

A decorative background consisting of a network of grey pipes and valves. The pipes are of varying thicknesses and are connected by several valves, each represented by two horizontal bars with a central vertical line and small dots on either side. The pipes and valves are arranged in a complex, non-linear pattern across the page.

INTERIM
CONSOLIDATED
FINANCIAL
REPORT
as at 30 June 2022

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I. Corporate Boards

Board of Directors	Board of Statutory Auditors	Independent Auditors
Chairman Ugo de Carolis	Chairman Giovanna Conca	Pricewaterhouse Coopers 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		

II. Directors' Report

1 Background

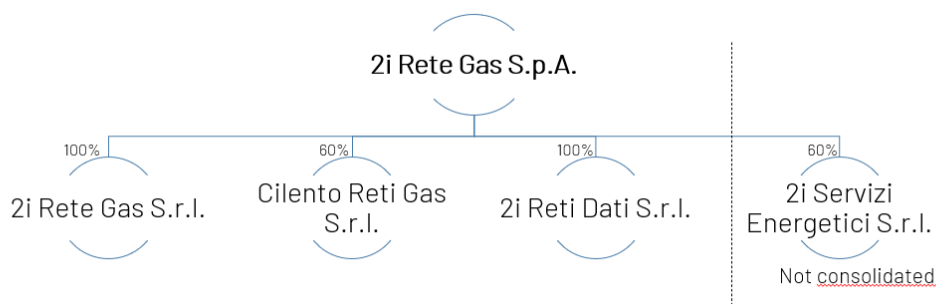
The macroeconomic data illustrated in the Bank of Italy's Economic Bulletin published in July of this year are significantly affected by uncertainty over the conflict in Ukraine and the consequent risks to energy supplies from Russia. In this scenario, GDP rose by 0.1% compared to the previous period, reaching a level reported prior to the pandemic. The marked increase in investments in plant and machinery and in constructions offset the negative contribution of household consumption.

Overall, in the second quarter of the year industrial output grew by about 1.5% (-0.7% in the first quarter), even though from May onwards it began to fall (just as for investments).

As far as the 2i Rete Gas Group is concerned, in the first half of this year operations were affected, as expected, by the updating of the regulatory rate of return. The reduction was reflected in EBITDA and in profit levels. Investments were broadly in line with the same period of last year.

2 Group structure and highlights

The following chart shows the situation of the Group as at 30 June 2022:



Regarding the Group's operating and financial highlights, the following table shows the key operating, economic and financial indicators of the Group as at 30 June 2022 compared to the entire previous year and to the first half of 2021:

	30.06.2022	31.12.2021	30.06.2021	2022 - 2021	
Active concessions:	2,193	2,193	2,210	-	(1)
Active redelivery points:	4,488,143	4,521,498	4,511,133	(33,355)	(1)
Distributed Gas (Natural gas and LPG) in millions of cubic metres:	3,558	6,395	3,778	(220)	(2)
EBITDA in millions of euro:	241.0	527.8	245.4	(4)	(2)
Net income in millions of euro:	77.2	211.2	96.5	(19)	(2)
Managed networks in kilometres:	69,871	69,864	69,596	6	(1)
	30.06.2022	31.12.2021	30.06.2021	2022 - 2021	
Net financial position in millions of euro:	2,869.5	2,843.7	2,809.3	26	(1)
Net invested capital in millions of euro:	4,055.4	3,982.2	3,831.0	73	(1)

(1) Delta vs 31.12.2021

(2) Delta vs 30.06.2021

3 Significant events during the reporting period

There were no new extraordinary transactions in the first half of the year that impacted the Group's corporate structure.

It is noted however that, following the award in June 2021 of the tender for ATEM Naples 1 (Naples city and neighbouring municipalities) and the successful appeal to the Council of State filed by the outgoing operator, in June 2022 the parent company was able to proceed with the signing of the service agreement for the running of the above ATEM.

Activities are already under way for the reception of installations from a technical, financial and accounting point of view.

4 Scope of consolidation

The scope of consolidation of the 2i Rete Gas Group remained the same as at 31 December 2021.

5 Results of the 2i Rete Gas Group

When commenting on its profit or loss and financial data, the Group consistently uses over time certain popular non-IAS/IFRS measures. In particular, the profit and loss account 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, 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	30.06.2022	30.06.2021	Change
Revenue	520.4	529.2	(8.8)
Transport and sale of methane gas and LPG	321.9	328.8	(7.0)
Connection fees and accessory rights	7.4	7.3	0.1
Other sales and services	12.1	12.0	0.0
Revenue from intangible assets / assets under development	162.5	164.5	(2.0)
Other revenue	16.6	16.5	0.1
Operating costs	(279.5)	(283.8)	4.3
Labour costs	(64.5)	(63.7)	(0.7)
Raw materials and inventories	(20.4)	(29.0)	8.6
Services	(177.7)	(170.2)	(7.5)
Other costs	(9.4)	(13.0)	3.6
Net allocations to provisions for risks and charges	(7.9)	(8.3)	0.4
Increase in fixed assets not subject to IFRIC 12	0.4	0.4	(0.0)
EBITDA	241.0	245.4	(4.4)
Amortisation, depreciation and write-downs	(105.9)	(101.3)	(4.6)
Amortisation, depreciation and impairment losses	(105.9)	(101.3)	(4.6)
EBIT	135.1	144.1	(9.0)
Net financial income (expenses) and income (expenses) from equity investments	(29.0)	(27.8)	(1.2)
Pre-tax income	106.1	116.3	(10.2)
Income taxes for the year	(28.9)	(19.9)	(9.1)
Net income (expenses) from continuing operations	77.2	96.5	(19.3)
Net income (expenses) from discontinued operations	-	-	-
Net income for the period	77.2	96.5	(19.3)

The operating performance for the year is shown in the table above, which was obtained by (i) reclassifying the profit and loss account data in accordance with operational criteria that conform to international practice and (ii) maintaining the accounting treatment required by IFRIC 12.

It should be noted that IFRIC 12, which represents the basis of presentation of the condensed consolidated interim financial statements, does not affect profitability, and only requires recognising revenue and costs relating to the construction of

distribution network infrastructure; for the sake of a better understanding of operating changes, here below is a summary table that shows consolidated revenue and costs excluding the impact of IFRIC 12.

Millions of euro	30.06.2022 without IFRIC 12	30.06.2021 without IFRIC 12	Change
Revenue	358.0	364.7	(6.7)
Transport and sale of methane gas and LPG	321.9	328.8	(7.0)
Connection fees and accessory rights	7.4	7.3	0.1
Other sales and services	12.1	12.0	0.0
Other revenue	16.6	16.5	0.1
Operating costs	(118.6)	(120.7)	2.1
Labour costs	(34.2)	(31.4)	(2.8)
Raw materials and inventories	(1.1)	(2.6)	1.5
Services	(66.7)	(66.2)	(0.6)
Other costs	(9.1)	(12.6)	3.5
Allocations to provisions for risks and charges	(7.9)	(8.3)	0.4
Increase in fixed assets not subject to IFRIC 12	0.4	0.4	(0.0)
EBITDA	239.4	244.0	(4.7)
Amortisation, depreciation and write-downs	(104.3)	(99.9)	(4.4)
Amortisation, depreciation and impairment losses	(104.3)	(99.9)	(4.4)
EBIT	135.1	144.1	(9.0)

Looking at the above tables, it is noted that revenue, totalling 520.4 million euro including the impact of IFRIC 12, were down by approximately 8.8 million euro, of which 2 million euro due to the fall in revenue from intangible assets (representing investments in gas distribution concessions in the reporting period).

In turn, transport revenues fell by 7 million euro compared to last year, mainly due to the fall in the rate of return on net invested capital (WACC) and operating costs, partly offset by the growth of the company's RAB (Regulatory Asset Base) thanks to the investment campaign and the full effect of the presence of assets acquired from Gas Distribution Infrastructures. The net effect of these changes was negative for interim results to the tune of approximately 10 million euro.

Connection and ancillary fees are broadly in line with the same period of 2021.

Revenue from "Other sales and services", totalling 12.1 million euro, are in line with the result in the previous year, and are basically due to gas supply disconnections and reconnections.

Other revenue totalled 16.6 million euro, also in line with the result in the first half of last year. The amount, which in the first half of the previous year included a contingent asset arising from the ending of a dispute, in this reporting period includes higher revenue for technical quality (10.7 million euro, +2.5 million euro)

and a capital gain (1.6 million euro) following the sale of the Cinisello Balsamo plant (ATEM Milan 1 tender).

Lastly, with reference to the table reporting amounts including the impact of IFRIC 12, the increased investments in the half year led to the recognition of income (in accordance with IFRIC 12) totalling 162.5 million euro under "Revenue from intangible assets/assets under development", basically in line with results for the previous reporting period.

Operating costs, totalling 279.5 million euro in the version with IFRIC 12, decreased by 4.3 million euro; it should be noted that the overall impact of IFRIC 12 on the item stood at 160.9 million euro for the current half year. Therefore, excluding this impact, there was a decrease of 2.1 million euro.

