defines the guidelines so that the Company:

- adopts an Internal Control System which refers directly to the models envisaged by relevant international best practice (i.e. the "Co.SO Report");
- the strategic, operational and legislative compliance risks of the Company and of the Group are adequately measured, monitored, managed and assessed through a suitable and structured risk analysis method;
- the organisational, methodological and operating conditions are created to ensure the adequacy, effectiveness and actual operation of the Internal Control System based on the approval of the Audit Plan and verification of the audit work undertaken by the Audit Bodies.

14.2 The bodies supporting the Board of Directors operating with a view to financial disclosure

To ensure that the foregoing actions can be acted upon in practical terms, the Board of Directors interacts with various in-house Control Bodies, such as the Board of Statutory Auditors, the Supervisory Body pursuant to Legislative Decree 231/2001, the Auditing Company and the Internal Auditing function, ensuring that they are vested with such powers and means as necessary for the discharge of their respective functions and duties.

Board of Statutory Auditors

The Board of Statutory Auditors carries out the supervisory and control functions envisaged by the Italian Civil Code. Since the parent company is a "Public Interest Entity", on the basis of Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also acts as "internal control and audit committee", with duties to oversee:

a) the financial disclosure process;

b) the effectiveness of the internal control, audit (if applicable) and risk management systems;

c) auditing of the annual accounts and consolidated accounts;

d) the independence of the statutory auditor or of the independent auditors, in particular as regards the provision of non-audit services to the body whose accounts must be audited.

Supervisory Body and Organisational Model under Legislative Decree 231/2001.

The Organisational Model is organised in the following terms:

i. the General part, which describes, after a brief legal introduction to the contents of Legislative Decree 231/2001 and to so-called crimes eligible for administrative liability, the aims of the Model, its structure, recipients, the changes and additions adopted, the Company's institutional and organisational arrangements (including a detailed description of the company structure and identification of the services provided by third-party companies), the Code of Ethics, the powers and functions of the Supervisory Body, included in the regulation of the body itself, the information flows to it, the processes for training and informing staff, as well as the disciplinary system;

ii. the Special parts, which are divided depending on the categories of eligible offences considered therein. Specifically, the breakdown of each Special part is as follows: description of the aims of the Special part, identification of the types of relevant offence, list of the potentially sensitive processes connected to the specific types of offence, general principles of conduct and implementation, specific procedural principles, powers of the Supervisory Body and flows from the heads/contact persons to the Body itself. With particular reference to the "information flows" to the Supervisory Body, which the latter needs to effectively undertake its control and consultancy work, also guaranteeing the complete traceability of the analyses undertaken on the key aspects, the aforementioned Model defines:

- the contents of the information flows to be provided by the 231 Organisational Model heads/contact persons to the Supervisory Body;
- envisaged reporting by the managers/contact persons, three times a year.

On 22 April 2021 the Board of Directors appointed the new Supervisory Body as the collective body responsible for overseeing the operation and compliance with the Organisation, Management and Control Model adopted, as well as its update, consisting respectively of:

- Avv. Daniela Mainini, Chairwoman of the S.B.;
- Dott.ssa Giovanna Conca and
- Avv. Maria Cristina Fortunati, Head of the Legal and Corporate Affairs Department, under the General Affairs Directorate of the Company.

The Supervisory Body is called upon to exercise the following activities or functions:

- supervision of the operation of and compliance with the adopted Organisational Model;
- verification of the actual suitability and adequacy of the Organisational Model adopted, in other words its ability to prevent the committing of offences potentially eligible for the Company's administrative liability pursuant to Italian Legislative Decree 231/2001;
- monitoring activity on the effective implementation of the Organisational Model, pursuant to art. 7(4)(a) of Legislative Decree 231/2001, understood as the prolonged correspondence of this document to institutional and organisational arrangements, as well as to the core business;
- consultancy aimed at updating, integrating or changing the Organisational Model and the Code of Ethics adopted, on the basis of regulatory changes or new corporate needs;
- collection, examination and maintenance of all the information flows received or sent. In this regard, the Supervisory Body examines the reports sent every four months by the heads/contact persons pursuant to the Model, including the central Administration, Finance and Control Department.

Independent Auditors

On 29 April 2015 the Shareholders' Meeting of 2i Rete Gas S.p.A. appointed PricewaterhouseCoopers S.p.A. as its

Independent Auditors for the years 2015-2023.
As set forth in art. 11 of Regulation (EU) no. 537/2014, the Independent Auditors will submit to the Board of Statutory Auditors, in its role as the "internal control and auditing committee", a report on fundamental issues arising during the audit and, in particular, on the significant failings found in the Internal Control System with reference to the financial disclosure process.

Internal Audit

Since 1 January 2015, the Board of Directors has entrusted COGITEK S.r.l. with Internal Audit, Compliance and Risk Analysis work, coordinated by Dott. Pierantonio Piana, acting as Head of the *Internal Audit* function.

The Head of Internal Audit reports to the Board of Directors and, through it, to the Chief Executive Officer (hereafter "Senior Management"), and is therefore independent from the heads of operational areas, including Administration and Finance. He also has direct access to all the information needed to perform his role, as indicated in the "Mandate".
In 2016 the Group started insourcing the Internal Audit department by hiring two professionals that operate under the supervision of Dott. Piana.

The Internal Audit function verifies the operation and adequacy of the internal control system, in compliance with the code of ethics, the organisational and management model (LD 231/01), charter of values and the company's Sustainability Plan.

By focusing on issues of significant interest to the Group's business and compliance, the Internal audit function firstly raises awareness and perception of the potential business risks along the path, and secondly seeks to make the various territorial and functional managers accountable for the enactment of suitable preventive and corrective action plans.

Internal Audit drafts a summary report each year to inform the Board, when the annual financial statements are approved, about activities carried out, results achieved and audit strategies included in the subsequent three-year Audit Plan.

At the same time, Internal Audit also submits to the Board and to the company's control/supervisory bodies the annual assessment of the reliability of the company's internal control system, according to the logic of the "Integrated" Co.SO.

Detailed results of risk analysis and audits conducted are systematically reported to senior management and audited functions so that any present or potential weaknesses of the internal control system can be duly remedied with appropriate preventive/corrective measures.

Responsibilities and time frames are assigned for these measures, which are suitably monitored until they are fully implemented, under the supervision of senior management.

The three-year Audit Plan - approved annually by the Board of Directors, after consultations with senior management - is drawn on an annual "rolling" basis, following a structured and organic risk analysis whose method is based on international best practices known as ERM (Enterprise Risk Management) and CRSA (Control Risk Self Assessment).

This analysis enables the IA department to define the most appropriate areas and level of analysis to carry out "third line of defence" controls (contents of Audit Plan, namely process, compliance and follow-up audits), and to plan for and optimise the use of dedicated resources.
Other qualifying aspects of the three-year Audit Plan and the audit strategy are given below:

- assessments on process and compliance controls in place, thanks to auditing activity carried out up to that moment and planned for the following three years.
- intense "audit coverage", thanks to which, with reference to the period 2014-2024, auditing activity will cover several times all processes and all territorial areas of the company;
- monitoring of the complete and effective implementation of preventive or corrective actions requested further to audits in previous years, with responsibilities assigned to the various functions and territories;
- continuation of the extensive use of follow-ups for the main business processes, ascertaining the effectiveness of improvements made to the internal control system, as required by the aforementioned action plans - made by the various company departments concerned;
- use of "continuous monitoring" findings to help company functions improve their self-control system.

The CFO and the Administration, Finance and Control Department

The System for risk management and internal control over financial disclosure is governed by the Chief Financial Officer (CFO), who is responsible for designing, implementing and approving the Accounting and Administrative Control Model, as well as assessing its application.

In carrying out his/her activities, the CFO:

- interacts with the Independent Auditors and with the *Internal Audit* function;
- is supported by the Department Heads involved who, in relation to their own area of responsibility, ensure the completeness and reliability of the information flows to the CFO for the purposes of preparing the financial disclosure;
- coordinates activities performed by the Administrative Heads of relevant subsidiaries, who are responsible for the implementation, within their own company, together with the delegated bodies, of an adequate accounting control system to oversee administrative and accounting processes and assess their effectiveness over time, submitting the results to the parent company through an internal certification process.

Other corporate departments involved

The various corporate departments (and local organisational areas) – involved in the various core and support processes – are called on to follow the rules of correctness and transparency, accountability and traceability which are part of the procedural framework relating to every activity undertaken. The aforementioned departments also carry out the so-called “first” and “second” level controls on the process preceding the release of final accounting figures, in order to guarantee the “soundness” and reliability of the latter.

14.3 Main features of the risk management and internal control systems in relation to financial disclosure

Given that the Company, in setting up its own Internal Control System, has adhered to the indications given in this regard by relevant laws and regulations, including the Civil Code, Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance), specifically articles 123-bis(2)(b), 184 and 185, "Market Abuse (Directive 2003/6/EC) Regulations 2005” and “Transparency (Directive 2004/109/EC) Regulations 2007” issued by the Irish Central Bank, Leg. Dec. 231/2001 (Organisational and Management Model as per Leg. Dec. 231/01, updated in 2020), Leg. Dec. 39/2010, as well as applicable IAS/IFRS accounting standards, the relative description of the aforementioned system is hereafter set out in compliance with the sections of the new Co.SO

Framework which, in terms of international best practices, has been joined to ERM – Enterprise Risk Management.

In the "integrated" Co.SO, control mechanisms have been permeated by the management of risk inherent in all stages of the corporate governance system, from strategy to operations and business performance.

This framework consists of the core elements of an effective control system:

- Governance and culture – The core elements of effective Enterprise Risk Management. Governance in particular defines the so-called "management style" and guarantees, through the definition of structures, responsibilities and supervisory systems, the balance needed for corporate governance, and provides guarantees for stakeholders as regards corporate affairs. The risk culture is the foundation for supporting ethical values, namely the integrity, transparency and "accountability" of conduct of those working in the company at all hierarchical levels.

  With the company's senior management and governing bodies promoting the idea of "continuous improvement", and risk analyses conducted on an annual basis, guidelines have been drafted on company procedures, key operating and IT control processes and so on. These updates set out to create an "ideal control environment" and a precise and increasingly targeted decision-making and behavioural benchmark for senior management and all employees.

As usual, the aforementioned documentation has been made available on the Company's intranet, so that everyone working in the Company can access it and check the elements that may help support their work and make it compatible with Company values and the rules of "good governance".

Third parties have gradually become more involved in this rule-updating process. This includes suppliers and other firms, which have been subjected to increasing "qualification" actions and to increasingly stringent controls on transparent and correct conduct, with the contribution of ethical assessments and the evaluation of qualitative performance (e.g. "vendor rating").

To obtain this result, suppliers are required to comply with the company's ethical principles, adding suitable contractual clauses linking them with the company's values, with the possibility of accessing via the Web conduct guidelines made available to them by the company (e.g. the cited Organisational and Management Model pursuant to Leg. Dec. 231/2001 - General part).

To improve the structure of top-down controls and the self-monitoring of workers, the HR Department is putting in place and gradually completing organisational analysis activities to avoid the possibility of substantial differences between the structure described in company documents and the actual operational structure present in the field.

- Strategy and goal-setting - This component focuses on the use of Risk Analysis in managerial and operational terms which, as already mentioned, is increasingly a part of all company activities. In this way, over time each level of the structure will be aware of the implicit risks of the tasks being carried out, from strategic planning to functional and territorial operations.
  The four types of risk considered in Risk Analysis (strategic, operational, reporting and legislative/regulatory compliance) provide a wealth of information about analysis of the corporate setting, the definition of risk propensity, the appraisal of alternative strategies and drawing up of business goals.
  Risk Analysis is an activity promoted, developed and run by the Internal Audit function at the orders of senior management and the Board of Directors (with approval of Audit Plan 2021-2023), which sets out to identify, assess and manage strategic, operational, financial/reporting risks and legislative/regulatory non-compliance risks that may potentially lie ahead on the company's future path.
  This activity also includes a critical assessment of the system of "company defences" (controls) in relation to the aforementioned risks.
  In this way, all components of the Company become aware (in a structured and organic manner) of the potential threats and related defensive weaknesses, as well as the need for rigorous prioritisation of actions and precise accountability and timing when implementing preventive/corrective action plans to deal with potential criticalities.
  The Risk Analysis process is an exercise which, as noted, is carried out each year by the Company through yearly "refreshing"; these updates take into account organisational, regulatory and legislative and/or business changes characterising each year and other or further risk conditions which may emerge in the period.
  As for the assessment – with the updating the mapping of all Company processes where necessary – the Group decided to get the various company heads (senior management and process owners) to self-assess risks, while the assessment of controls adopted to combat such risks has been carried out by the Internal Audit function (on the basis of information gathered and the experiences gradually "accrued" from the audit work undertaken up to that moment).
  The risks have been assessed in terms of "severity and probability", while the controls have been examined on the basis of their "adequacy

and activation". All the assessments made by the various parties are supported by specific measurements done for this purpose.

The assessments, updated in 2021, of the aforementioned risks and related controls have resulted in them being "plotted" in ad hoc diagrams represented by the "theoretical risk profile" (risk appetite) and "control profile". These profiles – in agreement with senior management – have been divided into acceptable ("tolerance of risks and reliability of controls") and unacceptable ("unacceptable risks and inadequate controls") areas.

The comparison between potential risks and related controls highlights the so-called "residual risks", in other words the unacceptable risks which have not been adequately managed by the controls and which may have an impact to any degree on various corporate objectives.

The results of the 2021 risk analysis, besides triggering a remediation plan process with prioritised interventions, enable the identification and scheduling of audit activities over the next three years (2022-2024 Audit Plan, endorsed by the Chief Executive Officer and to be approved by the next Board of Directors).

Also in 2021, the method was applied across head office departments and local areas and enabled - as usual - a broad analysis of potential risks and related controls under way, of which only a small percentage proved not to be adequately managed, and therefore subject to preventive/corrective plans, which moreover had already been completed or had made significant progress.

In conclusion, the risks that proved to be not adequately governed did not point to critical situations deemed to be important and/or significantly and completely out of control, since the company is keeping watch over all possible situations that might lead to difficulties for it, taking suitable organisational, IT security-related, regulatory, etc. measures on an ongoing basis.

- Performance: after the organisation has set out its strategy and goals in keeping with the desired risk profile, this element focuses on the principles of singling out and evaluating the risks that might have a bearing on the ability to achieve goals and attain the desired performance. A holistic vision is developed regarding the likelihood of threats actually happening and of the size of such threats, with a view to deciding whether and to what extent they might have a bearing on performance and results.

  Using the results of Risk Analysis, as well as control activities normally carried out by all organisations involved, integrated control activities are developed by operational and local departments (first-level controls), the Quality, Safety and Environment Department, Administration and Management Control Department, HR Department, Operations Department, other Head Office units, etc. (second-level controls) and the Internal Audit unit (third-level controls, in agreement with the Board of Statutory Auditors, the Supervisory Body under Italian Leg. Dec. 231/01 and the external auditor).

The information principles underpinning the aforementioned controls, which are carried out, as noted, thanks to the increasingly broad and structured presence of adequately formalised and organised rules, concern the separation of duties and roles, the authorisation system for all accounting and managerial operations, their traceability with suitable documentation and registration, the detailing of choices, physical control over tangible and intangible assets, as well as accounting entries and operational recordings and any other issue under the Internal Audit's control.

The corporate support tools enabling the effective performance of the control work set out above are:

- Managerial Procedures, Operational Procedures, Operational Instructions and Technical Specifications;
- the Quality manual;
- the Accounting and Administrative Control System, through IT procedures on SAP;
- the Group's accounting manual and chart of accounts – a document that seeks to promote the development and implementation of standard accounting criteria within the Group as regards the recognition, classification and measurement of operations;
- operational instructions for financial statements and reporting and year-end timetables – documents that seek to inform the various departments of the detailed operating methods to manage the preparation of the financial statements within the established and agreed deadlines;
- administrative and accounting procedures – documents that establish the responsibilities and control rules to follow with particular reference to administrative and accounting processes;
- the three-year Audit Plan and the audit manuals;
- the continuous audit and continuous monitoring processes promoted by the Internal Audit department, in order to improve the internal control system to prevent and/or identify any cases of non-compliance with the law and/or internal regulations, fraud, unethical conduct, etc., which can be assessed in all the main corporate processes (accounts receivable, accounts payable, finance and cash management, human resources).

This approach is used to periodically "analyse" the company's entire database to detect "all cited situations worthy of analysis and study" and not just "sample" situations normally checked by control bodies.

While Continuous Auditing is a tool used by the Internal Audit unit, Continuous Monitoring is "a new self-monitoring tool" designed to be provided to individual units and local areas to conduct appropriate and recurring analyses to gauge the performance of their governance and control systems. This tool is currently being examined by Senior Management, the Operations Department and Company Departments to determine field application timing and methods. Activity in this field will continue with a more selective choice of sensitive aspects meriting further study.

In particular, with reference to the three-year Plans that have been enacted over time, auditing activity has always taken its cue from the findings of the annual Risk Analysis, and from the following approach logic and strategies:

- In 2014 and in the years following the start-up of Cogitek S.r.l. activity, specific audits were carried out on local and functional processes with a view to ascertaining the "basic" conditions of the internal control system, with checks undertaken to verify the presence and efficacy of existing rules (strategies, policies, procedures, rules with reference to Leg. Dec. 231/01, in accordance with and/or on behalf of the Supervisory Body, regulatory aspects, etc.). This control activity was followed by the important process of fine-tuning company rules, a process that is ongoing, completing the so-called "coverage audit", according to which all company processes have been verified at least once through specific audits and subsequent targeted follow-ups.
- Review and revision: The review and revision stage follows the prioritisation of risks identified through Risk Analysis, the definition of strategies and relative initiatives and actions needed to achieve "performance targets". This entails the re-examination of ongoing changes and related risks, modifications to initiatives already under way to remedy performance deviations and the review of planned strategies. In this case too there is a very close link between Risk Analysis and the three-year Audit Plan.

- Information, communication and reporting: The sharing and timely dissemination of information within the organisation is key to good internal control. Existing systems and technologies are useful for communicating risks, with regard to uncertainties and opportunities and in order to acquire, process, manage and generate reports on risks, culture and performance/results.
In the company this takes place according to the logic of the planning, budgeting and periodic reporting process (e.g. Tableau de

Board/monthly Report), which pervades the main levels of the organisation.
Moreover, this approach relates to the activities aimed at constantly checking over time the quality of the Internal Control System.
In parallel, at the conclusion of the Risk Analysis and during the implementation of each annual Audit Plan, Internal Audit verifies the quality level of the Internal Control System, also in light of the complete implementation of preventive/corrective measures assigned to the various process owners (monitoring of action plans requested in audits/follow-ups).
This approach leads to a periodical summary from IA which, at least once a year and with the participation and agreement of the CEO, provides the Board of Directors with an assessment of the extent to which the internal control system has lived up to the expectations of "good governance".

15. Outlook

During the 2022 financial year, the Group will continue to optimise and improve resources, also with one eye on reducing costs.
The expected profitability for the 2022 financial year will reflect all the economies of scale and cost efficiency that will be achieved by the Group.
With regard to the COVID-19 emergency, it is believed that results in 2022 are unlikely to suffer significant effects deriving from the pandemic situation, which appears to be under control, but all possible scenarios are still possible, and need to be carefully considered. The sector's regulatory mechanisms, especially the most recent measures, are unlike to have a significant impact on the Group.
On 24 February 2022 the Russian Federation launched a military operation, invading the territory of Ukraine. This situation, in addition to a dramatic war scenario with civilian and military casualties and an unprecedented exodus of the population to the rest of Europe, has led to significant and unpredictable tensions in finance and energy markets.
Although the Group does not foresee any real difficulties in procuring the materials used in its operations, it should be noted that, in a market already tested by the rise in prices of petroleum products, this situation might affect the Group's supply chain, in ways that we cannot predict.
Looking downstream however, at vendors that use distribution services, some may already be strongly impacted by rises in the cost of raw materials, and might suffer worsening financial conditions, finding it difficult to regularly fulfil contractual obligations. It should be remembered however that, thanks to regulations regarding access to the gas market, financial guarantees are in place safeguarding the distributor that can be activated in the event of payment problems.
In view of the presence of major gas pipelines in territories affected by war-related events, with a level of threat to supplies significantly greater than that foreseen in the risk analyses carried out in the past, the Ministry of Ecological Transition, the Authority for the security of natural gas supplies, declared a "pre-alarm" status, and initiated exceptional preventive measures to minimise possible impacts and ensure the continuity of supplies.
The situation is being monitored constantly by the Technical Committee for emergencies and monitoring of the national gas system, in which MiTE, ARERA, gas transport, storage and regasification companies operating nationally are represented, unlike distributors within the supply chain operating at local/city level, downstream of the national gas import and transport infrastructure, and given the current regulatory system are not directly impacted economically by a possible drop in transported volumes.

The Group is carefully monitoring the situation in order to ensure operations and promptly assess any possible impact, closely following instructions issued by the competent authorities.

In particular, the actions that the 2i Rete Gas Group intends to implement are aimed to:

- Continue reducing the number of workplace injuries by improving work quality and safety across its operations;
- monitor and improve the approach to environmental, social and governance issues, renewing the sustainability policy and constantly updating the Sustainability Plan approved in past years so that it is always able to achieve concrete results on the material issues identified;
- continue optimising its local presence and act with ever increasing effectiveness where it is present;
- concentrate resources on the highest value-added network operations through increasingly focused and specialised operational structures;
- exploit the gas distribution infrastructure to offer to the greatest number of prospective customers the possibility of connecting to the network and using methane, the fossil fuel with the lowest environmental impact and with great flexibility, thanks in part to its scalable use, and promote the use and injection of renewable fuels such as biomethane and synthetic gas from power-to-gas in the network.

16. Key figures of the Parent Company

The income and financial position for the year are shown in summary in the tables below, which have been obtained by reclassifying the data from the Income statement and the Statement of Financial Position, respectively, in accordance with operational criteria complying with international practice.

16.1 Reclassified Income Statement

Millions of euro	31.12.2021	31.12.2020	2021 - 2020
Revenue	**1,067.1**	**1,026.6**	**40.5**
Transport and sale of methane gas and LPG	675.4	667.3	8.2
Connection fees and accessory rights	14.8	14.7	0.1
Other sales and services	27.6	23.9	3.7
Revenue from intangible assets / assets under development	312.6	289.0	23.5
Other revenue	36.6	31.6	5.0
Operating costs	**(544.8)**	**(515.6)**	**(29.3)**
Labour costs	(124.0)	(116.4)	(7.6)
Raw materials and inventories	(54.1)	(67.3)	13.2
Services	(335.3)	(284.0)	(51.3)
Other costs	(17.4)	(26.6)	9.2
Allocations to provisions for risks and charges	(14.1)	(22.7)	8.6
Increase in fixed assets not subject to IFRIC 12	0.0	1.4	(1.4)
EBITDA	**522.3**	**511.0**	**11.2**
Amortisation, depreciation and write-downs	**(207.6)**	**(199.6)**	**(8.0)**
Amortisation, depreciation and impairment losses	(207.6)	(199.6)	(8.0)
EBIT	**314.7**	**311.4**	**3.2**
Net financial income (expenses) and income (expenses) from equity investm	(56.0)	(54.2)	(1.8)
Pre-tax income	**258.7**	**257.2**	**1.4**
Income taxes for the year	(49.6)	(74.6)	25.1
Net income (expenses) from continuing operations	**209.1**	**182.6**	**26.5**
Net income (expenses) from discontinued operations	**-**	**-**	**-**
Net income for the year	**209.1**	**182.6**	**26.5**

16.2 Reclassified Statement of Financial Position

Millions of euro	31.12.2021	31.12.2020	2021 - 2020
	A	B	A-B
Net fixed assets	**3,899.8**	**3,603.6**	**296.1**
Property, plant and equipment	26.6	35.7	(9.0)
IFRS 16 Rights of use	26.0	24.3	1.7
Intangible assets	4,109.4	3,833.6	275.8
Equity investments	24.6	19.5	5.1
Other non-current assets	52.6	56.0	(3.4)
Other non-current liabilities	(329.3)	(326.7)	(2.6)
Fair value of derivatives	(10.2)	(38.8)	28.6
Net working capital:	**36.7**	**62.3**	**(25.6)**
Inventories	19.5	18.3	1.2
Trade receivables from third parties and the Group	221.3	237.7	(16.5)
Net receivables/(payables) for income taxes	0.4	8.6	(8.2)
Other current assets	206.4	204.4	1.9
Trade payables to third parties and the Group	(209.7)	(206.4)	(3.2)
Other current liabilities	(201.2)	(200.4)	(0.8)
Gross invested capital	**3,936.5**	**3,665.9**	**270.6**
Other provisions	**(30.5)**	**(8.1)**	**(22.4)**
Post-employment and other employee benefits	37.1	40.2	(3.1)
Provisions for risks and charges	76.6	84.4	(7.8)
Net deferred taxes	(144.2)	(132.7)	(11.5)
Net invested capital	**3,967.0**	**3,674.0**	**293.0**
Assets held for sale	**2.2**	**-**	**2.2**
Liabilities held for sale	**0.3**	**-**	**0.3**
Equity	**1,141.0**	**1,036.2**	**104.8**
Net Financial Position	**2,828.0**	**2,637.9**	**190.1**

17. Reconciliation of Equity and Net Income for the year

Below is the statement of connection of the Shareholders ' Equity and the result for the year highlighted in the financial statements as at 31 December 2021 of 2i Rete Gas S.p.A. and the corresponding values indicated in the consolidated financial statements:

Thousands of euro	Net income for the year recognised through profit or loss at 31 December 2021	Equity at 31.12.2021
Separate financial statements of 2i Rete Gas S.p.A.	209,099	1,140,953
Surplus of shareholders' equity from financial statements of subsidiaries used for the purposes of consolidation, compared to the carrying values of the equity investments in subsidiaries	2,351	6,709
Consolidation adjustments for:		
Valuation of equity investments with the equity method	(239)	278
Intercompany margins	(32)	(330)
Deferred and prepaid taxes	11	105
Consolidated financial statements of 2i Rete Gas S.p.A.	211,190	1,147,716
Non-controlling interests	**(263)**	**(2,168)**
Consolidated financial statements of 2i Rete Gas S.p.A. - owners of the I	**210,927**	**1,145,548**

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

IV Consolidated financial statements of the 2i Rete Gas Group

1. Income Statement

Thousands of euro	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Revenue					
Revenue from sales and services	5.a	721,615	-	711,616	-
Other revenue	5.b	35,780	86	30,678	76
Revenue from intangible assets / assets under development	5.c	319,395	-	296,533	-
Running total		**1,076,791**		**1,038,828**	
Costs					
Raw materials and consumables	6.a	54,373	-	67,285	-
Services	6.b	335,678	4,247	292,178	5,473
Personnel costs	6.c	124,013	2,358	116,470	2,338
Amortisation, depreciation and impairment losses	6.d	209,464	-	200,560	-
Other operating costs	6.e	35,955	356	49,894	352
Capitalised costs for internal work	6.f	(1,013)	-	(1,361)	-
Running total		**758,471**		**725,026**	
EBIT		**318,320**		**313,802**	
Income (expenses) from equity investments	7	(115)	(115)	(251)	(251)
Financial income	8	506	62	533	38
Financial expenses	8	(57,087)	-	(55,078)	-
Running total		**(56,696)**		**(54,796)**	
Pre-tax income		**261,624**		**259,005**	
Taxes for the period	9	50,434	-	75,157	-
					-
Net income (expenses) from continuing operations		**211,190**		**183,848**	-
Net income (expenses) from discontinued operations	10	**-**		**-**	
NET INCOME FOR THE YEAR		**211,190**		**183,848**	
Net income for the year attributable to:					
- Owners of the Parent		210,927		183,476	
- Non controlling interests		263		372	

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2. Statement of Comprehensive Income

Thousands of euro	31.12.2021	31.12.2020
Net income recognised through profit or loss	**211,190**	**183,848**
- Net income attributable to owners of the Parent	210,927	183,476
- Net income attributable to non-controlling interests	263	372
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities / assets for defined benefits - owners of the Parent	(9)	(278)
Deferred tax assets and liabilities on items which will never be classified through profit/(loss) - owners of the Parent	(44)	47
	(53)	(231)
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives - non-controlling interests	28,568	(34,752)
Change in fair value of hedging derivatives reclassified in profit for the period - non-controlling interests	(1,235)	(1,238)
Change in fair value of hedging derivatives (tax effect) - non-controlling interests	(6,856)	8,340
Change in fair value of hedging derivatives reclassified in profit for the period (tax effect) - non-controlling interests	296	297
	20,773	(27,352)
Total other comprehensive income	**20,720**	**(27,584)**
Total comprehensive income	**231,910**	**156,264**
Total comprehensive income attributable to:		
- Owners of the Parent	231,647	155,892
- Non controlling interests	263	372

Result per share: 0.5797 euro

Diluted earnings per share: 0.5797 euro

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3. Statement of Financial Position

Assets

Thousands of euro	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,680	-	35,699	-
IFRS 16 Rights of use	12	25,957	-	24,258	-
Intangible assets	13	4,146,348	-	3,880,135	-
Net deferred tax assets	14	145,657	-	133,205	-
Equity investments	15	3,669	3,546	3,608	3,485
Non-current financial assets	16	629	-	735	-
Other non-current assets	17	52,706	-	56,092	-
	Total	**4,412,646**		**4,133,731**	
Current assets					
Inventories	18	20,049	-	18,309	-
Trade receivables	19	221,721	55	234,913	77
Short-term financial receivables	20	2,014	480	1,816	499
Other current financial assets	21	26	18	20	19
Cash and cash equivalents	22	442,956	-	186,991	-
Income tax receivables	23	2,262	-	9,012	-
Other current assets	24	216,197	-	211,540	-
	Total	**905,225**		**662,601**	
Non-current assets (or assets included in disposal groups) held for sale					
Non-current assets (or assets included in disposal groups) held for sale	25	10,486	-	-	-
	Total	**10,486**		**-**	
TOTAL ASSETS		**5,328,356**		**4,796,332**	

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Liabilities

Thousands of euro	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
EQUITY AND LIABILITIES					
Equity - Owners of the Parent	26				
Share capital		3,639	-	3,639	-
Treasury Shares		-	-	-	-
Other Reserves		519,152	-	498,425	-
Retained earnings/(accumulated losses)		411,830	-	353,381	-
Net income for the year		210,927	-	183,476	-
Total equity - Owners of the Parent		**1,145,548**		**1,038,921**	
Equity - non-controlling interests					
Non-controlling interests		1,905	-	1,533	-
Net income for the year - non-controlling interests		263	-	372	-
Total equity - non-controlling interests		**2,168**		**1,905**	
TOTAL EQUITY		**1,147,716**		**1,040,825**	
Non-current liabilities					
Long-term loans	27	3,225,548	-	2,744,422	-
Post-employment and other employee benefits	28	37,092	-	40,286	-
Provision for risks and charges	29	8,206	-	7,355	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	10,184	-	38,753	-
Non-current IFRS 16 financial liabilities	31	20,006	-	18,395	-
Other non-current liabilities	32	338,512	-	331,077	-
	Total	**3,639,548**		**3,180,288**	
Current liabilities					
Short-term loans	33	-	-	36,427	-
Current portion of long-term loans	34	18,182	-	18,182	-
Short-term portion of long-term and short-term provisions	35	70,360	-	78,492	-
Trade payables	36	218,820	4,450	215,963	6,630
Income tax payables	37	2,438	-	258	-
Current financial liabilities	38	20,009	-	17,066	-
Current IFRS 16 financial liabilities	39	5,606	-	5,281	-
Other current liabilities	40	204,398	7	203,550	1
	Total	**539,812**		**575,218**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	1,280	-	-	-
	Total	**1,280**		**-**	
TOTAL LIABILITIES		**4,180,640**		**3,755,507**	
TOTAL EQUITY AND LIABILITIES		**5,328,356**		**4,796,332**	

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4. Statement of Cash Flows

Thousands of euro		31.12.2021	31.12.2020
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**186,991**	**353,308**
Cash flow from operating activities			
Pre-tax income		261,624	259,005
Taxes for the period	9	(50,434)	(75,157)
1. Net income for the period		**211,190**	**183,848**
Adjustments for:			
Depreciation	6.d	207,636	200,374
Impairment/(Reversals)/(Releases)	6.d	1,828	186
Capital (gains)/losses	5.b/6.e	11,544	8,115
Allocations to provisions for risks and charges and post-employment benefits		20,057	28,848
Financial (income)/expenses	7 and 8	56,696	54,796
Badwill from acquisition		-	(79)
2. Total adjustments		**297,760**	**292,240**
Change in net working capital			
Inventories	18	(1,162)	5,205
Trade receivables	19	18,571	16,658
Trade payables	36	(2,287)	17,131
Other current assets	24	50	(9,786)
Other current liabilities	40	(6,551)	(16,680)
Net tax receivables/(payables)	23 and 37	8,115	(10,733)
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(19,697)	(36,104)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	(25,711)	822
Other non-current assets	17	3,788	1,666
Other non-current liabilities	32	7,927	7,830
Financial income/(expenses) other than for financing	8	308	(69)
3. Total change in net working capital		**(16,649)**	**(24,058)**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**492,301**	**452,029**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(347,194)	(307,073)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	(105,091)	(9,989)
Loan settlement for purchase of equity investment	33 and IFRS 3	(45,733)	
Cash acquired through company acquisition		4,106	632
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(493,912)**	**(316,430)**
D) FREE CASH FLOW (B+C)		**(1,610)**	**135,599**
Cash flow from financing activities			
Dividend payout		(125,019)	(50,030)
Change in amortised cost	16, 27 and 34	(587)	2,010
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(1,235)	(1,238)
Financial income for financing activities	8	16	22
Financial (expenses) for financing activities	8	(56,905)	(54,498)
Receipts from debenture loan issues	27	500,000	100,000
Debenture loan settlements	27 and 33		(267,100)
Change in short-term and long-term financial debt	27 and 33	(54,609)	(21,755)
Change in other non-current financial assets	16	1	497
Change in other financial receivables	20 and 21	(204)	373
Change in financial leases IFRS 16	31, 39 and 11	(6,828)	(7,237)
Change in other financial payables	38	2,944	(2,960)
E) CASH FLOW FROM FINANCING ACTIVITIES		**257,574**	**(301,915)**
F) CASH FLOW FOR THE PERIOD (D+E)		**255,964**	**(166,316)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**442,956**	**186,991**

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5. Statement of Changes in Equity

	Share capital and reserves									
Thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)	Net income for the year	**Total - Group**	**Total - Non-controlling interests**	**Total consolidated equity**
Total 31 December 2019	**3,639**	**286,546**	**728**	**5,385**	**233,350**	**197,028**	**206,383**	**933,058**	**1,533**	**934,591**
Allocation of income for 2019:										
Distribution of income	-	-	-	-	-	156,353	(156,353)	-	-	-
- Dividend payout	-	-	-	-	-	-	(50,030)	**(50,030)**	-	**(50,030)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(50,030)***	-	***(50,030)***
- Other changes	-	-	-	-	-	(0)	-	**(0)**	-	**(0)**
- Change in IAS reserves	-	-	-	(27,352)	(231)	-	-	**(27,584)**	-	**(27,584)**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	183,476	**183,476**	372	**183,848**
Total 31 December 2020	**3,639**	**286,546**	**728**	**(21,967)**	**233,118**	**353,381**	**183,476**	**1,038,921**	**1,905**	**1,040,825**
Allocation of income for 2020:										
Distribution of income	-	-	-	-	-	58,457	(58,457)	-	-	-
- Dividend payout	-	-	-	-	-	-	(125,019)	**(125,019)**	-	**(125,019)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(125,019)***	-	***(125,019)***
- Other changes	-	-	-	-	7	(7)	-	-	-	-
- Change in IAS reserves	-	-	-	20,773	(53)	-	-	**20,720**	-	**20,720**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	210,927	**210,927**	263	**211,190**
Total 31 December 2021	**3,639**	**286,546**	**728**	**(1,194)**	**233,072**	**411,830**	**210,927**	**1,145,548**	**2,168**	**1,147,716**

2i Rete Gas S.p.A.

The Chief Executive Officer

Dott. Michele Enrico De Censi

6. Notes to the Consolidated Financial Statements

Format and contents of the Financial Statements

The 2i Rete Gas Group operates in the gas distribution sector. The parent company 2i Rete Gas S.p.A. is a public limited company and is located in Milan, Via Alberico Albricci, 10.

The local structure of the Parent Company consists of six departments.
The departmental offices are:

- North West Department - Via Gazzoletto, 16/18 - 26100 Cremona (province of Cremona)
- North Department - Via Francesco Rismondo, 14 - 21049 Tradate (province of Varese)
- North East Department - Via Serassi, 17/Rs - 24124 Bergamo (province of Bergamo)
- Central Department - Via Morettini, 39 - 06128 Perugia (province of Perugia)
- South-West Department - Via Boscofangone snc - 80035 Nola (province of Naples)
- South East Department - Via Enrico Mattei - 72100 Brindisi (province of Brindisi)

On 23 March 2022 the Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements and made them available to shareholders in accordance with art. 2429 of the Civil Code.
For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 23 March 2022.

These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended 31 December 2021 have been prepared in accordance with *International Financial Reporting Standards* – IAS/IFRS issued by the International Accounting Board (IASB), as endorsed by the European Union pursuant to Regulation pursuant to Regulation (EC) no. 1606/2002 and effective at the end of the year, the related SIC/IFRIC interpretations issued by the *Interpretation Committee*, in force at the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

These consolidated financial statements have been drawn up using a standard application of the accounting standards set out below for all the years shown.

Basis of presentation

The consolidated financial statements consist of the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes.
The assets and liabilities reported in the Statement of Financial Position are classified on a "current/non-current"

basis, separately disclosing the assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those intended to be realised, sold or used during the Group's normal operating cycle or in the twelve months following the reporting period; current liabilities are those expected to be settled during the Group's normal operating cycle or in the twelve months following the reporting period.
Items in the Income Statement are classified based on the nature of expenses, while the Statement of Cash Flows is presented using the indirect method.
The consolidated financial statements are presented in euro (the functional currency) and the values shown in the notes are expressed in thousands of euro, unless otherwise stated.
The consolidated financial statements have been prepared using the historical cost method, except for those items which, in accordance with the IFRS-EU, are measured at *fair value*, as indicated in the valuation criteria for the individual items.
These consolidated financial statements have been prepared on a going-concern basis, as set out in greater detail in the Directors' Report.

Consolidation criteria

The consolidated financial statements are prepared consolidating the data of the Parent Company and of the investee companies it controls, directly or indirectly, on a line-by-line basis. Control exists when the Group is exposed to variable returns arising from its relationship with the company, or has rights over such returns, and at the same time has the ability to affect them by exercising its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from when the Parent Company starts to exercise control until the date when such control ends.
The Group accounts for business combinations by applying the acquisition method on the date when it effectively obtains control of the purchased company. In this regard, reference should be made to the section "Business combinations" below.
Third-party equity investments are valued in proportion to the related share of net identifiable assets of the purchased company at the acquisition date. The changes in the Group's stake in a subsidiary which do not entail loss of control are recognised as transactions among shareholders in their role as shareholders.
In the case of loss of control, the Group derecognises the subsidiary's assets and liabilities, any third-party equity investments and other equity items relating to the subsidiaries. The profit or loss deriving from the loss of control is

recognised in profit or loss. Any residual equity investment held in the former subsidiary is measured at the *fair value* at the date of loss of control.
In drawing up the consolidated financial statements, debit and credit items are derecognised, as well as costs and revenues of all significant transactions among the companies included in the scope of consolidation. Unrealised profits, as well as capital gains and losses arising from transactions among Group companies, are also derecognised.

Use of estimates

Preparing the financial statements under the IFRS-EU requires the use of estimates and assumptions which impact the values of assets and liabilities and disclosure on contingent assets and liabilities at the reporting date, as well as on total revenues and costs in the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are adopted when the carrying amount of financial statement items cannot be easily deduced from other sources. The actual results might therefore differ from these estimates.
The estimates and assumptions are periodically revised, and the effect of each change is reflected in profit or loss, should that revision relate only to the year in question. Should the revision relate to both current and future years, the change is recorded in the year in which it is carried out and in related future periods.

Revenue recognition

Revenue from gas transport is determined annually on the basis of the tariff regulation in force, which, as from 2009, sets forth the definition of the tariff revenue cap (known as VRT, Vincolo dei Ricavi Tariffari) which is allowed for each gas distribution company. On the basis of Resolution 570/2019/R/gas adopted at the end of 2019, parameters regulating the calculation of the VRT for the years from 2020 to 2025 (Fifth Regulatory Period) were defined.
The figure for revenue is accounted for in the invoicing of gas transport to sales companies and, to complement the VRT value, in the CSEA equalisation element.
Since it is necessary to base the VRT calculation on an asset recognition which is updated to the previous year, the company must also estimate a growth rate for its average active Redelivery Points to enable the updating of the figure for the year just ended.
Therefore, the value indicated also includes an estimated element, whose impact is largely insignificant, connected to the increase in the average number of active Redelivery Points.
When the balance is calculated, the value of the VRT annually communicated by ARERA by means of a specific resolution may be subject to change depending on the actual average number of Redelivery Points served and invoiced.

Pensions and other post-employment benefits

Some company employees participate in pension plans which offer benefits based on salary history and years of service. In addition, some employees benefit from other post-employment benefit schemes.
The expenses and liabilities associated with these plans are calculated on the basis of estimates made by our actuarial consultants, who use a combination of statistical and actuarial elements, including statistics relating to past years and forecasts of future costs. Estimates are also made of death and withdrawal rates, assumptions on the future trend in discount rates, the rates of wage increases and trends in medical care costs.
These estimates can significantly differ from actual results, owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in actual medical care costs. Such differences can have a substantial impact on the quantification of pension costs and other related charges.

Recoverability of non-current assets

The carrying amount of non-current assets and assets held for sale is periodically tested for impairment, and wherever circumstances or events suggest that more frequent testing is necessary.
Where the carrying amount of a group of fixed assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the Company's most recent plans.
The estimates of such recoverable values are considered reasonable. Nevertheless, possible changes in the factors for estimating such recoverable values could generate different results. For further details on the means of carrying out the *impairment test* and its results, reference should be made to the specific section.

Disputes

The 2i Rete Gas Group is involved in various legal disputes relating mainly to labour cases and litigation with some granting bodies.
Given the nature of these disputes, it is not always objectively possible to foresee the final outcome of these proceedings, some of which could end with a negative outcome.
The estimate of the provisions is the result of a complex process which entails subjective assessments by management. The provisions for risks recorded in the financial statements have been estimated to cover all significant liabilities for cases where lawyers have noted a likely negative outcome and made a reasonable estimate of the amount of the loss.

Bad debt provision

This provision reflects the estimates of losses on the company's receivables portfolio. Allocations have been made for forecast losses on receivables, estimated on the basis of past

experience in reference to receivables with similar credit risk, current and historical unpaid amounts, write-offs and receipts as well as careful monitoring of the quality of the receivables portfolio and the current and forecast state of the economy and key markets.
Although the provision allocated is adequate, the use of different assumptions or a change in economic circumstances could result in changes to the bad debt provision and, therefore, have an impact on profits.
The estimates and assumptions are periodically revised, and the impact of each change is reflected in profit or loss in the relevant year.

Equity investments in associates and companies subject to joint control

Equity investments in associates are those in which the 2i Rete Gas Group has considerable influence over the financial and operational policies, although not holding control or joint control.
Companies subject to joint control or joint ventures are companies where the Group, by virtue of an agreement, claims rights over net assets.
Equity investments in associates and in joint ventures are initially recognised at cost and subsequently recognised on an equity basis. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profits or losses of the investee companies accounted for using the equity method, until the date on which said considerable influence or joint control ends.

Business combinations

Business combinations subsequent to 1 January 2010 are recognised using the acquisition method envisaged by IFRS 3 (Revised). The identifiable assets acquired and the liabilities assumed are measured at their respective *fair values* at the acquisition date.
Any surplus in the purchase cost over the *fair value* of the net assets acquired is accounted for as goodwill or, if a deficit, recognised in profit or loss. The carrying value of any goodwill is subject to annual impairment testing in order to identify any impairment.
Should it be possible to determine the *fair value* of the assets, liabilities and identifiable contingent liabilities only provisionally, the business combination is recognised using these provisional values. Any adjustment arising from the completion of the valuation process is recognised within 12 months of the acquisition date.
Transaction costs, other than those relating to the issue of debt securities and equity, which are incurred by the Group to make a business combination, are recognised as operating costs when incurred.

Combinations of entities under common control

Business combinations under which the participating companies are definitively controlled by the same company or companies both before and after the combination, and this control is not temporary, are regarded as "under common control" transactions.

These transactions are not regulated by IFRS 3 or by other IFRSs. In the absence of a relevant international accounting standard, in compliance with the principle of prudence which entails application of the criterion of continuity of values for the net assets acquired, the Group has opted to recognise assets and liabilities from any combinations of entities under common control at the carrying value which these assets and liabilities had in the financial statements of the seller/acquiree or in the consolidated financial statements of the common controlling entity. Where the transfer values are higher than the historical values, the surplus is eliminated by writing down the Group's equity.

Property, plant and equipment

In compliance with IFRIC 12, effective as from 1 January 2010, the Group analysed its outstanding concessions at 31 December 2010 and made changes to the accounting treatment of fixed assets. As specified in greater detail below, following application of IFRIC 12, some fixed assets which were previously considered as tangible are now reclassified as intangible.

Property, plant and equipment not relating to gas distribution concessions are recognised at historical cost, including directly attributable ancillary costs necessary for the asset to be ready; subject to any legal or implicit obligations, the cost may be increased by the present value of the cost estimated for the dismantling and removal of the asset. The corresponding liability is recognised in liabilities under a specific provision for future risks and charges. Currently, no liability linked to the dismantling and removal of assets is recognised, since there are no legal or implicit obligations which justify such recognition.
The purchase or production cost includes the financial expenses relating to loans connected to the purchase of tangible assets, exclusively when a significant period of time must elapse before the asset is ready for use and when the loans directly attributable to the purchase or construction of the asset are identifiable.
Some assets, which were revalued at the date of transition to the IFRS-EU or in previous periods, have been recognised on the basis of the revalued cost, considered as deemed cost.

Should significant parts of individual tangible assets have different useful lives, the identified components are recognised and depreciated separately.
The costs incurred subsequent to the purchase are recognised as an increase in the carrying amount of the asset to which they refer, when it is probable that future economic benefits deriving from the cost will flow to the Group and the cost of the item can be reliably determined. All other costs are recognised in profit or loss in the year in which they are incurred.
The cost of replacing part or all of an asset is recognised as an increase in the value of the asset to which it refers and is depreciated over its residual

useful life; the net carrying amount of the replaced unit is recognised in profit or loss, with recognition of any capital loss.
Property, plant and equipment are recognised net of accumulated depreciation and any impairment losses, determined as set out below.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually; any changes are applied on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main tangible assets is as follows:

Description	Useful Life
Land	-
Non-industrial buildings	50
Industrial buildings	50
Miscellaneous equipment and concentrators	8 - 10 - 15 - 20
Office furniture and equipment	5 - 8 - 33 - 10
Electronic devices	5
Vehicles	5
Cars	4 - 5
Other	4 - 5 - 15

Land, both unbuilt and with industrial and non-industrial buildings, is not depreciated as it has an indefinite useful life, except for the land which is transferred for free at the end of the concession.

Intangible assets

As noted above, in compliance with IFRIC 12, effective as from 1 January 2010, the Group analysed its outstanding concessions at 31 December 2010 and made changes to the accounting treatment of fixed assets. In particular, since the Group is subject to demand risk, the accounting treatment which it considered correct to apply is that of intangible assets: all the proprietary infrastructure obtained under a concession contract is no longer recognised as tangible assets but classified as intangible assets.

Intangible assets are measured at purchase or internal production cost, when it is likely that the use of such assets will generate future economic benefits and the related cost can be reliably determined.
The cost includes directly attributable ancillary expenses necessary to make the assets ready for use. The cost includes the financial expenses relating to the loans connected to the purchase of intangible assets, exclusively when a significant period of time must elapse before the asset is ready for use and when the loans directly attributable to the purchase or construction of the asset are identifiable.

Intangible assets which have a finite useful life are recognised net of accumulated amortisation and any impairment losses, determined as follows.
Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed at least annually; any changes are applied on a prospective basis.
Amortisation begins when the intangible asset is ready for use.
The estimated useful life of the main intangible assets is as follows:

Description	Useful Life
Intellectual property rights	3 - 5 - 20 years
Concessions	concession life (*)
Licences, trademarks and similar rights	3 - 5 - 20 years
Goodwill	indefinite, subject to impairment testing
Other	3 -5 - 7 - 10 - 20 - 50 years - useful life of contract

(*) Amortisation is calculated based on the realisable value estimated at the end of the concession life, where applicable. In case of concessions expired at the end of the reporting period and whose expiration date has been postponed, the residual value is reviewed taking into account the relevant expiration postponement.

Intangible assets which have an indefinite useful life are not systematically amortised but undergo at least an annual check for recoverability (*impairment test*).

As for concessions, the 2i Rete Gas Group holds the concession for the gas distribution service assigned by tender for a maximum period of 12 years by local authorities (municipalities, municipality groups and mountain communities). Through service agreements, local authorities can set the terms and conditions for the distribution service, as well as the quality levels to be achieved. The concessions are allocated on the basis of the financial conditions, quality and safety standards, investment plans and the technical and managerial capabilities offered.

As in the previous Report, it should be highlighted that a significant number of concessions managed by the 2i Rete Gas Group for gas distribution were terminated on the basis of their natural or *ope legis* expiry at 31 December 2010. Please note that since the publication of Legislative Decree no. 93/11 on 29 June 2011, local authorities can no longer call new tenders except within the provisions included in the so-called "Decreto Ambiti" and "Decreto Criteri" issued in 2011. For this reason, currently only the local authorities which had called tenders for the assignment of gas distribution concessions prior to publication of Legislative Decree no. 93/11 may proceed with the aforementioned tender. In all other cases, tenders are suspended until municipalities are ready to call them on a territorial basis. In the meantime, the 2i Rete Gas Group is continuing with the management of the network in the same way as prior to the expiry.

Should the concession not be reassigned to the Group, the Group would have the right to compensation equal to the industrial value of the assets used for the concession determined in accordance with the relevant laws.

Rights of use under IFRS 16

Rights of use under IFRS 16 are fixed assets reflected in the financial statements as of 1 January 2019 following first-time adoption of the standard in question.

This standard provides the lessee with a single accounting model requiring the recognition of assets and liabilities for all leases.

The lessee must recognise the leased asset under tangible assets and at the same time recognise financial liabilities equal to the current value of future payments. The only exceptions are short-term leases (with a duration of 12 months or less) and "small assets" leases (e.g. office furniture, PCs) for which the accounting treatment remains similar to that currently adopted for operating leases.

In the mapping carried out, three main cases were identified which are of interest in the Group's contracts:

- Vehicle hire

- Property lease
- ICT services entailing exclusive use of the underlying assets

The Group organised and categorised these contracts, recording the relevant clauses for the purposes of IFRS 16 accounting, as well as establishing an incremental borrowing rate curve, which mirrors the real rate to which the Group would be subject in case of use of capital markets.

Impairment losses

Tangible and intangible assets are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, their recoverable amount is estimated.
The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as that of intangible assets not yet available for use, is estimated at least annually.
For an asset which does not generate fully independent cash flows, including goodwill, the recoverable value is determined in relation to the "*cash generating unit*" (CGU) to which this asset belongs.
In this regard, please note that the Group as a whole is considered to be a CGU.
The recoverable amount is the higher of an asset's *fair value*, net of disposal costs, and its value in use.
In determining the value in use, the expected future cash flows are discounted using a discount rate which reflects the current market valuations of the cost of funding in relation to the timing and specific risks of the asset.
An impairment is recognised in profit or loss if the carrying amount of an asset, or of the CGU to which it is allocated, is higher than its recoverable amount.
The impairment of a CGU is first charged against the carrying amount of any goodwill allocated to the CGU, then proportionally, to reduce the other assets which make up the CGU.
Impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.
Impairment of goodwill can never be reversed in future years.

Inventories

Inventories are measured at the lower of cost and the net realisable value. The weighted average cost method is used, which includes relevant ancillary expenses. The net realisable value is the sale price estimated in normal business operations, net of the costs estimated for the sale or, where applicable, the replacement cost.

Financial instruments

The initial recognition of non-derivative financial assets and liabilities takes place, for loans, receivables and debt securities issued, at the moment when they originated, while for all the other financial assets and liabilities it takes place on the trading date.
Financial assets are derecognised when: i) the contractual rights to receive cash flows end; ii) when the Group has maintained the right to receive cash flows from the asset, but

has taken on the contractual obligation to pay them in full without any delay to a third party; or iii) when the Group has transferred the right to receive cash flows from the asset and has substantially transferred all the risks and benefits of ownership of the financial asset, or has transferred control over the financial asset.
Any residual involvement in the transferred asset which is originated or maintained by the Group is recorded as a separate asset or liability.
The Group derecognises a financial liability when the obligation specified in the contract is fulfilled or cancelled or has expired.

Fair Value hierarchy under IFRS 13

In accordance with IFRS 13, assets and liabilities recognised at *fair value* in the consolidated financial statements are measured and classified based on the *fair value* hierarchy outlined by the standard, which consists in three levels based on the observability of the inputs to the corresponding valuation technique. *Fair value* hierarchy levels are based on the type of inputs used to determine *fair value*:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g. quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; market-corroborated inputs).

Level 3: unobservable data for the asset or liability, reflecting the assumptions that market participants should use in pricing the asset or liability, including the risk assumptions (of the model and the inputs used).
The *fair value* measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire *fair value* measurement requires judgement, taking into account factors specific to the asset or liability.

A *fair value* measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the *fair value* hierarchy within which those inputs are categorised.
If an observable input requires an adjustment using unobservable inputs and that adjustment is material to the measurement, the resulting measurement would be categorised within the same level as the lowest level input used.
The Group has implemented adequate controls to monitor all measurements, including those received from third parties. If those checks show that the

measurement cannot be considered as *market corroborated*, the instrument must be categorised within Level 3.

Financial assets measured at *fair value* through profit or loss

This category includes any financial assets held for trading or measured at *fair value* through profit or loss at the time of initial recognition.
Such assets are initially recognised at their *fair value.* The attributable transaction costs are recognised in profit or loss when they are incurred. Profit and losses from subsequent changes in their *fair value* are recognised in profit or loss.

Financial assets held to maturity

This category includes non-derivative financial instruments quoted in an active market that do not represent equity investments, which the Company can and intends to hold until maturity. They are initially recognised at *fair value*, including any transaction costs; subsequently, they are measured at amortised cost using the effective interest rate method, net of impairment (if any).
Any impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate.

Loans and receivables

This category includes financial and trade receivables, including non-derivative debt securities, with fixed or determinable payments, that are not quoted on an active market and that the Group does not originally intend to sell.
At first, such assets are recognised at *fair value*, adjusted for any transaction costs, and subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment losses. Any impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate.
Trade receivables falling due in line with generally accepted trade conditions are not discounted.
Receivables relating to EECs refer to contributions which will be awarded by the Fund for Energy and Environmental Services for certificates in the 2i Rete Gas Group's portfolio.
Receivables in general have been derecognised, since the right to receive the respective cashflows has been stopped when all the risks and benefits relating to the holding of credit have been substantially transferred or if the credit is deemed to be definitively uncollectable after all necessary recovery procedures have been completed. When the credit is cancelled, the relative fund is also eliminated if the credit had previously been written down.

Financial assets available for sale

This category includes debt securities, equity investments in other entities (if classified as “available for sale”) and fi-

nancial assets that cannot be classified in other categories. Such assets are initially recognised at *fair value* increased by any transaction costs. After initial recognition, these instruments are measured at *fair value* against the other components of the statement of comprehensive income.
At the time of sale, retained earnings and accumulated losses are reclassified from other comprehensive income to profit or loss.
Where there is objective evidence that such assets have suffered an impairment loss, the accumulated loss is recognised in profit or loss. Such impairment losses, which cannot be subsequently reversed, are calculated as the difference between the carrying amount of the asset and the present value of future cash flows, discounted at the market interest rate for similar financial assets.
When the *fair value* cannot be reliably determined, these assets are recognised at cost adjusted for any impairment losses.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.
For the statement of cash flows, cash and cash equivalents comprise bank and post office deposits and cash in hand.

Trade payables

Trade payables are initially recognised at *fair value* and subsequently measured at amortised cost. Trade payables falling due in line with generally accepted trade conditions are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognised at *fair value* at the settlement date, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

Derivatives, if any, are recognised at *fair value* and are designated as hedging instruments when the relationship between the derivative financial instrument and the hedged item is formally documented and the effectiveness of the hedge is high (based on a periodical assessment).
Recognition of the result of measurement at *fair value* depends on the type of hedge accounting adopted.
When the derivatives are used to hedge the risk of changes in the *fair value* of hedged assets or liabilities (*fair value* hedge), any changes in the *fair value* of the hedging instrument are recognised in profit or loss; likewise, adjustments to the *fair values* of the hedged assets or liabilities are also recognised in profit or loss.
When the derivatives are used to hedge the risk of changes in cash flows of hedged items (*cash flow hedge*), the

changes in the *fair value* that are considered effective are recognised in other comprehensive income, and presented in a specific equity reserve, and subsequently reclassified to profit or loss in line with the economic effects produced by the hedged transaction.

The ineffective portion of the *fair value* of the hedging instrument is recognised in profit or loss.
Changes in the *fair value* of derivatives that no longer qualify for hedge accounting under IFRS-EU are recognised in profit or loss.

The accounting for such instruments is done at the trading date.
Financial and non-financial contracts (where they have not already been measured at *fair value*) are assessed to determine whether they contain any embedded derivatives that need to be separated and measured at *fair value*. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated so that it significantly changes the original associated cash flows.

Fair value is determined using the official prices for instruments traded on regulated markets. For instruments not traded on regulated markets, *fair value* is determined by discounting expected cash flows on the basis of the market interest rate curve at the end of the reporting period and translating amounts in currencies other than the euro at period-end exchange rates.

Employee benefits

Liabilities related to employee benefits paid upon or after leaving employment and in connection with defined benefit plans or other long-term benefits granted during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the end of the reporting period. The liability is recognised on an accrual basis over the vesting period of the related rights. These measurements are performed by independent actuaries. Following the adoption of IAS 19 (2011), the actuarial gains/losses that emerge following these measurements are immediately recognised in other comprehensive income.
Where the Group shows a demonstrable commitment, with a detailed formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognised as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Provisions for risks and charges

Allocations to provisions for risks and charges are recognised when, at the reporting date, there is a legal or implicit obligation towards third parties, as a result of a past event, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the effect is significant, allocations are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market value of the cost of funding in relation to timing and, if applicable, the specific risks of the obligation. If the amount is discounted, the periodic adjustment of the present value due to timing is recognised as a financial expense in profit or loss.

Contributions

Whether they are from public entities or third parties operating in the private sector, contributions are recognised at *fair value* when it is reasonably certain that they will be received and that the conditions for their recognition will be met.
Contributions received for specific expenditures are systematically recognised among other liabilities and taken to profit or loss over the period in which the related costs are incurred.
Public contributions (plant contributions) received for specific assets whose value is recognised among tangible and intangible assets are recognised among other liabilities and taken to profit or loss over the amortisation/depreciation period of the assets they refer to.
Private contributions (connection fees, including property subdivision contributions) are recognised in a specific liability item in the statement of financial position and taken to profit or loss in relation to the amortisation/depreciation period of the assets they refer to.

Revenue and costs

Revenue is recognised using the following criteria depending on the type of transaction:

- revenue from the sale of assets is recognised when the significant risks and rewards of ownership of the assets sold are transferred to the buyer and their amount can be reliably determined and collected;

- revenue from gas transport is accrued on the basis of the tariffs and related restrictions contained in legal provisions and in the provisions of ARERA, in force during the reporting period. It is noted that with the introduction of the new formula for the recognition of revenue for gas transport adopted from 2009, with the entry into force of resolution ARG/gas no. 159/08 and substantially reconfirmed with ARERA resolutions 573/13, 367/14 and 570/19, an equalisation mechanism was established that enables the relevant distribution companies' revenue to be calculated in order to remunerate the invested capital and operating costs attributable to the gas distribution and metering service, regardless of the volumes distributed;

- revenue from the rendering of services is recognised in line with the stage of completion of the services. Should it not be possible to reliably determine the value of revenue, it is recognised up to the amount of the costs incurred and expected to be recovered.

Costs are recognised when they relate to goods and services sold or used in the year or allocated through systematic accrual when it is not possible to identify their future benefit.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis in line with interest accrued on the net value of the related financial assets and liabilities using the effective interest rate method.

Dividends

Dividends from equity investments are recognised when the right of the shareholders to receive the dividend payment is established.
The dividends payable to third parties are recognised as a change in equity on the date on which they are approved by the Shareholders' Meeting.

Income taxes

Current income taxes for the year, recognised as "income tax payables" net of advances paid or as "income tax receivables" if the net balance is positive, are determined on the basis of the estimated taxable income and in accordance with the current fiscal regulations or the fiscal regulations essentially in force at the end of the reporting period.
Deferred tax liabilities and assets, which are set out in the tables as the net impact of the two items under assets, are calculated based on the temporary differences between the carrying amounts recorded in the financial statements and their corresponding values recognised for tax purposes by applying the tax rates effective on the date the temporary difference will be settled, based on the tax rates that are enacted or substantively enacted at the reporting date.
Deferred tax assets are recognised when recovery is likely, i.e. when sufficient future taxable income is expected to be available to recover the assets. Recoverability of deferred tax assets is re-examined at the end of each reporting period.
Taxes relating to components that are directly recognised in equity are also recognised in equity.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through sale rather than ongoing use are classified as held for sale and shown separately from the other assets and liabilities in the Statement of financial position. These non-current assets (or disposal groups) are initially recognised according to the appropriate IAS/IFRS that is applicable to each asset and liability and subsequently at the lower of their carrying amount and their *fair value*, net of sale costs. Any subsequent impairment loss is directly recognised against any non-current assets (or disposal groups) classified as held for sale and recognised through profit or loss.

The relevant carrying amounts for the previous year are not reclassified.
A *discontinued operation* is a part of a business which has been sold or classified as held for sale and which:

- represents a significant branch or geographic area of activity;
- is part of a coordinated plan for the disposal of a significant branch or geographic area of activity, or
- is a subsidiary that was purchased only to be resold.

Results of discontinued operations, whether they have been sold or classified as held for sale and in the process of being sold, are recognised separately in profit or loss, net of tax effects. The corresponding values for the previous year, if any, are reclassified and recognised separately in profit or loss, net of tax effects, for comparative purposes.

Recently issued accounting standards

Pursuant to IAS 8, the following section "Accounting standards, amendments and interpretations applicable by the Group as from this year" sets out the main features of the amendments to the International Accounting Standards in force as from 1 January 2021 and of potential interest for the Group.
In the following sections, there is an indication of the accounting standards and interpretations which have already been issued, but not yet come into force, or which have not yet been endorsed by the European Union and are therefore not applicable for the drafting of the financial statements at 31 December 2021, the impact of which may be included as from the financial statements for subsequent years.

Accounting standards, amendments and interpretations applicable by the Group as from this year

As from 1 January 2021 some additions have been applied consequent to specific sections of the international accounting standards which have already been adopted by the Group in previous years.
With Regulation no. 2021/25 issued by the European Commission on 13 January 2021, the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest rate benchmark reform - Phase 2" (hereinafter the amendments) were approved, aimed at introducing practical expedients and temporary exemptions for the application of some IFRS provisions in the presence of financial instruments valued at amortised cost and/or hedging relations subject to change following the reform of benchmark interest rates.
There are no significant changes in Group financial statements resulting from such changes.

Accounting standards and interpretations issued by IASB and not yet approved by the European Commission

With Regulation no. 2021/1080 issued by the European Commission on 28 June 2021 approved the following:

- the amendments to IAS 37, aimed at providing clarifications on how to determine the onerous nature of a contract;
- amendments to IAS 16, designed to establish that proceeds from the sale of goods produced by an asset before it is ready for its intended use shall be recognised in profit or loss along with the relevant production costs.
- amendments to IFRS 3, aimed at: (i) completing the updating of references to the Conceptual Framework for Financial Reporting in the accounting standard; (ii) providing clarifications regarding the conditions for the recognition, at the acquisition date, of funds, contingent liabilities and tax liabilities (so-called levies) taken on in the context of a business combination; (iii) explaining the fact that potential assets cannot be recognised as part of a business combination;
- the document "Annual improvements to IFRSs 2018-2020", containing changes, essentially technical or of wording, to international accounting standards.

These provisions are effective for reporting periods starting on or after 1 January 2022.

With Regulation no. 2021/2036 issued by the European Commission on 19 November 2021, approved IFRS 17 "Insurance contracts" (hereinafter IFRS 17), including the related amendments, issued in 2020, designed to defer its entry into force by two years. IFRS 17, which replaces IFRS 4 "Insurance contracts", defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17 are effective for reporting periods beginning on or after 1 January 2023.

None of these Standards or Interpretations was adopted early by the Group.

Accounting standards and interpretations issued by IASB and not yet approved by the European Commission

On 23 January 2020 the IASB issued amendments to IAS 1 "Classification of Liabilities as Current or Non-current" (hereinafter the amendments), designed to provide clarifications regarding the classification of liabilities as current or non-current which, due to the suspension of the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non—current - Deferral of Effective Date"), will come into force on or after 1 January 2023.

On 12 February 2021 the IASB issued:

- the amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies " (hereinafter the amendments), designed to provide clarifications for identifying the relevant accounting policies to be described in the financial statements. The amendments to IAS 1 are effective for reporting periods beginning on or after 1 January 2023;
- the amendments to IAS 8, "Definition of Accounting Estimates" (hereinafter the amendments), introduce the definition of accounting estimates primarily to facilitate the distinction

between changes in accounting estimates and changes in accounting standards. The amendments are effective for reporting periods beginning on or after 1 January 2023.

On 7 May 2021 the IASB issued:

- the amendments to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (hereinafter the amendments), aimed at requiring the recognition of deferred taxation for transactions that, at the time of initial recognition, give rise to taxable and deductible temporary differences of the same amount.

The amendments are effective for reporting periods beginning on or after 1 January 2023.

Information on the Income Statement

Revenue

Methane gas is transported by the company exclusively within Italy.

5.a Revenue from sales and services – 721,615 thousand euro

"Revenue from sales and services" refers mainly to gas transport activity and the connection fees.
Below is a breakdown of "Revenue from sales and services":

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Sales and services			
Gas and LPG transport	679,285	652,044	27,242
Release / (Allocation) to the provision for risks	3,079	22,348	(19,269)
Connection fees	8,987	9,306	(319)
Ancillary fees	5,933	5,515	418
Revenue from the sale of water	-	397	(397)
Ancillary services - water sector	-	639	(639)
Revenue from customer operations	95	59	35
Sundry revenue and other sales and services	24,237	21,308	2,929
Total revenue from sales and services	**721,615**	**711,616**	**9,999**

Revenue from gas transport totalled 679,285 thousand euro, and mainly refers to the 2021 Tariff Revenue Cap for natural gas together with revenue from adjustments relating to previous years.
In the year the amount in question rose - taking into account the movement of the related item "Release/provision to risk funds" - by 7,973 thousand euro in all, due to i) (19,269) thousand euro for the lower release of funds in the year (in the previous reporting period 22,348 thousand euro (net) was released at the end of the dispute closed with ARERA), and ii) 27,242 thousand euro in higher revenues, due in large part to resolution 559/2021/R/Gas (so-called IRMA - Recovery of Lost Depreciation), which recognised the value of the tariff connected with the replacement of traditional meters not fully depreciated for meters above class G6. The effect of the new acquisition, which increased the Group's Tariff Revenues Cap, also affected this item.

Connection fees, totalling 8,987 thousand euro, are basically in line with last year, with no appreciable change.

The strategy of progressively selling off the Group's water service concessions was carried out during the year. There were no revenues from water management in the year.

The item "Sundry revenues and other sales and services", which amounted in 2021 to 24,237 thousand euro, includes revenues relating to the suspension and reactivation of defaulting customers at the request of retail sales companies. In the previous year this activity had dwindled, partly as a result of specific law provisions relating to the ongoing health emergency, but resumed during the period under review. The item also includes revenues related to the tariff component T. Col (10,260 thousand euro), basically in line with the previous year.
Revenue from meter readings totalled 5,851 thousand euro, up slightly compared with the previous year.