More specifically, gross labour costs, totalling 64.5 million euro, increased some 0.7 million euro over the previous period at a group-wide level, due to the full impact over the six-month period of the presence of IDG S.p.A.'s workforce and to the revised estimate on INPS contribution for the Gas Fund of about 0.4 million euro. Net of the impact of investment activities, the cost rose by 2.8 million euro.

The cost of raw materials fell significantly, by 8.6 million euro, due to reduced investment activities. Taking the impact of capitalisations into account, the item fell in any case by 1.5 million euro.

On the other hand, costs for services, in particular routine and extraordinary maintenance, rose at a consolidated level by 7.5 million euro compared to the first half of the previous year due to the general rise in prices, while the analysis carried out net of the effect of capitalisations shows a more modest growth of 0.6 million euro.

Other costs fell by 3.6 million euro due to lower capital losses on asset disposals (-3.1 million euro), while net charges for the management of Energy Efficiency Certificates (EECs) returned to the item, to the tune of 1.5 million euro. In the same period of the previous year, the net impact of EEC management had been positive.

Allocations to the provision for risks totalled 7.9 million euro in the first half of the year, down 0.5 million euro compared to 30 June 2020, and reflected normal provision trends for the period.

EBITDA amounted to 241.0 million euro, slightly down by 4.4 million euro compared to the value for the previous period (245.4 million euro) due to the combined effect of lower transport revenues of 7.0 million euro offset by lower operating costs of 4.3 million euro.

Amortisation, depreciation and write-downs totalled 105.9 million euro, up by 4.6 million euro compared to the first half of 2021. It should be noted that this value includes, since 2019, depreciation of right-of-use assets relating to leases in accordance with IFRS 16, for a total of 3.5 million euro in the half year.

Therefore, EBIT totalled 135.1 million euro, compared to 144.1 million euro in the first six months of the previous year. The same considerations for EBIT also apply to EBITDA.

The balance of Net financial income (expenses) and income (expenses) from equity investments was negative to the tune of 29 million euro, up slightly on the previous period due to the full impact of costs relating to the tranche of the debenture loan issued in January 2021 and to the introduction by some banks of liquidity management fees.

The parent company has accordingly taken a number of steps to limit the cost of liquidity, including the partial repurchase of a tranche of the debenture loan, the positive effects of which will be visible in the years to come.

The Group reported 106.1 million euro in profit before tax, down 10.2 million euro on the first half of 2021.

The negative impact from income tax expense for the period on the Group's accounts totalled 28.9 million euro, a rise of 9.1 million euro. It is recalled that in the first half of 2021 the Group had begun to realign goodwill values deriving from extraordinary transactions in previous years, with a total benefit for the item of approximately 13.7 million euro. On the other hand, in the first half of 2022 a "Patent box" agreement was reached, which had a positive impact on the accounts of about 1.3 million euro.

The result from continuing operations stood therefore at 77.2 million euro, down 19.3 million euro compared to the first half of 2021.

Discontinued operations showed no results as at 30 June 2022.

The result for the period posted by the Group was thus a profit of 77.2 million euro.

The financial position for the year is shown in the table below. This was obtained by reclassifying the data from the statement of financial position in accordance with operational criteria.

Millions of euro	30.06.2022	31.12.2021	Change
	A	B	A-B
Net fixed assets	4,061.0	3,905.3	155.7
Property, plant and equipment	37.3	37.7	(0.4)
IFRS 16 right-of-use assets	26.9	26.0	1.0
Intangible assets	4,206.4	4,146.3	60.0
Equity investments	3.9	3.7	0.2
Other non-current assets	50.8	40.3	10.5
Other non-current liabilities	(338.2)	(338.5)	0.3
Fair value of derivatives	73.9	(10.2)	84.1
Net working capital:	(16.0)	34.6	(50.5)
Inventories	20.5	20.0	0.4
Trade receivables from third parties	70.2	221.7	(151.5)
Net receivables/(payables) for income taxes	1.7	(0.2)	1.9
Other current assets	333.6	216.2	117.4
Trade payables to third parties	(211.1)	(218.8)	7.7
Other current liabilities	(230.8)	(204.4)	(26.4)
Gross invested capital	4,045.0	3,939.9	105.2
Other provisions	(10.3)	(30.0)	19.7
Post-employment and other employee benefit:	30.8	37.1	(6.3)
Provisions for risks and charges	84.4	78.6	5.8
Net deferred taxes	(125.5)	(145.7)	20.1
Net invested capital	4,055.4	3,969.9	85.5
Assets held for sale	2.2	10.5	(8.3)
Liabilities held for sale	0.3	1.3	(1.0)
Equity	1,187.8	1,147.7	40.0
Net Financial Position	2,869.5	2,831.3	38.2

Net fixed assets, which mainly consist of intangible assets related to gas distribution concessions, totalled 4,061.0 million euro, up 155.7 million euro overall compared to 31 December 2021. This increase was due – to the extent of 60 million euro – to the normal growth in fixed assets relating to gas distribution plants and to a significant increase (84.1 million euro) in the fair value of outstanding derivative instruments compared to 31 December 2021.

The item “Property, plant and equipment”, amounting to 37.3 million euro, includes investments for the period of 2.2 million euro (of which 0.7 million euro for new servers and the same figure for signal concentrators), disposals of 0.1 million euro and depreciation of 2.5 million euro.

“Right-of-use assets” include the rights of use of leased or rented assets that meet the requirements established by IFRS 16. The resulting balance was 26.9 million euro, with increases of 6.8 million euro and disposals of 2.3 million euro. The relevant depreciation in the 6-month period totalled 3.5 million euro.

“Intangible assets” (4,206.4 million euro) is the sum of new investments (169.8 million euro) and decreases (9.6 million euro), plus 0.2 million euro relating to restatements to assets held for sale as well as amortisation for the period of 100 million euro.

Equity investments remained virtually unchanged, showing an increase of 0.2 million euro. “Other non-current assets” increased by 10.5 million euro due to the advance payment to the municipalities of ATEM Naples 1 of the amount established in the tender for the management of EECs relating to the same ATEM, while “Other non-current liabilities” remained virtually unchanged at 338.2 million euro.

Bearing in mind that the comparison between the figure as at 31 December and that as at 30 June is most likely affected by the impact of seasonal factors on working capital, which is implicit in the gas distribution business, it should be noted that net working capital, which came in at (16.0) million euro, fell by 50.5 million euro compared to 31 December 2021. The items experiencing the biggest changes were trade receivables, which were affected by seasonal trends and international tensions in the gas market, falling by around 151.5 million euro, and Other current assets, which saw an increase in receivables from CSEA (the Fund for Energy and Environmental Services) resulting from government-set incentive- and price-limiting mechanisms. Other current liabilities rose by 26.4 million euro, due mainly to relations with CSEA, while trade payables showed a modest seasonal drop.

Therefore, due to the combined effect of the changes in net fixed assets and net working capital, the gross invested capital increased from 3,939.9 million euro in the previous year to 4,045.0 million euro as at 30 June 2022, an overall increase of 105.2 million euro.

Sundry provisions, totalling 10.3 million euro, fell by 19.7 million euro overall, affected both by changes in net deferred taxes, which recorded a decrease in net receivables from 145.7 million euro to 125.5 million euro, mainly due to recognition of the negative impact of deferred taxes relating to the positive valuation of outstanding derivatives, and by changes in the provision for risks and charges (up by 5.8 million euro). Provisions for employee severance indemnities and other employee benefits, on the other hand, fell by 6.3 million due to the actuarial valuation, which reflects current forecasts about the macroeconomic scenario.

Therefore, net invested capital increased by 85.5 million euro, from 3,969.9 million euro in the previous period to 4,055.4 million euro.

Lastly, the amounts relating to ATEM Udine 2, which is to be sold within the next 12 months, were restated under assets and liabilities held for sale.

Equity rose by 40 million euro, from 1,147.7 million euro as at 31 December 2021 to 1,187.8 million euro as at 30 June 2022, mainly due to the net impact of the following changes:

- a 105.0 million euro decrease following the ordinary dividend payout;
- a 67.9 million euro increase in the reserves, mainly due to the higher valuation of derivatives;
- a 77.2 million euro increase following the recognition of the result as at 30 June 2022.

Non-controlling interests amounted to 2.2 million euro.

The net financial position was up from 2,831.3 million euro in December 2021 to 2,869.5 million euro as at 30 June 2022, following payment of the dividend for 2021 and in light of positive operating results in the first half of the year.

The following table shows the reconciliation of the carrying amount of net financial debt and the net financial position, as well as the breakdown of the two:

Notes				
Millions of euro		30.06.2022	31.12.2021	Changes
Medium/long-term bank loans	27	(461.4)	(470.5)	9.1
Medium/long-term debenture loans	27	(2,744.1)	(2,765.0)	20.9
Cash and cash equivalents with third parties	22	373.0	443.0	(70.0)
Short-term financial receivables	20	27.4	2.0	25.4
Other current financial assets	21	0.0	0.0	(0.0)
Current portion of medium/long-term loans	34	(18.2)	(18.2)	0.0
Current financial liabilities	38	(42.1)	(20.0)	(22.0)
Non-current IFRS 16 financial liabilities	31	(20.3)	(20.0)	(0.3)
Current IFRS 16 financial liabilities	39	(5.7)	(5.6)	(0.1)
ESMA Net Financial Position		(2,891.3)	(2,854.3)	(37.0)
Non-current financial assets	16	12.6	12.6	0.0
Adjusted Net Financial Position		(2,878.7)	(2,841.7)	(37.0)
Non-current financial assets - costs on loan	16	0.4	0.4	(0.1)
Adjustment to payables due to costs on MLT loan (IAS 39)	27	8.7	9.9	(1.2)
Net Financial Position		(2,869.5)	(2,831.3)	(38.2)
Positive fair value of derivatives	16	73.9	-	73.9
Negative fair value of derivatives	38	0.0	(10.2)	10.2
Accounting net financial debt		(2,795.6)	(2,841.5)	45.9

6 Regulatory and tariff framework

6.1 Regulation

As for the activities concerning the Group, in the first half of 2022 the Autorità di Regolazione per Energia, Reti e Ambiente – ARERA (the Regulatory Authority for Energy, Networks and the Environment) – in addition to the policies and objectives already outlined in 2021 and in the Authority's strategic framework for the four-year period 2022-2025 – focused in particular on the definition and development of measures – in accordance with and implementing the law decrees issued by the government – aimed at mitigating the effects of energy commodity price hikes and consequent rises in bills for end customers, due to the increase in demand in the context of the post-pandemic economic recovery and to the implications of the international situation caused by the Russian-Ukrainian conflict. The extraordinary activities resulting from the international situation that has developed since February have particularly occupied the Authority and the Offices, with previously planned activities inevitably delayed.

In addition to measures to mitigate costs for end customers, in view of the international situation and energy supply crisis, in the first half of the year ARERA also worked, again in coordination with other national authorities, to adopt provisions for the security of energy supplies, in particular, the filling of storage facilities and monitoring of import gas supply contracts.

In January the Authority approved – following consultation 465/2021/A and hearings with stakeholders held in November 2021 – resolution 2/2022/A, with which it adopted its “Strategic framework for the three-year period 2022-2025” containing the strategic objectives and main lines of action for this period, relating also to the gas distribution sector. In mid-May resolution 203/2022/A was published, in which ARERA reported activities carried out in 2021 in respect of the content of the previous “Strategic framework for the three-year period 2019-2021”, explaining the reasons for any deviations from objectives for 2021 and highlighting the impact of the COVID-19 health emergency in terms of time frames and the ways adopted to achieve objectives.

As for the gas distribution sector, the development of activities slowed down presumably also due to the further continuation of the many disputes brought against Resolution 570/2019/R/gas (concerning tariff regulation for the 2020-2025 period), which continued to keep the Offices very busy.

With regard to the procedure initiated in June 2021 with resolution 271/2021/R/com for the adoption of rate regulation methods and criteria based on total expenditure (ROSS-base) to determine the cost recognised for regulated infrastructure services in the electricity and natural gas sectors (these criteria and methods should be progressively introduced in the coming years in the various sectors, starting with the transmission and distribution of electricity and natural gas transport), the Authority was in any case able to proceed with its activities. After the first

consultation (DCO 615/2021/R/Com) launched at the end of 2021 and completed in January/February 2022 and subsequent meetings with operators and their associations held in April, this led in July to the publication of the second consultation document on the subject (DCO 317/2022/R/Com).

At the end of June, the Authority also completed the procedure (resolution 269/2022/R/gas) relating to the updating of the regulation for the metering service, redefining outputs and performance of the metering service using smart meters (commissioning, frequency of collection and time-related granularity of metering data, frequency with which metering data is made available, compensation to end customers and sellers).

On the other hand, there was no evidence of the progress of the procedure initiated by the Authority at the beginning of November 2020 with resolution 435/2020/R/gas for the application of the provisions of art. 114-ter of Law Decree 34/2020 on the subject of full tariff coverage of investments in new networks and installations in specific parts in the country, after the report on the subject addressed to Parliament and Government in October 2020. ARERA returned to the subject in early March, on the occasion of its memorandum to the Senate's 10th Committee on Industry, Commerce and Tourism on the bill "2021 Annual law on market and competition" (Senate Act no. 2469), in which – in addition to expressing its opinion on the provisions of the bill for its areas of competence (including those relating to natural gas distribution concessions) – it again expressed its opposition to this provision, which would weaken the powers of the Authority and is held to be constitutionally unlawful and at odds with Community legislation. In May, article 114-ter of Law Decree 34/2020 was also the subject of a report by the AGCM to the Senate of the Republic, Chamber of Deputies, Prime Minister's Office and Secretary for Ecological Transition, the orientation being similar to that of ARERA, which in July then published a consultation document on the subject (DCO 337/2022/R/gas), including comments on calls for tenders for assignment of the natural gas distribution service and announcing its intention to disregard the provisions of the aforementioned art. 114-ter.

During the period under review, ARERA nevertheless enacted several measures of interest to the Group concerning the gas sector. These include some measures on tariffs, energy efficiency and the contribution for obtaining energy efficiency certificates (EECs), as well as measures concerning incentive systems to raise service security levels, the quality of gas distribution and metering services, smart metering for gas, access to gas distribution and settlement services, regulation of the transport service, provisions for the application of the two-year prescription, the regulation of social bonuses, relief in relation to the seismic events of 2016 and 2017, relief for companies with high consumption of natural gas and, finally, the application of regulations implementing the tenders for the gas distribution service by ATEMs, the connection of biomethane production plants to natural gas networks and inspections on operators.

Tariffs for the gas distribution and metering service:

In early April, the Authority approved the final benchmark tariffs for gas distribution and metering services for 2021 (resolution 154/2022/R/gas), also amending the Rules on the tariffs of gas distribution and metering services (known as RTDG) relating to the treatment of the stock of contributions in place as at 31 December 2011 for Area management and application of the cap to tariff recognition of investments in start-up localities. At the beginning of May, the provisional benchmark tariffs for gas distribution and metering services for 2022 were approved (resolution 194/2022/R/gas), confirming, inter alia, for 2022, the application of the tariff regime of networks interconnected to the national transport system also to isolated networks powered by LNG/tank trucks already operating as at 31 December 2019, pending the conclusion of the procedure initiated with resolution 634/2021/R/gas for the definition of a gradual mechanism to protect end customers connected to these isolated networks and pending the completion of tariff assimilation requests that may not yet be completed for certain localities (including the locality of San Fratello for 2i Rete Gas S.p.A.).

In the first half of 2022, the Authority also made the usual periodic adjustments to certain tariff components (related to general system charges applicable to the natural gas sector). On the occasion of these updates, given the significant problems of energy prices and increases in energy bills and the legislative measures adopted in this regard, the Authority – as already envisaged at the end of 2021 for the first quarter of the year – ordered the elimination for all customers in the gas sector of components relating to system charges, the introduction of supplementary social bonuses and, for the second and third quarters (resolutions 148/2022/R/gas and 296/2022/R/gas), an update of an element of the UG2 distribution tariff component (through the application of a negative component to consumption brackets up to 5,000 Sm³/year), in order to immediately transfer to end customers, especially small-sized ones, the mitigating effects of measures taken in relation to the exceptionally tense situation in gas markets.

Further information on tariffs is set out in section 6.2 “Tariffs”.

Incentives/penalties for service security levels:

In mid-April (resolution 171/2022/R/gas), as had been the case in 2018, 2019, 2020 and 2021 regarding incentives to raise the security of the distribution service pertaining to the years 2015, 2016, 2017 and 2018 respectively, a down payment was made on incentives pertaining to 2018 (80% of the total net amount due pre-determined by the Authority). In a subsequent provision (resolution 383/2022/R/Gas of 02 August 2022) the final amounts of bonuses/penalties for 2019 were approved for all companies (for the parent company 2i Rete Gas S.p.A., which had received the payment of only a part of the down payment due to some checks still in progress regarding some plants, the highest incentive was recognised, i.e. about 13.2 million euro, which will be paid out by CSEA by 30 September 2022).

Regulation on quality for the gas distribution and metering service

At the end of May (resolution 231/2022/R/com), the Authority concluded the procedure, initiated with resolution 571/2021/R/com, aimed at standardising and updating procedures to verify commercial quality data on the distribution, metering and sale of gas and electricity services and contractual quality data on the water service.

Energy efficiency targets

With regard to the contents of the Ministerial Decree of 21 May 2021, “Determination of national quantitative energy saving objectives that may be pursued by electricity and gas distribution companies for the years 2021-2024 (known as white certificates)”, in the first half of the year the Authority did not follow up on the breakdown – for the mandatory year 2022 – of the national target established in the aforementioned Ministerial Decree among individual obligated entities. The specific objectives for each obligated entity should be published in the second half of the year, but can already be estimated according to the share of total energy distributed by each entity.