5.b Other revenues – 35,780 thousand euro

"Other revenues" rose by 5,102 thousand euro, broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Other revenue			
Revenue from energy efficiency certificates	1,822	-	1,822
Revenue from plant contributions	2,322	2,180	142
Revenue from contributions	-	22	(22)
Revenue from contributions - R&D tax credit	160	115	46
Revenue from contributions - tax credit for extraordinary events	48	9	39
Contingent assets	4,856	1,924	2,932
Revenue from Resolution 574/13	17,919	16,469	1,449
Rental income	413	360	53
Capital gains from assets	548	1,902	(1,354)
Compensation for damages	973	139	835
Other revenue and income and services	6,570	7,426	(857)
Revenue and contribution concerning photovoltaic plants	150	133	18
Total other revenue	**35,780**	**30,678**	**5,102**

It is noted that since 2018 revenue, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year. In 2021, unlike in the previous year, when the net balance of EEC operations was (4,355) thousand euro, and therefore carried in the Other costs item, a better operating margin and fewer related obligations caused the net balance to appear in this item, with a total contribution of 1,822 thousand euro.
Contingent assets rose by 2,932 thousand euro largely thanks to the agreement reached with the Municipality of Anzio concerning ownership of a portion of the distribution network and the relative price to be paid.

Revenues as per resolution 574/2013/R/gas concerning the quality of gas distribution and metering services grew thanks to the group's constant attention to the high technical quality and standards of its network device services. The positive result depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken using new, cutting-edge technologies). The estimate for this item was 17,919 thousand euro, an increase of 1,499 thousand euro.

Capital gains from the sale of assets, which in the previous year included a capital gain of 1.6 million euro for the sale of the ATEM Torino 2 concessions (San Gillio and Givoletto), totalled 548 thousand euro, in line with ordinary business operations.
Finally, the item "Other revenues and services " was down on the previous year; this item basically includes revenues deriving from activities pertaining to customers in arrears, the administrative management of which was entrusted to the gas distributor. Already in the previous year this activity had suffered a setback due to the health emergency situation.

5.c Revenues from intangible assets/assets under construction – 319,395 thousand euro

As from 1 January 2010, the Company has been recognising this revenue pursuant to IFRIC 12 "Service Concession Arrangements".

	31.12.2021	31.12.2020	2021 - 2020
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	319,395	296,533	22,862
Total revenue from intangible assets / assets under development	**319,395**	**296,533**	**22,862**

Revenue from intangible assets and assets under construction represents the proportion of revenue directly attributable to the construction and enhancement of gas distribution networks held under concession. Since it is not possible to identify a specific item relating to the network construction service in the existing tariff system, this revenue is recognised to the extent of the costs incurred for the same purpose, and therefore has no impact on gross margin.
During the year this item rose thanks to the easing of restrictions caused by the pandemic.

Costs

As already noted, all costs recognised under the accounting model as per IFRIC 12 are broken down by nature within the pre-existing cost items.
The following table provides a summary of the items relating to the Company's operating costs in order to ensure their compliance with the aforementioned standard.

	31.12.2021	31.12.2020	2021 - 2020
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	9,079	7,651	1,428
Costs for services	203,293	174,175	29,118
Other operating costs	857	896	(39)
Depreciation	2,783	3,329	(546)
Capitalised costs for materials, personnel and services	103,384	110,482	(7,098)
of which personnel costs	*62,346*	*58,939*	*3,407*
of which raw materials and consumables	*41,037*	*51,543*	*(10,506)*
Total costs relating to revenue from intangible assets / assets under development	**319,395**	**296,533**	**22,862**

6.a Raw materials and consumables – 54,373 thousand euro

"Costs of raw materials and consumables" and the changes thereto compared to the previous year are detailed below:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Raw materials and consumables			
Third parties:			
Costs for the purchase of gas, water and lubricants	2,536	2,652	(116)
Stationery and printed materials	105	126	(21)
Various materials	52,895	59,302	(6,407)
(Change in inventories of raw materials)	(1,162)	5,205	(6,368)
Total costs of raw materials and consumables	**54,373**	**67,285**	**(12,912)**
- of which capitalised for intangible assets	50,116	59,194	(9,078)
- of which capitalised for other internal work	701	862	(161)

The item "Costs of raw materials and consumables" basically consists of the cost for purchase of the materials, fuel and lubricants used in the pipe-laying process. Compared to the previous year, these costs fell by 12,912 thousand euro overall, due mainly to fewer material acquisitions for network maintenance and meter installation and a greater use of accumulated stocks.

6.b Services – 335,678 thousand euro

“Costs for services” are broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Costs for services			
Maintenance, repair and realisation of assets	209,185	173,663	35,522
Costs for electricity, power and water	2,381	2,989	(608)
Gas (for internal use)	2,932	3,346	(414)
Telephone and data transmission costs	2,746	2,224	523
Insurance premiums	4,125	4,176	(51)
Costs for services and other expenses relating to personnel	3,732	3,508	223
Fees	739	716	22
Legal and notary costs	1,582	1,484	98
Costs for company acquisitions and disposals	101	872	(772)
Advertising	214	92	123
IT services	11,106	8,736	2,370
Meter reading service	2,995	4,083	(1,088)
Audit fees	583	559	24
Repairs and emergency service	3,505	3,485	20
Plant certifications Resolution no. 40	395	439	(44)
Gas transport by third parties	1,572	1,544	28
Professional and other services	5,244	5,191	53
Other costs for services	8,693	8,269	424
Costs for the use of third-party assets			
Leases	842	881	(39)
Rentals	424	470	(45)
Other costs for the use of third-party assets	2,255	2,215	40
Cosap/Single Property Tax	4,129	1,234	2,894
Municipal gas concession fees	66,198	62,001	4,197
Total	**335,678**	**292,178**	**43,500**
- of which capitalised for intangible assets	203,293	174,175	29,118

The aggregate figure of costs for services (including for third-party leases not falling within the scope of IFRS16) showed a marked increase (+43,500 thousand euro) compared to the previous year. However, there were higher costs for maintenance activities (+35,522 thousand euro), of which 29,644 thousand euro capitalised, applying the IFRIC 12 interpretation. Net of capitalised costs, maintenance costs rose by approximately 5.9 million euro, reflecting the greater activity carried out in general on distribution networks.

It is noted that the item Third-party lease costs is the part of the cost for those contracts whose fees do not fall within the scope of application of IFRS 16 (intra-annual or low-value leases).

The most significant changes from last year concerned the following:

- asset maintenance, repair and construction costs, which increased by 35,522 thousand euro due to an increase in operations carried out during the year on managed networks, with a greater reliance on tender contracts with external firms. As summarised above, this item largely pertained to investment activities;
- a 500 thousand euro fall in costs for utilities (electricity, water, gas, telephony), with an improvement in the contractual terms of electricity and gas utilities;
- a slight rise in personnel costs, after a year in which they had been affected by reduced employee mobility;
- business acquisition charges also fell due to efforts made to internalise most of these costs, despite acquisitions undertaken during the year;
- IT service costs grew considerably, partly due to the need to resume operations of the Rozzano data center, hit by a violent atmospheric event. The parent company has filed insurance claims to cover this damage;
- meter reading service costs continued to fall (-1,088 thousand euro) thanks to the increasing use of remote readings;
- costs for the use of third-party assets, rentals, leases and hire charges continued to fall, while concession fees fell, while the change in the Single Property tax (CUP) was a result of the increase in the rent itself (by about 45% at an aggregate level), and the unification of Cosap and Tosap into a single cost;
- finally, municipal fees grew due to the combined effect of the entry of IDG S.p.A. into the Group and provisions made regarding rent and fee risks.

6.c Personnel costs – 124,013 thousand euro

Personnel costs are broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Wages and salaries	89,353	85,202	4,151
Social security charges	27,095	25,973	1,122
Post-employment benefits	5,919	5,831	87
Asem/Fisde	(8)	(1)	(7)
Company Welfare Scheme	273	-	273
Other personnel costs	251	(536)	786
Total personnel costs	**122,883**	**116,470**	**6,413**
Non-recurring personnel costs			
Incentives to leave	1,131	-	1,131
Total non-recurring personnel costs	**1,131**	**-**	1,131
Total personnel costs	**124,013**	**116,470**	**7,543**
- of which capitalised for intangible assets	62,346	58,939	3,407
- of which capitalised for other internal work	246	384	(139)

"Personnel costs" include all expenses incurred on an ongoing basis that directly or indirectly involve employees. This item saw an overall rise of 7,543 thousand euro for personnel movements during the year, naturally including the acquisition of IDG S.p.A. and its 74 new employees.

The table below shows employee variations in the year by category.

	Executives	liddle Managei	Clerks	anual Workei	Total
Personnel as at 31 December 2020	**32**	**113**	**1,240**	**630**	**2,015**
Change in the scope of consolidation	1	9	41	23	**74**
Increase	-	1	62	17	**80**
Decrease	-	(11)	(77)	(52)	**(140)**
Change in category	2	8	(8)	(2)	**-**
Personnel as at 31 December 2021	**35**	**120**	**1,258**	**616**	**2,029**

There was an overall drop in the number of personnel during the year due to normal turnover, while the variation in the scope of consolidation relates to persons working in companies acquired during the year.

6.d Amortisation, depreciation and impairment losses – 209,464 thousand euro

Impairment, depreciation of tangible assets and rights of use and amortisation of intangible assets amounted to 209,464 thousand euro, up by 8,904 thousand euro compared to the previous year.
This change refers to both the increase in amortisation of intangible assets, which have grown due to the acquisition and merger of IDG S.p.A. in the year, and to the creation of

a new credit write-down fund in the year on account of the recognition of financial difficulties faced by some small-sized gas vending companies due to the international economic situation and raw material price rises.
It is noted that, with the introduction of IFRIC 12, amortisation mainly concerns the rights to concessions through which the Group manages gas distribution networks.

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Depreciation	4,760	5,407	(647)
Amortisation of IFRS 16 rights of use	7,065	6,823	242
Amortisation of intangible assets	195,812	188,144	7,668
Impairment losses:			
- Impairment of tangible assets	182	-	182
- Impairment of intangible assets	459	22	437
- Write down of receivables	1,186	164	1,022
Total amortisation and impairment	**209,464**	**200,560**	**8,904**
- of which capitalised for intangible assets	2,783	3,329	(546)

6.e Other operating costs – 35,955 thousand euro

“Other operating costs” fell by 13,939 thousand euro compared to last year, with the capitalised quota basically unchanged, and is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Other operating costs			
Remuneration of statutory auditors, Supervisory Body and Co	152	144	8
Remuneration of members of the Board of Directors	254	254	0
Association fees	380	335	44
Contribution to the Supervisory Authority	248	239	9
Compensation to customers	926	935	(9)
Municipal tax on property	502	483	19
CCIAA (chamber of commerce) fees and duties	599	511	89
Net costs for energy efficiency certificates	-	4,355	(4,355)
Tax on the occupation of public space (Tosap)	40	1,638	(1,598)
Capital losses on the disposal of assets	11,914	9,880	2,034
Capital losses on the sale of assets	178	137	40
Local and sundry taxes	1,107	707	400
Other costs	5,343	7,259	(1,916)
(Net) provision for risks and charges	14,312	23,017	(8,705)
Total other operating costs	**35,955**	**49,894**	**(13,939)**
- of which capitalised for intangible assets	857	896	(39)

The decrease in other operating costs was mainly the result of:

- the elimination of net charges for EECs for the 2019, 2020 and 2021 targets (4,355 thousand euro). Thanks to the reduction in target quantities and the EEC purchasing policy, net revenues were recorded for these operations in 2021. The net balance is thus to be found under the item Other revenues;
- as of 1 January 2021 Tosap is no longer payable for the occupation of public spaces. This tax, together with the Cosap tax, has been replaced by the Single Property tax (CUP) . The balance of this item must therefore be considered together with the 2020 balance for Cosap, in order to obtain a uniform comparison with this Fee, within service costs. Overall, due to the introduction and quantification of the Single Property Tax, there was a 45% circa increase in costs for the occupation of public spaces borne by the company;
- greater capital losses on the disposal of assets, of 2,034 thousand euro; the fall in the year was due to the reduced activity of replacing traditional meters with smart ones due to pandemic-related limitations. Also during 2021 capital losses were partly absorbed by the use — to the extent of 13,139 thousand euro — of provisions specifically allocated for faulty meters that need replacing. It should also be stressed that a portion of the capital losses, where related to meters that at the date of replacement had not been fully amortised from a tariff perspective, is repaid by means of a tariff based on an annual payment;

- in Other charges, down this year, there was a donation of 1 million euro made by the parent company to contribute to healthcare efforts during the initial phases of the COVID-19 pandemic;
- charges for risk provisions were down significantly compared to last year. The breakdown of the relevant provisions is shown in the comments on liabilities.

6.f Capitalised costs for internal work – (1,013) thousand euro

Following the introduction of IFRIC 12, the costs directly related to construction work on the network under concession are no longer accounted for as capitalised costs for internal work.
For this reason, the item now only includes those residual costs which can be capitalised but do not concern concessions. In the specific case, the value mainly refers to capitalisations of concentrators, equipment for the communication network of the new smart meters which are not part of the assets linked to the concessions.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Internal services	(246)	(384)	139
Other capitalised costs	(67)	(115)	48
Materials	(701)	(862)	161
Total capitalised costs for internal work	**(1,013)**	**(1,361)**	**348**

7. Income/(Expenses) from equity investments - (115) thousand euro

This item was affected by the economic impact of updating the equity values of associate companies 2i Servizi Energetici S.r.l. and Melegnano Energia Ambiente S.p.A.

8. Financial income/(expenses) – (56,581) thousand euro

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Financial income			
- Interest income from loans to employees	0	0	0
- Interest on arrears receivable	0	17	(17)
- Interest income from current accounts and post office deposits	16	22	(6)
- Interest income from receivables from customers	82	12	70
- Other financial interest and income	408	482	(74)
Total income	**506**	**533**	**(27)**
Financial expenses			
- Interest expense on medium/long-term loans	3,527	3,819	(291)
- Other expense on medium/long-term loans from banks	507	813	(306)
- Financial expenses on debenture loans	50,999	48,379	2,620
- Financial expenses from amortised cost	2,191	2,182	9
- Interest expense on short-term bank loans	-	0	(0)
- Interest expense on current bank accounts	339	-	339
- Discounting of post-employment and other employee benefits	160	431	(271)
- Interests on taxes	1	17	(16)
- Change in fair value of hedging derivatives reclassified from comprehensive income	(1,235)	(1,238)	3
- Other financial and interest expense	21	132	(111)
- IFRS16 Financial Expenses	577	544	32
Total expenses	**57,087**	**55,078**	**2,009**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(56,581)**	**(54,545)**	**(2,036)**

Financial income and expenses posted a negative result, mainly due to the recognition in the year of interests relating to debenture loans and the related amortised cost, and the related change in Fair Value of the hedging derivative, as well as to interest payable for used medium- and long-term lines of credit.
At 31 December 2021 the Group held 3,253,636 thousand euro in loans outstanding, including 2,765,000 thousand euro for five instalments of the debenture loan 2024-2031, as well as 488,636 thousand euro for three credit lines.
The structure of the Group’s debt is almost entirely "fixed rate" (3,090,000 thousand euro), thanks mainly to the debenture loan instalments, lengthening the average duration of the existing debt while significantly reducing the cost of debt.
During the year, in January, a further tranche of the bond loan was issued, maturing in 2031, partly to support the purchase of IDG S.p.A. As a result of this transaction, the balance of related financial expenses rose by 2,620 thousand euro.

9. Taxes – (50,434) thousand euro

This item is broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Current taxes			
Current income taxes: IRES	60,655	60,846	(191)
IRES substitute tax on realignment	2,990	-	2,990
Current income taxes: IRAP	13,802	13,413	389
Total current taxes	**77,447**	**74,259**	**3,188**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	82	1,556	(1,474)
Positive adjustments for income taxes relating to previous years	(1,385)	(792)	(593)
Total adjustments for income taxes relating to previous years	**(1,303)**	**765**	**(2,068)**
Deferred and prepaid taxes			-
Deferred taxes (use)/allocation	(3,899)	(3,438)	(461)
Prepaid taxes (allocation)/use	(21,812)	3,570.82	(25,382.73)
Total current deferred and prepaid taxes	*(25,711)*	*133*	*(25,844)*
Adjustments to deferred taxes of previous years due to tax rate change	-	-	-
Adjustments to prepaid taxes of previous years due to tax rate change	-	-	-
Total adjusted deferred and prepaid taxes	-	-	-
Total deferred and prepaid taxes	**(25,711)**	**133**	**(25,844)**
TOTAL TAXES	**50,434**	**75,157**	**(24,724)**

The Group's income taxes for 2021 totalled 50,434 thousand euro, a drop of 24,724 thousand euro. The 2021 balance was affected by the realignment of goodwill, the tax value of which had not previously been realigned, totalling 99 million euro, and the related recording of deferred tax assets of 28.4 million euro. The substitute tax for the realignment carried out was 2,990 thousand euro, a third of which was paid, as required by law.
Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES taxes of 60,655 thousand euro and IRAP taxes of 13,802 thousand euro.
Following the publication of the 2022 Budget Law (Law 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill have been amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to change the choices already made in June. The parent company assessed the economic and financial convenience of the transaction, and decided to confirm the option already exercised, considering it absolutely plausible, given its business model, that deferred tax receivables created in the period indicated by the current budget law would be used.
As a result of this operation, the company as expected has blocked an amount of equity reserves, corresponding to the value of the undertaken realignment.
Prepaid and deferred taxes followed normal business trends, except for the balance deriving from the above-mentioned transaction.
For more in-depth comments on this item, reference should be made to the relevant section of the notes to the Statement of financial position.

Net adjustments to income taxes relating to previous years were positive (1,303 thousand euro), following the definitive calculation of taxes at the time of the June 2021 payment.

The tax impact of IRES for 2021 was equal to 23.2%.

The table below shows the reconciliation of the effective and theoretical tax rates, determined by applying the tax rate in force during the year to pre-tax profit, without taking into account the adjustments from previous years:

Thousands of euro	31.12.2021	31.12.2020
Pre-tax profit	261,611	259,005
Theoretical IRES taxes	**62,852**	**62,231**
Lower taxes:		
- release of contributions taxed in prior years	1,464	1,606
- use of provisions	6,425	6,138
- release of provisions	5,219	7,910
- reversal of statutory amortisation / depreciation not deducted in prior year	4,552	4,210
- deducted tax amortisation	7,163	5,741
- others	4,346	3,875
Higher taxes:		
- write-downs for the year	154	-
- allocations to provisions	10,177	10,538
- amortisation / depreciation on amounts that are not recognised for tax pur	3,878	3,989
- statutory amortisation / depreciation exceeding the fiscal limits	10,548	11,323
- reversal of excess fiscal amortisation / depreciation deducted in prior years	694	761
- capital gains by instalments		222
- partially deductible costs	588	508
- taxes	106	60
- others	828	694
Total current income taxes (IRES)	**60,655**	**60,846**
IRAP	**13,802**	**13,413**
IRES substitute tax on realignment	**2,990**	**-**
Total deferred and prepaid taxes	**(25,711)**	**133**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**51,736**	**74,392**

10. Discontinued operations – 0 thousand euro

The result from discontinued operations was zero, as in the previous year.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – 37,680 thousand euro

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions. Such assets are recognised as intangible.
The breakdown and changes in property, plant and equipment in 2021 and 2020 are shown below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements to third-party assets	Fixed assets under construction and advances	Total
Historical cost	8,688	33,772	14,167	24,637	56,247	13,884	809	152,204
Accumulated amortisation	-	(25,459)	(4,817)	(23,247)	(48,583)	(12,874)	-	(114,981)
Balance as at 31.12.2019	**8,688**	**8,313**	**9,350**	**1,390**	**7,663**	**1,010**	**809**	**37,223**
Contribution from change in the scope of consolidation:	-	-	-	3	26	-	-	**29**
Gross value	-	-	-	11	60	-	-	**71**
Acc. Amort.	-	-	-	(8)	(34)	-	-	**(42)**
Increases (including Fixed assets classified as assets available for sale)	-	3	2,692	748	1,455	76	118	**5,094**
Commissioning	-	2	-	-	748	18	(768)	**-**
Gross value	-	2	-	-	748	18	(768)	**-**
Acc. Amort.	-	-	-	-	-	-	-	**-**
Disposals	(759)	(13)	(445)	(1)	-	-	-	**(1,218)**
Gross value	(759)	(1,051)	(1,687)	(192)	(1,761)	-	-	**(5,450)**
Acc. Amort.	-	1,038	1,241	192	1,761	-	-	**4,232**
Reclassifications	-	-	(22)	-	-	-	-	**(22)**
Gross value	-	-	(1,600)	-	-	-	-	**(1,600)**
Acc. Amort.	-	-	1,578	-	-	-	-	**1,578**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as assets available for sale	-	-	-	-	-	-	-	**-**
Gross value	-	-	-	-	-	-	-	**-**
Acc. Amort.	-	-	-	-	-	-	-	**-**
Depreciation	-	(840)	(859)	(552)	(2,652)	(504)	-	**(5,407)**
Total changes	**(759)**	**(848)**	**1,366**	**198**	**(422)**	**(409)**	**(650)**	**(1,524)**
Historical cost	7,929	32,727	13,572	25,204	56,749	13,979	159	**150,319**
Accumulated amortisation	-	(25,261)	(2,856)	(23,616)	(49,508)	(13,378)	-	**(114,620)**
Balance as at 31.12.2020	**7,929**	**7,465**	**10,716**	**1,588**	**7,241**	**600**	**159**	**35,699**
Contribution from change in the scope of consolidation:	35	1,689	55	188	67	11	-	**2,045**
Gross value	35	2,642	286	628	663	64	-	**4,319**
Acc. Amort.	-	(953)	(232)	(440)	(596)	(53)	-	**(2,274)**
Increases (including Fixed assets classified as assets available for sale)	-	404	1,814	216	5,426	472	236	**8,567**
Commissioning	-	98	-	-	-	2	(100)	**-**
Gross value	-	98	-	-	-	2	(100)	**-**
Acc. Amort.	-	-	-	-	-	-	-	**-**
Disposals	(178)	(376)	(532)	-	(2,003)	-	-	**(3,089)**
Gross value	(178)	(1,803)	(673)	(6)	(4,094)	-	-	**(6,753)**
Acc. Amort.	-	1,427	141	6	2,091	-	-	**3,665**
Reclassifications	-	7	(55)	55	-	(7)	-	**0**
Gross value	-	35	(286)	286	-	(35)	-	**(0)**
Acc. Amort.	-	(27)	232	(232)	-	27	-	**0**
Impairment losses	(159)	(23)	-	-	-	-	-	**(182)**
Fixed assets classified as assets available for sale	(526)	(74)	-	-	-	-	-	**(600)**
Gross value	(526)	(1,139)	-	-	-	-	-	**(1,664)**
Acc. Amort.	-	1,064	-	-	-	-	-	**1,064**
Depreciation	-	(631)	(888)	(433)	(2,584)	(224)	-	**(4,760)**
Total changes	**(827)**	**1,094**	**394**	**25**	**906**	**253**	**136**	**1,981**
Historical cost	7,102	32,963	14,713	26,328	58,745	14,482	295	**154,628**
Accumulated amortisation	-	(24,404)	(3,603)	(24,715)	(50,597)	(13,628)	-	**(116,948)**
Balance as at 31.12.2021	**7,102**	**8,560**	**11,110**	**1,613**	**8,147**	**853**	**295**	**37,680**

The item in question at 31 December 2021 underwent a net rise compared to 31 December 2020 of 1,981 thousand euro, due in part to the merger operation (which had a positive effect of 2,045 thousand euro) and normal investment, disposal and depreciation trends.

The increase in plant and machinery was due to the installation of concentrators, data reception and transmission equipment, which is part of the smart meter communication network and is excluded from the scope of application of IFRIC 12, not being recognised as service concession assets, while the increase for other assets is largely due to the need to repurchase company servers that were destroyed by the atmospheric event of July 2021, as already mentioned.

12. Rights of use under IFRS 16 – 25,957 thousand euro

Following the application of standard IFRS 16, hire, rental or lease contracts are carried in this item as exclusive use rights.
It is noted that liabilities include a related financial debt, equal to the sum of estimated and appropriately discounted future fees.

Below is the table of changes in assets for 2021.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	26,929	8,244	367	35,540
Accumulated amortisation	(4,184)	(2,517)	(23)	(6,724)
Balance as at 31.12.2019	**22,746**	**5,727**	**344**	**28,817**
Merger contribution:	-	-	-	-
Gross value				-
Acc. Amort.				-
Increase and change in rights of use	2,923	835	-	3,758
Disposals	(1,402)	(92)	-	(1,494)
Gross value	(1,513)	(396)	-	(1,909)
Acc. Amort.	112	303	-	415
Reclassifications	-	-	-	-
Impairment losses	-	-	-	-
Fixed assets classified as assets available for sale	-	-	-	-
Depreciation	(4,394)	(2,337)	(92)	(6,823)
Total changes	**(2,873)**	**(1,594)**	**(92)**	**(4,559)**
Historical cost	28,339	8,683	367	37,389
Accumulated amortisation	(8,466)	(4,551)	(115)	(13,132)
Balance as at 31.12.2020	**19,873**	**4,132**	**252**	**24,258**
Merger contribution:	77	209	-	285
Gross value	77	209	-	285
Acc. Amort.	-	-	-	-
Increase and change in rights of use	2,483	6,915	-	9,398
Disposal and change in rights of use	(847)	(72)	-	(920)
Gross value	(2,091)	(2,351)	-	(4,442)
Acc. Amort.	1,244	2,279	-	3,523
Reclassifications	-	-	-	-
Impairment losses	-	-	-	-
Fixed assets classified as assets available for sale	-	-	-	-
Depreciation	(4,304)	(2,669)	(92)	(7,065)
Total changes	**(2,591)**	**4,382**	**(92)**	**1,699**
Historical cost	28,807	13,456	367	42,630
Accumulated amortisation	(11,526)	(4,941)	(206)	(16,673)
Balance as at 31.12.2021	**17,282**	**8,515**	**161**	**25,957**

13. Intangible assets – 4,146,348 thousand euro

It is noted that following the introduction of IFRIC 12, intangible assets also include the fixed assets related to gas distribution concessions.

The breakdown and changes in intangible assets in 2021 and 2020 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets r construction and adva	Fixed assets under construction and advances	Other intangible assets	Goodwill	Total
Historical cost	95,668	6,878,695	43,697	4,889	144,102	268,709	**7,435,759**
Accumulated amortisation	(92,855)	(3,467,821)	-	-	(113,062)	(1,214)	**(3,674,952)**
Balance as at 31.12.2019	**2,813**	**3,410,873**	**43,697**	**4,889**	**31,041**	**267,496**	**3,760,807**
Contribution from change in the scope of consolidation:	0	9,009	10,143	-	304	1,735	**21,191**
Gross value	10	17,419	10,143	-	446	1,735	**29,754**
Acc. Amort.	(10)	(8,411)	-	-	(142)	-	**(8,563)**
Increases (including Fixed assets classified as assets available for sale)	472	267,985	28,558	1,612	10,497	-	**309,125**
Commissioning	-	41,810	(41,810)	(4,435)	4,435	-	**-**
Gross value	-	41,810	(41,810)	(4,435)	4,435	-	**-**
Acc. Amort.	-	-	-	-	-	-	**-**
Decreases	-	(21,719)	(987)	-	-	-	**(22,706)**
Gross value	(5)	(65,496)	(987)	-	-	-	**(66,489)**
Acc. Amort.	5	43,777	-	-	-	-	**43,782**
Reclassifications	-	102	-	(80)	-	-	**22**
Gross value	-	1,680	-	(80)	-	-	**1,600**
Acc. Amort.	-	(1,578)	-	-	-	-	**(1,578)**
Impairment losses	-	(4)	(19)	-	-	(134)	**(156)**
Fixed assets classified as assets available for sale	-	(2)	(1)	-	-	-	**(3)**
Gross value	-	(2)	(1)	-	-	-	**(3)**
Acc. Amort.	-	-	-	-	-	-	**-**
Amortisation	(1,721)	(173,875)	-	-	(12,548)	-	**(188,144)**
Total changes	**(1,249)**	**123,307**	**(4,116)**	**(2,903)**	**2,688**	**1,601**	**119,328**
Historical cost	96,145	7,142,080	39,580	1,986	159,480	270,311	**7,709,582**
Accumulated amortisation	(94,581)	(3,607,900)	-	-	(125,752)	(1,214)	**(3,829,446)**
Balance as at 31.12.2020	**1,564**	**3,534,180**	**39,580**	**1,986**	**33,729**	**269,097**	**3,880,136**
Contribution from change in the scope of consolidation:	-	118,725	-	-	786	36,156	**155,667**
Gross value	14	208,174	-	-	3,882	36,156	**248,226**
Acc. Amort.	(14)	(89,449)	-	-	(3,096)	-	**(92,559)**
Increases (including Fixed assets classified as assets available for sale)	2,679	292,547	28,296	641	15,517	-	**339,679**
Commissioning	-	24,862	(24,862)	(1,604)	1,604	-	**(0)**
Gross value	-	24,862	(24,862)	(1,604)	1,604	-	**(0)**
Acc. Amort.	-	-	-	-	-	-	**-**
Decreases	-	(22,591)	(432)	-	-	-	**(23,023)**
Gross value	-	(51,897)	(432)	-	-	-	**(52,329)**
Acc. Amort.	-	29,306	-	-	-	-	**29,306**
Reclassifications	-	-	-	-	-	-	**-**
Gross value	(14)	-	-	-	14	-	**-**
Acc. Amort.	14	-	-	-	(14)	-	**-**
Impairment losses	-	(459)	-	-	-	-	**(459)**
Fixed assets classified as assets available for sale	-	(9,767)	(73)	-	-	-	**(9,840)**
Gross value	-	(22,624)	(73)	-	-	-	**(22,697)**
Acc. Amort.	-	12,857	-	-	-	-	**12,857**
Amortisation	(1,461)	(180,847)	-	-	(13,505)	-	**(195,812)**
Total changes	**1,219**	**222,470**	**2,929**	**(962)**	**4,401**	**36,156**	**266,212**
Historical cost	98,824	7,593,141	42,509	1,024	180,497	306,467	**8,222,461**
Accumulated amortisation	(96,042)	(3,836,492)	-	-	(142,367)	(1,214)	**(4,076,113)**
Balance as at 31.12.2021	**2,782**	**3,756,650**	**42,509**	**1,024**	**38,130**	**305,253**	**4,146,348**

Intangible assets rose in value, compared with 31 December 2020, by 266,212 thousand euro, thanks in part to the acquisition operation (155,667 thousand euro).
The item "Concessions and similar rights" totalled 3,756,650 thousand euro, a total rise of 222,470 thousand euro.
The item refers to the recognition of the Group's rights over fixed assets as concession operator and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions.
Investments in the year amounted to 292,547 thousand euro, and is supplemented by the contribution of the company acquired in the year (118,725 thousand euro) and transfers to the income statement amounting to 24,862 thousand euro.
Disposals during the year totalled (22,591) thousand euro, and related to the normal activity of replacing and improving plants. Value losses totalled a net 459 thousand euro, while amortisation totalled (180,847) thousand euro, an increase due to both investments made and the contribution of the acquisition.

The amortisation of concession charges has been determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession.
The Group determined the terms of the concessions using the same criteria adopted in the previous year.

For concessions which have expired at the reporting date, and therefore are operating in an extension regime (prorogatio), the residual value has been restated to take into consideration the postponement of the effective expiry of these concessions.

It is noted in particular that pursuant to the decree of the Ministry of Economic Development of 19 January 2011, "Identification of local areas in the natural gas distribution sector" which came into force on 1 April 2011, art. 3 (3) of the decree states: "as from the coming into force of this provision, the tenders for the assignment of the gas distribution service, as provided for by art. 14 (1) of Italian Legislative Decree 164 of 23 May 2000, for which the call for tender has not been published or for which the deadline for submitting offers has not expired, are awarded solely for the local areas established in Annex 1 forming an integral part of this provision" and that, in compliance with art. 14 (7) of Italian Legislative Decree no. 164/2000, "the outgoing operator, pursuant to art. 14 (7) of Italian Legislative Decree 164 of 23 May 2000, in any case remains under obligation to continue managing the service until the start date of the new assignment".
The item "Concessions and similar rights – Fixed assets under construction and advances", totalling 42,509 thousand euro, included investments related to concessions but not yet completed.
"Fixed assets under construction and advances", totalling 1,024 thousand euro, mainly consisted of investments in software which is being developed to guarantee better and more precise management of the Company.

During the year, 1,604 thousand euro in fixed assets under construction were completed.

"Other intangible assets" of 38,130 thousand euro include other long-term costs, also linked to the implementation of the remote reading system for smart meters.

"Goodwill" totalled 305,253 thousand euro, and relates to the deficit from the consolidation and merger of companies which had previously been subsidiaries. In the year this item changed due to the contribution of the acquisition operation in April. This item was recognised in agreement with the Board of Statutory Auditors.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the Discounted Cash Flow model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a *Cash Generating Unit*, consistently with the corporate vision.
In detail, cash flows are considered for a forecast period of 5 years, consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 20 January 2022 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

Within this framework, the main assumptions are:

- continuity in concession management, since the redefinition of the relevant local areas resulting from the territorial tenders will be a concrete opportunity for the Group to expand its business on the competitive market also thanks to its economic capacity, available credit lines, and top position in a market that is experiencing concentration;
- the continuous management of end customers, with the assumption of a further organic growth only on the already existing networks at a rate compatible with the experience on the market in recent years;

The discount rates applied, the forecast period over which projected cash flows are discounted, and the Group terminal value growth rate are detailed in the table below.

Tax Rate	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6%	3.4%	2022 - 2026	0%

(1) Post-tax WACC is aligned to the average cost of financing of the best-performing peers in the sector
(2) IRAP + IRES rate

The value in use, determined in accordance with the aforementioned methods, was higher than the value of the net invested capital recorded in the financial statements.

The recoverability of the Group's invested capital was also confirmed by a further *sensitivity* analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the *impairment test*.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows by around 30%, a percentage which is much higher than the reductions considered possible by the Group.

14. Net deferred tax assets – 145,657 thousand euro

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled 265,625 thousand euro, while deferred tax liabilities totalled 119,968 thousand euro.

Deferred tax assets and liabilities at 31 December 2021 were determined using the tax rates in force: 24% for IRES and 4.56% for IRAP.

Prepaid taxes increased due to normal operations in the year and to the already commented realignment of tax values to civil law values carried out in the year, with the realignment of the value at 31 December 2020 of goodwill in existence at 31 December 2019 and not realigned (+28,430 thousand euro), in addition to the negative impact (-6,856 thousand euro) of movements following the Fair Value valuation of the outstanding hedging derivative.
With regard to deferred tax liabilities, in addition to normal changes the balance rose due to the provision for taxes on the acquisition of companies during the year.