In June the Authority then determined the unit tariff contribution for the mandatory year 2021 (ended 31 May 2022), namely 250 €/EEC, and with an additional unit fee of 3.44 €/EEC (for a total contribution recognized to obligated entities of 253.44 €/EEC

Smart gas metering regulation

In June the Authority approved (with resolution 269/2022/R/gas published on 23.06.2022) updates to the metering service regulation, redefining outputs and the performance of the metering service through smart meters, changing the current regulation regarding their commissioning, frequency and method of collection of metering data for G4 and G6 gas smart meters and automatic compensation for end customers if the meters are not read. A compensation system is also envisaged for Distribution Users in order to raise the performance of distribution companies when collecting and making available metering data, also introducing some adjustments to billing obligations for sales companies in relations with end customers. The measure also provided for partial compensation – in the event of a predetermined physiological level of failure of remote reading – for costs incurred by distribution companies as compensation for non-reading of meters paid to end customers.

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

With regard to the credit rating guarantees that are one of the conditions for network access, the Authority has regulated the conclusion of previously introduced derogation measures (resolutions 248/2020/R/com and 81/2021/R/com) on management of the guarantee provided in the form of a credit rating in gas distribution and electricity transmission contracts in cases of

downgrading relating to the COVID-19 emergency (setting the cessation of these derogations at 31.03.2023).

On the subject of gas settlement, in January (resolution 13/2022/R/gas) amendments to the Snam Rete Gas Network Code were approved, aimed at transposing the provisions of resolution 496/2021/R/gas and correcting the withdrawal data on the distribution network that did not pass consistency checks carried out by the Integrated Information System (IIS) (at the beginning of March, with resolution 77/2022/R/gas, similar changes to the network code of Società Gasdotti Italia were also approved).

At the beginning of April the Authority also launched a consultation (DCO 157/2022/R/gas) on final guidelines for the reform of processes for the transfer of transport capacity at city gates, and proposed some additions in terms of settlement related to this reform, which would have implications on the activity of distribution companies (in particular, the adoption of specific measures for the management of cases of abnormal data readings at redelivery points and the possible introduction of a mechanism enabling distribution companies to promptly check/correct such abnormal data).

Regulations governing the transport service

Regarding the gas transport service, in February the Authority (resolution 65/2022/R/com) put back to 31.07.2022 the deadline for the preparation of the joint Snam Rete Gas/Terna document describing the scenarios for the Development Plans of electricity transmission and gas transmission networks, and ordered the involvement of electricity and gas distribution companies in the process of preparing this document.

At the beginning of May, the Authority, following the provisions of DCO 616/2021/R/gas, established (resolution 195/2022/R/gas) that Snam Rete Gas draw up by 31 December 2022 a method for assessing the state of health of the transport infrastructure, based on transparent and verifiable procedures in support of decisions to substitute obsolete or fully depreciated infrastructures.

Provisions applying the short statute of limitations

With regard to resolution 603/2021/R/com on the invoicing of amounts related to consumption dating back more than two years and to the disclosure obligations established by the Authority for the various parties concerned (including gas distribution companies), and recalling the clarifications already published in December 2021, ARERA published further clarifications confirming the approach adopted with the aforementioned resolution 603/2021/R/com which, with regard to the provisions concerning some of the obligations placed on distribution companies and further to appeals, was however suspended by the Lombardy Regional Administrative Court (TAR) – Milan section, via Sentence No. 421/2022 of 09 April 2022, until discussions on the matter, set for the beginning of December.

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

In the first half of 2022, ARERA (resolutions 188/2022/R/com, 245/2022/R/com and Report 212/2022/I/com) further regulated the methods for applying the automatic recognition of social bonuses (gas, electricity and water) to strengthen this instrument ordered by State legislation in the face of increases in energy bills (e.g. Law Decree 21/2022 on raising the ISEE (Equivalent Economic Status Indicator) threshold for access to electricity and gas social bonuses). As required by the regulatory provisions adopted by the Government, ARERA has also prepared a report on the use of resources made available by the State budget – through various legal provisions – for the purpose of reducing general system charges and expanding social bonuses (Report 212/2022/I/com published on 16 May 2022).

Relief measures concerning the earthquakes that occurred in 2016 and 2017

At the end of January, with resolution 34/2022/R/com, the provisions of the 2022 Budget Law were implemented, extending, until 31 December 2022, the tariff subsidies laid down by resolutions 252/2017/R/com and 429/2020/R/com in favour of certain categories of users affected by the seismic events of 2016 and 2017 (users located in the so-called “red zones” and connections to uninhabitable properties).

Facilitations for companies with a high consumption of natural gas

At the beginning of February (resolution 41/2022/R/gas), a procedure was initiated aimed at the adoption of measures for companies with a high consumption of natural gas as set out in Decree no. 541/2021 of the Minister of Ecological Transition, for which an urgent and simplified facilitation mechanism was devised, to be applied until 31 December 2022, pending the coming into force in 2023 of the definitive facilitation mechanism. As part of this procedure, a consultation document was published (DCO 59/2022/R/gas) in which ARERA outlined guidelines for the initial application of the facilitation mechanism in favour of the so-called “gas-intensive” companies, which provides certain operational implications also for gas distribution companies. According to what was anticipated by the Authority in the consultation document, the definitive operating procedures of the facilitation mechanism for gas-intensive companies (later made the subject of DCO 385/2022/R/gas, published at the beginning of August) will be similar to those of the facilitation mechanism for companies with a high consumption of electricity, the so-called “energy-intensive” companies, which also entails the operational involvement of grid operators.

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

With regard to activities related to ATEM tenders, in the reporting period ARERA, within its sphere of competence, approved observations relating to the tender documentation of ATEM Rome 4 – South Coast and Castelli Romani (resolution

187/2022/R/gas, not yet published). It also updated (resolution 282/2022/R/gas) the interest rate applied for compensation to outgoing operators of the amounts relating to the one-off consideration anticipated to the contracting authority to cover the tender expenses pursuant to Ministerial Decree 226/11 (4.14% for the three-year period 2019-21 and 3.59% for the three-year period 2022-25).

Regulation concerning connections of biomethane plants to natural gas networks

At the end of April (resolution 179/2022/R/gas), in response to specific requests from biomethane producers and their associations, ARERA updated the guidelines for connecting biomethane plants to gas networks, with regard to methods for certifying the quantities of biomethane for which incentives can be granted.

Regulation on optimisation of management and innovative uses of gas infrastructure

In mid-June, ARERA published Consultation Paper 250/2021/R/gas as a follow-up to Consultation Paper 39/2020/R/gas. It sets out the final guidance regarding pilot projects designed to enhance the operation and innovative use of gas capabilities (both transmission and distribution). The corresponding measure is expected to be adopted by the end of 2021. Consultation proceedings lasted until the end of July and the Parent Company submitted its own comments on the matter at hand.

Inspections conducted on operators

In March (Resolution 87/2022/E/gas), the Authority approved a programme of 5 inspections regarding service safety improvements to be carried out by 31 March 2023 and with reference to the data for 2020. The Authority will conduct inspections on natural gas distribution companies selected from among those that have not been inspected for the purposes of awarding incentives in the last 5 years, considering also their location in Italy.

Other significant events and/or aspects

Among the measures and important aspects directly concerning 2i Rete Gas or other Group companies, in addition to the aforementioned measures on tariffs and on incentives for safety levels achieved in 2019, the Authority, through its own officials and with the assistance of *Guardia di Finanza* (tax police) officers (according to the specific protocol for the performance of checks entered into by ARERA and *Guardia di Finanza*), carried out 2 inspections in June on the emergency response service and the corresponding data for 2020, for the Mignano Montelungo (CE) and Colle Sannita (BN) plants, the former managed by Montelungo Gas S.r.l and the latter by Powergas Distribuzione S.p.A., acquired by 2i Rete Gas on 30 April 2020 and 15 September 2020 respectively. The inspections revealed only a few limited

findings concerning the management procedures adopted at the time by the two acquired companies. From a management point of view, the relevant issues had already been completely resolved with the merger of these companies into 2i Rete Gas (Montelungo Gas S.r.l. on 1 October 2020 and Powergas Distribuzione S.p.A. on 1 January 2021), bringing them into line with the Group's procedural and quality standards.

Provisions and/or other events subsequent to 30 June 2022

After 30 June 2022, the Authority approved:

- a memorandum of understanding (resolution 310/2022/A of 12 July 2022) relating to collaboration with the *Carabinieri* (Military Police) Force, according to which, with special reference to controls/inspections, ARERA may request support in carrying out inspections connected with the performance of its functions, and the *Carabinieri* will collaborate with ARERA in carrying out the required inspections on entities providing public utility services in the sectors covered by the Environment Division (water services, district heating and waste cycle), as well as, in keeping with institutional priorities, in the sectors covered by the Energy Division (gas and electricity, retail and wholesale markets) and the General Secretariat (consumer protection, supervision and litigation);
- comments on the ATEM Catanzaro-Crotone tender documentation (resolution 316/2022/R/gas approved on 12 July 2022, but not yet published).
- provisions (resolution 386/2022/R/gas, published on 4 August 2022) concerning the mechanism for the accountability of distribution companies in the management of the so-called in-out delta phenomenon between the natural gas injected into and that withdrawn from the distribution network, announced in advance with consultation document DCO 263/2021/R/gas;
- the measure concerning pilot projects for innovative uses of natural gas transport and distribution infrastructures and optimisation of their management (resolution 404/2022/R/gas, published on 4 August 2022 following consultations held in 2020 and 2021 with consultation documents DCO 39/2020/R/gas and DCO 250/2021/R/gas);
- provisions on access to and granting of electricity and gas social bonuses for 2022, implementing the provisions of Article 6 of Law Decree 21 of 21 March 2022 (converted with amendments into Law 51 of 20 May 2022) and Article 1(2) of Law Decree 50 of 17 May 2022 (converted with amendments into Law 91 of 15 July 2022);
- the measure (resolution 382/202/E/gas of 2 August 2022) to launch the usual annual campaign of phone checks and inspections regarding gas distribution companies on their compliance with the regulation on the gas emergency service (as in previous years, the checks will cover 50 gas distribution companies and will be undertaken by 31 December 2023 with support from *Guardia di Finanza* officers, to check initially the correct operation of emergency switchboards, with subsequent inspections if necessary based on the outcomes of phone checks).

After 30 June 2022, the Authority also approved:

- DCO 317/2022/R/com, second consultation document as part of the procedure initiated with resolution 271/2021/R/com, aimed, as mentioned above, to outline the path to introducing the ROSS approach, with tariff regulation methods and criteria and calculation of the recognised cost based on total expenditure (identifying ROSS-base and ROSS-full aspects);
- DCO 337/2022/R/gas regarding criteria for formulating comments on calls for tenders sent by contracting authorities pursuant to art. 9.2 of Ministerial Decree 226/2011, with particular reference to the provisions of art. 114-ter of Law Decree 34/2020 and announcing, as highlighted above, the decision to disregard the provisions of art. 114-ter;
- DCO 385/2022/R/gas, as part of the procedure initiated with resolution 41/2022/R/gas, regarding operating procedures for the application from 1 January 2023 of tariff concessions for the so-called “gas-intensive” companies, as well as general guidelines regarding the structure and criteria for calculating the tariff component for the collection of revenue not paid by gas-intensive companies.

6.2 Tariffs

As already mentioned above, with resolution 570/2019/R/gas, the tariff regulation for gas distribution and metering services was established for the fifth regulatory period 2020-2025, with a confirmed duration of six years, broken down into two three-year periods. Therefore, as in the previous regulatory period, distribution and metering tariffs will continue to be applied according to the basic principles for determining the components of revenues related to remuneration and depreciation based on the annual update to net invested capital (RAB), considering the (net) investments made in the previous year.

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 2022 tariffs. Under the same Resolution, the Authority also completed the regulatory framework of the stock of public and private contributions as of 2011, envisaging complete amortisation thereof based on a 40-year useful life. 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, as from 2017, 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.

The rate of return on invested capital (WACC) of natural gas distribution and metering activity for 2022 is 5.6%, a value fixed by resolution 614/2021/R/com with which ARERA defined criteria for determining and updating the WACC for infrastructure regulations of the electricity and gas sectors in the second regulatory period 2022-2027 (PWACC).

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 2022, operating costs have been updated to factor in inflation and are subject to an X-factor fixed in the RTDG, specific to the distribution service based on the size class of companies (large 3.53%, medium 4.79% and small 6.59%), corresponding to 0% for metering and 1.57% for sales.

Finally, with regard to start-up localities, affected by resolution 704/2016/R/gas, the application of a cap on the recognition of investments starting from 2018 tariffs has been confirmed for all localities whose first year of service was after 2017, based on a mechanism to check cap excesses, broken down into several phases, without prejudice to any new provisions from the Authority on this matter, also following the approval of the law converting Law Decree 34/20 (Law Decree "Rilancio" or Relaunch bill).

With regard to new resolutions, in the first half of 2022 – in order to mitigate the impact on end customers' total expenditure for the supply of natural gas in the current economic situation and the high growth in natural gas prices – several measures were put in place that included, among others, resolutions to update the tariff components intended to cover system charges in the gas sector (RE, RS, GS, UG1, UG2, UG3) and the gas social bonus.

The Authority also passed resolution 154/2022/R/gas to determine the "final" benchmark tariffs for gas distribution and metering services for 2021 and resolution 194/2022/R/gas to determine "provisional" benchmark tariffs for natural gas distribution and metering services for 2022.

The annual "final" recognition of investments for the purposes of determining the net invested capital (RAB) for distribution and metering for 2022 will take place in November, taking into account the changes in net investments in the previous year.

7 Concession development and operation

Despite the regulatory changes in 2017 aimed at simplifying the process and given the lack of intervention – albeit envisaged by law in art. 3 para. 1 of art. 226/11 as amended and supplemented – by both the Regions and, should the latter have not done so, by the Ministry for Economic Development (Law Decree 69/2013 art. 4 para. 2), the delay which has already been noted in previous reports, continues to accumulate.

During the first half of 2022 no new ATEM tenders were launched.

As at 30 June 2022, in relation to the 28 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:

- Tenders completed for which management operations were under way totalled 3: Turin 2, Valle d’Aosta and Milan 1;
- Tenders that were completed with final contract award totalled 4: Belluno, Turin 1, Udine 2 and Naples 1;
- Tenders for which the deadline for submission of tenders had not yet expired totalled 2: Rimini and Biella;
- Tenders in respect of which bid assessment by the tender committee was still ongoing totalled 1: La Spezia;
- Tenders in respect of which ARERA temporarily postponed the review of the call for tenders with a request for additional documentation or in respect of which ARERA was still reviewing the call for tenders totalled 8: Florence 1- Florence 2, Genoa 1, Lucca, Modena 2, Massa-Carrara, Verona 2, Vicenza 3 and Pordenone;
- Tenders in respect of which ARERA completed the review of the tender documentation submitted by the contracting authorities and, thus, the related calls for tenders were eligible for publication totalled 6: Rome 1, Venezia 1, Forlì-Cesena, Modena 1, Rome 4 and Catanzaro-Crotone;
- Tenders in respect of which notices were called off or cancelled after their publication totalled 2: Trieste and Genoa 2;
- The Prato and Turin 5 tenders (calls reviewed by ARERA) are restricted procedures whose deadline for submitting applications has expired.

7.1 Activities on “ATEM tenders”

The 2i Rete Gas Group has submitted bids for the following ATEM tenders:

- on 27 November 2021 for La Spezia;
- on 26 June 2020 for Naples 1;
- on 30 September 2019 for Udine 2;
- on 1 September 2017 for Belluno;
- on 16 January 2017 for the Milan 1 – City and Plant of Milan tender, through 2i Rete Gas S.r.l. (company subject to direction and coordination by 2i Rete Gas S.p.A.).

As regards the ATEM La Spezia tender, 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., IReti S.p.A. and Italgas Reti S.p.A. had provided appropriate administrative documentation, and were admitted to the next

phase. In the first half of 2022, telematic public sessions were held on 20 January 2022, 25 January 2022 and 1 February 2022 in which the technical bids of the three competitors were opened.

As regards the ATEM Naples 1 – Naples city and Coastal Plant, the first public session was held on 2 July 2020, during which the Contracting Authority established that both bidders, i.e. 2i Rete Gas S.p.A. and Italgas Reti S.p.A., had provided appropriate administrative documentation, admitting them 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.

Following the decision no. 4478 of the Council of State published on 1 June 2022, which rejected the appeal of Italgas Reti S.p.A., on 21 June 2022 the municipality of Naples and 2i Rete Gas S.p.A. signed the contract for the concession of the natural gas distribution service in the ATEM Naples 1.

On the other hand, as regards the Udine 2 tender, the first public session was held on 23 December 2019, during which the Contracting Authority established that both bidders, namely 2i Rete Gas S.p.A. and AcegasApsAmga S.p.A. had provided appropriate administrative documentation, and both 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 September 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. of 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 to 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 the T.A.R. of Lombardy - Milan, rejecting Italgas Reti S.p.A.'s appeal. The latter then appealed against this ruling to the Council of State (RG 5219), and the appeal debate was scheduled for 10 March 2022.

On 11 April 2022, Ruling no. 2651 of the Council of State was published, rejecting the appeal filed by Italgas Reti S.p.A.

As for the Milan 1 tender, following the announcement on 3 September 2018 of the final award to another distributor (Unareti S.p.A., an A2A group company), on 3 October 2018 2i Rete Gas S.r.l. filed an appeal against the tender documents and the final award, as well as against the Contracting Authority's refusal to give full access to the tender documents.