Considering, among other things, the flows estimated in the most recent business plans, the Group believes it can use deferred tax assets in the ordinary course of business.

The table below details changes in deferred tax assets and liabilities by type of temporary difference, determined according to the tax rates in force, and the portion of recoverable and non-recoverable deferred taxes.

Thousands of euro	Balance as at 31.12.2020	Adjustments to UNICO	Capital contributions from extraordinary operations during the year	Total	Increases recognised in		Decreases recognised in		Other changes in		Other reclassifications	Reclassifications (if any) under the item Available for sale	Adjustments (if any) under the item Available for sale	Balance as at 31.12.2021
					Income statement	Equity	Income statement	Equity	Income statement	Equity				
Deferred income tax assets:														
allocation to provisions for risks and charges, deferred deductibility	20,560	-	161	20,721	8,639	-	(11,672)	-	183	-	52	-	-	17,923
allocation to provisions for incentives to leave and stock options	268	-	-	268	323	-	(99)	-	-	-	-	-	-	492
allocation to provisions for disputes	3,205	-	49	3,253	1,083	-	(777)	-	-	-	(49)	-	-	3,510
allocation to provisions for inventory obsolescence	3,274	-	-	3,274	117	-	(82)	-	-	-	-	-	-	3,310
impairment losses with deferred deductibility (impairment of receivables)	1,994	-	148	2,142	255	-	(178)	-	-	-	(0)	-	-	2,219
impairment losses with deferred deductibility (impairment of plants)	1,900	-	-	1,900	0	-	-	-	-	-	-	-	-	1,900
depreciation and amortisation of tangible and intangible assets with deferred deductibility	121,622	(1,261)	5,697	126,058	10,637	-	(4,078)	-	-	-	(0)	-	-	132,617
separation of land-buildings and component analysis	114	-	-	114	-	-	-	-	-	-	-	-	-	114
start-up costs	2,225	-	-	2,225	-	-	-	-	-	-	-	-	-	2,225
Post-employment and other employee benefits	4,256	(71)	77	4,262	1,338	-	(935)	-	-	-	50	-	-	4,716
cash deductible taxes and duties	(0)	-	-	(0)	-	-	-	-	7	-	(3)	-	-	4
proceeds subject to deferred taxation (connection fees)	34,032	-	-	34,032	0	-	(844)	-	-	(2,432)	-	-	-	30,756
deferred deductibility charges	15,208	-	1	15,209	25	-	(1,582)	-	-	-	(0)	-	-	13,652
goodwill	26,506	-	-	26,506	28,430	-	(6,965)	-	(690)	-	-	-	-	47,281
post-employment and other employee benefits - Italian Accounting Body (OCI)	2,429	-	48	2,478	-	0	-	(71)	-	-	(43)	-	-	2,363
derivative financial instruments (in case of a net negative change in the relevant equity reser	9,296	-	-	9,296	-	-	-	(6,856)	-	-	-	-	-	2,440
for losses recoverable in future years	1	-	-	1	-	-	-	-	-	-	-	-	-	1
other consolidation adjustments	95	-	-	95	12	-	(2)	-	-	-	-	-	-	105
Total	**246,984**	**(1,332)**	**6,182**	**251,833**	**50,860**	**0**	**(27,215)**	**(6,928)**	**(500)**	**(2,432)**	**7**	**-**	**-**	**265,625**
Deferred income tax liabilities:														
differences on tangible and intangible assets – additional depreciation and amortisation	19,839	72	4,982	24,893	198	-	(694)	-	-	-	0	-	-	24,397
differences on intangible assets – goodwill	5,195	-	-	5,195	0	-	-	-	-	-	-	-	-	5,195
separation of land-buildings and component analysis	3,826	-	-	3,826	0	-	-	-	-	-	-	-	-	3,826
allocation to assets of costs relating to company mergers	33,667	-	-	33,667	0	-	(2,058)	-	-	-	-	-	-	31,610
Post-employment and other employee benefits	1,114	-	-	1,114	0	-	-	-	-	-	7	-	-	1,121
proceeds subject to deferred taxation	5,250	(0)	-	5,250	493	-	-	-	-	(2,432)	-	-	-	3,312
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	2,359	-	0	2,359	-	-	-	(296)	-	-	-	-	-	2,062
Other	1,135	-	14	1,149	33	-	(205)	-	(6)	-	(0)	-	-	971
ASEM - Italian Accounting Body (OCI)	124	-	0	124	-	-	-	(27)	-	-	(0)	-	-	97
recognition of deferred taxes due to merger	40,539	-	8,570	49,109	514	-	(2,246)	-	-	-	(0)	-	-	47,377
other consolidation adjustments	731	-	(731)	-	-	-	-	-	-	-	-	-	-	-
5% dividends received allocated to future years on an accruals basis	0	-	-	0	-	-	-	-	-	-	-	-	-	0
Total	**113,779**	**72**	**12,836**	**126,686**	**1,238**	**-**	**(5,203)**	**(323)**	**(6)**	**(2,432)**	**7**	**-**	**-**	**119,968**
Net deferred tax assets	**133,205**	**(1,404)**	**(6,654)**	**125,147**	**49,622**	**0**	**(22,012)**	**(6,604)**	**(495)**	**0**	**-**	**-**	**-**	**145,657**

15. Equity investments – 3,669 thousand euro

The table on the following page shows the changes in the year for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in other companies.

Thousands of euro	Carrying amount	% ownership	Contribution from change in the scope of consolidation	Increases for the period	Disposals	Other increases	Other decreases	Adjustments	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31.12.2020					**Changes for 2021**				**as at 31.12.2021**		
Associates												
Equity Method												
Melegnano Energia Ambiente SpA	3,302	**40.00%**				7			3,220	857	3,309	**40.00%**
2i Servizi Energetici Srl	182	**60.00%**		300			(245)		6		237	**60.00%**
Other companies												
Valuation at cost												
Interporto di Rovigo S.p.A.	42	**0.30%**							42		42	**0.30%**
Fingranda S.p.A. in Liquidazione	26	**0.58%**							26		26	**0.58%**
Agenzia di Pollenzo S.p.A.	33	**0.27%**							33		33	**0.27%**
Industria e Università S.r.l.	11	**0.09%**							11		11	**0.09%**
Terme di Offida SpA	1	**0.19%**							1		1	**0.19%**
Banca Popolare Pugliese	11	**0.00%**									11	**0.00%**
Immobiliare Cestia srl			0								0	**0.05%**
TOTAL EQUITY INVESTMENTS	**3,608**		**0**	**300**	**-**	**7**	**(245)**	**-**	**3,338**	**857**	**3,669**	

The tables below show the list of equity investments in associates and their values as recognised in the Group's financial statements at 31 December 2021:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Consolidated carrying amount (euro)
Melegnano Energie Ambiente SpA	Melegnano (province of Milan)	4,800,000	8,580,430	4,821,062	325,071	31.12.2020	40%	3,308,652
2i Servizi Energetici Srl	Milan	10,000	395,199	62,896	(408,756)	31.12.2021	60%	237,120

Finally, the equity investments in other companies at the same date were:

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	5,836,159	5,915,850	1,895,348	213,780	31.12.2020	0.30%	41,634
Fingranda S.p.A. in Liquidazione	Cuneo	2,662,507	1,204,377	4	(52,486)	31.12.2020	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (province of Cuneo)	23,079,108	22,758,635	742,123	7,579	31.12.2020	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,091,705	78	(28,838)	31.12.2020	0.09%	10,989
Terme di Offida Spa	Offida (province of Ascoli Piceno)	141,384	(60,134)	168,248	(76,256)	31.12.2020	0.19%	548
Banca Popolare Pugliese	Parabita (province of Lecce)	184,195,275	335,041,216	121,370,267	8,028,246	31.12.2020	0.01%	11,127
Immobiliare Cestia srl	Rome	*1,011,840	1,460,340	604,340	(238,514)	31.12.2020	0.05%	26

* The share capital was reduced to Euro 50,000 due to excess capital, pursuant to art. 2482 of the Civil Code, as approved by the Extraordinary Shareholders ' Meeting of 22.10.2020, registered on 16.11.2020, Folder 45.801, File 26.489. The transaction became effective 90 days after filing of the aforementioned act.

16. Non-current financial assets – 629 thousand euro

The item also includes the prepayment of transaction costs incurred to obtain credit lines, unused at 31 December.

17. Other non-current assets – 52,706 thousand euro

This item fell by 3,386 thousand euro compared to 31 December 2020; it is broken down as follows:

Thousands of euro	**31.12.2021**	**31.12.2020**	**2021 - 2020**
security deposits	3,718	3,638	81
receivables for plant contributions	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	57	66	(9)
from municipalities for disposals of assets due to expiration of concessions	811	5,063	(4,252)
Non-current receivables from CSEA	31,738	31,303	436
other non-current assets	15,652	15,303	349
bad debt provision	(137)	(147)	10
Total	**52,706**	**56,092**	**(3,386)**

Guarantee deposits of 3,718 thousand euro, referring to receivables for work to be performed on distribution plants as well as from user contracts.

Receivables for contributions due, totalling 560 thousand euro, remained unchanged during the year, as did receivables for applied-for tax reimbursements.

Receivables from Municipalities for disposals of assets due to the expiration of concessions fell by a further 4,252 thousand euro, following the settlement of relations with the Municipality of Anzio. This residual item refers to receivables that are subject to legal challenge or similar ongoing procedures with municipalities in order to obtain the amount of the refund owed to the Group as outgoing operator for some concessions that have been returned over the years.

The balance of non-current receivables due from the Fund for Energy and Environmental Services (CSEA) referred to the amount payable to distribution companies for conventional meters that must be replaced with smart ones pursuant to Resolution 155/09, but that had not yet been fully amortised through tariffs at the date of their replacement.
The item is subject to a further marginal increase for meter replacement activity taking place in the year.

Finally, the 349 thousand euro decrease in other non-current assets included the balance of advance payments of the tender costs that distribution companies must pay to contracting authorities for ATEM tenders (12,383 thousand euro at 31 December 2021), as well as the remaining amount of the prepaid expenses for the lease payment paid in advance by the Parent Company to the company API, which owns the networks operated in the municipality of Rozzano (2,125 thousand euro).

Current assets

18. Inventories – 20,049 thousand euro

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.
Compared to last year, the increase of 1,740 thousand euro is basically due to a resumption of purchases of network equipment (especially smart meters).
The item includes the provision for the write-down of inventories of 628 thousand euro. The provision was set up to take into account inventories with unlikely future use. The company uses the weighted average cost method.

19. Trade receivables – 221,721 thousand euro

Compared to 31 December 2020, trade receivables fell by 13,192 thousand euro.

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Receivables from customers	224,404	238,949	(14,545)
- Bad debt provision	(9,127)	(8,076)	(1,051)
Receivables for returns under warranty	7,089	4,686	2,403
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**221,721**	**234,913**	**(13,192)**

Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely relate to gas distribution operations.
Such receivables are recognised net of a 9,127 thousand euro bad debt provision.
As for the impact assessment pursuant to IFRS 9, the company did not consider it had to update its assessments, since the guarantees hedging receivables significantly reduce the risk of insolvency.
Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables due from manufacturers of meters for non-functioning assets which have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings which lead to the belief that the receivable is no longer collectable. The assessment in this regard, as can be seen, has not changed in the year.
Changes in the bad debt provision are set out below.

	31.12.2021	31.12.2020	2021 - 2020
Opening balance	**8,076**	**8,323**	**(247)**
Contribution from change in the scope of consolidation	377		377
Allocations	2,054	942	1,112
Releases	(860)	(778)	(82)
Uses	(520)	(410)	(110)
Closing balance	**9,127**	**8,076**	**1,051**

The bad debt provision at 31 December 2021 was subject to taxes of 7,164 thousand euro (vis-à-vis 6,497 thousand euro at 31 December 2020).
All Group companies operated exclusively in Italy.

20. Short-term financial receivables – 2,014 thousand euro

Short-term financial receivables consisted of financial receivables (1,217 thousand euro) arising from exercising the right of withdrawal of Azienda Elettrica Valtellina e Valchiavenna. The amount reflects the estimate based on the preliminary withdrawal value that (i) was disputed by the company, (ii) was updated following payment of the company's dividend and (iii) will have to be updated based on the outcome of the ensuing litigation.

The balance includes 480 thousand euro of receivables from associate company 2i Servizi Energetici.

21. Other current financial assets – 26 thousand euro

Other current financial assets contain the accrued interest income unpaid by 2i Servizi energetici at 31 December 2021.

22. Cash and cash equivalents – 442,956 thousand euro

Cash and cash equivalents increased by 255,964 thousand euro as a result of financial transactions carried out in the year – the issue of the new tranche of the bond loan maturing in 2031 of 500,000 thousand euro and the acquisition of I.D.G. S.p.A. - and normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Bank deposits	441,810	186,070	255,740
Post office deposits	989	748	242
Cash in hand	156	174	(18)
Total	**442,956**	**186,991**	**255,964**

Cash associated with operating activities is held in bank and post office deposits.

23. Income tax receivables – 2,262 thousand euro

Income tax receivables concerned both IRES and IRAP, the 6,750 thousand euro decrease in the year was due to normal changes for advance and balance payments during 2021.

24. Other current assets – 216,197 thousand euro

Other current assets increased by 4,657 thousand euro compared to last year, mainly due to an increase in the Group's receivables from CSEA (item to be compared with payables from CSEA among other current liabilities) of 21,353 thousand euro, due to normal relations with CSEA. It is noted that in the previous year the amount to be recognised for EECs was factored using a non-recourse formula.
This item includes receivables from gas distribution service equalisation, annual adjustments for the year and so-called "pass-through" components UG2 and Gas Bonus, as well as Technical Quality components.

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Other tax receivables:			
VAT receivables reimbursements applied for	10,837	9,337	1,500
Receivables due from tax authorities for VAT	3,434	21,080	(17,647)
Other tax receivables	11	5	5
Other receivables:			
from social security and insurance agencies	767	493	274
receivables for plant contributions	2,875	1,791	1,084
from CSEA	190,355	169,003	21,353
Receivables from third parties for tender / concession expiration	2,062	2,410	(348)
from municipalities	246	246	0
from suppliers	2,446	3,290	(845)
Other receivables	3,168	2,550	618
Provision for other doubtful debts	(2,915)	(2,647)	(268)
Accrued income	19	45	(26)
Deferred charges for other multi-year fees	16	18	(2)
Deferred charges for property lease fees	445	445	0
Deferred charges for promotional expenses	9	20	(11)
Deferred charges for insurance premiums	78	1,054	(976)
Other deferred charges	2,344	2,398	(54)
Total	**216,197**	**211,540**	**4,657**

25. Assets held for sale – 10,486 thousand euro

Among assets held for sale, the Group reported for 2021 the sum of assets relating primarily to concessions for disposal, following the outcome of the ATEM tenders of Milan 1 and Udine 2, whose award is expected by 2022.

Liabilities

Equity

26. Equity – 1,147,716 thousand euro

Equity rose by 106,628 thousand euro in the year as a result of the following changes:

- decrease in the ordinary dividend payout of an overall 125,019 thousand euro;
- negative change in IAS reserves of 20,720 thousand euro following the *Fair Value* adjustment of derivatives and recognition of the discounting of defined benefits;
- a 211,190 thousand euro increase in profit for the year.

Share capital – 3,639 thousand euro

The Share Capital at 31 December 2020 consisted of 363,851,660 2i Rete Gas S.p.A. ordinary shares, worth a total of 3,639 thousand euro, entirely subscribed and paid up.

Share premium reserve – 286,546 thousand euro

The share premium reserve did not change in the year.

Legal reserve – 728 thousand euro

The legal reserve stood at 728 thousand euro, with no change during the year.

Reserves for valuation of derivatives – (1,194) thousand euro

The reserve for valuation of derivatives was created in 2016 following the execution of *Forward Starting Interest Rate Swap* contracts. In 2018 the swap was closed as planned, while the effect on the income statement is recorded on the basis of the interest expense flow of the Debenture Loan for the following 10 years. This movement is in addition to the *Fair Value* measurement of the new derivative contract opened in 2020.

Other reserves – 233,072 thousand euro

Other reserves fell marginally (46 thousand euro) owing to the recognition of the impact of the actuarial valuation of the Company's defined benefit plan in equity.

Retained earnings – 411,830 thousand euro

Retained earnings rose by 58,450 thousand euro from the previous year as a result of the allocation of the profit for the year 2020.

Profit for the period – 211,190 thousand euro

The result for the 2021 financial year, considering the acquisition operation, tariff adjustments and the fiscal realignment, grew by 27,342 thousand euro compared to the previous financial year.

Non-current liabilities

27. Long-term loans – 3,225,548 thousand euro

The item refers to the five instalments of the long-term debenture loan issued by the parent company maturing between 2014 and 2031 and to three credit lines (totalling 489 million euro).

The item increased mainly due to the new issue 500 million euro in January 2021 to cover the acquisition of the company IDG and to refinance part of the bond loan maturing in 2021. Among other things, the issue benefited from particular market conditions that allowed the company to issue the 10-year bond with the lowest coupon ever paid by the company regardless of duration.

The table below shows long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro	Balance		Notional value		Interest rate	Actual
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	in force	interest rate
Fixed rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed rate debt	100,000	100,000	100,000	100,000	0.25%	0.25%
Fixed rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating rate debt	145,455	163,636	145,455	163,636	Eur+0,59%	0.05%
Debenture loan expiring 2024	600,000	600,000	600,000	600,000	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000		500,000		0.58%	0.64%
Costs linked to loans (long term)	(9,906)	(9,215)				
TOTAL LONG TERM	**3,225,548**	**2,744,422**	**3,235,455**	**2,753,636**		

The maturity schedule of financial liabilities, whether medium-/long-term (3,235,455 thousand euro notional) or short-term (18,182 thousand euro – see points 33 and 34 of these notes), is shown in the following table:

Thousands of euro	Notional as at 31.12.2021	Notional as at 31.12.2020	1 year	2 - 5 years	Beyond 5 years
Short and medium/long-term bank loans and debenture loans					
Financing - Medium/long-term Capex Line	470,455	488,636	-	172,727	297,727
Financing - Short-term Capex Line	18,182	18,182	18,182	-	-
Medium/long-term debenture loans	2,765,000	2,265,000	-	1,535,000	1,230,000
Other non-interest-bearing short-term financial payables	-	36,427	-	-	-
Total	**3,253,636**	**2,808,245**	**18,182**	**1,707,727**	**1,527,727**

The regulations for the debenture loan, issued for a market of institutional investors, do not provide for covenants.

The loans taken out with the European Investment Bank are subject to some covenants calculated on the basis of the consolidated financial statements that the Company must meet to continue using the credit lines.
The covenants concern the following indicators:

- Total net financial debt;
- RAB (Regulatory Asset Base);
- EBITDA;
- Net Financial Expenses.

As at 31 December 2021 the company met all covenants.

28. Post-employment and other employee benefits – 37,092 thousand euro

The Group provides employees with various types of benefits, including post-employment benefits, health benefits, compensation due instead of notice of dismissal (Indennità Sostitutive del Preavviso - ISP) and compensation due instead of energy discount (Indennità Sostitutive Sconto Energia).
The item includes provisions for post-employment defined benefit plans and other long-term employee benefits required by law or contract.

Pursuant to IAS 19 Revised, these "defined benefit obligations" were determined using the "Projected Unit Credit Method", with the liability being calculated in proportion to the service already rendered at the reporting date, and not the service that might presumably be rendered overall.
In detail, the plans provided for the following benefits:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Post-employment benefits	28,043	30,192	(2,149)
ASEM health service	1,567	1,475	92
Fondo GAS	7,482	8,619	(1,137)
Total	**37,092**	**40,286**	**(3,195)**

An analysis of the main items is provided below.

Post-employment benefits

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, measured as a portion for each year of service of their gross annual compensation divided by 13.5.
It should be noted that, following the approval of Law 296 of 27 December 2006 (the 2007 budget law) and subsequent decrees and enabling legislation, only the portions of post-employment benefits held with the company qualify as a defined benefit plan, while the

accrued portions allocated to supplementary pension schemes and the Treasury Fund at INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Health benefits

Based on the Italian collective bargaining agreement for executives in the industrial sector, executives have the right to supplemental health care in addition to that provided by the Italian Health Service, during both the employment relationship and retirement. ASEM and FASI, the health care fund set up for workers in Italy's electricity industry, reimburse medical expenses.

Fondo Gas

Law Decree No. 78/2015, coordinated with law no. (OJ 14/08/2015), ordered the elimination of the so-called "Fondo Gas" (gas fund) as from 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as Contribution to the former Fondo Gas). The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.
The Company set aside an additional amount during the year after revising the estimate based on the more accurate data available on the average seniority of current employees for the purposes of Fondo Gas.
The main assumptions in the actuarial estimates of employee benefit liabilities (Gas Provision and post-employment benefits) are set out below.

	31.12.2021	31.12.2020
Actuarial assumptions		
Discount rate	1.00%	0.40%
Annual rate of increase in cost of living	1.50%	0.80%
Rate of increase in cost of health spending	2.50%	2.00%
Demographic scenarios		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provisions for risks and charges – 8,206 thousand euro

Provisions for risks and charges are used to cover contingent liabilities that might arise from litigation or other disputes, without taking into account the impact of disputes estimated to be settled in favour of the Group and those for which the potential expense cannot be measured reliably.

Provisions for risks and charges, compared to the previous year, decreased overall (medium/long-term and short-term) by 7,281 thousand euro, also downstream of the contribution of 1,266 thousand euro from the acquired company.
The table below shows the total provisions for risks and charges (both the short-term and the medium-/long-term portion). The short-term portion is disclosed separately.

Thousands of euro	31.12.2020	Of which current portion	Of which non-current portion	Contribution from change in the scope of consolidation	Allocations	Releases	Uses	Other changes	31.12.2021	Of which current portion	Of which non-current portion
Provisions for litigation and disputes	5,589	-	5,589	173	3,408	(1,317)	(1,387)	(173)	6,293	-	6,293
Provision for taxes and duties	1,591	-	1,591	-	502	(269)	(12)	-	1,813	-	1,813
Provisions for disputes with personnel	100	-	100	-	-	-	-	-	100	-	100
Provision for future charges	75	-	75	-	-	(75)	-	-	-	-	-
Provision for disputes on concessions	27,282	27,282	-	-	5,759	(3,640)	(432)	173	29,142	29,142	-
Other provisions for risks and charges	50,094	50,094	-	1,093	24,868	(16,221)	(20,518)	-	39,317	39,317	-
Total	**84,732**	**77,377**	**7,355**	**1,266**	**34,537**	**(21,522)**	**(22,348)**	**-**	**76,665**	**68,460**	**8,206**
Provisions for charges pertaining to leave incent	1,115	1,115	-	-	1,131	-	(346)	-	1,900	1,900	-
Total	**85,847**	**78,492**	**7,355**	**1,266**	**35,668**	**(21,522)**	**(22,694)**	**-**	**78,565**	**70,360**	**8,206**

Provisions for risks and charges amounted to 78,565 thousand euro overall. They consisted of a 70,360 thousand euro short-term portion and a 8,206 thousand euro long-term portion, and were broken down as follows:
Existing funds broken down as follows:

- "Provisions for litigation and disputes", 6,293 thousand euro, to cover contingent liabilities mainly arising from ongoing litigation cases;
- "Provision for taxes and duties", standing at 1,813 thousand euro, referred mainly to ongoing litigation or disputes concerning local taxes;
- "Provision for disputes with personnel", amounting to 100 thousand euro, covers expected charges arising from disputes with personnel of a company acquired in previous financial years. The company did not consider it necessary to change this item in the year;
- "Provision for disputes on concessions", totalling 29,142 thousand euro, generally refers to estimated costs for disputes of various kinds with licensing Municipalities; the item was used in the year for 432 thousand euro, while it underwent a net increase of 2,119 thousand euro following requests from municipalities relating to the revision of the agreed concession fees. The likely maximum risk is estimated in the fund taking into account the limitation times dictated by the legislation itself;

- "Other provisions for risks and charges", totalling 39,317 thousand euro, cover the costs that might potentially arise from the need for maintenance or replacement of meters not fully compliant with corporate standards, as well as the risk (which came down during 2021 following the review of applicable legislation) that the contribution to derecognise EECs does not cover the cost of purchasing such certificates for which the Group has obligations as at 31 December 2021;
- "Provision for charges pertaining to incentives to leave", totalling 1,900 thousand euro, addresses possible liabilities that may arise from agreements defined or in the process of being defined for incentives for personnel to leave which started during the year and are still under way. The provision was used during 2021 to the extent of 346 thousand euro.

The fiscal position of the Group has been defined up to 2014.

30. Non-current financial liabilities – 10,184 thousand euro

As at 31 December 2021, non-current financial liabilities reflected the negative Fair Value of the derivative contract opened by the parent company during the year. The improvement compared to the balance for the previous year was due to the existing rate curve at 31 December 2021, which shows recovering values on the futures market.

31. Non-current financial liabilities pursuant to IFRS 16 – 20,006 thousand euro

As at 31 December 2021 this item included financial liabilities falling due after 12 months deriving from the application of IFRS 16, i.e. payables arising from future leases that the Group will have to pay for the exclusive use of those assets whose hire, rental or lease contracts fall under the application of the aforesaid standard.
The table below shows details of maturities broken down by short, medium and long-term debt and by type of contract.

Thousands of euro

		Present value of IFRS 16 cash flows 31.12.2021	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**20,006**	**-**	**17,475**	**2,530**
	IFRS 16 Property			11,386	2,530
	IFRS 16 Vehicles			6,018	
	IFRS 16 ICT			71	
Current IFRS 16 financial liabilities		**5,606**	**5,606**	**-**	**-**
	IFRS 16 Property		3,401		
	IFRS 16 Vehicles		2,112		
	IFRS 16 ICT		93		
Total		**25,611**	**5,606**	**17,475**	**2,530**

32. Other non-current liabilities – 338,512 thousand euro

This item increased by 7,435 thousand euro compared to the previous year, made up as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
payables to social security and insurance agencies	2,137	2,137	-
other payables	961	361	600
Deferred income for plant contributions	48,771	44,948	3,823
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	286,644	283,632	3,012
Total deferred income	**338,512**	**331,077**	**7,435**

The change in deferred income is the result of normal operations. The item must be read together with the short-term portion of "Other current liabilities".

Current liabilities

33. Short-term loans – 0 thousand euro

This item was zero. The previous year included the parent company's debt to a factoring company for some proceeds that had been received directly by that company, and were awaiting turnover to the factoring company. This operation was not considered necessary in the year under review.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
non-bank short-term payables due to third parties	-	36,427	(36,427)
Total	**-**	**36,427**	**(36,427)**

34. Current portion of medium/long-term bank loans – 18,182 thousand euro

As at 31 December 2021 this item reflected the total instalments of the loan repayable to the EIB, contractually scheduled to fall due within the following 12 months.

35. Current portion of long-term and short-term provisions – 70,360 thousand euro

Comments and details of this item are provided in the section on provisions for risks and charges (note 29).

36. Trade payables – 218,820 thousand euro

This item includes all trade and operating liabilities of certain amount and timing. All reported payables were incurred in Italy.

Compared to the previous reporting period, the item fell by 2,856 thousand euro.

The breakdown of trade payables to third-party suppliers is set out below, broken down by balance sheet item:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Suppliers	218,820	215,963	2,856
Total	**218,820**	**215,963**	**2,856**

The balance at 31 December 2021 mainly consisted of the residual amount payable to suppliers to which gas distribution plant construction and maintenance is outsourced, payables to staff and operational support services, as well as the purchase of electricity and gas services for internal use.

37. Income tax payables – 2,438 thousand euro

As at 31 December 2021 income tax payables were higher than in the previous year due to normal trends for payments and advances paid, showing a rise of 2,180 thousand euro.

38. Current financial liabilities – 20,009 thousand euro

Current financial liabilities mostly refer to the interest expense accrued and not yet paid relating to the instalments of the debenture loan. In the year they increased due to the new loan issue in January 2021.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Accrued liabilities for interest on short-term bank loans and bank expenses	19,243	16,363	2,880
Other current financial payables	767	703	64
Total	**20,009**	**17,066**	**2,944**

39. Financial liabilities pursuant to IFRS 16 – 5,606 thousand euro

The item includes financial liabilities relating to rental and leasing contracts categorised with rights of use under IFRS 16, which are expected to be paid within the next 12 months. A breakdown of maturities by type of contract is provided under note 31 above.

40. Other current liabilities – 204,398 thousand euro

Other current liabilities during the year increased marginally by 848 thousand euro, mainly due to the increase in "Other tax payables" due to the VAT debt existing at 31 December 2021, partially offset by "Other payables", which also includes payables to CSEA for items relating to various tariff components.
The position with CSEA must be read in light of the relevant receivables due from CSEA included under Other current assets.
Other current liabilities are set out below:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
other tax payables	6,782	3,869	2,912
payables to social security and pension agencies	10,629	10,446	183
other payables	172,329	174,054	(1,724)
accrued liabilities	3,324	4,105	(781)
deferred income	11,334	11,076	258
Total	**204,398**	**203,550**	**848**

Other tax payables, amounting to 6,782 thousand euro, broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
due to tax authorities for VAT	2,898	293	2,606
due to tax authorities for taxes withheld from employees	3,755	3,517	238
due to tax authorities for withholding taxes	128	59	69
other payables to tax authorities	0	0	0
Total	**6,782**	**3,869**	**2,912**

Amounts due to social security institutions, totalling 10,629 thousand euro, were down compared with the previous year, in line with personnel changes during the year:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
due to INPS	9,552	9,087	465
due to other agencies	1,077	1,359	(282)
Total	**10,629**	**10,446**	**183**

Other payables, amounting to 172,329 thousand euro, are set out below.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Payables to employees	13,426	12,398	1,028
Payables to municipalities for rights and fees	1,204	305	899
Payables for connections, network extension and other payables to cu	8,199	2,586	5,613
Payables for security deposits and user advances	4,524	3,059	1,465
Payables to CSEA	137,858	148,812	(10,954)
Other payables	7,119	6,894	225
Total	**172,329**	**174,054**	**(1,724)**

Payables to the Fund for Energy and Environmental Services (CSEA) consisted of 67,745 thousand euro in payables for entries that are transferred to trading companies through the invoicing mechanism and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Re, Gs and Rs), and residual payables of 57,367 thousand euro mainly relating to the amount of equalisation for previous years and the current year.

Accruals and deferred income, amounting to 14,658 thousand euro, are set out below.

	31.12.2021	31.12.2020	2021 - 2020
Accrued liabilities			
Additional monthly accrual for employees	3,309	3,255	54
Other accrued liabilities	15	850	(835)
Total accrued liabilities	**3,324**	**4,105**	**(781)**
Deferred income			
Deferred income for plant contributions	2,204	2,197	7
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	8,978	8,865	113
Other deferred income	152	14	138
Total deferred income	**11,334**	**11,076**	**258**
Total accrued liabilities and deferred income	**14,658**	**15,181**	**(523)**

25. Liabilities held for sale – 1,280 thousand euro

As at 31 December 2021 this item mainly related to liabilities for divestiture concessions following the outcome of ATEM tenders for Milan 1 and Udine 2, which are expected to be awarded by the end of 2022.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

“Related parties” with whom the Group had dealings in 2021 included:

- F2i SGR S.p.A. – as the operating company of “F2i – Third Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors” (“F2i – Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato ad investitori qualificati”)
- F2i SGR S.p.A. – as the operating company of “F2i – Second Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors" (“F2i – Secondo Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato a investitori qualificati")
- Finavias S.ar.l.
- Bonatti S.p.A.
- APG Infrastructure Pool 2017 II
- Melegnano Energia Ambiente S.p.A. (MEA S.p.A.)
- 2i Servizi Energetici S.r.l.

The definition of related parties includes key management personnel, including their close relatives, of the parent company as well as of the companies controlled directly and/or indirectly by them, jointly controlled companies and those in which the parent company exercises considerable influence. Key management personnel are those who have direct and indirect power and responsibility for planning, management, and control of company operations, including Directors and Auditors.

All trade balances relate to transactions undertaken at market values.

Trade, financial and other transactions involving the Group, its parent companies and its subsidiaries are shown below.

Trade and other transactions

Year 2021

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A	-	15	68	-
MEA SPA	9	-	-	9
APG Infrastructure Pool 2017 II	-	60	20	-
Bonatti Spa	31	4,322	4,184	19
2i Servizi Energetici Srl	16	13	63	59
Key management personnel, including directors and statutory auditors	-	48	2,626	-
Total	**55**	**4,457**	**6,960**	**86**

Year 2020

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A	-	20	80	-
MEA SPA	9	-	-	9
APG Infrastructure Pool 2017 II	-	20	20	-
Bonatti Spa	12	6,528	5,459	12
2i Servizi Energetici Srl	57	15	15	56
Key management personnel, including directors and statutory auditors	-	49	2,590	-
Total	**77**	**6,631**	**8,163**	**76**

Financial transactions

Year 2021

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)					79,887
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					10,136
Finavias S. à r.l.					34,922
MEA SPA				130	
2i Servizi Energetici Srl	498		245	62	
Total	**498**	**-**	**245**	**192**	**124,945**

Year 2020

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)	-				31,969
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					4,056
Finavias S. à r.l.					13,975
MEA SPA				82	
2i Servizi Energetici Srl	518		334	38	
Total	**518**	**-**	**334**	**121**	**50,000**

Significant extraordinary events and operations

Pursuant to the Consob communication of 28 July 2006 No. DEM/6064293, there were no significant extraordinary events or operations during the year which have not already been disclosed in this document.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to the Consob communication of 28 July 2006 No. DEM/6064293, there were no positions or transactions arising from atypical and/or unusual operations during the year.

Fees for Directors, auditors and key management personnel

The 2021 accrual fees for directors totalled 254 thousand euro (of which 166 thousand euro included among staff given strategic responsibility), for Auditors 88 thousand euro (fully included among staff given strategic responsibility) and for managers with strategic responsibility 2,372 thousand euro.

Remuneration of the Independent Auditors

The 2021 remuneration of the independent auditors totalled 583 thousand euro and included the annual auditing of the statutory and consolidated financial statements, the auditing of the unbundling financial report and the statements required by ARERA, as well as certification activity in order to obtain R&D tax credit.