After the Regional Administrative Court of Lombardy, with sentence no. 300 of 13 February 2019, had initially accepted 2i Rete Gas S.r.l.'s appeal, granting it the possibility to see the successful bidder's offer in full, the Council of State, with sentence no. 3936 of 12 June 2019, accepted Unareti S.p.A.'s cross-appeal, 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. of 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 rejection of the Municipality of Milan's tender documents.

On 16 December 2021, following the award, the Municipality of Milan signed the service agreement with Unareti S.p.A. for the management of the ATEM.

Also during the first half of 2020, the Group has been preparing and transmitting to the Municipal Administrations and/or the Contracting Authorities that requested it all the necessary documentation pursuant to Article 4 (Disclosure obligations for operators) and Article 5 (Compensation to the outgoing operator) of Italian

Ministerial Decree 226/2011 in order to draft and subsequently issue the call for tenders. This information, should it be necessary, needs to be updated.

7.2 Participation in non-ATEM tenders

As regards “non-ATEM” tenders, in the first half of 2022 procedures were launched for the concession to operate the natural gas distribution service in the municipalities of Trodena (BZ), Canazei (TN) and Ogliastro Cilento (SA), in which 2i Rete Gas S.p.A. did not deem it strategic to take part.

With regard to the concession of the natural gas distribution service in the municipality of Cislino (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 Cislino 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. Following the re-commencement of the tender procedure, 2i Rete Gas S.p.A. submitted an offer on 25 February 2022.

7.3 Participation in tenders for the acquisition of companies

In the first six months of 2022 there were no calls or participation in tenders for the acquisition of public or private companies which manage the natural gas distribution service.

7.4 Concessions awarded

In the first six months of 2022 no concessions were awarded through gas distribution tenders.

7.5 Concessions lost

Following the signing of the service agreement between the Municipality of Milan (Contracting Authority of ATEM Milan 1) and the company Unareti S.p.A., on 1 March 2022 2i Rete Gas S.r.l. sold the plant located in the Municipality of Cinisello Balsamo (MI) with about 33,000 redelivery points.

7.6 Acquisition of companies

No activity to report.

7.7 Significant events occurring after June 30

On 13 July 2022, the public session of the ATEM La Spezia tender was held, during which the scores attributed to the three technical bids were announced, and the envelopes of the economic bids were opened. The Tender Committee then started proceedings to establish whether the bid submitted by the firm that ranked first, i.e. Italgas Reti S.p.A., contained any irregularities.

8 Support for gas transport activities

8.1 Main regulatory changes

The main changes in the regulatory and legislative landscape have already been illustrated in the relevant sections covering Regulation.

All the processes and related upgrading of corporate information systems pertaining to legislation coming into force in the first half of 2022 were successfully implemented, while IT and process upgrades related to the regulatory changes that will become effective on or after 1 July 2021 are under way.

8.2 Requirements of the Integrated Information System

In the first half of 2022, regulatory developments continued to expand and update the information and data in the Official Central Register (locally known 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 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.

Regarding settlements, Resolution 3/2022/R/gas was published, in which ARERA adopted urgent provisions on the activation of the default transport service (SdDT), in view of the increase in cases of transport agreements being terminated and activation of the related default service caused by anomalous wholesale gas price trends and in view of various reports received from operators regarding possible

difficulties for Distribution Users (UdDs) in finding, within the times established by the regulation, Balancing Users (UdBs) for withdrawals from redelivery points previously matched with the UdBs whose transport agreement had been terminated.

It is therefore expected that, in the event of early termination of the transport agreement of the reference UdB:

- the deadline for a UdD to apply for matching with a new UdB is the 5th working day following day ten of the month;
- if the UdD fails to identify within this period a new UdB responsible for withdrawals from redelivery points covered by the terminated transport agreement, the distribution company no longer has to terminate its transport agreement due to loss of network access requirements, and the IIS shall activate the last-resort services only for redelivery points owned by the UdD for which, at the end of the SdDT delivery period there is no valid matching relation.

ARERA has also decided that, only for the first quarter of 2022, in cases of SdDT activation following termination of the transport agreement, there will be a further extension of the terms granted to the UdD in order to file the request for matching with a new UdB (setting this new deadline at the fifth last working day of the month prior to the date on which the matching relation is updated).

In view of the aforementioned extension, the prior notifications regarding last-resort service activation that the IIS sends to end customers will not be sent.

It is also noted that resolution 13/2022/R/gas was published, with ARERA approving the proposed amendments to Snam Rete Gas's (SRG) Network Code, functional to the implementation of the provisions of resolution 496/2021/R/gas, laying down measures relating, among other things, to billing procedures for economic items further to adjustment sessions and the correction of distribution withdrawal data that did not pass consistency checks carried out by the IIS.

In particular, ARERA ordered:

- the extension to 21 March 2022 of the deadline for the final publication of the results of the annual adjustment session for 2020 (in order to allow SRG to manage UdB requests for the correction of withdrawal data);
- the extension to 31 May 2022 of the deadline for the final publication of the results of the next multi-year adjustment session;
- for all activities functional to the execution of adjustment sessions to be performed in 2022, coordination between IIS and SRG and the obligation to make available in advance the relevant detailed time frames on the IIS website.

In accordance with regulations and the publication of Resolution 63/2021/R/com, the implementation of the new gas bonus continued, with applications managed directly by the Integrated Information System and no longer by the S.G.A.T.E. system. This also 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.

Following the publication of Resolution 188/2022/R/com, which implements the provisions of art. 6 on the question of raising the ISEE (Equivalent Economic Status Indicator) threshold for access to social bonuses for electricity and gas, this entails, for the period 1 April 2022 – 31 December 2022:

- the monthly transmission by INPS to the Integrated Information System (IIS), starting from May 2022 and in addition to the information already required by resolution 63/2021/R/com, a communication containing the list of ISEE households that fall into "Class d" on the basis of the Single Substitute Declaration (DSU – *Dichiarazione Sostitutiva Unica*) for 2022, submitted starting from 1 April 2022 and certified by INPS itself in the month prior to the transmission;
- the transmission by INPS to the IIS, for each DSU, of the information required by art. 4.2 of Annex A to resolution 63/2021/R/com (such as dates of submission, expiry and issue of the DSU, as well as facilitation class);

ARERA will define application methods for the payment of gas and electricity social bonuses to new eligible individuals in a subsequent resolution.

In-house studies are currently under way for the implementation of the regulatory changes introduced by Resolution 269/2022/R/gas on the updating of the metering service regulation.

The first effects of the new resolution will come into force as of 1 October 2022, since only redelivery points equipped with a meter having a class \geq G10 will be subject to a new system of compensation, to be applied to UdDs based on the quality of the metering data (percentage of actual readings vs estimates).

For this new compensation, ARERA has decided to entrust management of the mechanism to the IIS as of March 2023 (with reference to metering data for January 2023), and has fixed a test/monitoring period during which compensation will be calculated by distributors (based on metering data for the period October 2022 to December 2022).

8.3 Relations with Traders and Customer Care

Major customers

In the first half of 2022, the Group continued in the management of the gas distribution business in undertaking normal commercial relations with its customers (gas sale companies or traders).

The Group's main customers are Italian companies which are leaders on the gas market.

In particular, customers whose contribution to turnover was over 5% of the total during the half year were:

Enel Energia S.p.A. with 32.8%
Edison Energia S.p.A. with 10.8%
Engie Italia S.p.A. with 8.5%
E.ON Energia S.p.A. with 6.5%
Eni Gas e Luce with 5.0%

Commercial quality

The index of “non-standard” services, for the purposes of the service’s quality parameters envisaged by ARERA with Resolution 569/2019/R/gas, achieved during the first half of 2022 by Group companies was 0.15% for specific quality levels, while for general quality levels the overall result was 0.23%.

Performance in the first half of 2022 was influenced in part by the partial unavailability of systems in the week of 16 May.

8.4 Front Office

All complaints from end customers are managed in accordance with the rules of ARERA and within the timeframe and in the manner as set out in its own internal procedures and guidelines.

The main issues for which requests for information and/or complaints were received from end customers concern the verification of the meter reading and the reconstruction of consumption, with particular reference to the (i) replacement of traditional meters with smart meters as provided for by ARERA Resolution No. 631/2013/R/gas of 27 December 2013, and (ii) work required to replace faulty smart meters, sometimes in reference to the “short statute of limitation”.

During the first half of 2022, the Group received and handled 2,321 written requests, including 1,859 complaints/requests for information subject to compliance with the general commercial quality standard set out in Article 50 of ARERA Resolution No. 569/2019/R/gas, and 532 classified as miscellaneous.

The regulations require that a reply is provided within and no later than 30 days to a minimum annual percentage of 95% of cases, such percentage applying to each region.