Public grants received

With reference to the innovations introduced by Law 124 of 4 August 2014, "Annual Law on competition", art. 1 (125-129), it is noted that during 2021 the following contributions from public bodies were received by Group companies:

Euro

Name	Prov.	31.12.2021	Type
MUNICIPALITY OF BASCIANO	TE	16,876	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTEL CASTAGNA	TE	15,592	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF ISOLA DEL GRAN SASSO	TE	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORANO NUOVO	TE	5,638	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORNIMPARTE	AQ	7,656	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF LUCOLI	AQ	30,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CANZANO	TE	18,262	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF RIPA TEATINA	CH	18,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		170,803	Incentives for photovoltaic projects
MUNICIPALITY OF VIBONATI	SA	657,635	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
MUNICIPALITY OF MORIGERATI	SA	34,037	REGIONAL CONTRIBUTION AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF MORIGERATI	SA	570,853	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
MUNICIPALITY OF TORRACA	SA	31,568	REGIONAL CONTRIBUTION AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF TORRACA	SA	306,981	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
Municipality of Ispani	SA	54,534	REGIONAL CONTRIBUTION AS PER LAW 100/2018 - CAMPANIA
Municipality of Ispani	SA	627,146	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
Municipality of Tortorella	SA	62,924	REGIONAL CONTRIBUTION AS PER CAMPANIAN LAW 100/2018
Municipality of Tortorella	SA	1,023,207	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
Municipality of Casaletto Spartano	SA	633,665	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
Municipality of Caselle in Pittari	SA	849,503	NATURAL GAS SERVICE GOVERNMENT CONTRIBUTION TO SOUTHERN ITALY AS PER LAW 147/13
Total public contributions collected		**5,210,712**	

It is noted that the amount did not include any contributions received from public administrations not yet refunded to the Group.

Contractual commitments and guarantees

Guarantees provided in the interests of third parties totalled 154,292 thousand euro. These guarantees include 109,167 thousand euro in bank guarantees and 45,125 thousand euro in insurance and other guarantees.
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
In addition, pursuant to paragraph 22-ter of art. 2427 of the Italian Civil Code, there are no agreements that have not been disclosed in the financial statements that could significantly impact the Group's financial statements.

Operating segment reporting

The Group is managed as a single business unit engaging mainly in natural gas distribution through networks. As a result, the Group's operations are reviewed by senior management as a whole.
The reporting format used by senior management to take operating decisions is consistent with the formats used in the consolidated financial statements shown herein, excluding the impact of IFRIC 12 and highlighted in note 5.c as well as in the section covering costs.

Contingent liabilities and assets

Contingent liabilities

Currently there are no contingent liabilities.

Contingent assets

Currently there are no contingent assets.

Business combinations

Acquisition of Infrastrutture Distribuzione Gas S.p.A.

On 30 April 2021 the parent company 2i Rete Gas S.p.A., acquired 100% of the share capital of IDG S.p.A., a wholly-owned subsidiary of Edison S.p.A.

The acquisition was completed by paying a consideration, net of the subsequent price adjustment, totalling 104.9 million euro, to which the repayment of a 45.7 million euro loan outstanding between Edison S.p.A. and the acquired company was subsequently added. No further price adjustments are scheduled.

For the purposes of consolidation, the assets acquired and the liabilities assumed ,were included effective as from 1 May 2021.

A summary of the amounts pertaining to the assets acquired and liabilities assumed is provided in the table below:

Millions of euro	
ASSETS	
Property, plant and equipment	2.0
IFRS 16 Rights of use	0.3
Intangible assets	119.5
Equity investments	0.0
Other non-current assets	0.4
Inventories	0.6
Trade receivables	6.6
Cash and cash equivalents	4.1
Income tax receivables	0.0
Other current assets	4.7
Total assets acquired	**138.3**
LIABILITIES	
Post-employment and other employee benefits	1.4
Provision for risks and charges	0.2
Deferred tax liabilities	6.7
Non-current IFRS 16 financial liabilities	0.2
Other non-current liabilities	0.6
Short-term loans	45.7
Short-term portion of long-term and short-term provisions	1.1
Trade payables	5.1
Income tax payables	0.9
Current IFRS 16 financial liabilities	0.1
Other current liabilities	7.6
Total liabilities assumed	**69.5**
Total Fair Value of net identifiable assets	**68.8**
Total transferred amount	**104.9**
Goodwill generated by the acquisition	**36.2**

The goodwill recognised after the acquisition totalled 36.2 million euro, resulting from the difference between the 104.9 million euro paid as a consideration and the value of identifiable net assets at the date of acquisition of the majority stake (30 April 2021).

The goodwill arising from the acquisition, which at present is not exempted from taxes, mainly refers to development forecasts and synergies expected from integration of the acquired company into the Group.
The determination of the *fair value* of assets acquired and liabilities assumed even if the period of 12 months has not elapsed since the acquisition is to be considered final.
In October 2021 the acquired company was merged into the parent company with retro-active effect to 30 April 2021.

Credit, liquidity and market risk

Credit risk

The 2i Rete Gas Group provides its distribution services to over 260 sales companies, the most significant of which is Enel Energia S.p.A.
With regard to invoiced volumes, no significant cases of counterparty non-compliance were detected in 2021.
User access to the gas distribution service is governed by the Network Code, which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, credit lines to external counterparties are closely monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits, ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled 231,466 thousand euro.

Therefore, the credit risk is mitigated.

A summary quantitative indication of the maximum exposure to credit risk is represented by the carrying amount of financial assets, before the relevant bad debt provision.

As at 31 December 2021 the Group's maximum exposure to credit risk amounted to 931.9 million euro:

Millions of euro

	31.12.2021	31.12.2020	2021 - 2020
Third parties:			
Non-current financial assets	0.6	0.7	(0.1)
Other non-current financial assets (gross of bad debt provision)	52.8	56.2	(3.4)
Trade receivables (gross of bad debt provision)	231.5	243.6	(12.1)
Other current financial assets	2.0	1.8	0.2
Cash and cash equivalents	443.0	187.0	256.0
Other receivables (gross of bad debt provision)	201.9	179.8	22.1
Total	**931.9**	**669.2**	**262.7**

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, the 2i Rete Gas Group is able to autonomously meet the financial requirements of its ordinary operations and ensure business continuity.
In addition to the debenture loans issued, maturing between 2024 and 2031, the company took out two loans with the European Investment Bank in 2015 and 2016, totalling 425 million euro, plus a line of credit with a leading bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2021 are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2021			
Long-term loans	-	172.7	297.7
Medium/long-term debenture loans	-	1,535.0	1,230.0
Short-term debenture loans	-	-	-
Short-term loans	-		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	10.2		
Other short-term financial liabilities	20.0		
Non-current IFRS 16 financial liabilities		17.5	2.5
Current IFRS 16 financial liabilities	5.6		
Total	**54.0**	**1,725.2**	**1,530.3**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2020 are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2020			
Long-term loans	-	172.7	315.9
Medium/long-term debenture loans	-	1,100.0	1,165.0
Short-term debenture loans	-		
Short-term loans	36.4		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	38.8		
Other short-term financial liabilities	17.1		
Non-current IFRS 16 financial liabilities		12.9	5.5
Current IFRS 16 financial liabilities	5.3		
Total	**115.7**	**1,285.6**	**1,486.4**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are subject to periodical checks in compliance with some financial parameters at a consolidated level.
As at 31 December 2021 such parameters were fully met.

The "Medium/long-term debenture loans" totalling 2,765 million euro refer to the aforementioned debenture loan instalments issued by 2i Rete Gas and expiring between 2024 and 2031.
The company's growth plan requires refinancing existing debt, but given the company's excellent performance, the rating obtained, and the ongoing compliance

with the financial covenants established by the lending banks, currently the company does not face any problems in obtaining said refinancing.
The company constantly monitors opportunities to optimise its financial structure.
For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices as a result of changes in exchange rates, interest rates, or the prices of equity instruments.

Transactions that qualify for hedge accounting pursuant to the requirements of the accounting standards are designated as hedging transactions, while those that do not meet such requirements are classified as trading transactions, even though, from a management point of view, they have been entered into for hedging purposes.

The Group had no derivatives held for trading or for speculative purposes.
During 2019, the parent company entered into 5 "Forward Starting Interest Rate Swap" hedging instrument contracts with a notional amount of 500 million euro.
In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and Fair Value.
The company has no financial assets held to maturity, available for sale or held for trading.

		carrying amount						
Thousands of euro	**Notes**	**Measured at fair value**	**Derivatives**	**Receivables**	**Available for sale**	**Other financial liabilities and payables**	**Total**	**Fair value**
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			629			629	629
Other non-current assets	17			52,649			52,649	52,649
Trade receivables	19-25			221,721			221,721	221,721
Short-term financial receivables	20			2,014			2,014	2,014
Other current financial assets	21			26			26	26
Cash and cash equivalents	22			442,956			442,956	442,956
Other current assets	24			213,305	46		213,351	213,351
TOTAL ASSETS			**-**	**933,299**	**46**	**-**	**933,345**	**933,345**
Financial liabilities measured at fair value								
IRS Derivatives	38		10,184				10,184	10,184
Financial liabilities not measured at fair value								
Long-term loan	27					470,455	470,455	470,455
Medium/long-term debenture loans	27					2,755,094	2,755,094	2,894,339
Short-term debenture loans	33					-	-	-
Non-current IFRS 16 financial liabilities	31	20,006					20,006	20,006
Other non-current liabilities	32					961	961	961
Short-term loans	33-34					18,182	18,182	18,182
Trade payables	36-25					218,820	218,820	218,820
Current financial liabilities	38					19,243	19,243	19,243
Current IFRS 16 financial liabilities	39	5,606					5,606	5,606
Other current liabilities	40				80	193,064	193,144	193,144
TOTAL LIABILITIES		**25,611**	**10,184**	**-**	**80**	**3,675,818**	**3,711,694**	**3,850,939**

In order to enable comparison, the same table as the one used in 2020 is provided:

Thousands of euro	Notes	carrying amount Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			735			735	735
Other non-current assets	17			56,026			56,026	56,026
Trade receivables	19-25			234,913			234,913	234,913
Short-term financial receivables	20			1,816			1,816	1,816
Other current financial assets	21			20			20	20
Cash and cash equivalents	22			186,991			186,991	186,991
Other current assets	24			207,604			207,604	207,604
TOTAL ASSETS			**-**	**688,105**	**-**	**-**	**688,105**	**688,105**
Financial liabilities measured at fair value								
IRS Derivatives	38		38,753				38,753	38,753
Financial liabilities not measured at fair value								
Long-term loan	27					488,636	488,636	488,636
Medium/long-term debenture loans	27					2,255,785	2,255,785	2,471,828
Non-current IFRS 16 financial liabilities	31	18,395					18,395	18,395
Other non-current liabilities	32					361	361	361
Short-term loans	33-34					54,609	54,609	54,609
Trade payables	36-25					215,963	215,963	215,963
Current financial liabilities	38					16,363	16,363	16,363
Current IFRS 16 financial liabilities	39	5,281					5,281	5,281
Other current liabilities	40					192,474	192,474	192,474
TOTAL LIABILITIES		**23,676**	**38,753**	**-**	**-**	**3,224,192**	**3,286,620**	**3,502,662**

With regard to the financial assets that are not measured at *fair value*, and the value of trade payables and other current liabilities, the carrying amount is considered to be a reasonable approximation of the *fair value*, as shown in the tables above.

To determine the *Fair value* of the debenture loan, the Group relied on market valuations at the end of the reporting period.

Interest rate risk

The company manages interest rate risk with the goal of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, notably *interest rate swaps*.
Concerning the current debt structure, 3,090 million euro out of a reported 3,254 million euro was not exposed to interest rate risk at 31 December 2021.

During 2019 the parent company entered into 5 forward start interest rate swap derivative contracts (maturity set at 10 years after the start date) with as many leading banks in order to hedge against the risk of an increase in interest rates on the future issue of the Debenture Loan planned to refinance part of the existing loan reaching maturity in the coming years.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(10,184)	(38,753)	-	-	(10,184)	(38,753)
Total Interest Rate Derivatives	500,000	500,000	(10,184)	(38,753)	-	-	(10,184)	(38,753)

The contract expiry dates are shown below:

Thousands of euro	**Notional**		**1 year**	**2 - 5 years**	**Beyond 5 years**
	as at 31.12.2021	**as at 31.12.2020**			
Cash flow hedge derivatives					
Forward Start Interest Rate Swap	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

Measurement is also shown, assuming an interest rate shocks of +0.10% and -0.10%:

Thousands of euro	**Notional**		**-0,10%**	**Fair value**	**+0,10%**	**-0,10%**	**Fair value**	**+0,10%**
	as at 31.12.2021	**as at 31.12.2020**		**as at 31.12.2021**			**as at 31.12.2020**	
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(15,369)	(10,184)	(5,148)	(44,678)	(38,753)	(33,659)
Total	500,000	500,000	(15,369)	(10,184)	(5,148)	(44,678)	(38,753)	(33,659)

Significant events after the reporting period

On 1 March 2022 management of the Cinisello Balsamo concession by 2i Rete Gas S.r.l. ceased following the handover of the plants to the incoming operator pursuant to the ATEM Milan 1 tender, awarded to Unareti S.p.A. It is noted that the appeal lodged by 2i Rete Gas S.r.l. before the Supreme Court (Cassation) on the tender in February 2021, against the ruling of the Council of State and the Municipality of Milan's rejection of the tender documents is still pending.
With regard to the ATEM Napoli 1 tender, awarded to the parent company, and to the appeal lodged by the outgoing operator against the judgement of the Campania TAR ruling, which validated the tender called by the Municipality of Naples and the award in question, in the council chambers of 13 January 2022 the Council of State set a hearing for 7 April 2022 for the discussion of the appeal and the suspension. The parent company is waiting to be summoned by the contracting authority, the Municipality of Naples, for the signing of the concession agreement.

V Report of the Independent Auditors

2I RETE GAS SPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE 39/2010 AND ARTICLE 10 OF REGULATION (EU) 537/2014

CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

Independent auditor's report

in accordance with article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 2i Rete Gas SpA and its subsidiaries (2i Rete Gas group), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of 2i Rete Gas group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" of this report. We are independent of 2i Rete Gas SpA (the Company) based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

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Key Audit Matters	*How our audit addressed the key audit matter*
Capital expenditure for gas distribution network under service concession agreements *Annual Financial Report* *chapter III directors' report – paragraph 5 regulatory and tariff framework* *chapter IV - consolidated financial statements – paragraph 6 – notes to the consolidated financial statements - note 13 intangible assets*	
As of 31 December 2021 gas distribution service concessions and similar rights, recorded as intangible assets, amount to € 3,799 million, representing 71% of total assets. Costs capitalised during the year amount to € 321 million. The group operates in the gas distribution industry. The industry is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). Revenues from gas distribution service are determined each year in accordance with the regulatory approved tariffs which are based mainly on a pre-established return on capital invested, plus amortisation and depreciation and operating costs. Considering the magnitude of the capital expenditure made by the group and the direct correlation with the tariffs approved by ARERA, the proper capitalisation of costs related to service concession agreements in accordance with IFRIC12 represented a key matter in the audit of the consolidated financial statements.	We performed an understanding and evaluation of the system of internal control over the capital expenditure cycle, with particular reference to identification and testing of key controls. We assessed the accounting policy adopted by the group in relation to the capitalisation of costs. We performed detailed tests analysing, on a sample basis, the supporting documentation of costs capitalised to verify accuracy, completeness and proper period of capitalisation. We have verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Key Audit Matters	*How our audit addressed the key audit matter*
Recoverability of goodwill	
Annual Financial Report chapter IV - consolidated financial statements – paragraph 6 – notes to the consolidated financial statements - note 13 intangible assets	
As of 31 December 2021 goodwill amounts to € 305 million, representing 6% of total assets. Recoverability of the carrying amount of goodwill was tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets. The recoverable amount of the group of cash generating units (CGU) "Gas distribution", which represents the main segment of the group, to which goodwill is allocated, is measured using its value in use. Value in use is calculated on the basis of the expected future cash flows derived from 2022-2026 five years business plan approved by the Company board of directors on 20 January 2022. The recoverable amount of the Gas distribution segment is compared with the carrying amount of assets and liabilities directly attributable to the segment, including goodwill. Considering the magnitude of the carrying amount and the subjective judgment exercised in some of the assumptions used for the calculation of the value in use, the impairment test of goodwill represented a key matter in the audit of the consolidated financial statements.	We have verified, with the assistance of PwC experts: • the adequacy of the overall impairment testing process in accordance with the requirements of the relevant accounting standard; • the allocation of goodwill to the group of cash generating units – CGU; • the reasonableness of the key assumptions used when determining the value in use of the Gas distribution segment, with specific focus on the projected growth rate of revenue, cost, capital expenditure and discount rate, including sensitivity analysis; • the accuracy of the carrying amounts of assets and liabilities directly attributable to the Gas distribution segment; • the mathematical accuracy of the calculation model used. We have verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Key Audit Matters	*How our audit addressed the key audit matter*
Provisions for risks and charges	
Annual Financial Report chapter IV - consolidated financial statements – paragraph 6 – notes to the consolidated financial statements - note 29 provisions for risks and charges	
As of 31 December 2021 provisions for risks and charges amount to € 79 million and include probable liabilities as a result of past events for which an outflow can be reasonably estimated at the balance sheet date. Provisions for risks and charges mainly relate to costs associated with various disputes with municipalities and costs that could potentially arise from maintenance or replacement of defective measurement equipment. Given the magnitude of the accrued balances and the use of estimates made by management, the measurement of the provisions for risks and charges represented a key matter for the audit of the consolidated financial statements.	We have carried out the understanding and evaluation of key controls in place over the measurement of the provisions for risks and charges. We have tested, on a sample basis, the documentation supporting the most significant balances to assess the adequacy of the accruals made. We obtained confirmations from external lawyers appointed by the group, indicating the individual exposure in place and their assessment of the risk of potential liability. We discussed with management the conclusions reached for measuring the provisions for risks and charges. We verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary for the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the group ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management intends either to liquidate 2i Rete Gas SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the group financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010

Management of 2i Rete Gas SpA is responsible for preparing a report on operations of 2i Rete Gas group as of 31 December 2021, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations with the consolidated financial statements of 2i Rete Gas group as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the consolidated financial statements of 2i Rete Gas group as of 31 December 2021 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the group obtained in the course of the audit, we have nothing to report.

Statement in accordance with article 4 of Consob Regulation implementing Legislative Decree 254/2016

Management of 2i Rete Gas SpA is responsible for the preparation of the non-financial disclosure in accordance with Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 7 April 2022

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

VI Statutory financial statements of 2i Rete Gas S.p.A.

1. Income Statement

Euro	Notes	31.12.2021	of which to related parties	31.12.2020	of which to related parties
Revenue					
Revenue from sales and services	5.a	717,887,479	3,351,252	705,951,685	1,592,631
Other revenue	5.b	36,648,737	1,251,406	31,621,565	1,288,374
Revenue from intangible assets / assets under development	5.c	312,555,760		289,016,526	
Running total		**1,067,091,976**		**1,026,589,776**	
Costs					
Raw materials and consumables	6.a	54,063,132		67,281,594	
Services	6.b	335,260,562	6,858,770	284,000,563	256,767
Personnel costs	6.c	124,013,374	2,357,863	116,377,682	2,337,667
Amortisation, depreciation and impairment losses	6.d	207,609,354		199,601,352	
Other operating costs	6.e	31,495,213	327,396	49,278,097	325,254
Capitalised costs for internal work	6.f	(1,373)		(1,360,921)	
Running total		**752,440,262**		**715,178,367**	
EBIT		**314,651,715**		**311,411,409**	
Income (expenses) from equity investments	7	123,612	123,520	-	
Financial income	8	992,979	548,898	934,815	440,492
Financial expenses	8	(57,117,741)	(31,593)	(55,117,502)	(39,835)
Running total		**(56,001,151)**		**(54,182,687)**	
Pre-tax income		**258,650,564**		**257,228,722**	
Taxes for the period	9	49,551,110		74,635,833	
Net income (expenses) from continuing operations		**209,099,454**		**182,592,889**	
Gain on the sale of discontinued operations	10	-		-	
Tax effect	10	-		-	
Net income (expenses) from discontinued operations	10	**-**		**-**	
NET INCOME FOR THE YEAR		**209,099,454**		**182,592,889**	

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

2. Statement of Comprehensive Income

Euro	31.12.2021	31.12.2020
Net income recognised through profit or loss	**209,099,454**	**182,592,889**
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities/assets for defined benefits	(8,768)	(272,793)
Deferred tax assets and liabilities on items which will never be classified through profit / (loss)	(44,467)	45,127
	(53,235)	(227,666)
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives	28,568,204	(34,751,533)
Change in fair value of hedging derivatives reclassified in the income for the year	(1,234,918)	(1,238,302)
Deferred tax (assets)/liabilities from change in fair value	(6,856,369)	8,340,368
Deferred tax (assets)/liabilities from change in fair value of hedging derivatives reclassified in the income for the year	296,380	297,192
	20,773,297	(27,352,275)
Total other comprehensive income	**20,720,062**	**(27,579,941)**
Total comprehensive income / (loss) recognised in the year	**229,819,516**	**155,012,948**

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

3. Statement of Financial Position

Assets

Euro	Notes				
ASSETS		**31.12.2021**	**of which to related parties**	**31.12.2020**	**of which to related parties**
Non-current assets					
Property, plant and equipment	11	26,629,194		35,665,026	
IFRS 16 Rights of use	12	25,956,690		24,257,719	
Intangible assets	13	4,109,377,571		3,833,580,962	
Net deferred tax assets	14	144,206,121		132,689,441	
Equity investments	15	24,640,934	24,517,705	19,524,747	19,401,543
Non-current financial assets	16	628,796		734,764	
Other non-current assets	17	52,644,670		56,019,878	
	Total	**4,384,083,977**		**4,102,472,537**	
Current assets					
Inventories	18	19,502,459		18,307,032	
Trade receivables	19	221,271,460	1,546,736	237,742,526	4,960,721
Short-term financial receivables	20	23,701,443	22,167,596	18,916,066	17,599,187
Other current financial assets	21	165,388	156,994	122,560	122,128
Cash and cash equivalents	22	442,933,528		186,727,477	
Income tax receivables	23	2,514,903	285,338	9,141,358	178,787
Other current assets	24	206,351,539		204,427,671	
	Total	**916,440,721**		**675,384,691**	
Non-current assets (or assets included in disposal groups) held for sale					
Non-current assets (or assets included in disposal groups) held for sale	25	2,220,947		-	
	Total	**2,220,947**		**-**	
TOTAL ASSETS		**5,302,745,644**		**4,777,857,228**	

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

Liabilities

Euro	Notes				
EQUITY AND LIABILITIES		**31.12.2021**	**of which to related parties**	**31.12.2020**	**of which to related parties**
Equity	26				
Share capital		3,638,517		3,638,517	
Treasury Shares		-		-	
Other Reserves		519,152,396		498,428,951	
Retained earnings/(accumulated losses)		409,063,117		351,489,658	
Net income for the year		209,099,454		182,592,889	
TOTAL EQUITY		**1,140,953,484**		**1,036,150,015**	
Non-current liabilities					
Long-term loans	27	3,225,548,321		2,744,421,814	
Post-employment and other employee benefits	28	37,091,860		40,195,015	
Provision for risks and charges	29	8,076,584		7,355,058	
Deferred tax liabilities	14	-		-	
Non-current financial liabilities	30	10,184,491		38,752,695	
Non-current IFRS 16 financial liabilities	31	20,005,582		18,394,697	
Other non-current liabilities	32	329,300,704		326,676,492	
	Total	**3,630,207,542**		**3,175,795,772**	
Current liabilities					
Short-term loans	33	6,053,004	6,053,004	41,035,837	4,608,741
Current portion of long-term loans	34	18,181,818		18,181,818	
Short-term portion of long-term and short-term provisions	35	68,511,759		77,009,836	
Trade payables	36	209,654,739	711,866	206,420,455	349,712
Income tax payables	37	2,109,378	104,359	542,872	331,899
Current financial liabilities	38	20,016,810	7,599	17,075,656	10,138
Current IFRS 16 financial liabilities	39	5,605,886		5,280,901	
Other current liabilities	40	201,162,002	6,990	200,364,066	1,053
	Total	**531,295,397**		**565,911,441**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	289,222		-	
	Total	**289,222**		**-**	
TOTAL LIABILITIES		**4,161,792,161**		**3,741,707,213**	
TOTAL EQUITY AND LIABILITIES		**5,302,745,644**		**4,777,857,228**	

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

4. Statement of Cash Flows

Euro		31.12.2021	31.12.2020
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**186,727,477**	**353,280,846**
A) CASH AND CASH EQUIVALENTS ACQUIRED THROUGH COMPANY ACQUISITION		**224,935**	**139,768**
Cash flow from operating activities			
Pre-tax income		258,650,564	257,228,722
Taxes for the period	9	(49,551,110)	(74,635,833)
1. Net income for the period		**209,099,454**	**182,592,889**
Adjustments for:			
Depreciation	6.d	205,786,246	199,416,066
Impairment/(Reversals)/(Releases)	6.d	1,823,107	185,286
Capital (gains)/losses	5.b/6.e	10,989,260	8,087,205
Allocations to provisions for risks and charges and post-employment benefits		19,414,846	28,500,904
Financial (income)/expenses	7 and 8	56,001,151	54,182,687
Badwill from acquisition		0	(79,034)
2. Total adjustments		**294,014,610**	**290,293,114**
Change in net working capital			
Inventories	18	(1,355,830)	5,202,229
Trade receivables	19	21,944,684	15,933,325
Trade payables	36	(2,118,621)	15,248,969
Other current assets	24	2,927,585	(7,926,277)
Other current liabilities	40	(6,787,109)	(17,544,986)
Net tax receivables/(payables)	23 and 37	7,394,511	(10,096,179)
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(19,568,704)	(36,063,849)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	(25,541,882)	685,270
Other non-current assets	17	3,837,664	1,655,875
Other non-current liabilities	32	2,233,462	6,048,874
Financial income/(expenses) other than for financing	8	308,254	(68,510)
3. Total change in net working capital		**(16,725,987)**	**(26,925,258)**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**486,388,076**	**445,960,746**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(338,536,806)	(299,546,488)
Equity investments	7 and 15	(105,090,879)	(10,008,765)
Loan settlement for purchase of equity investment	33	(45,733,178)	
Cash acquired through company acquisition		4,106,382	
From discontinued operations		0	0
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(485,254,481)**	**(309,555,253)**
D) FREE CASH FLOW (B+C)		**1,133,595**	**136,405,493**
Cash flow from financing activities			
Payment of dividends		(125,019,430)	(50,029,603)
Change in amortised cost	16, 27 and 34	(586,539)	2,010,432
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(1,234,918)	(1,238,302)
Financial income for financing activities	8	503,238	423,811
Financial (expenses) for financing activities	8	(56,936,254)	(54,537,989)
Change in short-term and long-term financial debt	27 and 33	(53,164,651)	(21,750,625)
Receipts from debenture loan issues	27	500,000,000	100,000,000
Debenture loan settlements	27 and 33	0	(267,100,000)
Other non-current financial assets	16	833	496,673
Change in other financial receivables	20 and 21	(4,828,205)	(1,184,006)
Change in financial leases IFRS 16	31, 39 and 11	(6,827,706)	(7,237,356)
Change in other current financial payables	38	2,941,155	(2,951,664)
E) CASH FLOW FROM FINANCING ACTIVITIES		**254,847,521**	**(303,098,629)**
F) CASH FLOW FOR THE PERIOD (D+E)		**255,981,116**	**(166,693,136)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**442,933,528**	**186,727,477**

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

5. Statement of Changes in Equity

	Share capital and reserves							
Euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)	Net income for the year	**Total**
Total 31 December 2019	**3,638,517**	**286,546,491**	**727,703**	**5,384,995**	**233,349,702**	**196,020,243**	**205,499,019**	**931,166,670**
Allocation of income for 2019:								
Distribution of income						155,469,415	(155,469,415)	**-**
- Increase in legal reserve								
Contribution from shareholders and payments to them as shareholders								**-**
Payment of dividends							(50,029,603)	**(50,029,603)**
Shareholders' contribution for share capital increase								
Total contribution from shareholders and payments to them as shareholders								*(50,029,603)*
Net income for the year recognised in equity				(27,352,275)	(227,666)			**(27,579,941)**
Net income for the year recognised in profit or loss							182,592,889	**182,592,889**
Total 31 December 2020	**3,638,517**	**286,546,491**	**727,703**	**(21,967,280)**	**233,122,036**	**351,489,659**	**182,592,889**	**1,036,150,015**
Allocation of income for 2020:								
Distribution of income						57,573,459	(57,573,459)	**-**
- Increase in legal reserve								
Contribution from shareholders and payments to them as shareholders								**-**
Payment of dividends							(125,019,430)	**(125,019,430)**
Shareholders' contribution for share capital increase								
Total contribution from shareholders and payments to them as shareholders								*(125,019,430)*
- Other changes (merger of Powergas)					3,384			**3,384**
Net income for the year recognised in equity				20,773,297	(53,235)			**20,720,062**
Net income for the year recognised in profit or loss							209,099,454	**209,099,454**
Total 31 December 2021	**3,638,517**	**286,546,491**	**727,703**	**(1,193,983)**	**233,072,184**	**409,063,117**	**209,099,454**	**1,140,953,484**

2i Rete Gas S.p.A.
The Chief Executive Officer
Michele Enrico De Censi

6. Notes to the Statutory Financial Statements of 2i Rete Gas S.p.A.

Format and contents of the Financial Statements

The company 2i Rete Gas S.p.A., operating in the gas distribution sector, is a public limited company and is located in Milan, Via Alberico Albricci, 10.

The territorial structure of the company consists of six departments.
The departmental offices are:

- North West Department - Via Gazzoletto, 16/18 - 26100 Cremona (province of Cremona)
- North Department - Via Francesco Rismondo, 14 - 21049 Tradate (province of Varese)
- North East Department - Via Serassi, 17/Rs - 24124 Bergamo (province of Bergamo)
- Central Department - Via Morettini, 39 - 06128 Perugia (province of Perugia)
- South-West Department - Via Boscofangone snc - 80035 Nola (province of Naples)
- South East Department - Via Enrico Mattei - 72100 Brindisi (province of Brindisi)

The Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements and made them available to shareholders in accordance with art. 2429 of the Civil Code.

For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 23 March 2022.
These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The financial statements for the year ended 31 December 2021 have been prepared in accordance with *International Financial Reporting Standards* – IAS / IFRS issued by the International Accounting Board (IASB), recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 and effective at the end of the year, and with the related SIC/IFRIC interpretations issued by the *Interpretation Committee*, in force at the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

The statutory financial statements consist of the Income statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes. The financial statements are presented in euro, and the values shown in the Notes to the statutory financial statements are expressed in thousands of euro.

The reporting and valuation criteria are the same as those adopted to draw up the consolidated annual financial Report, to which reference should be made, except as indicated hereafter.
In the statutory financial statements, equity investments in subsidiaries, jointly controlled companies and associates are valued at purchase cost.
When there is objective evidence of impairment, the recoverability is checked by comparing the carrying value with the recoverable value represented by the greater of the *fair value*, net of disposal costs, and the value in use. Should the grounds which caused the impairment no longer exist, the value of the equity investment is restated, up to the limits of the original cost.
The dividends received by subsidiaries and associates are recognised through profit or loss.
The 2021 financial statements show the economic and financial data of 2i Rete Gas S.p.A. following the merger, with retroactive effect to 30 April 2021, with the subsidiary Infrastrutture Distribuzione Gas S.p.A.
Where necessary, for the purpose of commenting on the financial situation and changes vis-à-vis the previous year, the differences due to the aforementioned merger will be highlighted.

Information on the Income Statement

Revenue

Methane gas is transported by the company exclusively within Italy.

5.a Revenue from sales and services – 717,887 thousand euro

"Revenue from sales and services" mainly refers to gas transport activity and connection fees.

Below is a breakdown of "Revenue from sales and services":

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Sales and services			
Third parties:			
Gas and LPG transport	672,336	644,930	27,406
Release / (Allocation) to the provision for risks	3,092	22,348	(19,255)
Connection fees	8,972	9,277	(305)
Ancillary fees	5,873	5,457	416
Revenue from the sale of water	-	397	(397)
Ancillary services - water sector	-	639	(639)
Revenue from customer operations	94	59	35
Sundry revenue and other sales and services	24,169	21,252	2,917
Group companies:			
Sundry revenue and other sales and services	3,351	1,593	1,759
Total revenue from sales and services	**717,887**	**705,952**	**11,936**

Revenue from gas transport totalled 672,336 thousand euro, and mainly refer to the 2020 Tariff Revenue Cap for natural gas.
The calculation of this figure was based on the publication of ARERA Resolution 570/2019/R/gas, which indicated the means for calculating the tariffs for the 2020-2025 regulatory period. The increase is mainly due to revenues deriving from resolution 559/2021/R/Gas (so-called IRMA -Recovery of lost depreciation), which recognised the value of the tariff connected to the replacement of traditional meters not fully depreciated for meters above class G6. This item is also affected by the merger with IDG S.p.A., which increased the company's Tariff Revenue Cap. The releases for the year (3,092 thousand euro) derive from the same resolution, while last year they were related to the positive closure of the dispute concerning the tariff revision of certain concessions where plants are partially owned by third parties.

Connection contributions, totalling 8,972 thousand euro, underwent a marginal fall compared to the previous year of 305 thousand euro.

The strategy of progressively selling off the Group's water service concessions was pursued during the year. There were no revenues from water management in the year.

"Sundry revenue and other sales and services" included revenue associated with the suspension and reactivation of defaulting customers at the request of retail sales companies, totalled around 7,157 thousand euro (5,646 thousand euro in the prior year), and revenue relating to the TCol tariff component of 10,260 thousand euro, compared to 10,206 thousand euro in the previous year.
It is noted that in the reporting period, activities centring on the suspension of defaulting customers have suffered a setback due to the ongoing health emergency and law provisions.
Revenue from readings rose over the year to 5,794 thousand euro.

"Sundry revenue and other sales and services" from Group companies included all the amounts charged back by the parent company to subsidiaries as a result of operations and staff services provided in the year. The intercompany model in place since 1 July 2018 envisages that the parent company operates in an integrated way also on behalf of the subsidiaries, charging back a fee in line with market rates for the services provided. During the year they recovered thanks to greater operational activity in favour of subsidiaries compared to last year, when the latter had suffered a slowdown in methane conversion activity due to the pandemic.