During the first half of the year, the number of cases handled was lower than in the previous year. The percentage of complaints/requests for information subject to compliance with the ARERA standard (with reference to the publication of the Commercial Quality Report as at week 27/2021) was 99.89% of the total, thus higher than the minimum defined by ARERA, while the percentage of complaints/requests for information subject to compliance with the ARERA standard on redelivery points under management was 0.04%. In both cases the above figures proved in

line with the internal targets set in relation to the maintenance of performance levels in this area, as an initiative to be monitored in relation to the objective of ensuring compliance with performance levels of customer satisfaction results concerning primary customers.

In the first half of 2022, the Group handled 274 settlements (302 in the first half of 2021), including 258 as technical support (indirect settlements), and 16 as party to the settlement (direct settlements).

The complaints received from “ARERA – Sportello per il consumatore” are exclusively related to the social bonus issue. During the first half of 2022, 188 applications were received.

Finally, the number of requests handled as at the date of preparing this report totalled 834 requests for technical data that can be collected by reading the meter (known as M01, compared to 993 in the same period in 2021) and 4,299 requests regarding other technical data (known as M02, compared to 5,416 in the first half of 2021).

8.5 Commercial Call Centre

The Group provides a call centre service free of charge, available on working days, through two toll-free numbers for the network end customers.

This service, which is an addition to what is envisaged by the law in force, is a benefit for the network end customers and lets them ask for more information on:

- commercial aspects, with a toll-free number dedicated to activation requests pursuant to Resolution 40/2014, commercial offers, reactivation of supply following suspension due to potential danger, last-resort services and portal for end customers;
- smart meters, with a toll-free number dedicated to requests for information on the scheduled mass replacement plan and for setting a personal appointment for the replacement of the traditional meter with the smart meter if it was not possible to make such a replacement during the scheduled intervention.

During the first half of 2022, 2i Rete Gas commercial call centre received 143,988 calls (159,211 in the first half of 2021), of which 137,129 were handled (147,060 in the first half of 2021), improving performance compared to the previous year.

The service standard requires compliance with a minimum monthly percentage of calls handled set at 92% for 2022 (as was the case in the same six-month period in 2021); during the first half of the year under review, this overall percentage was met, standing at 95%.

8.6 Gas Invoicing and Balancing

Invoicing of Transport and Services

Ordinary transport, commercial services and compensation activities were invoiced on a monthly and regular basis in the first six months of the year.

Following the publication of ARERA Resolution 34/2022/R/com, establishing a new extension (to 31 December 2022) for the application of tariff-related relief to the populations hit by the seismic events of 2016 and 2017, the process for the recognition of this relief continues.

Following the publication of Decision 11 2020 DACU Gas of 29 December 2020, governing management procedures for the transitional period for the recognition of social bonuses, disbursements in the manner established by the previous legislation continued during 2021 and then in the first quarter of 2022, gradually terminating.

In fact, with the payment of the bonuses in February 2022 the disbursement according to the rules laid down by the previous legislation came to an end.

In 2022, the social bonus measures continued, following the provisions of Resolution 63/2021/R/com, effective as of August 2021, as supplemented by the provisions of the subsequent Resolution 396/2021/R/com.

With reference to social bonuses, in compliance with the provisions of Law Decree 80/2022, ARERA plans to leave unchanged the level of the bonus set in 2021 (CCG component) and to maintain the application of social bonuses that supplement those already determined on an annual basis by Resolution 63/2021/R/com (CCI component), and confirms the methods for determining the amount of the supplementary gas bonus and its disbursement.

It is noted in particular that for the first quarter of 2022, in the winter season, the value of the CCI component was, on a monthly average, higher than the value of the CCG component.

Pending the conversion into law of Law Decree 21/2022 containing "Urgent measures to counteract the economic and humanitarian effects of the Ukrainian crisis", ARERA, with Resolution 188/2022/R/com, has implemented the provisions of art. 6 to raise the ISEE threshold for access to electricity and gas social bonuses, envisaging, for the period 1 April 2022 - 31 December 2022:

- the creation of a new facilitation class ("Class d") only for households with ISEE between 8,265 and 12,000 euro, less than 4 children, and who do not receive citizens' income/pension;
- the monthly transmission by INPS to the Integrated Information System (IIS), starting from May 2022 and in addition to the information already required by resolution 63/2021/R/com, a communication containing the list of ISEE households that fall into "Class d" on the basis of the Single Substitute Declaration (DSU - *Dichiarazione Sostitutiva Unica*) for 2022, submitted starting from 1 April 2022 and certified by INPS itself in the month prior to the transmission;
- the transmission by INPS to the IIS, for each DSU, of the information required by art. 4.2 of Annex A to resolution 63/2021/R/com (such as dates of submission, expiry and issue of the DSU, as well as facilitation class);

- for the above information, the same transmission methods (encryption and authentication) required by resolution 223/2021/R/com to ensure the origin and confidentiality of the data communicated.

ARERA will define application methods for the payment of gas and electricity social bonuses to new eligible individuals in a subsequent resolution.

ARERA, with resolutions 141/2022/R/gas and 144/2022/R/gas initially, and with resolutions 295/2022/R/gas and 296/2022/R/gas subsequently, updated, respectively for the quarter from April to June and for the quarter from July to September 2022, the economic conditions for the supply of natural gas for the protected service (*servizio di tutela*) and the components intended to cover general system charges and additional components, with the aim of mitigating the impacts of the economic situation and the sharp rise in gas prices.

In greater detail, the Authority:

- confirmed, for the second and third quarters of 2022, the elimination of UG3, RE and GS component rates;
- envisages introducing in the second quarter and subsequently updating in the third quarter the UG2c rate for the UG2 distribution tariff component, by applying a negative component. This component, amounting to -11.5000 c€/Scm for the second quarter and -34.6600 c€/Scm for the third quarter, applies to consumption brackets up to and including the bracket with a maximum consumption of 5,000 Scm/year.

Gas Balances

On 28 February 2022, the production and provision to National/Regional Transporters and Interconnected Distributors of the data relating to the so-called “Multi-year Adjustment Session” for 2017-2019 was finalised.

Under the new regulatory framework – whereby, effective as of 1 January 2020, with the Integrated Information System the Single Buyer is responsible for calculating balancing sessions, as there was no parallel run during the handover between the distribution company 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 calculation in accordance with regulatory deadlines also in the period under review.

This made it possible to highlight/anticipate any critical issues emerging during the various sessions conducted by the Single Buyer and to continue fruitful and constructive discussions, already started in 2021, 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 and 2021, the technical and operational issues that emerged in 2020 and 2021 persisted in the first half of 2022.

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/Yearly and Multi-Year Adjustment, 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.

With resolution 13/2022/R/gas, ARERA approved the proposed amendments to Snam Rete Gas's (SRG) Network Code, functional to the implementation of the provisions of resolution 496/2021/R/gas, laying down measures relating, among other things, to billing procedures for economic items further to adjustment sessions and the correction of distribution withdrawal data that did not pass consistency checks carried out by the IIS.

During 2022, as part of the corporate sustainability plan, monitoring and analysis activities continued on the so-called “ Δ In-Out”, with special reference to cases of deviations between the volume injected into and the volume withdrawn from the network, already begun in 2021, and operations continued on the “ Δ In-Out project”, which saw the expansion of the set of plants with significant historical values of Δ In-Out.

This project is allowing:

- on the one hand, the definition of a shared, traceable and replicable methodology that makes it possible – by analysing the data available – to gain insights into studies carried out in the field, define/complete work on plants, undertake support initiatives as required, identify the origin of the Δ In-Out and develop appropriate mitigation actions;
- on the other, the implementation of concrete actions leading to the containment of the Δ In-Out for the specific cases analysed.

The more complex operational activities already defined will continue in the second half of 2022, also following indications from ARERA as part of the audit carried out on settlement at the end of November 2021.

8.7 Metering

As the installation of the new smart 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 30 June 2022 more than 92% of redelivery points with an active transport contract operated by the Group transmitted data by smart metering.

With regard to the short statute of limitation, it is worth noting the publication of the favourable sentence of the Lombardy Regional Administrative Court (TAR), Milan section, dated 9 April 2022, which suspends art. 6.4 of ARERA resolution 603/2021/R/com, following the appeal filed by 2i Rete Gas, which establishes the distributor's obligations in responding to the sales companies' requests for a two-

year statute of limitations in the transitional phase, setting the hearing for the discussion of the merits of the case on 1 December 2022.

Indeed, the TAR held that the report filed by ARERA did not express an unambiguous interpretation of the contested resolution and that the article of the resolution in question – in the part in which it obliges distributors to provide information on the “occurrence of documented circumstances hindering acceptance of the end customer’s objection of limitation”, specifying the “regulatory reference” and providing a “detailed, accurate and exhaustive description of the alleged hindering causes” – the provision of information which, on the one hand, goes beyond the factual findings that can be verified in the exercise of the distribution and metering services, and on the other hand, requires the distributor to make legal evaluations and assessments regarding the existence of causes hindering the statute of limitations, which do not appear to be attributable to the scope of the services assigned to distributors.