5.b Other revenue – 36,649 thousand euro

"Other revenues" totalled 36,649 thousand euro (31,622 thousand euro in 2020), an increase of 5,027 thousand euro, mainly due to contingent assets, with the closure of a multi-year dispute with a municipality regarding the enhancement of the network. This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Other revenue			
Third parties:			
Revenue from energy efficiency certificates	1,822	-	1,822
Revenue from plant contributions	2,131	2,153	(22)
Revenue from contributions - R&D tax credit	160	115	46
Revenue from contributions - tax credit for extraordinary events	48	9	39
Contingent assets	4,853	1,923	2,930
Revenue from Resolution 574/13	17,880	16,329	1,551
Rental income	413	360	53
Capital gains from assets	548	1,902	(1,354)
Compensation for damages	973	139	835
Other revenue and income and services	6,487	7,336	(849)
Revenue and contribution concerning photovoltaic plants	150	133	18
Group companies:			-
Other revenue and services	1,184	1,224	(40)
Total other revenue	**36,649**	**31,622**	**5,027**

It is noted that since 2018 revenue, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year. In 2021, unlike the previous year when the net operating balance of EECs was negative and therefore included in the Other costs item, a better operating margin and the reduction of related obligations means that the net operating balance appears within this item, contributing a total of 1,822 thousand euro.

Revenue pursuant to Resolution 574/2013/R/gas concerning the quality of gas distribution and metering services testifies to the company's continuous focus on the technical quality of its services. The positive result depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken using new, cutting-edge technologies).

The gains on realisable assets, which in the previous year incorporated a surplus of 1.6 million euro for the sale of the concessions linked to ATEM Turin 2 (San Gillio and Givoletto), totalled 548 thousand euro, in line with ordinary business activities.
Finally, the item "Other revenues and services " was down on the previous year. This item basically includes revenues deriving from activities pertaining to defaulting customers, the administrative management of which was entrusted to the gas distributor. In the previous year this activity had suffered a setback due to the health emergency situation.

Finally, the item "Other revenues and services" referred to intercompany balances concerning a series of services that the parent company provides to its subsidiaries. The value was practically unchanged.

5.c Revenue from intangible assets/assets under construction – 312,556 thousand euro

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	312,556	289,017	23,539
Total revenue from intangible assets / assets under development	**312,556**	**289,017**	**23,539**

As from 1 January 2010 the company has been recognising this revenue pursuant to IFRIC 12 "Service concession arrangements".
Revenue from intangible assets and assets under construction represents the proportion of revenue directly attributable to the construction and enhancement of gas distribution networks held under concession. Since it is not possible to identify specific items related to the network construction service within the tariff structure, they are estimated to correspond to costs for a similar purpose, with zero impact on operating margin.
The increase in this item was mainly due to a related increase in investments during the year, with the change in the scope of consolidation resulting from the merger with the subsidiary also playing a role to this end.

Costs

As already noted, all costs recognised under the accounting model as per IFRIC 12 are broken down by nature within the pre-existing cost items.
The following table provides a summary of the items relating to the company's operating costs in order to ensure their compliance with the aforementioned standard.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	9,034	7,617	1,417
Costs for services	197,752	167,801	29,950
Other operating costs	850	893	(42)
Depreciation	2,769	3,285	(516)
Capitalised costs for materials, personnel and services:	102,151	109,421	(7,269)
of which personnel costs	*61,326*	*58,018*	3,308
of which raw materials and consumables	*40,825*	*51,402*	(10,577)
Total costs relating to revenue from intangible assets / assets under development	**312,556**	**289,017**	23,539

6.a Raw materials and consumables – 54,063 thousand euro

The item "Costs of raw materials and consumables" and the changes thereto compared to the previous year are detailed below:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Raw materials and consumables			
Third parties:			
Costs for the purchase of gas, water and lubricants	2,536	2,652	(116)
Stationery and printed materials	105	126	(21)
Various materials	52,779	59,302	(6,523)
(Change in inventories of raw materials)	(1,356)	5,202	(6,558)
Total costs of raw materials and consumables	**54,063**	**67,282**	**(13,218)**
- of which capitalised for intangible assets	49,859	59,019	(9,160)
- of which capitalised for other internal work	-	862	(862)

The item "Costs of raw materials and consumables" is essentially made up of costs for the purchase of materials, fuel and lubricants used in the pipe-laying process. In the year the value fell significantly due to the reduced purchase of meters and the use of existing meter stocks.

6.b Services – 335,261 thousand euro

"Costs for services" are broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Costs for services			
Third parties:			
Maintenance, repair and realisation of assets	205,001	168,150	36,852
Costs for electricity, power and water	2,367	2,977	(610)
Gas (for internal use)	2,934	3,253	(318)
Telephone and data transmission costs	2,740	2,221	519
Insurance premiums	4,062	4,119	(57)
Costs for services and other expenses relating to personnel	3,729	3,506	223
Fees	670	659	11
Legal and notary costs	1,540	1,351	189
Costs for company acquisitions and disposals	101	872	(772)
Advertising	207	91	116
IT services	11,026	8,719	2,306
Meter reading service	2,995	4,070	(1,074)
Audit fees	555	530	26
Repairs and emergency service	3,505	3,485	20
Plant certifications Resolution no. 40	395	439	(44)
Gas transport by third parties	1,572	1,544	28
Professional and other services	5,257	5,120	137
Other costs for services	8,693	8,255	438
Group companies:			
Other costs for services	6,796	1	6,795
Costs for the use of third-party assets			
Third parties:			
Leases	835	858	(23)
Rentals	424	469	(45)
Other costs for the use of third-party assets	2,242	2,203	40
Cosap/Single Property Tax	4,117	1,233	2,884
Municipal gas concession fees	63,497	59,877	3,621
Total costs for services	**335,261**	**284,001**	**51,260**
- of which capitalised for intangible assets	197,752	167,801	29,950

The aggregate figure of costs for services (including third-party leases) grew compared to the previous year (284,001 thousand euro). This value was affected however by higher costs for maintenance activities (+36,852 thousand euro), capitalised as per the application of the IFRIC 12 interpretation (30,477 thousand euro). Net of capitalised costs, this item rose by approximately 6.4 million euro, reflecting the greater activity carried out in general on distribution networks. This variation was attributable to the following factors:

- the 36,852 thousand euro rise resulting from increased repair and maintenance activity carried out by third parties on distribution networks;
- a 409 thousand euro overall drop in the costs of utilities (electricity, water, gas, phone) compared to the previous year thanks to greater savings on gas costs;
- personnel-related services and expenses rose by 223 thousand euro, thanks to the modest resumption of staff mobility in the year;
- lower legal costs regarding acquisition/sale activities, lower consultancy costs and above all lower costs relating to defaulting activity;
- the costs for IT services grew in the year due in part to the extraordinary activity required following the atmospheric event that hit the data centers of Rozzano in July 2021;
- a general fall in costs related to the meter reading service of 1,074 thousand euro, as a result of the better performance and pervasiveness of existing remote reading systems;
- costs for services to Group companies include the item relating to the cost of the parent company's remote reading and remote management for the service managed by 2i Rete Dati S.r.l.
- costs for the use of third-party assets, rentals and leases continued to fall, while the change in the Single Property Tax (CUP) was a result of the increase in the rent itself (by about 45% at an aggregate level), and the unification of Cosap and Tosap levies into a single cost;
- finally, municipal fees grew by 3,621 thousand euro due to the combined effect of the merger with IDG S.p.A. and provisions made for rent and fee risks.

It is noted that service costs still include the cost quota for those contracts whose fees do not fall within the scope of application of IFRS 16 (intra-annual or low-value leases).

6.c Personnel costs – 124,013 thousand euro

Personnel costs are broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Wages and salaries	89,353	85,130	4,224
Social security charges	27,095	25,958	1,137
Post-employment benefits	5,919	5,827	92
Asem/Fisde	(8)	(1)	(7)
Company Welfare Scheme	273	-	273
Other personnel costs	251	(536)	786
Total personnel costs	**122,883**	**116,378**	**6,505**
Non-recurring personnel costs			
Incentives to leave	1,131	-	1,131
Total non-recurring personnel costs	**1,131**	**-**	**1,131**
Total personnel costs	**124,013**	**116,378**	**7,636**
- of which capitalised for intangible assets	**61,326**	**58,018**	**3,308**
- of which capitalised for other internal work	**1**	**384**	**(383)**

"Personnel costs" include all expenses incurred on an ongoing basis that involve employees , directly or indirectly. This item was up by 7,636 thousand euro, thanks in part to the integration of personnel from IDG S.p.A.
In the year a specific provision was created for incentives to leave, regarding a part of the company population with whom there are contacts to reach an agreement on their exit from the company.
Capitalisation for intangible assets rose again, by 3,308 thousand euro, as a result of the resumption of meter-installation activities.
The table below shows employee variations in the year by category.

	Executives	Middle Managers	Clerks	Manual Workers	Total
Personnel as at 31 December 2020	32	112	1,237	627	**2,008**
Merger contribution	1	10	44	26	**81**
Increase	-	1	62	17	**80**
Decrease	-	(11)	(77)	(52)	**(140)**
Change in category	2	8	(8)	(2)	-
Personnel as at 31 December 2021	**35**	**120**	**1,258**	**616**	**2,029**

6.d Amortisation, depreciation and impairment losses – 207,609 thousand euro

Depreciation, amortisation and impairment losses totalled 207,609 thousand euro, compared to 199,601 thousand euro in the previous year.
It is noted that, with the application of IFRIC 12, amortisation mainly concerns the rights over concessions in which the company manages the gas distribution networks.
Amortisation due to the rights of use under IFRS 16 stood at 7,065 thousand euro, and accounted for the portion of annual cost relating to the exclusive use of leased or rented assets that are subject to IFRS 16.

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Depreciation	3,880	5,403	(1,523)
Amortisation of IFRS 16 rights of use	7,065	6,823	242
Amortisation	194,841	187,190	7,651
Impairment losses:			
Impairment of tangible assets	182	-	182
Impairment of intangible assets	459	22	437
Write down of trade and other receivables	1,181	163	1,018
Total depreciation, amortisation and impairment	**207,609**	**199,601**	**8,008**
- of which capitalised for intangible assets	2,769	3,285	(516)

6.e Other operating costs – 31,495 thousand euro

“Other operating costs" fell by a total of 17,783 thousand euro, of which 4,355 thousand euro due to the elimination of the global economic impact of the purchase of EECs (net revenue in the year for this item is carried in Other revenues).
The Tosap balance was close to zero due to the introduction of the Single Property Tax, which shifted the cost to costs for services.
Capital losses on asset disposals were higher than in the previous year (by 1,508 thousand euro), due to the resumption of replacing traditional with smart meters, which had slowed down due to the ongoing health emergency.
Capital losses were partly absorbed by the use of provisions specifically allocated for faulty meters that need replacing. It should also be stressed that a portion of the capital losses, where related to meters that at the date of replacement had not been fully amortised from a tariff perspective, is repaid by means of a tariff based on an annual payment;
The balance of provisions for risks and charges in the year was 8,603 thousand euro lower than the previous year thanks to a policy of releasing funds to reduce underlying

risks. For a more detailed description of relative trends refer to point 29 (Provisions for risks and charges) herein.

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Other operating costs			
Third parties:			
Remuneration of statutory auditors, Supervisory Body and Coı	104	99	5
Remuneration of members of the Board of Directors	254	254	0
Association fees	380	333	46
Contribution to the Supervisory Authority	246	237	9
Compensation to customers	913	930	(18)
Municipal tax on property	502	482	19
CCIAA (chamber of commerce) fees and duties	594	507	87
Net costs for energy efficiency certificates	-	4,355	(4,355)
Tax on the occupation of public space (Tosap)	40	1,637	(1,597)
Capital losses on the disposal of assets	11,359	9,852	1,508
Capital losses on the sale of assets	178	137	40
Local and sundry taxes	984	703	281
Other costs	1,870	7,076	(5,205)
(Net) provision for risks and charges	14,072	22,675	(8,603)
Total other operating costs	**31,495**	**49,278**	**(17,783)**
- of which capitalised for intangible assets	850	893	(42)

6.f Capitalised costs for internal work – (1) thousand euro

The item includes residual costs that can be capitalised but do not relate to concession assets. In the last year the value mainly referred to capitalisations on concentrators and communication network devices for new smart meters, now transferred to 2i Rete Dati S.r.l.

7. Income/(Expenses) from equity investments - 124 thousand euro

This item was affected by the economic impact of updating the equity values of associate companies 2i Servizi Energetici S.r.l. and Melegnano Energia Ambiente S.p.A.

8. Financial income/(expenses) – (56,125) thousand euro

This item is broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Financial income			
Third parties:			
- *Interest and other income from non-current financial assets*			
- Interest income from loans to employees	0	0	0
- *Sundry financial income*			
- Interest on arrears receivable	0	17	(17)
- Interest income from current accounts and post office deposits	16	22	(5)
- Interest income from receivables from customers	82	12	70
- Other financial interest and income	408	482	(74)
Group companies:			
- Interest income	487	402	85
Total income	**993**	**935**	**58**
Financial expenses			
Third parties:			
- Interest expense on medium/long-term loans	3,527	3,819	(291)
- Other expense on medium/long-term loans from banks	507	813	(306)
- Financial expenses on debenture loans	50,999	48,379	2,620
- Financial expenses from amortised cost	2,191	2,182	9
- Interest expense on short-term bank loans	-	0	(0)
- Interest expense on current bank accounts	339	-	339
- Discounting of post-employment and other employee benefits	160	430	(271)
- Interests on taxes	1	17	(16)
- Change in fair value of hedging derivatives reclassified from comprehensive incom	(1,235)	(1,238)	3
- Other financial and interest expense	21	132	(112)
- IFRS16 Financial Expenses	577	544	32
Group companies:			
- Interest expense	32	40	(8)
Total expenses	**57,118**	**55,118**	**2,000**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(56,125)**	**(54,183)**	**(1,942)**

Financial income and expenses posted a negative result (-56.125 thousand euro), mainly due to the recognition in the year of interests relating to debenture loans and the related amortised cost, and the related change in Fair Value of the hedging derivative, as well as to interest payable for used medium- and long-term lines of credit.
At 31 December 2021 the Group held 3,253,636 thousand euro in loans outstanding, including 2,765,000 thousand euro for five instalments of the debenture loan maturing 2024-2031, as well as 488,636 thousand euro for three credit lines.
The structure of the Group's debt is almost entirely "fixed rate" (3,090,000 thousand euro), thanks mainly to the debenture loan instalments, lengthening the average duration of the existing debt while significantly reducing the cost of debt.
During the year, in January, a further instalment of the debenture loan was issued, maturing in 2031, partly to support the purchase of IDG S.p.A.
As a result of this transaction, the balance of related financial expenses rose by 2,620 thousand euro.

9. Taxes – 49,551 thousand euro

This item is broken down as follows:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Current taxes			
Current income taxes: IRES	59,799	60,480	(681)
IRES substitute tax on exemption/realignment	2,990	0	2,990
Current income taxes: IRAP	13,606	13,349	258
Total current taxes	**76,396**	**73,829**	**2,567**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	82	1,555	(1,473)
Positive adjustments for income taxes relating to previous years	(1,385)	(744)	(641)
Total adjustments for income taxes relating to previous years	**(1,303)**	**811**	**(2,113)**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(3,889)	(3,392)	(497)
Prepaid taxes (allocation)/use	(21,653)	3,388	(25,041)
Total current deferred and prepaid taxes	*(25,542)*	*(4)*	*(25,538)*
Total deferred and prepaid taxes	**(25,542)**	**(4)**	**(25,538)**
TOTAL TAXES	**49,551**	**74,636**	**(25,085)**

Income taxes for the year totalled 49,551 thousand euro, down 25,085 thousand euro. Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES of 59,799 thousand euro and IRAP of 13,606 thousand euro.
There was also the substitute tax for the realignment of the tax value with the civil law value at 31 December 2020 for goodwill in place at 31 December 2019, totalling 2,990 thousand euro, one third of which paid at 31 December 2021.
Prepaid taxes therefore benefited from the relative appropriation, with a change compared to the previous year of 25,538 thousand euro.
Following the publication of the 2022 Budget Law (Law 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill were amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to alter the choices made in June. The parent company assessed the economic and financial convenience of the transaction, and decided to confirm the option already exercised, considering it absolutely plausible, given its business model, that deferred tax receivables created in the period indicated by the current budget law would be used.

The tax impact of IRES for 2021 is equal to 23.1%.

The table below shows the reconciliation of the effective and theoretical tax rates, determined by applying the tax rate in force during the year to pre-tax profit, without taking into account the adjustments from previous years:

Thousands of euro

	31.12.2021	31.12.2020
Pre-tax profit	258,651	257,229
Theoretical IRES taxes - 2021:	**62,076**	**61,735**
Lower taxes:	**29,027**	**29,185**
- release of contributions taxed in prior years	1,454	1,603
- use of provisions	6,390	5,900
- release of provisions	5,219	7,910
- reversal of statutory amortisation / depreciation not deducted in prior years	4,533	4,193
- deducted tax amortisation	7,144	5,723
- others	4,287	3,857
Higher taxes:	**26,751**	**27,931**
- write-downs for the year	154	-
- allocations to provisions	10,018	10,456
- amortisation / depreciation on amounts that are not recognised for tax purp	3,861	3,955
- statutory amortisation / depreciation exceeding the fiscal limits	10,504	11,282
- reversal of excess fiscal amortisation / depreciation deducted in prior years	694	761
- capital gains by instalments	-	222
- partially deductible costs	587	508
- taxes	106	59
- others	826	688
Total current income taxes (IRES)	**59,799**	**60,480**
IRAP - 2021:	13,606	13,349
IRES substitute tax on exemption/realignment	2,990	-
Total deferred and prepaid taxes	**(25,542)**	**(4)**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**50,854**	**73,825**

10. Discontinued operations – 0 thousand euro

The result from *discontinued operations* was zero.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – 26,629 thousand euro

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions.
The breakdown and changes in tangible assets in 2020 and 2021 are shown below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements to third-party assets	Fixed assets under construction and advances	Total
Historical cost	8,688	33,772	14,150	24,639	56,224	13,884	809	152,167
Accumulated amortisation	0	(25,459)	(4,815)	(23,250)	(48,561)	(12,874)	-	(114,959)
Balance as at 31.12.2019	**8,688**	**8,313**	**9,335**	**1,390**	**7,663**	**1,010**	**809**	**37,207**
Merger contribution:	-	-	-	0	7	-	-	7
Gross value	-	-	-	1	11	-	-	12
Acc. Amort.	-	-	-	(1)	(4)	-	-	(4)
Increases (including Fixed assets classified as assets available for sale)	-	3	2,692	748	1,455	76	118	5,094
Commissioning	-	2	-	-	748	18	(768)	-
Gross value	-	2	-	-	748	18	(768)	-
Acc. Amort.	-	-	-	-	-	-	-	-
Disposals	(759)	(13)	(445)	(1)	-	-	-	(1,218)
Gross value	(759)	(1,051)	(1,687)	(192)	(1,761)	-	-	(5,450)
Acc. Amort.	-	1,038	1,241	192	1,761	-	-	4,232
Reclassifications	-	-	(22)	-	-	-	-	(22)
Gross value	-	-	(1,600)	-	-	-	-	(1,600)
Acc. Amort.	-	-	1,578	-	-	-	-	1,578
Impairment losses	-	-	-	-	-	-	-	-
Depreciation	-	(840)	(857)	(552)	(2,650)	(504)	-	(5,403)
Total changes	**(759)**	**(848)**	**1,367**	**196**	**(440)**	**(409)**	**(650)**	**(1,542)**
Historical cost	7,929	32,727	13,555	25,196	56,678	13,979	159	150,222
Accumulated amortisation	0	(25,261)	(2,853)	(23,611)	(49,454)	(13,378)	-	(114,557)
Balance as at 31.12.2020	**7,929**	**7,465**	**10,702**	**1,585**	**7,224**	**600**	**159**	**35,665**
Merger contribution:	35	1,689	55	191	84	11	-	2,065
Gross value	35	2,642	286	638	712	64	-	4,378
Acc. Amort.	-	(953)	(232)	(448)	(628)	(53)	-	(2,313)
Business unit Contribution	-	-	(10,635)	-	-	-	-	(10,635)
Gross value	-	-	(12,440)	-	-	-	-	(12,440)
Acc. Amort.	-	-	1,805	-	-	-	-	1,805
Increases (including Fixed assets classified as assets available for sale)	-	404	-	216	5,426	472	236	6,753
Commissioning	-	98	-	-	-	2	(100)	-
Gross value	-	98	-	-	-	2	(100)	-
Acc. Amort.	-	-	-	-	-	-	-	-
Disposals	(178)	(376)	-	-	(2,003)	-	-	(2,557)
Gross value	(178)	(1,803)	-	(6)	(4,094)	-	-	(6,081)
Acc. Amort.	-	1,427	-	6	2,091	-	-	3,524
Reclassifications	-	7	(55)	55	-	(7)	-	0
Gross value	-	35	(286)	286	-	(35)	-	(0)
Acc. Amort.	-	(27)	232	(232)	-	27	-	0
Impairment losses	(159)	(23)	-	-	-	-	-	(182)
Fixed assets classified as assets available for sale	(526)	(74)	-	-	-	-	-	(600)
Gross value	(526)	(1,139)	-	-	-	-	-	(1,664)
Acc. Amort.	-	1,064	-	-	-	-	-	1,064
Depreciation	-	(631)	(8)	(433)	(2,584)	(224)	-	(3,880)
Total changes	**(827)**	**1,094**	**(10,643)**	**28**	**923**	**253**	**136**	**(9,036)**
Historical cost	7,102	32,963	1,115	26,331	58,722	14,482	295	141,010
Accumulated amortisation	0	(24,404)	(1,056)	(24,718)	(50,575)	(13,628)	-	(114,381)
Balance as at 31.12.2021	**7,102**	**8,560**	**59**	**1,613**	**8,147**	**853**	**295**	**26,629**

As of 31 December 2021, the item under review fell by 9,036 thousand euro. The increase in investments of 6,753 thousand euro added to the 2,065 thousand euro contributed by the merger with IDG S.p.A., while there was a fall for Plant and Machinery due to the transfer of equipment for the transmission of meter data to 2i Rete Dati (-10,635 thousand euro). Disposals totalled 2,557 thousand euro, reclassifications to assets available for sale totalled 600 thousand euro, and depreciation amounted to 3,880 thousand euro.

Investments in property, plant and equipment are broken down as follows:

Thousands of euro	31.12.2021	31.12.2020
Increases for internal services	1	499
Increases for materials	-	862
Increases for external acquisitions / services	6,752	3,733
Increases for intercompany acquisitions / services	-	
Total	**6,753**	**5,094**

In compliance with the provisions of art. 10 of Law 72/83, the historical figures (expressed in thousands of euro) for the monetary revaluations included in the asset categories and contained in the item in question and for intangible assets are broken down as follows:

LAND	
Revaluation Law 576/75	15
Revaluation Law 72/83	12
Revaluation Law 413/91	281
Revaluation Law 350/03	2,035
Total revaluation of land and buildings	**2,343**

BUILDINGS	
Revaluation Law 576/75	13
Revaluation Law 72/83	5
Revaluation Law 413/91	337
Revaluation Law 350/03	2,703
Total revaluation of land and buildings	**3,057**

PLANT AND EQUIPMENT	
Revaluation Law 576/75	2,261
Revaluation Law 72/83	18,197
Revaluation Law 413/91	22
Revaluation Law 342/00	8,827
Revaluation Law 350/03	492,179
Total revaluation of plant and equipment	**521,486**

OTHER ASSETS	
Revaluation Law 576/75	1
Revaluation Law 72/83	11
Revaluation Law 350/03	7
Total revaluation of other assets	**18**

LAND CONC	
Revaluation Law 576/75	1
Revaluation Law 72/83	15
Revaluation Law 413/91	0
Revaluation Law 350/03	77
Total revaluation of land and buildings	**93**

BUILDINGS CONC	
Revaluation Law 576/75	16
Revaluation Law 72/83	96
Revaluation Law 413/91	138
Revaluation Law 350/03	2,156
Total revaluation of land and buildings	**2,406**

INDUSTRIAL AND COMMERCIAL EQUIPMENT	
Revaluation Law 576/75	1
Revaluation Law 72/83	10
Revaluation Law 350/03	6
Total revaluation of industrial and commercial equipment	**17**

12. Rights of use under IFRS 16 – 25,957 thousand euro

Following the application of standard IFRS 16, hire, rental or lease contracts are carried as the sum of the discounted value of future fees, in a capacity as exclusive use rights.

A financial obligation for a similar amount was held under liabilities in these financial statements, since the company adopted the "Modified retrospective" approach for the reconciliation of values relating to rights of use.

Below is the table of changes in assets for 2020 and 2021.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	26,929	8,244	367	35,540
Accumulated amortisation	(4,184)	(2,517)	(23)	(6,724)
Balance as at 31.12.2019	**22,746**	**5,727**	**344**	**28,817**
Increase and change in rights of use	2,923	835	-	3,758
Disposals	(1,402)	(92)	-	(1,494)
Gross value	(1,513)	(396)	-	(1,909)
Acc. Amort.	112	303	-	415
Depreciation	(4,394)	(2,337)	(92)	(6,823)
Total changes	**(2,873)**	**(1,594)**	**(92)**	**(4,559)**
Historical cost	28,339	8,683	367	37,389
Accumulated amortisation	(8,466)	(4,551)	(115)	(13,132)
Balance as at 31.12.2020	**19,873**	**4,132**	**252**	**24,258**
Merger contribution:	77	209	-	285
Gross value	77	209	-	285
Acc. Amort.	-	-	-	-
Increase and change in rights of use	2,483	6,915	-	9,398
Disposal and change in rights of use	(847)	(72)	-	(920)
Gross value	(2,091)	(2,351)	-	(4,442)
Acc. Amort.	1,244	2,279	-	3,523
Depreciation	(4,304)	(2,669)	(92)	(7,065)
Total changes	**(2,591)**	**4,382**	**(92)**	**1,699**
Historical cost	28,807	13,456	367	42,630
Accumulated amortisation	(11,526)	(4,941)	(206)	(16,673)
Balance as at 31.12.2021	**17,282**	**8,515**	**161**	**25,957**

13. Intangible assets – 4,109,378 thousand euro

It is noted that following the introduction of IFRIC 12, intangible assets also include the fixed assets related to gas distribution concessions.
The breakdown and changes in intangible assets in 2020 and 2021 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets under construction and advances	Fixed assets under construction and advances	Other intangible assets	Goodwill	Total
Historical cost	96,909	6,841,821	31,839	4,889	151,286	266,644	7,394,601
Accumulated amortisation	(94,096)	(3,451,940)	-	-	(120,246)	-	(3,667,496)
Balance as at 31.12.2019	**2,813**	**3,389,881**	**31,839**	**4,889**	**31,040**	**266,644**	**3,727,105**
Merger contribution:	-	2,797	10,062	-	293	761	13,914
Gross value	-	3,065	10,062	-	294	761	14,183
Acc. Amort.	-	(268)	-	-	(1)	-	(269)
Increases (including Fixed assets classified as assets available for sale)	472	263,037	25,980	1,612	10,497	-	301,598
Commissioning	-	34,496	(34,496)	(4,435)	4,435	-	-
Gross value	-	34,496	(34,496)	(4,435)	4,435	-	-
Acc. Amort.	-	-	-	-	-	-	-
Decreases	-	(21,691)	(17)	-	-	-	(21,708)
Gross value	(5)	(65,429)	(17)	-	-	-	(65,451)
Acc. Amort.	5	43,738	-	-	-	-	43,743
Reclassifications	-	102	-	(80)	-	-	22
Gross value	-	1,680	-	(80)	-	-	1,600
Acc. Amort.	-	(1,578)	-	-	-	-	(1,578)
Impairment losses	-	(4)	(19)	-	-	(134)	(156)
Fixed assets classified as assets available for sale	-	(2)	(1)	-	-	-	(3)
Gross value	-	(2)	(1)	-	-	-	(3)
Acc. Amort.	-	-	-	-	-	-	-
Amortisation	(1,721)	(172,923)	-	-	(12,547)	-	(187,190)
Total changes	**(1,249)**	**105,813**	**1,509**	**(2,903)**	**2,679**	**627**	**106,476**
Historical cost	97,375	7,078,657	33,347	1,986	166,513	267,271	7,645,149
Accumulated amortisation	(95,812)	(3,582,962)	-	-	(132,794)	-	(3,811,568)
Balance as at 31.12.2020	**1,563**	**3,495,694**	**33,347**	**1,986**	**33,719**	**267,271**	**3,833,581**
Merger contribution:	0	124,876	81	-	795	37,130	162,882
Gross value	24	222,583	81	-	4,034	37,130	263,852
Acc. Amort.	(24)	(97,707)	-	-	(3,239)	-	(100,970)
Business unit Contribution	-	-	-	-	-	-	-
Gross value	(184)	-	-	-	(111)	-	(295)
Acc. Amort.	184	-	-	-	111	-	295
Increases (including Fixed assets classified as assets available for sale)	2,679	288,699	25,300	641	15,517	-	332,836
Commissioning	-	23,241	(23,241)	(1,604)	1,604	-	(0)
Gross value	-	23,241	(23,241)	(1,604)	1,604	-	(0)
Acc. Amort.	-	-	-	-	-	-	-
Decreases	-	(22,568)	(432)	-	-	-	(23,000)
Gross value	-	(51,834.9)	(432)	-	-	-	(52,267)
Acc. Amort.	-	29,267	-	-	-	-	29,267
Reclassifications	-	-	-	-	-	-	-
Gross value	(14)	-	-	-	14	-	-
Acc. Amort.	14	-	-	-	(14)	-	-
Impairment losses	-	(459)	-	-	-	-	(459)
Fixed assets classified as assets available for sale	-	(1,621)	(0)	-	-	-	(1,621)
Gross value	-	(4,127)	(0)	-	-	-	(4,128)
Acc. Amort.	-	2,507	-	-	-	-	2,507
Amortisation	(1,461)	(179,876)	-	-	(13,505)	-	(194,841)
Total changes	**1,219**	**232,292**	**1,707**	**(962)**	**4,411**	**37,130**	**275,797**
Historical cost	99,881	7,557,217	35,054	1,024	187,570	304,402	8,185,148
Accumulated amortisation	(97,099)	(3,829,231)	-	-	(149,440)	-	(4,075,770)
Balance as at 31.12.2021	**2,782**	**3,727,986**	**35,054**	**1,024**	**38,129**	**304,402**	**4,109,378**

Intangible assets include the contribution of the merger of IDG S.p.A. with accounting effect at 30 April 2021. As can be seen, this merger resulted in 162,882 thousand euro being reflected in the parent company's accounts.

The investment campaign resumed with particular energy in 2021 despite the continuing pandemic emergency. Investments in the year reached 332,836 thousand euro, while decreases totalled 23,000 thousand euro; reclassifications to assets available for sale amounted to 1,621 thousand euro, depreciation and impairment losses totalled 195,301 thousand euro.

The item "Patent and intellectual property rights" is not significant in terms of amounts recognised, while the item "Concessions and similar rights" includes the amounts relating to the recognition of the Company's rights as concession operator and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions. The figure must be considered in conjunction with the related item "Fixed assets under construction". The total of the two items shows a final balance, inclusive of the merger contribution and after accumulated amortisation, of 3,763,041 thousand euro.

The amortisation of concession charges was determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession. The company determined the terms of the concessions using the same criteria adopted in the previous year.

For concessions that had expired at the reporting date, and were therefore operating in an extension regime (*prorogatio*), the residual value has been restated to take into consideration the postponement of the effective expiry of these concessions.

It is noted in particular that pursuant to the decree of the Ministry of Economic Development of 19 January 2011, "Identification of local areas in the natural gas distribution sector" which came into force on 1 April 2011, art. 3 (3) of the decree states: "as from the coming into force of this provision, the tenders for the assignment of the gas distribution service, as provided for by art. 14 (1) of Italian Legislative Decree 164 of 23 May 2000, for which the call for tender has not been published or for which the deadline for submitting offers has not expired, are awarded solely for the local areas established in Annex 1 forming an integral part of this provision" and that, in compliance with art. 14 (7) of Italian Legislative Decree no. 164/2000, "the outgoing operator, pursuant to art. 14 (7) of Italian Legislative Decree 164 of 23 May 2000, in any case remains under obligation to continue managing the service until the start date of the new assignment".

"Assets under construction and advances", standing at 1,024 thousand euro, mainly accounted for the year's investments in software that the Company developed to improve the digital management of the network and corporate operations. In the year the item fell thanks to the definitive implementation of some information systems resulting in the commissioning of fixed assets (1,604 thousand euro).

"Other intangible assets" of 38,129 thousand euro include other long-term costs, such as capitalised costs linked to the implementation of the remote reading system for smart meters.

"Goodwill" totalled 304,402 thousand euro, and relates to the deficit from the merger of companies that had previously been subsidiaries. Changes in the year related to the recognition of goodwill registered after the merger with IDG S.p.A. This item was recognised in agreement with the Board of Statutory Auditors.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the *Discounted Cash Flow* model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a *Cash Generating Unit*, consistently with the corporate vision.
In detail, cash flows are considered for a forecast period of 5 years, consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 20 January 2022 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

In this *framework*, the two main assumptions are:

- continuity in concession management, since the redefinition of the relevant local areas resulting from the territorial tenders will be a concrete opportunity for the Group to expand its business on the competitive market given its economic capacity, available credit lines, and top position in a market that is experiencing concentration;
- the continuous management of end customers, with the assumption of further organic growth only on already existing networks at a rate compatible with the experience on the market in recent years.

The discount rates applied, the forecast period over which projected cash flows are discounted and the Group's terminal value growth rate are detailed in the table below.

Tax Rate (2)	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6%	3.4%	2022 - 2026	0%

(1) Post-tax WACC is aligned to the average cost of financing of the best-performing peers in the sector
(2) IRAP + IRES rate

The value in use, determined in accordance with the aforementioned methods, was higher than the value of the net invested capital recorded in the financial statements.

The recoverability of the Group's invested capital was also confirmed by a further *sensitivity* analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the *impairment test*.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows by around 30%, a percentage which is significantly higher than the reductions considered possible by the Group.

14. Net deferred tax assets – 144,206 thousand euro

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled 264,005 thousand euro, while deferred tax liabilities totalled 119,799 thousand euro.

Deferred tax assets and liabilities at 31 December 2021 were determined using the tax rates in force: 24% for IRES and 4.56% for IRAP.

Prepaid taxes increased due to normal operations in the year and to the already commented realignment of tax values to civil law values carried out in the year, with the realignment of the value at 31 December 2020 of goodwill in existence at 31 December 2019 and not realigned (+28,430 thousand euro), in addition to the negative impact (-6,856 thousand euro) of movements following the Fair Value valuation of the outstanding hedging derivative.
With regard to deferred tax liabilities, in addition to normal changes the balance rose due to the provision for taxes on the acquisition of companies during the year.

Considering, among other things, the flows estimated in the most recent business plans, the Group believes it can use deferred tax assets in the ordinary course of business.

The table below details changes in "deferred tax assets and liabilities" by type of temporary difference, determined according to the tax rates in force, and the portion of recoverable and non-recoverable deferred taxes.

Thousands of euro	At 31.12.2020	Balance after adjustments to Unico	Capital contributions from extraordinary operations during the year	Total	Increases recognised in		Decreases recognised in		Other changes in					Balance as at 31.12.2021
					Income statement	Equity	Income statement	Equity	Income statement	Equity	Other reclassifications	Reclassifications (if any) under the item Available for sale	Adjustments (if any) under the item Available for sale	
Deferred income tax assets:														
allocation to provisions for risks and charges, deferred deductibility	20,017	-	161	20,178	8,635	-	(11,672)	-	183	-	52	-	-	**17,376**
allocation to provisions for incentives to leave and stock options	318	-	-	318	323	-	(99)	-	-	-	-	-	-	**543**
allocation to provisions for disputes	3,321	-	49	3,370	901	-	(737)	-	-	-	(49)	-	-	**3,486**
allocation to provisions for inventory obsolescence	3,274	-	-	3,274	117	-	(82)	-	-	-	-	-	-	**3,310**
impairment losses with deferred deductibility (impairment of receivables)	2,348	-	148	2,495	254	-	(178)	-	-	-	(0)	-	-	**2,572**
impairment losses with deferred deductibility (impairment of plants)	1,900	-	-	1,900	0	-	-	-	-	-	-	-	-	**1,900**
depreciation and amortisation of tangible and intangible assets with deferred deductibility	122,987	(1,261)	5,703	127,428	10,593	-	(4,060)	-	-	-	(0)	-	-	**133,962**
separation of land-buildings and component analysis	114	-	-	114	-	-	-	-	-	-	-	-	-	**114**
start-up costs	2,225	-	-	2,225	-	-	-	-	-	-	-	-	-	**2,225**
Post-employment and other employee benefits	4,092	(71)	82	4,103	1,338	-	(935)	-	-	-	50	-	-	**4,556**
cash deductible taxes and duties	(0)	-	-	(0)	-	-	-	-	7	-	(3)	-	-	**4**
proceeds subject to deferred taxation (connection fees)	31,387	-	-	31,387	0	-	(844)	-	-	(2,432)	-	-	-	**28,111**
deferred deductibility charges	15,200	-	1	15,201	25	-	(1,582)	-	-	-	(0)	-	-	**13,644**
goodwill	26,445	-	-	26,445	28,430	-	(6,943)	-	(690)	-	-	-	-	**47,242**
post-employment benefits - Italian Accounting Body (OCI)	2,587	-	50	2,637	-	0	-	(71)	-	-	(43)	-	-	**2,522**
derivative financial instruments (in case of a net negative change in the relevant equity reserve)	9,296	-	-	9,296	-	-	-	(6,856)	-	-	-	-	-	**2,440**
for losses recoverable in future years	0	-	-	0	-	-	-	-	-	-	-	-	-	**0**
Total	**245,511**	**(1,332)**	**6,193**	**250,372**	**50,617**	**0**	**(27,131)**	**(6,928)**	**(500)**	**(2,432)**	**7**	**-**	**-**	**264,005**
Deferred income tax liabilities:														
differences on tangible and intangible assets – additional depreciation and amortisation	19,791	72	5,030	24,893	198	-	(694)	-	-	-	0	-	-	**24,397**
differences on intangible assets – goodwill	4,823	-	-	4,823	0	-	-	-	-	-	-	-	-	**4,823**
separation of land-buildings and component analysis	3,826	-	-	3,826	0	-	-	-	-	-	-	-	-	**3,826**
allocation to assets of costs relating to company mergers	33,869	-	-	33,869	0	-	(2,038)	-	-	-	-	-	-	**31,831**
non-accounting deductions relating to impairment of equity investments, receivables and licenses	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
post-employment benefits	1,114	-	-	1,114	0	-	-	-	-	-	7	-	-	**1,121**
proceeds subject to deferred taxation	5,242	(0)	-	5,242	483	-	-	-	-	(2,432)	-	-	-	**3,294**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	2,359	-	-	2,359	-	-	- -	296.38	-	-	-	-	-	**2,062**
Other	903	-	14	917	33	-	(205)	-	(6)	-	(0)	-	-	**739**
Derivative financial instruments and ASEM - Italian Accounting Body (OCI)	124	-	-	124	-	-	-	(27)	-	-	(0)	-	-	**97**
recognition of deferred taxes due to merger	40,771	-	8,570	49,341	514	-	(2,246)	-	-	-	(0)	-	-	**47,609**
Total	**112,821**	**72**	**13,614**	**126,507**	**1,228**	**-**	**(5,183)**	**(323)**	**(6)**	**(2,432)**	**7**	**-**	**-**	**119,799**
Net deferred tax assets	**132,689**	**(1,404)**	**(7,421)**	**123,864**	**49,389**	**0**	**(21,948)**	**(6,604)**	**(495)**	**-**	**-**	**-**	**-**	**144,206**

15. Equity investments – 24,641 thousand euro

The table below shows the changes in the year for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in other companies.
The balance rose substantially after the transfer to 2i Rete Dati S.r.l. of the division dealing with communication equipment (+11,774 thousand euro), offset by the merger that took place at 1 January 2021 of the subsidiary Powergas Distribuzione S.p.A. (-6.928 thousand euro);
Another significant movement during the period, which did not impact the final balance, was that relating to the purchase of IDG S.p.A. (104,914 thousand euro), which was set to zero in the year thanks to the interim merger.
It is noted that 2i Servizi Energetici S.r.l. was recapitalised during the year. This company develop energy saving services aimed at municipalities and private companies. It is also noted that although a 60% equity interest is held in the aforesaid company, it was not consolidated, since the company does not have control over it.

The list of equity investments and the change in their value during 2021 are given on the following page.

Thousands of euro	Carrying amount	% ownership	Merger contribution	Increases for the period	Disposals	Other changes	Adjustments	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31.12.2020			Changes in 2021					as at 31.12.2021		
A) Subsidiaries											
2i Rete Gas Srl	**6,906**	**100%**						**6,906**	**-**	**6,906**	**100%**
Cilento Reti Gas Srl	**2,580**	**100%**						**2,580**	**-**	**2,580**	**100%**
2i Rete Dati Srl	**20**	**100%**		**11,744**				**20**	**11,744**	**11,764**	**100%**
Powergas Distribuzione Spa	**6,928**	**100%**	**(6,928)**					**-**	**(6,928)**	**-**	
Infrastrutture Distribuzione Spa	**-**		**(104,914)**	**104,914**				**-**	**-**	**-**	
Total subsidiaries	**16,434**		**(111,843)**	**116,659**	**-**	**-**	**-**	**9,506**	**4,816**	**21,250**	
B) Associates											
Melegnano Energie Ambiente SpA	**2,451**	**40%**						**2,451**	**-**	**2,451**	**40%**
2i Servizi Energetici Srl	**516**	**60%**		**300**				**6**	**300**	**816**	**60%**
Total associates	**2,967**		**-**	**300**	**-**	**-**	**-**	**2,457**	**300**	**3,267**	
C) Other companies											
Interporto di Rovigo S.p.A.	**42**	**0.30%**						**42**	**-**	**42**	**0.30%**
Fingranda S.p.A. in liquidazione	**26**	**0.58%**						**26**	**-**	**26**	**0.58%**
Agenzia di Pollenzo S.p.A.	**33**	**0.27%**						**33**	**-**	**33**	**0.27%**
Industria e Università S.r.l.	**11**	**0.09%**						**11**	**-**	**11**	**0.09%**
Terme di Offida Spa	**1**	**0.19%**						**1**	**-**	**1**	**0.19%**
Banca Popolare Pugliese	**11**	**0.01%**						**11**	**-**	**11**	**0.01%**
Immobiliare Cestia srl			**0**						**0**	**0**	**0.05%**
Total other companies	**123**		**0**	**-**	**-**	**-**	**-**	**123**	**0**	**123**	
TOTAL EQUITY INVESTMENTS	**19,525**	**-**	**111,843**	**116,959**	**-**	**-**	**-**	**12,087**	**5,116**	**24,641**	

The tables below show the list of equity investments in subsidiaries and their values as recognised in the company's financial statements at 31 December 2021:

A) Subsidiaries	Registered office	Share Capital (euro)	Equity (euro)	Profit / (Loss)	End of the reporting period	% ownership	Carrying amount	Equity (ITA GAAP) (euro)
2i Rete Gas SRL	Milan	50,000	9,358,412	713,222	31.12.2021	100.00%	6,906,000	9,358,412
Cilento Reti Gas Srl	Acquaviva delle Fonti (BA)	4,300,000	5,135,381	657,951	31.12.2021	60.00%	2,580,000	3,081,229
2i Rete Dati Srl	Milan	120,000	12,730,829	966,591	31.12.2021	100.00%	11,764,238	N/A

As regards associates, on the other hand, the values at 31 December 2021 were as follows:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount
Melegnano Energie Ambiente SpA	Melegnano (province of Milan)	4,800,000	8,580,430	4,821,062	325,071	31.12.2020	40%	2,451,467
2i Servizi Energetici Srl	Milan	10,000	395,199	62,896	(408,756)	31.12.2021	60%	816,000

Finally, the equity investments in other companies at the same date were:

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount
Interporto di Rovigo S.p.A.	Rovigo	5,836,159	5,915,850	1,895,348	213,780	31.12.2020	0.30%	41,634
Fingranda S.p.A. in liquidazione	Cuneo	2,662,507	1,204,377	4	(52,486)	31.12.2020	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (province of Cuneo)	23,079,108	22,758,635	742,123	7,579	31.12.2020	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,091,705	78	(28,838)	31.12.2020	0.09%	10,989
Terme di Offida Spa	Offida (province of Ascoli Piceno	141,384	(60,134)	168,248	(76,256)	31.12.2020	0.19%	548
Banca Popolare Pugliese	Parabita (province of Lecce)	184,195,275	335,041,216	121,370,267	8,028,246	31.12.2020	0.01%	11,127
Immobiliare Cestia srl	Rome	*1,011,840	1,460,340	604,340	(238,514)	31.12.2020	0.05%	26

* The share capital was reduced to Euro 50,000 due to excess capital, pursuant to art. 2482 of the Civil Code, as approved by the Extraordinary Shareholders ' Meeting of 22.10.2020, registered on 16.11.2020, Folder 45.801, File 26.489. The operation became effective 90 days after filing of the aforementioned act.

16. Non-current financial assets – 629 thousand euro

The item mainly includes the prepayment of transaction costs incurred to obtain credit lines, unused at 31 December 2021, with the fall due to the issue of a revolving credit line during the year.

	31.12.2021	**31.12.2020**	**2021 - 2020**
Non-current prepaid financial expenses	446	551	(105)
Long-term loans to employees	12	12	(1)
Financial receivables due from others	171	171	-
Total	**629**	**735**	**(106)**

17. Other non-current assets – 52,645 thousand euro

The item includes the following entries:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
security deposits	3,708	3,572	136
receivables for plant contributions	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	57	66	(9)
from municipalities for disposals of assets due to expiration of concessions concessions	811	5,063	(4,252)
Non-current receivables from CSEA	31,688	31,297	391
other non-current assets	15,652	15,303	349
bad debt provision	(137)	(147)	10
Total	**52,645**	**56,020**	**(3,375)**

Guarantee deposits of 3,708 thousand euro, referring to receivables for work to be performed on distribution plants as well as from user contracts.

The 560 thousand euro receivable for grants to be received was attributable to the recognition of the medium/long-term portion of receivables for plant-related grants to be received: this item was unchanged during the year.

Tax receivables of 306 thousand euro relate to reimbursement requests pursuant to art. 6 of Leg. Dec. 185/2008 (deduction from IRES of the IRAP portion for labour costs and interest expenses). There were no changes to this item in the year.

Credit due from municipalities for disposals of assets due to the expiration of concessions had a balance of 811 thousand euro. This was the result of similar disputes or proceedings ongoing with some municipalities to define the amount of the refund owed to the company as outgoing operator for the relevant concessions and plants. Actions at a local level aimed at unblocking the existing situations continued, thanks to which the dispute with the municipality of Anzio ended in the year.

The balance of non-current receivables due from CSEA, totalling 31,688 thousand euro, referred to the amount payable to distribution companies for the conventional meters that must be replaced by smart meters under Resolution 155/09 but that had not yet been fully amortised through tariffs at the date of their replacement. This considerable sum was due to the intense replacement activity that has taken place in recent years, and will be repaid by CSEA according to the time frame set out in the resolution.

Finally, other non-current assets are in line with previous years' figures, and included the balance of the advance payment of fees that distribution companies must pay to contracting authorities for ATEM tenders (12,383 thousand euro at 31 December 2021), as well as the remaining amount of the prepaid expenses for the lease payment paid in advance to the company API, which owns the networks operated in the municipality of Rozzano (2,500 thousand euro).

Current assets

18. Inventories – 19,502 thousand euro

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.
Compared to last year, the increase of 1,740 thousand euro is basically due to a resumption of purchases of network equipment (especially smart meters).
The item includes the provision for the write-down of inventories of 628 thousand euro. The provision was set up to take into account inventories with unlikely future use. The company uses the weighted average cost method.

19. Trade receivables – 221,271 thousand euro

Trade receivables are broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Third-party customers:			
Receivables from customers	222,864	236,865	(14,001)
- Bad debt provision	(9,104)	(8,058)	(1,046)
Receivables for returns under warranty	6,634	4,686	1,949
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**219,749**	**232,847**	**(13,098)**
Group companies:			
Receivables due from subsidiaries	1,523	4,896	(3,373)
Total	**1,523**	**4,896**	**(3,373)**
TOTAL	**221,271**	**237,743**	**(16,471)**

Receivables from third-party customers consist of trade receivables and receivables from operations, and include receivables relating to gas distribution and the invoicing of residual activities in the water sector.
Such receivables are recognised net of a 9,104 thousand euro bad debt provision.
As for the impact assessment pursuant to IFRS 9, the company did not consider it had to update its assessments since the guarantees hedging receivables significantly reduce the risk of insolvency.
Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables from the manufacturers of meters for non-functioning assets that have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings that lead to the belief that the receivable is no longer collectable.
Changes in the bad debt provision are set out below.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Opening balance	**8,058**	**8,305**	**(247)**
Merger contributions	377		377
Allocations	2,049	941	1,108
Releases	(860)	(778)	(82)
Uses	(520)	(410)	(110)
Closing balance	**9,104**	**8,058**	**1,046**

The bad debt provision at 31 December 2021 was subject to taxes of 7,154 thousand euro.

The breakdown of receivables from subsidiaries is as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Receivables due from subsidiaries:			
2I Rete Dati Srl	114	-	114
2I Rete Gas S.r.l.	446	2,439	(1,993)
Powergas Distribuzione Spa	-	24	(24)
Cilento Reti Gas S.r.l.	963	2,433	(1,470)
TOTAL	**1,523**	**4,896**	**(3,373)**

All the Company's operations are in Italy.

20. Short-term financial receivables – 23,701 thousand euro

Short-term financial receivables consist of 21,688 thousand euro from subsidiary Cilento Reti Gas S.r.l. for the intercompany loan agreement entered into during the year and 1,217 thousand euro of financial receivables after Azienda Elettrica Valtellina and Valchiavenna exercised the right of withdrawal, in addition to 480 thousand euro from subsidiary 2i Servizi Energetici S.r.l. for a loan agreement entered into last year.

21. Other current financial assets – 165 thousand euro

Other current financial assets include current financial receivables from subsidiary Cilento Reti Gas S.r.l. (139 thousand euro) and from 2i Servizi Energetici S.r.l. (18 thousand euro).

22. Cash and cash equivalents – 442,934 thousand euro

Cash and cash equivalents rose by 256,206 thousand euro after financial transactions carried out in the year – in particular the issue of a new 500 million euro instalment of the debenture loan and the acquisition of IDG S.p.A. - as well as normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Bank deposits	441,791	185,828	255,963
Post office deposits	989	748	242
Cash in hand	153	152	1
Total	**442,934**	**186,727**	**256,206**

Cash associated with operating activities is held in bank and post office deposits.

23. Income tax receivables – 2,515 thousand euro

Receivables from Italian tax authorities for income taxes mainly include IRES receivables of 1,899 thousand euro, IRAP receivables of 39 thousand euro and tax relief mostly for the Industry Framework 4.0 (291 thousand euro).

24. Other current assets – 206,352 thousand euro

This item is broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Other tax receivables:			
VAT receivables reimbursements applied for	9,337	9,337	-
Receivables due from tax authorities for VAT	70	17,562	(17,492)
Other tax receivables	11	5	5
Other receivables:			
from social security and insurance agencies	767	492	275
receivables for plant contributions	1,580	1,608	(28)
from CSEA	186,927	165,610	21,317
Receivables from third parties for tender / concession expiration	2,062	2,410	(348)
from municipalities	246	246	-
from suppliers	2,446	3,290	(844)
Other receivables	3,168	2,550	618
- Provision for other doubtful debts	(2,915)	(2,647)	(268)
Accrued income	19	45	(26)
Deferred charges for other multi-year fees	16	18	(2)
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	9	20	(11)
Deferred charges for insurance premiums	78	1,054	(976)
Other deferred charges	2,086	2,382	(297)
Total	**206,352**	**204,428**	**1,924**

This item rose in the year by 1,924 thousand euro, mainly due to receivables from CSEA (21,317 thousand euro), offset by lower receivables from Italian Tax authorities for VAT (17,492 thousand euro).
In particular, receivables from CSEA include the equalisation of the gas distribution service (29,068 thousand euro), so-called UG2 and Gas Bonus "pass-through" items (94,505 thousand euro in total) and recognition of Technical Quality (46,428 thousand euro). This item also includes residual receivables for EECs (4,258 thousand euro) and receivables for the recognition of remuneration on traditional meters disposed of before the end of their useful lives (6,574 thousand euro).
The item is always correlated with payables to the Compensation Fund as reported in note 40 "Other current liabilities".
On the other hand, VAT credit for the period decreased due to normal business trends.

25. Assets held for sale – 2,221 thousand euro

In assets held for sale, the company reported for 2021 the sum of assets relating primarily to divestiture concessions following the outcome of the ATEM Udine 2 tender, which is expected to be awarded by the end of 2022.

Liabilities

Equity

26. Equity – 1,140,953 thousand euro

Equity rose by 104,803 thousand euro as a result of the following changes:

- a decrease in the ordinary dividend payout of 125,019 thousand euro;
- a rise in reserves for the valuation of derivatives (20,720 thousand euro relating to the *fair value* of the derivative) and a fall in other reserves (50 thousand euro, relating to the discounting of defined benefits) owing to the profit for the year recognised directly in equity;
- a 209,099 thousand euro increase in profit for the year.

Share capital – 3,639 thousand euro

The share capital at 31 December 2021 consisted of 363,851,660 ordinary shares, fully subscribed and paid up, with no changes in the year.

Share premium reserve – 286,546 thousand euro

The reserve was established at the time of the capital increase, and did not change during the year.

Legal reserve – 728 thousand euro

The legal reserve amounted to 728 thousand euro and was unchanged, after it reached the legal limit.

Reserves for valuation of derivatives – (1,194) thousand euro

The reserve for the valuation of derivatives came into being in 2016 following the signing of *Forward Starting Interest Rate Swaps*; during 2018 the swap was closed as planned, but the impact on profit or loss will be recognised on the basis of the element covered by the derivative, i.e. the interest expense of the debenture loan for the next 10 years. The valuation at 31 December 2021, gives the residual value of the derivative as reported above as well as the negative Fair Value of the derivative, having characteristics similar to that closed in 2018, which was contractualised in 2019 (+21,712 thousand euro net of the relative tax impact).

Other reserves – 233,072 thousand euro

Other reserves show a change compared to the previous year (50 thousand euro) owing mainly to recognition of the impact of the actuarial valuation of the company's defined benefit plan in equity.

Retained earnings – 409,063 thousand euro

Retained earnings rose by 57,573 thousand euro from the previous year as the general shareholder meeting resolved to distribute part of the profit for 2020 and allocate the rest to this reserve.

Profit for the period – 209,099 thousand euro

The table relating to the availability and possibility of distributing equity in civil law terms is shown below:

	Amount	Possibility of use	Amount available	Amount unavailable
Share capital	3,638,517		0	3,638,517
Share premium reserve	286,546,491	A,B,C	286,546,491	
Legal reserve	727,703	B	0	727,703
Other reserves	195,596,638	A,B,C	195,596,638	
Reserves other than merger surplus	129,293,515	A,B	129,293,515	
Reserves other than FTA	(86,021,234)		(86,021,234)	
Reserves other than post-employment benefit (TFR	(5,796,734)		(5,796,734)	
Reserves other than derivative measurement	(1,193,983)		(1,193,983)	
Retained earnings (accumulated losses)	409,063,117	A,B,C	409,063,117	
Net income for the year	209,099,454	A,B,C	209,099,454	
Total	**1,140,953,484**		**1,136,587,264**	**4,366,220**

From a fiscal point of view, in 2021 the company placed under tax suspension a shareholders' equity reserve, already present in the financial statements, with reference to which the largest values were realigned (as at 31 December 2020), for an amount equal to the greater realigned value net of the relative substitute tax, namely a total of 96,551,009 euro, in addition to further company reserves under tax suspension already present, totalling 249,431,423 euro, resulting in a grand total of 345.982.432 euro.

Non-current liabilities

27. Long-term loans – 3,225,548 thousand euro

The item refers to the four instalments of the long-term debenture loan issued by the company maturing between 2024 and 2031 as part of the overhaul of its financial structure, as well as the loans outstanding with the European Investment Bank and another leading lender.
The item increased mainly due to the new 500 million euro issue in January 2021 to cover the acquisition of the company IDG and refinance part of the bond loan maturing in 2021. Among other things, the issue benefited from particular market conditions that allowed the company to issue the 10-year bond with the lowest coupon ever paid by the company regardless of duration.
The table below shows long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro	Balance		Notional value		Interest rate	Interest rate
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	in force	actual
Fixed rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed rate debt	100,000	100,000	100,000	100,000	0.25%	0.25%
Fixed rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating rate debt	145,455	163,636	145,455	163,636	Eur+0,59%	0.05%
Debenture loan expiring 2024	600,000	600,000	600,000	600,000	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000		500,000		0.58%	0.64%
Costs connected to loans (long term)	(9,906)	(9,215)				
TOTAL LONG TERM	**3,225,548**	**2,744,422**	**3,235,455**	**2,753,636**		

The maturity schedule of financial liabilities, whether medium-/long-term (3,235,455 thousand euro notional) or short-term (18,182 thousand euro – see points 33 and 34 of these notes), is shown in the following table:

Thousands of euro	Notional 31.12.2021	Notional 31.12.2020	1 year	2 - 5 years	Beyond 5 years
Short and medium/long-term bank loans and debenture loans					
Financing - Medium/long-term Capex Line	470,455	488,636	-	172,727	297,727
Financing - Short-term Capex Line	18,182	18,182	18,182	-	-
Medium/long-term debenture loans	2,765,000	2,265,000	-	1,535,000	1,230,000
Other non-interest-bearing short-term financial payables	-	36,427	-	-	-
Total	3,253,636	2,808,245	18,182	1,707,727	1,527,727

The debenture loan regulation, issued for a market of institutional investors, does not provide for *covenants*.

The loans taken out with the European Investment Bank are subject to some covenants calculated on the basis of the consolidated financial statements that the company must meet to continue using the credit lines.

The *covenants* concern the following indicators:

- Total net financial debt;
- RAB (*Regulatory Asset Base*);
- EBITDA;
- Net Financial Expenses.

As at 30 December 2021 the company met all covenants.

28. Post-employment and other employee benefits – 37,092 thousand euro

The Group provides employees with various types of benefits, including post-employment benefits, health benefits, compensation due instead of notice of dismissal (Indennità Sostitutive del Preavviso - ISP) and compensation due instead of energy discount (Indennità Sostitutive Sconto Energia).

The item includes provisions for post-employment defined benefit plans and other long-term employee benefits required by law or contract.

Pursuant to IAS 19 Revised, these "defined benefit obligations" were determined using the "Projected Unit Credit Method", which requires to calculate the liability in proportion

to the service already rendered at the reporting date, and not the service that could presumably be rendered overall.
In detail, the plans provided for the following benefits:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Post-employment benefits	28,043	30,109	(2,066)
ASEM health service	1,567	1,475	92
Fondo GAS	7,482	8,611	(1,129)
TOTAL	**37,092**	**40,195**	**(3,103)**

An analysis of the main items is provided below.

Post-employment benefits

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, measured as a portion for each year of service of their gross annual compensation divided by 13.5.
It should be noted that, following the approval of Law 296 of 27 December 2006 (the 2007 budget law) and subsequent decrees and enabling legislation, only the portions of post-employment benefits held with the company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the Treasury Fund at INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Health benefits

Based on the Italian collective bargaining agreement for executives in the industrial sector, executives have the right to supplemental health care in addition to that provided by the Italian Health Service, during both the employment relationship and retirement. ASEM and FASI, the healthcare fund set up for workers in Italy's electricity industry, reimburse medical expenses.

Fondo Gas

Law Decree No. 78/2015, coordinated with law no. (OJ 14/08/2015), ordered the elimination of the so-called "Fondo Gas" (gas fund) as from 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.

The main assumptions in the actuarial estimates of employee benefit liabilities (Fondo Gas and post-employment benefits) are set out below.

	31.12.2021	31.12.2020
Actuarial assumptions		
Discount rate	1.00%	0.40%
Annual rate of increase in cost of living	1.50%	0.80%
Rate of increase in cost of health spending	2.50%	2.00%
Demographic scenarios		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provision for risks and charges – 8,077 thousand euro

Provision for risks and charges are used to cover contingent liabilities that might arise from litigation or other disputes of the Company, without taking into account the effects of disputes that could have a positive outcome and those for which a possible charge cannot be reasonably quantified.

The table below shows the total provisions for risks and charges (both the short-term and the medium-/long-term portion). The long-term portion is disclosed separately.

Thousands of euro		Of which current portion	Of which non-current portion	Merger contribution	Allocations	Releases	Uses	Other changes in		Of which current portion	Of which non-current portion
	as at 31.12.2020								as at 31.12.2021		
Provisions for litigation and disputes	5,589	-	5,589	173	3,154	(1,317)	(1,262)	(173)	6,164	-	6,164
Provision for taxes and duties	1,591	-	1,591	-	502	(269)	(12)	-	1,813	-	1,813
Provisions for disputes with personnel	100	-	100	-	-	-	-	-	100	-	100
Provision for future charges	75	-	75	-	-	(75)	-	-	-	-	-
Provision for disputes on concessions	25,880	25,880	-	-	5,371	(3,640)	(432)	173	27,352	27,352	-
Other provisions for risks and charges	50,014	50,014	-	1,112	24,852	(16,204)	(20,515)	-	39,260	39,260	-
Total	**83,250**	**75,895**	**7,355**	**1,285**	**33,879**	**(21,505)**	**(22,220)**	**-**	**74,688**	**66,612**	**8,077**
Provisions for charges pertaining to leave incentives	1,115	1,115	-	-	1,131	-	(346)	-	1,900	1,900	-
Total	**84,365**	**77,010**	**7,355**	**1,285**	**35,009**	**(21,505)**	**(22,566)**	**-**	**76,588**	**68,512**	**8,077**

Provisions for risks and charges amounted to 76,588 thousand euro overall. They consisted of a 68,512 thousand euro short-term portion and a 8,077 thousand euro long-term portion, and were broken down as follows:

- "Provision for litigation and disputes", 6,164 thousand euro, to cover contingent liabilities mainly arising from ongoing litigation cases;
- "Provision for taxes and duties", standing at 1,813 thousand euro, referring mainly to ongoing litigation or disputes concerning local taxes;
- "Provision for disputes with personnel", amounting to 100 thousand euro, covers expected charges arising from disputes with personnel of a company acquired in previous financial years. The company did not consider it necessary to change this item in the year;
- "Provision for risk of disputes relating to Concessions", 27,352 thousand euro, generally includes estimated costs for disputes of various kinds with municipal-

ities. The item presents releases, uses and provisions for a total of 1,472 thousand euro, increasing further to requests from municipalities for the review of agreed concession fees;

- "Other provisions for risks and charges", 39,260 thousand euro, cover charges that might arise from the need for maintenance or replacement of metering equipment that fails to meet company standards; in the year it increased by 1,112 thousand euro, due to the merger, but with net releases for no longer current risks (including the review of the tariff recognition mechanism for unused depreciation on replaced traditional meters) the item fell by a total of 11,867 thousand euro. There was a reduction in the allocation for the risk that the contribution for cancelling EECs does not cover the cost of purchasing the EECs themselves following the review of related legislation;
- "Provision for charges pertaining to incentives to leave", totalling 1,900 thousand euro, addresses possible liabilities that might arise from agreements defined or in the process of being defined for incentives to leave, which started during the year and are ongoing.

The fiscal position of the Group has been defined up to 2014.

30. Non-current financial liabilities – 10,184 thousand euro

As at 31 December 2021, non-current financial liabilities reflected the negative Fair Value of the derivative contract opened by the parent company during the year.

31. Non-current financial liabilities IFRS 16 – 20,006 thousand euro

This item included financial liabilities falling due after 12 months deriving from the application of IFRS 16, i.e. payables arising from future leases that the Company will have to pay for the exclusive use of those assets whose hire, rental or lease contracts fall under the application of the aforesaid standard.
The table below shows details of maturities broken down by short, medium and long-term debt and by type of contract.

Thousands of euro		Present value of IFRS 16 cash flows 31.12.2021	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**20,006**	-	**17,475**	**2,530**
	IFRS 16 Property			11,386	2,530
	IFRS 16 Vehicles			6,018	
	IFRS 16 ICT			71	
Current IFRS 16 financial liabilities		**5,606**	**5,606**	-	-
	IFRS 16 Property		3,401		
	IFRS 16 Vehicles		2,112		
	IFRS 16 ICT		93		
Total		**25,611**	**5,606**	**17,475**	**2,530**

32. Other non-current liabilities – 329,301 thousand euro

The item includes the following entries:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Deferred income:			
payables to social security and insurance agencies	2,137	2,137	-
other payables	961	361	600
Deferred income for plant contributions	39,663	41,491	(1,828)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	286,540	282,687	3,852
Total other non-current liabilities	**329,301**	**326,676**	**2,624**

The change in deferred income is the result of normal operations. The item must be read together with the short-term portion of "Other current liabilities".

Current liabilities

33. Short-term loans – 6,053 thousand euro

This item refers exclusively to intra-group payables with subsidiaries. In 2020 this item primarily consisted of receivables sold *pro soluto* to a factoring company and collected by the company, pending transfer to the factoring company, as per the non-recourse factoring contract.

Specifically:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
intercompany financial payables	6,053	4,609	1,444
non-bank short-term payables due to third parties	-	36,427	(36,427)
Total	**6,053**	**41,036**	**(34,983)**

34. Current portion of medium/long-term bank loans – 18,182 thousand euro

As at 31 December 2021 this item reflected the total instalments of the loan repayable to the EIB, contractually scheduled to fall due within the following 12 months.

35. Current portion of long-term provisions and short-term provisions – 68,512 thousand euro

The item represents the current portion of the company's provisions for risks. Comments and details of this item are provided in the section on provisions for risks and charges (note 29).

36. Trade payables – 209,655 thousand euro

This item includes all trade and operating liabilities of certain amount and timing.
This item increased by 3,234 thousand euro compared to the previous year.

The breakdown of trade payables to third-party suppliers is set out below.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Suppliers	209,054	206,163	2,891
Total	**209,054**	**206,163**	**2,891**
Payables due to subsidiaries	601	258	343
Total	**601**	**258**	**343**
Total	**209,655**	**206,420**	**3,234**

Payables to third-party suppliers rose marginally due to normal operating trends. As in the previous year, the balance at 31 December 2021 mainly consisted of the residual amount payable to companies to which gas distribution plant construction and maintenance is outsourced, to suppliers of materials and for the purchase of electricity and gas services for internal use.
As regards dealings with subsidiaries, the relevant payables are shown below:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Subsidiaries:			
2i Rete Dati Srl	598	-	598
Cilento Reti Gas S.r.l.	3	258	(255)
TOTAL	**601**	**258**	**343**

37. Income tax payables – 2,109 thousand euro

At 31 December 2021 the company had a negative balance due to the trends of payments made on account.

38. Current financial liabilities – 20,017 thousand euro

Current financial liabilities mostly refer to interest expenses accrued and not yet paid relating to the issued instalments of the debenture loan. The increase in the year was due to the issue in January 2021 of a new 500 million euro instalment of the debenture loan, maturing in January 2031.

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
Accrued liabilities for interest on short-term bank loans	19,243	16,363	2,880
Other current financial payables	767	703	64
Other Group's current financial payables	8	10	(3)
Total	**20,017**	**17,076**	**2,941**

39. Non-current financial liabilities – 5,606 thousand euro

As at 31 December 2021 this item included financial liabilities falling due within 12 months deriving from the application of IFRS 16. A breakdown of maturities by type of contract is provided under note 31 above.

40. Other current liabilities – 201,162 thousand euro

Other current liabilities are in line with the previous year, the increase in other tax payables was partially offset by the fall in "Other payables", which also includes indebtedness to CSEA for items relating to various tariff components, and by a drop in accruals.
Other current liabilities are set out below:

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
other tax payables	6,712	3,844	2,868
payables to social security and pension agencies	10,629	10,446	183
other payables	169,359	170,995	(1,636)
accrued liabilities	3,324	4,105	(781)
deferred income	11,138	10,975	164
Total	**201,162**	**200,364**	**798**

Other tax payables, amounting to 6,712 thousand euro, are set out below.