In essence, therefore, Article 6.4 of resolution 603/2021/R/com is suspended, both in the part in which it imposes information obligations that go beyond what can be ascertained by the distribution company in performing distribution and metering services, and in the part in which it introduces a presumptive mechanism as to the absence of causes hindering the objection of limitation, and, finally, in the part in which it provides for a term of 7 days for the fulfilment of the obligation, moreover correlating the activation of the aforementioned presumption to its expiry.

In-house studies are currently under way for the implementation of the regulatory changes introduced by Resolution 269/2022/R/gas on the updating of the metering service regulation.

ARERA redefines the output and performance of the metering service through smart meters. Provisions will be applied as from 1 April 2023, in order to allow the necessary technological, operational and organisational adjustments.

On the other hand, as from 1 October 2022 the new regulations regarding compensation for distribution users (UdDs) and management of compensation by the IIS will be applied.

Regarding the performance of the metering service, ARERA established:

- setting a deadline for the commissioning of smart meters (within 90 days of installation);
- overcoming the possibility of classifying as traditional meters those smart meters not permanently read remotely, (implicitly) granting a transitional period (until the coming into force of the provisions) within which the distributor can restore the smart meter classification of any smart meters previously reclassified as traditional;
- for redelivery points equipped with class G4 and G6 smart meters, a monthly collection of meter readings, at the end of the month, or alternatively, in the event of unavailability of the end-of-month data, the possibility of collecting meter readings in the 3 days following the end of the month, and postponing the introduction of the obligation of daily reading in the event of

- unavailability of actual readings, with the distributor estimating the reading at the end of the month (or in the following 3 days);
- repeal of the “exceptions” to the frequency of meter reading provided for in point 6 of resolution 117 2015/R/gas;
 - the reduction of the time frame for making meter readings available to the IIS (for redelivery points equipped with smart meters within the 7th calendar day of each month, for those with traditional meters within the 6th working day of the month).

With regard to automatic compensation for the end customer, ARERA has established disbursement in the event of repeated unavailability of actual readings at the end of the month (or in the 3 days following the end of the month). A distinction has been introduced in terms of annual consumption threshold, entailing:

- the disbursement of compensation in the event of unavailability of meter data for 6 consecutive months (in the case of customers with annual consumption up to 500 Scm) and for 3 consecutive months (for customers with annual consumption over 500 Scm);
- a unit compensation amount of 10 euro (as in the electricity sector);
- the granting to each end customer of all due compensation, with no annual limit;
- the (subsequent) revaluation of the period after which compensation is accrued, in relation to the performance that will be detected/measured.

With reference to compensation in favour of UdDs, the introduction of a mechanism to raise performance regarding the reading and provision of metering data in terms of data quality and compliance with time frames is confirmed; in particular ARERA has established:

- simplifying the performance indicators initially proposed during the consultation phase;
- starting to apply the rules relating to “new” compensation only for redelivery points equipped with smart meters of class \geq G10 while maintaining the current compensation pursuant to art. 15(5)(c) of the TIVG (Consolidated text of provisions governing activities connected with the retail sale of natural gas) for redelivery points equipped with smart meters $<$ G10 (for the latter, the application of new compensation in respect the quality of metering data has been put back to a future measure);
- introducing a minimum threshold (in terms of number of redelivery points owned by an UdD on each distribution network) for the application of “new compensation”, namely 10 redelivery points;
- entrusting management of the mechanism to the IIS as of March 2023 (with reference to metering data for January 2023), providing for a testing/monitoring period, during which
- compensation will be calculated by distributors (on metering data for the period October 2022 – December 2022).

With regard to costs incurred by distributors for the compensation paid to end customers for non-reading of meters, ARERA provides for their partial reimbursement, through the existing equalisation system, up to a physiological level of remote reading failure, and in particular:

- on first application, it sets the physiological rate at 5% for redelivery points with annual consumption up to 500 Scm and at 4.8% for other redelivery points;
- provides for the reimbursement to each distributor of part of the compensation paid to customers, namely the lesser value among that actually disbursed and that corresponding to a cap equal to 50% of the maximum payable amount if no communications have been forthcoming throughout the year, and in any case with the application of an incentive reduction coefficient for recognised costs (0.8);
- provides, with a view to gradual improvement, for subsequent updates of the physiological failure rates or the incentive coefficient, based on reports monitoring the performance of smart meters drafted by operators (to be sent periodically according to methods that will later be indicated by ARERA).

8.8 Commercial development

2i Rete Gas S.p.A.'s commercial initiatives

In the first half of 2022, the commercial model introduced in 2018 with the aim of acquiring and activating new redelivery points and, more generally, spreading the culture of methane gas to promote its adoption as a replacement for more polluting and less efficient fuels (e.g. diesel, LPG, coal and pellets) continued to be enhanced.

2i Rete Gas works to ensure that gas plays a central role in the energy consumption of households and businesses, as a tangible contribution to the decarbonisation process.

To this end, promotional materials have been prepared and advertising and direct marketing campaigns launched, especially for new methane gas supplies or network extensions, with the organisation of information events and distribution of reading materials, in collaboration with concession-granting authorities.

Initiatives have also been launched or extended to promote the use of methane gas in areas with greater potential in terms of unserved users, encouraging connection/activation requests through subsidised fees. These initiatives involved a total of 1,150 municipalities (of which 6 managed by Cilento Reti Gas), all over Italy, in which subsidies were introduced on fees for new connections, and many other municipalities with high potential in terms of redelivery points created but never activated, where promotional campaigns were conducted on activation fees and document checks.

In particular:

- promotions were launched in 115 municipalities, eliminating first connection fees and document checks pursuant to ARERA resolution 40/2014/R/gas, as amended;
- promotions were launched in 708 municipalities on connections with subsidised fees compared to the normal fee;
- both of the above initiatives were launched in 327 municipalities (of which 6 managed by Cilento Reti Gas).

In June, a digital display campaign was launched with the aim of reaching the target users who connect to the web from some municipalities of the Veneto and Piedmont regions; in Lazio, on the other hand, a communication campaign was launched with the use of advertising vans and the distribution of postcards in order to highlight the benefits of methane gas compared to LPG in terms of emissions and pollution and illustrate promotional campaigns. These areas have been chosen as there is widespread use of LPG compared to both the regional and national average.

In the same month, in the municipalities where important network extensions are under way, communication campaigns were launched with the help of advertising vans and the distribution of postcards to promote the campaign for subsidised connection fees.

In the first half of the year, a meeting was held with Sales Companies operating in the South West Department, more precisely in the Naples area. Six sales companies operating in such area took part in this meeting, which was held remotely on 21 June.

In the second half of the year, three more meetings are planned with sales companies operating mainly in the Central, North East and South East departments.

Cilento Project

Cilento Reti Gas S.r.l. is engaged in the realisation of the natural gas distribution network in the municipalities that adhere to the agreement signed in 2010 in the areas of Bussento, Lambro and Mingardo, Gelbison and Cervati, Alento and Monte Stella.

Municipalities currently reached by gas supplies include: Sapri, Camerota and Vibonati, Torraca, Tortorella, Morigerati, Ispani, Caselle in Pittari and Casaleto Spartano.

In the first half of 2022, the construction of the networks of the municipalities of Torre Orsaia and San Giovanni a Piro continued. Finally, the executive project of the municipality of Roccagloriosa was presented and approved, and preparatory activities are underway for the construction of a variant to the supply system that will cross the territory of the municipalities of Torre Orsaia and Morigerati and will allow the networks of Torre Orsaia, Roccagloriosa, San Giovanni a Piro and

Camerota (the latter currently in operation and fed by tank trucks) to be connected in a short time.

In all the territories recently activated, a communication plan was prepared and implemented with the aim of raising awareness among the citizens and accelerating operations of connection to the distribution network. To this end, subsidies relating to free service activation and documentary review (Resolution 40/2014 ARERA) – resulting in further savings for the citizens – were added to the existing subsidies, such as subsidised connection fee, building a housing for the meter and providing a pressure reducer free of charge.

9 Plant construction, environment and safety

9.1 Gas distribution plants

Overall, during the period the Group's companies laid little less than 155 km of pipes, of which almost 56% were Low-Pressure pipes and the remaining were High/Medium-Pressure pipes.

Only a minority of these extensions featured coated steel pipes. In line with the Company's technical guidelines, the remaining networks (approximately 97% of the pipes laid) were built with pipes made of HDPE (high-density polyethylene), a more recent technologically advanced material that is widely used also at the international level that the Group has been using for some time now: among other things, it has lower operating costs compared to traditional coated steel pipes.

These interventions refer to the need for upgrading to maintain service levels, for the acquisition of new customers in new expansion areas and for concession obligations assumed under the agreements with the competent Entities, as well as for the interconnection of plants in order to rationalise their operation.

The overall size of the network managed by the companies of the 2i Rete Gas Group as at 30 June 2022 was around 69,880 km.

In addition, 1,275 primary substations are active which, upstream of the distribution networks managed by the Group