Thousands of euro	31.12.2021	31.12.2020	2021 - 2020
due to tax authorities for VAT	2,829	268	2,561
due to tax authorities for taxes withheld from employees	3,755	3,517	238
due to tax authorities for withholding taxes	127	58	69
other payables to tax authorities	0	0	0
Total	**6,712**	**3,844**	**2,868**

Payables to welfare and social security institutes, amounting to 10,629 thousand euro, are set out below.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
due to INPS	9,552	9,087	465
due to other agencies	1,077	1,359	(282)
Total	**10,629**	**10,446**	**183**

Other debts, which are the most important item with a total balance of 169,359 thousand euro, are broken down as follows:

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Payables to employees	13,426	12,376	1,050
Payables to municipalities for rights and fees	1,204	305	899
Payables for connections, network extension and other payables to custon	8,175	2,584	5,590
Payables for security deposits and user advances	4,381	2,933	1,448
Payables to CSEA	135,061	145,909	(10,848)
Other payables	7,112	6,888	225
Total	**169,359**	**170,995**	**(1,636)**

Payables to CSEA consist of payables for items passing through the invoicing mechanism to trading companies and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Gs, Re and Rs) (66,687 thousand euro), payables relating to the equalisation amount for the current year and (39,893 thousand euro) and payables relating to the equalisation amount for previous years mainly due to equalisation adjustments (15,799 thousand euro). This item must be considered in light of relevant receivables from CSEA included under Other current assets.
Accruals and deferred income, amounting to 14,462 thousand euro, are set out below.

Thousands of euro

	31.12.2021	31.12.2020	2021 - 2020
Accrued liabilities			
Additional monthly accrual for employees	3,309	3,255	54
Other accrued liabilities	15	850	(835)
Total accrued liabilities	**3,324**	**4,105**	**(781)**
Deferred income			
Deferred income for plant contributions	2,012	2,126	(115)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	8,975	8,838	137
Property subdivision contributions	2,064	2,079	(15)
Connection fees	6,911	6,758	153
Other deferred income	152	11	141
Total deferred income	**11,138**	**10,975**	**164**
Total accrued liabilities and deferred income	**14,462**	**15,080**	**(618)**

25. Liabilities held for sale – 289 thousand euro

As of 31 December 2021 this item mainly refers to divestiture concessions following the outcome of the Udine 2 ATEM tender, the award of which is expected by the end of 2022.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

The following were defined as related parties for 2021:

- F2i SGR S.p.A. – as the operating company of "F2i – Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors" ("F2i – Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato ad investitori qualificati")
- F2i SGR S.p.A. – as the operating company of "F2i – Second Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors" ("F2i – Secondo Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato a investitori qualificati")
- Finavias S.ar.l.
- MEA S.p.A
- Cilento Reti Gas S.r.l.
- 2i Rete Gas S.r.l.
- 2i Rete Dati S.r.l.
- 2i Servizi Energetici S.r.l.
- APG Infrastructure Pool 2017 II

The definition of related parties also includes key management personnel, including their close relatives, of the company and of companies controlled directly and/or indirectly by them, jointly controlled companies and those in which the company exercises considerable influence. Key management personnel are those who have direct and indirect power and responsibility for planning, management, and control of company operations, including the chief executive officer and the managers reporting to him, as well as Directors and Auditors.

The parent company has implemented a centralised cash management system equipped with *intercompany* current accounts as well as a tax consolidation contract which generates financial movements.
All trade balances relate to transactions undertaken at market values.

Trade, financial and other transactions involving the company, parent companies and subsidiaries are shown below.

Trade and other transactions

Year 2021

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i sgr Spa	-	15	68	-
MEA S.p.A	9	-	-	9
Cilento Reti Gas Srl	963	3	2	2,183
2i Rete GAS S.r.l.	432	-	-	1,277
2i Servizi Energetici Srl	16	13	63	59
2i Rete Dati Srl	127	598	6,794	1,075
APG Infrastructure Pool 2017 II	-	60	20	-
Key management personnel, including directors and statutory auditors	-	31	2,597	-
Total	**1,547**	**719**	**9,544**	**4,603**

Year 2020

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i sgr Spa	-	20	80	-
MEA S.p.A	9	-	-	9
Cilento Reti Gas Srl	2,433	258	242	1,369
2i Rete GAS S.r.l.	2,439	-	-	1,424
2i Servizi Energetici Srl	57	15	15	56
Powergas Distribuzione Spa	24	-	-	24
APG Infrastructure Pool 2017 II	-	20	20	-
Key management personnel, including directors and statutory auditors	-	38	2,563	-
Total	**4,961**	**351**	**2,920**	**2,881**

Financial transactions

Year 2021

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	79,887
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	10,136
Finavias S. à r.l.	-	-	-	-	34,922
MEA S.p.A.	-	-	-	124	
Cilento Reti Gas Srl	21,827	104	-	485	
2i Rete GAS S.r.l.	285	3,461	27	-	
2i Servizi Energetici Srl	498	-	-	62	
2i Rete Dati Srl	-	2,600	4	2	
Total	**22,610**	**6,165**	**32**	**672**	**124,945**

Year 2020

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	31,969
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	4,056
Finavias S. à r.l.	-	-	-	-	13,975
Cilento Reti Gas Srl	17,228	154	-	402	-
2i Rete GAS S.r.l.	154	4,797	40	-	-
2i Servizi Energetici Srl	518	-	-	38	-
Total	**17,900**	**4,951**	**40**	**440**	**50,000**

Key information regarding subsidiaries are shown below:

Equity investments

2i Rete Gas S.r.l.
Share capital – 50,000 euro
Registered office: Milan
Equity investment: 100%
2i Rete Gas S.r.l. is the concession holder of the natural gas distribution service in the municipality of Cinisello Balsamo.
The financial statements at 31 December 2021 showed a profit of 713 thousand euro and equity of 9,358 thousand euro.

Cilento Reti Gas S.r.l.
Share capital – 4,300,000 euro
Registered office: Acquaviva delle Fonti
Equity investment: 60%
Cilento Reti Gas S.r.l. is concession holder for the natural gas distribution service in 28 municipalities in the Cilento area.
The financial statements at 31 December 2021 showed a profit of 658 thousand euro and equity of 5,135 thousand euro.

2i Rete Dati S.r.l.
Share capital – 120,000 euro
Registered office: Milan
Equity investment: 100%
2i Rete Dati is a company created to maximise the know-how acquired by the Group in managing the data transmission infrastructure during the network's development of smart meter readings.
The financial statements at 31 December 2021 showed a profit of 967 thousand euro and equity of 12,731 thousand euro.

Significant extraordinary events and operations

Pursuant to the Consob communication of 28 July 2006 No. DEM/6064293, there were no significant extraordinary events or operations during the year which have not already been disclosed in this document.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to the Consob communication of 28 July 2006 No. DEM/6064293, there were no positions or transactions arising from atypical and/or unusual operations during the year.

Fees for Directors, auditors and key management personnel

Fees for directors totalled 254 thousand euro in 2021 (of which 166 thousand euro to personnel given strategic responsibility); fees for Statutory Auditors totalled 59 thousand euro (fully included in the category of personnel given strategic responsibility) and fees for managers with strategic responsibility totalled 2,372 thousand euro.

Public grants received

With reference to the innovations introduced by Law 124 of 4 August 2014, "Annual Law on competition", art. 1 (125-129), it is noted that during 2021 the following contributions were collected from public bodies, concerning the construction of gas networks.

Euro

Name	Prov.	at 31.12.2021	Type
MUNICIPALITY OF BASCIANO	TE	16,876	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTEL CASTAGNA	TE	15,592	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF ISOLA DEL GRAN SASSO	TE	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORANO NUOVO	TE	5,638	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORNIMPARTE	AQ	7,656	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF LUCOLI	AQ	30,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CANZANO	TE	18,262	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF RIPA TEATINA	CH	18,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		170,803	Incentives for photovoltaic projects
Total public contributions collected		**358,660**	

Public grants from public administrations (State, regions, municipalities, etc.) during the year totalled (358,660) euro. This amount does not include any grants received from public administrations not yet retrocessed to the Group.

Contractual commitments and guarantees

The company provided 118,713 thousand euro in guarantees in the interests of third parties. These guarantees include 94,123 thousand euro in bank guarantees and 24,590 thousand euro in insurance and other guarantees.
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
In addition, pursuant to paragraph 22-ter of art. 2427 of the Italian Civil Code, it is noted that the company has not entered into any agreements undisclosed in the financial statements that might have a significant impact on the company's financial statements.

Contingent liabilities and assets

Contingent liabilities

Currently there are no contingent liabilities.

Contingent assets

Currently there are no contingent assets.

Business combinations

In 2021 the company Infrastrutture Distribuzione Gas S.p.A. was acquired and subsequently merged.
For further details, refer to the paragraph "Acquisition of IDG S.p.A." of the annual financial report – consolidated financial statements.

Credit, liquidity and market risk

Credit risk

2i Rete Gas provides its distribution services to over 260 sales companies, the most significant of which is Enel Energia S.p.A.
With regard to invoiced volumes, no significant cases of counterparty non-compliance were detected in 2021.
User access to the gas distribution service is governed by the Network Code, which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, the credit lines to external counterparties are carefully monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits, ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled 229,900 thousand euro.

Therefore, the credit risk is mitigated.

A summary quantitative indication of the maximum exposure to credit risk is represented by the carrying amount of financial assets, before the relevant bad debt provision.

At 31 December 2021 the maximum exposure to credit risk amounted to 948.4 million euro, this increase was mainly due to added liquidity due to the issue of a new debenture loan instalment.

Millions of euro

	31.12.2021	31.12.2020	2021 - 2020
Third parties:			
Non-current financial assets	0.6	0.7	(0.1)
Other non-current financial assets (gross of bad debt provision)	52.8	56.2	(3.4)
Trade receivables (gross of bad debt provision)	229.5	241.6	(12.1)
Other current financial assets	2.0	1.8	0.2
Cash and cash equivalents	442.9	186.7	256.2
Other receivables (gross of bad debt provision)	197.2	176.2	21.0
Group companies:			-
Trade receivables	1.5	4.9	(3.4)
Short-term financial receivables	21.8	17.2	4.6
Total	**948.4**	**685.3**	**263.1**

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, 2i Rete Gas is able to autonomously meet the financial requirements of its ordinary operations and to ensure business continuity.
In addition to the debenture loans maturing between 2024 and 2031, two loans were taken out with the European Investment Bank, and one with a leading Italian bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2021 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2021			
Long-term loans	-	172.7	297.7
Medium/long-term debenture loans	-	1,535.0	1,230.0
Short-term debenture loans	-		
Short-term loans	6.1		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	10.2		
Other short-term financial liabilities	20.0		
Non-current IFRS 16 financial liabilities		17.5	2.5
Current IFRS 16 financial liabilities	5.6		
Total	**60.0**	**1,725.2**	**1,530.3**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2020 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2020			
Long-term loans	-	172.7	315.9
Medium/long-term debenture loans	-	1,100.0	1,165.0
Short-term loans	41.0		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	38.8		
Other short-term financial liabilities	17.1		
Non-current IFRS 16 financial liabilities		12.9	5.5
Current IFRS 16 financial liabilities	5.3		
Total	**120.3**	**1,285.6**	**1,486.4**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are subject to periodical checks on compliance with some financial parameters at a consolidated level.
As at 31 December 2021 such parameters were fully met.

The "Medium/long-term debenture loans" totalling 2,765 million euro refer to the aforementioned debenture loan instalments issued by 2i Rete Gas and expiring between 2024 and 2031.
The company's growth plan requires the refinancing of existing debt, but given the company's excellent performance, the rating obtained, and ongoing compliance with the financial covenants established by lending banks, the company should not face any difficulties in obtaining said refinancing.
The company constantly monitors opportunities to optimise its financial structure.
For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

Market risk is the risk that the *fair value* or future cash flows of a financial instrument will fluctuate because of changes in market prices as a result of changes in exchange rates, interest rates, or the prices of equity instruments.

Transactions that qualify for hedge accounting pursuant to the requirements of the accounting standards are designated as hedging transactions, while those that do not meet such requirements are classified as trading transactions, even though, from a management point of view, they have been entered into for hedging purposes.

As at 31 December 2021, the company did not hold any derivative trading contracts, while in 2019 it entered into an active hedging contract at the end of the year.

In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and Fair Value at 31 December 2021. The company has no financial assets held to maturity, available for sale or held for trading.

Thousands of euro		Accounting value						
	Notes	Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			629			629	629
Other non-current assets	17			52,588			52,588	52,588
Trade receivables	19-25			221,271			221,271	221,271
Short-term financial receivables	20			23,701			23,701	23,701
Other current financial assets	21			165			165	165
Cash and cash equivalents	22			442,934			442,934	442,934
Other current assets	24			203,717			203,717	203,717
TOTAL ASSETS		**-**	**-**	**945,005**	**-**	**-**	**945,005**	**945,005**
Financial liabilities measured at fair value								
IRS Derivatives	38		10,184				10,184	10,184
Financial liabilities not measured at fair value								
Long-term loan	27-34					470,455	470,455	470,455
Medium/long-term debenture loans	27					2,755,094	2,755,094	2,894,339
Non-current IFRS 16 financial liabilities	31	20,006					20,006	20,006
Other non-current liabilities	32					961	961	961
Short-term loans	33-34					24,235	24,235	24,235
Trade payables	36-25					209,655	209,655	209,655
Current financial liabilities	38					19,250	19,250	19,250
Current IFRS 16 financial liabilities	39	5,606					5,606	5,606
Other current liabilities	40				80	190,024	190,104	190,104
TOTAL LIABILITIES		**25,611**	**10,184**	**-**	**80**	**3,669,673**	**3,705,549**	**3,844,794**

In order to enable comparison, the same table as the one used in 2020 is provided:

Thousands of euro	Notes	Accounting value						Fair value
		Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			735			735	735
Other non-current assets	17			55,954			55,954	55,954
Trade receivables	19-25			237,743			237,743	237,743
Short-term financial receivables	20			18,916			18,916	18,916
Other current financial assets	21			123			123	123
Cash and cash equivalents	22			186,727			186,727	186,727
Other current assets	24			200,508			200,508	200,508
TOTAL ASSETS		**-**	**-**	**700,705**	**-**	**-**	**700,705**	**700,705**
Financial liabilities measured at fair value								
IRS Derivatives	38		38,753				38,753	38,753
Financial liabilities not measured at fair value								
Long-term loan	27-34					488,636	488,636	488,636
Medium/long-term debenture loans	27					2,255,785	2,255,785	2,471,828
Non-current IFRS 16 financial liabilities	31	18,395					18,395	18,395
Other non-current liabilities	32					361	361	361
Short-term loans	33-34					59,218	59,218	59,218
Trade payables	36-25					206,420	206,420	206,420
Current financial liabilities	38					16,373	16,373	16,373
Current IFRS 16 financial liabilities	39	5,281					5,281	5,281
Other current liabilities	40					189,389	189,389	189,389
TOTAL LIABILITIES		**23,676**	**38,753**	**-**	**-**	**3,216,183**	**3,278,612**	**3,494,654**

With regard to the financial assets that are not measured at *fair value*, and the value of trade payables and other current liabilities, the carrying amount is considered to be a reasonable approximation of the *fair value*, as shown in the tables above.

For the purposes of determining the *fair value* of the debenture loan, the Group has used the market valuations at the reporting period end date.

Interest rate risk

The company manages interest rate risk with the goal of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, and specifically interest rate swaps.
Concerning the current debt structure, 3,090 million euro out of a reported 3,254 million euro was not exposed to interest rate risk at 31 December 2021.

During 2019 the Company entered into 5 forward start interest rate swap derivative contracts (with expiry date set at 10 years after the start date) with as many leading banks in order to hedge against the risk of an increase in interest rates on the future issue of the debenture loan planned to refinance part of the existing loan reaching maturity in the coming years.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020	as at 31.12.2021	as at 31.12.2020
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(10,184)	(38,753)	-	-	(10,184)	(38,753)
Total Interest Rate Derivatives	500,000	500,000	(10,184)	(38,753)	-	-	(10,184)	(38,753)

The contract expiry dates are shown below:

Thousands of euro	Notional		1 year	2 - 5 years	Beyond 5 years
	as at 31.12.2021	as at 31.12.2020			
Cash flow hedge derivatives					
Forward Start Interest Rate Swap	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

Values are shown assuming interest rate shocks of +0.10% and -0.10%:

Thousands of euro	Notional		-0,10%	Fair value	+0,10%	-0,10%	Fair value	+0,10%
	as at 31.12.2021	as at 31.12.2020		as at 31.12.2021			as at 31.12.2020	
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(15,369)	(10,184)	(5,148)	(44,678)	(38,753)	(33,659)
Total	500,000	500,000	(15,369)	(10,184)	(5,148)	(44,678)	(38,753)	(33,659)

Significant events after the reporting period

With regard to the ATEM Napoli 1 tender, which the parent company was awarded, and to the appeal lodged by the outgoing operator against the judgement of the Campania TAR ruling, which validated the tender called by the Municipality of Naples and the award in question, in the council chambers of 13 January 2022 the Council of State set a hearing for 7 April 2022 for the discussion of the appeal and the suspension. The parent company is waiting to be summoned by the contracting authority, the Municipality of Naples, for the signing of the concession agreement.

Direction and coordination

The Company is not subject to direction and coordination, while it provides direction and coordination to the following companies:

- 2i Rete Gas S.r.l.
- Cilento Reti Gas S.r.l.
- 2i Rete Dati S.r.l.

7. Proposed profit allocation for the year

In relation to the above, we propose:

- that the Statutory financial statements of 2i Rete Gas S.p.A. at 31 December 2021, which presents a profit for the year of 209,099,453.59 euro, and the accompanying report on operations, be approved;
- with regard to the profit for the year and taking into account the fact that the legal reserve has reached 20% of the share capital, that 0.2886 euro for each of the 363,851,660 shares, totalling 105,007,589.08 euro, be distributed;
- that the residual amount of the result for the year, 104,091,864.51 euro, be carried forward.

2i Rete Gas S.p.A.
The Chief Executive Officer
Dott. Michele Enrico De Censi

VII Report of the Board of Statutory Auditors

2i RETE GAS SpA

Report of the Board of Statutory Auditors on the Financial Statements as at 31 December 2021

To the shareholders' meeting of the company 2i Rete Gas SpA,

Dear Shareholders,

This Report was drawn up pursuant to art. 2429, paragraph 2, of the Civil Code.

The Board of Statutory Auditors (hereinafter also "the Board") in office was appointed by the Shareholders' Meeting of 2i Rete Gas Spa (hereinafter also "the Company") on April 22, 2021 and formally took office on the same date.

In the course of the 2021 financial year, the Board carried out the supervisory activity, pursuant to articles 2403 and following of the Civil Code, on the adequacy of the organizational structure, on compliance with the principles of correct administration, on the adequacy of the internal control system and on the regular performance of the Company's management.

The Board has also carried out the functions of the Internal Control and Audit Committee (hereinafter also the "CCIRC") pursuant to art. 19 of Legislative Decree no. 39/2010 since the Parent Company 2i Rete Gas SpA is a Public Interest Entity (“EIP”).

The Board has operated both pursuant to art. 149 of Legislative Decree no. 58/1998 (“TUF”) and by referring to the best practice principles, in particular to the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts.

The board of statutory auditors has received from the Board of Directors within the legal deadline on 23 March 2022 the 2021 Annual Financial Report, which includes, among other things, the draft financial statements of 2i Rete Gas SpA at 31 December 2021, the Consolidated Financial Statements of the 2i Rete Gas Group as at 31 December 2021 and the Management Report. These financial statements were prepared in accordance with the *International Financial Reporting Standards* adopted by the European Community pursuant to Article 6 of Regulation (EC) 1606/2002 in effect at the end of the financial year and as a whole defined as "IFRS-EU".

The independent auditors released today 7 April 2022, pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of Regulation (EU) 537/2014, the Reports on the Separate and Consolidated Financial Statements at 31 December 2021 from which it is noted that said financial statements provide a true and fair representation of the equity and financial situation and the economic result and cash flows. cash of the Company and the Group in compliance with IFRS-EU.

In addition, the independent auditors, pursuant to art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, has issued the Declaration that it has nothing to report regarding the possible identification of significant errors contained in the Management Report.

The Board of Statutory Auditors acknowledges that, in its capacity as CCIRC, it received on April 7, 2022 from the Auditing Company the Additional Report on the results of the auditing activity issued pursuant to art. 11 of the European Regulation 537/2014. The Board of Statutory Auditors will report the results of this statement, which does not disclose any significant aspects, to the Board of Directors.

The Board has generally carried out the functions of competence relating to the supervisory activity, acquiring the information mainly through:

- participation in the meetings of the Board of Directors and the Shareholders' Meetings;
- periodic meetings with the top management of the Company with shorter deadlines than those foreseen and every time that the circumstances have required it;
- meetings with the Company's control functions;
- specific meetings in relation to the need to understand particular matters following extraordinary operations or other significant management events;
- meetings and obtaining of information with the top management of the Company;

- periodic meetings with the auditing firm PricewaterhouseCoopers SpA (hereinafter also “PwC”) for the usual mutual exchange of information;

- meetings with the Chairman of the Supervisory Body (hereinafter also the "SB").

The Board drew up the minutes of its meetings which were duly transcribed in the relative book pursuant to art. 2404 of the Civil Code.

Adequacy of the organizational structure and compliance with the principles of correct administration ,

In compliance with the choices made by the Board of Directors, the Board supervised the management and compliance of the actions carried out by the Directors, with the law, the Company bylaws and the general principles of prudence and diligence, promptly receiving the documentation and information flows to support of the activity carried out in particular during the aforementioned meetings.

The Board has acquired knowledge, to the extent of its competence, on the adequacy of the organizational structure and on the observance of the principles of correct administration, having particular regard to the most significant economic, financial and equity transactions carried out by the Company and its subsidiaries during the financial year 2021.

The Board is not aware of atypical or manifestly imprudent transactions such as to compromise the integrity of the company assets, including those within the group or with related parties and, in this regard, acknowledges that the information on intra-group relationships or with related parties is described in the Report on Management and comply with the provisions of the law.

The Board considers that the information requested pursuant to art. 2381, paragraph 5, of the Civil Code were provided by the Chief Executive Officer during the meetings to the Board of Directors and to the Board of Statutory Auditors, which believes the organizational structure to be adequate according to the activity and size of the Company which has adopted, during the year, management decisions, including extraordinary transactions, deemed compatible with the resources and implemented in the exclusive interest of the Company.

The extraordinary operations include the acquisition of the entire share capital of Infrastructure Distribuzione Gas SpA of the Edison Group, completed on 30 April 2021 and merged by incorporation into 2i Rete Gas SpA on 1 November 2021 but with accounting and tax effect retroactive as of April 30th. With this operation, which is adequately described in the Management Report, the Company strengthened its gas distribution network with the contribution of 152,000 end users distributed in 5 regions.

The Board has no particular observations to note on compliance with the principles of correct administration which appear to be constantly observed.

<u>Adequacy of the internal control system and regular performance of management</u>

The Board also assessed the adequacy of the internal control system in its capacity as CCIRC by carrying out supervisory activities in particular on the financial reporting process, on the effectiveness of the internal control system, on the legal audit and independence of the independent auditors. In this regard, the Board periodically met with the Head of the Internal Audit function, who is also assigned the Compliance and Risk Management functions, obtaining periodic reports on the interventions carried out as well as half-yearly reports on the internal control system. In particular, the Board monitored the adequacy of the internal control system to management needs by investigating company documents, obtaining information from the heads of the respective functions and analyzing the results of the work carried out by PwC.

No significant critical issues emerged from the examination of the reports and documents received and the information obtained during the various meetings.

The Board examined the reports issued by the SB in relation to compliance with the Code of Ethics and the Organization and Control Model pursuant to Legislative Decree 231/200 that the Company has adopted and which is adequate to prevent the possibility of commission of offenses relevant to the specific case and therefore the responsibility of the latter. The SB, as the body responsible for implementing Model 231, carries out its own independent supervisory, control and initiative activities, is of a collegial type and is currently composed of the President, Daniela Mainini as an external member, by Avv. Maria Cristina Fortunati, Head of the Legal and Corporate Affairs Department as an internal member and by Dr. Giovanna Conca, President of the Board of Statutory Auditors of the Company. From the examination of the periodic reports issued by the SB and from the information received during the meetings, no reports of non-compliance with the application of Model 231 emerged.

The Board supervised the adequacy of the administrative-accounting system to correctly represent management events and believes that the Company has adequate procedures to guarantee the reliability and timeliness of the financial information reported by the Director of Administration, Finance and Control (“CFO”) who is responsible for the Accounting and Administrative Control Model which provides for interaction with the various department heads involved in their respective areas of competence as well as the independent auditors and the Internal Audit function.

The Board, in its capacity as CCIRC, continuously supervised the independence of the independent auditors during the year, to which the Company on 29 April 2015 had assigned the task of auditing the accounts for the 2015-2023 financial years, ensuring in particular the constant compliance with the relevant legislation, specifically on the nature and extent of services other than auditing rendered by PwC, on the assignments not permitted by the law or assignments that had to be previously authorized by the Board itself.

The Independent Auditors included the declaration of its independence in the Additional Report drawn up pursuant to Article 11 of the European Regulation 537/2014 .

The Board is not aware of any complaints pursuant to art. 2408 of the Italian Civil Code or exposed during the 2021 financial year up to the date of this Report; it was not necessary to intervene due to omissions by the Directors pursuant to art. 2406 of the Civil Code and it did not have to adopt provisions pursuant to art. 2409, paragraph 7, of the Civil Code.

Covid emergency

The Board was constantly informed on the activities and safeguards put in place by the Company, in compliance with the regulatory provisions regarding the containment of the spread of the Covid virus, during the meetings of the Board of Directors by the Chief Executive Officer who always updated the Directors and Statutory Auditors on the impact on the Company. In fact, the health situation made it necessary to introduce various measures that impacted the structure as a whole and the adoption of provisions, protocols and precautions consistent with what was gradually arranged by the Public Authorities to deal with the emergency.

Any future implications deriving from the pandemic crisis on the financial situation and economic results are described in the Management Report.

Russia-Ukraine conflict

The Board took note of what is described in the Management Report in the "Foreseeable evolution of operations" regarding the ongoing conflict between Russia and Ukraine which began on February 24th and which is causing tensions not only on the financial markets but also on the energy markets. particularly with possible repercussions on the supply chain; at the moment the evolutions of any consequences on the Group are not easy to predict as reported in the Management Report.

Consolidated Non-Financial Disclosure

The Board acknowledged that the Board of Directors of 23 March 2022 approved (i) the Consolidated Non-Financial Statement of the 2i Rete Gas Group for the year 2021, (ii) the progress of the 2022 Sustainability Plan 2022-2024 and (iii) the update of the 2i Rete Gas Sustainability Policy. The Disclosure was drawn up in continuity with previous years pursuant to Legislative Decree 254/2016, with reference to the principles defined by the "Sustainability Reporting Standards" issued by the Global Reporting Initiative, and was subject to review in the form of *Limited Assurance* by PwC.

Financial Statements as at 31 December 2021

The Board confirms that it has received the draft financial statements as at 31 December 2021 in time for filing at the Company's registered office and has therefore proceeded with its examination in relation to which the following information is provided:

- the valuation criteria for asset and liability items are substantially in line with those adopted in previous years and comply with the provisions of art. 2426 of the Civil Code;
- the preparation, layout and layouts of the draft financial statements comply with current legal regulations and have been prepared in accordance with the provisions of international accounting standards (IFRS-EU);
- the Report on Operations complies with current laws and is consistent with the resolutions adopted by the Board of Directors and with the facts represented in the draft financial statements;
- there were no exceptions pursuant to art. 2423, paragraph 4, of the Civil Code.

On the same date, the Board also received the Consolidated Financial Statements of the 2i Rete Gas Group at 31 December 2021, which it examined in particular with reference to the scope of consolidation which is made up of the following companies: 2i Rete Gas SpA, 2i Rete Gas Srl, 2i Rete Dati Srl and Cilento Reti Gas Srl. The perimeter has changed compared to the previous year as Power Gas Distribuzione SpA, which was merged into the Parent Company on 1 January 2021, left the 2021 consolidation perimeter. The consolidation criteria they are contained in the relevant paragraph of the notes to the consolidated financial statements and the individual financial statements of the aforementioned subsidiaries used for consolidation purposes have been drawn up by adopting the accounting principles of the Parent Company.

The Board took note of what is highlighted in the Report on the audit of the Financial Statements issued by PwC with reference to the key aspects (Key Audit Matter) identified as part of the audit of previous years and also maintained for 2021 relating to (i) capitalization of costs relating to network investments in intangible assets for assets under concession, (ii) recoverability of goodwill and (iii) valuation of provisions for risks and charges and, in this regard, invites the Company to constantly monitor the evolution of these aspects and their possible impacts on the financial, equity and economic structure of the Company. The Board carried out the checks it deemed appropriate within the scope of its supervisory responsibilities on the process of preparing financial reporting, also during the meetings with the managers of the Company and the Independent Auditors, on the correct recognition of these key aspects which are adequately described by the Directors in the Financial Statements.

The Board will present to the Board of Directors the Additional Report issued by PwC pursuant to art. 11 of the aforementioned EU Regulation 537/2014 which contains, among other things, the declaration of independence of the independent auditors, the summary of the significant issues identified during the audit activity as well as the confirmation that no "significant deficiencies were identified" in the system of internal controls on the financial reporting process.

Conclusions

On the basis of the supervisory activity carried out and what has been brought to its knowledge, the Board does not detect any impediments to the approval by the Shareholders' Meeting of 2i Rete Gas

SpA of the draft financial statements at 31 December 2021 and the proposal for the allocation of the net result for the year, as formulated by the Board of Directors in the 2021 Annual Financial Report.

Milan , April 7, 2022

The Board of Statutory Auditors

Dr Giovanna Conca (President)

Rag. Giovanni Cappa (Statutory Auditor)

Dott. Marco Giuliani (Statutory Auditor)

VIII Report of the Independent Auditors

2I RETE GAS SPA

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ARTICLE 14 OF LEGISLATIVE DECREE 39/2010 AND ARTICLE 10 OF REGULATION (EU) 537/2014

SEPARATE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

Independent auditor's report

in accordance with article 14 of Legislative Decree 39/2010 and article 10 of Regulation (EU) 537/2014

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of 2i Rete Gas SpA (the "Company"), which comprise the statement of financial position as of 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in section "Auditor's Responsibilities for the Audit of the Separate Financial Statements" of this report. We are independent of the Company based on ethic and independence regulations and standards applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***How our audit addressed the key audit matter***
Capital expenditure for gas distribution network under service concession agreements *Annual Financial Report chapter III directors' report – paragraph 5 regulatory and tariff framework chapter VII - statutory financial statements – paragraph 6 – notes to the statutory financial statements - note 13 intangible assets*	
As of 31 December 2021 gas distribution service concessions and similar rights, recorded as intangible assets, amount to € 3,763 million, representing 71% of total assets. Costs capitalised during the year amount to € 313 million. The Company operates in the gas distribution industry. The industry is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA). Revenues from gas distribution service are determined each year in accordance with the regulatory approved tariffs which are based mainly on a pre-established return on capital invested, plus amortisation and depreciation and operating costs. Considering the magnitude of the capital expenditure made by the Company and the direct correlation with the tariffs approved by ARERA, the proper capitalisation of costs related to service concession agreements in accordance with IFRIC12 represented a key matter in the audit of the separate financial statements.	We performed an understanding and evaluation of the system of internal control over the capital expenditure cycle, with particular reference to identification and testing of key controls. We assessed the accounting policy adopted by the Company in relation to the capitalisation of costs. We performed detailed tests analysing, on a sample basis, the supporting documentation of costs capitalised to verify the accuracy, completeness and the proper period. We have verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Key Audit Matters	***How our audit addressed the key audit matter***
Recoverability of goodwill	
Annual Financial Report chapter VII - statutory financial statements – paragraph 6 – notes to the statutory financial statements - note 13 intangible assets	
As of 31 December 2021 goodwill amounts to € 304 million, representing 6% of Company total assets. Recoverability of the carrying amount of goodwill was tested for impairment at the year-end, in accordance with IAS36 – Impairment of Assets. The recoverable amount of the group of cash generating units ("CGU") "Gas distribution", which represents the main activity of the Company, to which goodwill is allocated, is measured using its value in use. Value in use is calculated on the basis of the expected future cash flows derived from 2022-2026 five years business plan approved by the Company board of directors on 20 January 2022. The recoverable amount of the Gas distribution segment is compared with the carrying amount of segment assets and liabilities, including goodwill. Considering the magnitude of the carrying amount and the subjective judgment exercised in some of the assumptions used for the calculation of the value in use, the impairment test of goodwill represented a key matter in the audit of the separate financial statements.	We have verified, with the assistance of PwC experts: • the adequacy of the overall impairment testing process in accordance with the requirement of the relevant accounting standard; • the allocation of goodwill to the group of cash generating units – CGU; • the reasonableness of the key assumptions used when determining the value in use of the Gas distribution segment, with specific focus on the projected growth rate of revenue, cost, capital expenditure and discount rate, including sensitivity analysis; • the accuracy of the carrying amounts of assets and liabilities directly attributable to the Gas distribution segment; • the mathematical accuracy of the calculation model used. We have verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Key Audit Matters	*How our audit addressed the key audit matter*
Provisions for risks and charges *Annual Financial Report chapter VII - statutory financial statements – paragraph 6 – notes to the statutory financial statements – note 29 provisions for risks and charges*	
As of 31 December 2021 provisions for risks and charges amount to € 77 million and include probable liabilities as a result of past events for which an outflow can be reasonably estimated at the balance sheet date. Provisions for risks and charges mainly relate to costs associated with various disputes with municipalities and costs that could potentially arise from maintenance or replacement of defective measurement equipment. Given the magnitude of the accrued balances and the use of estimates made, the measurement of the provisions for risks and charges was a key matter for the audit of the separate financial statements.	We have carried out the understanding and evaluation of key controls in place over the measurement of the provisions for risks and charges. We have tested, on a sample basis, the documentation supporting the most significant balances to assess the adequacy of the accruals made. We obtained confirmations from external lawyers appointed by the Company, indicating the individual exposures in place and their assessment of the risk of potential liability. We discussed with management the conclusions reached for measuring the provisions for risks and charges. We verified the accuracy and completeness of the disclosure made in the notes to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the regulations issued to implement article 9 of Legislative Decree 38/2005 and, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Management is responsible for assessing the Company ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the separate financial statements, management uses the going concern basis of accounting unless management intends either to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Company financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate financial statements.

As part of an audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional scepticism throughout the audit. Furthermore:

- we identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error; we design and perform audit procedures responsive to those risks; we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company internal control;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that are of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our report.

Additional Disclosures required by Article 10 of Regulation (EU) 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree 39/2010

Management of 2i Rete Gas SpA is responsible for preparing a report on operations of 2i Rete Gas SpA as of 31 December 2021, including its consistency with the relevant separate financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) 720B to express an opinion on the consistency of the report on operations with the separate financial statements of the Company as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the separate financial statements of the Company as of 31 December 2021 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree 39/2010, issued on the basis of our knowledge and understanding of the Company obtained in the course of the audit, we have nothing to report.

Milan, 7 April 2022

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers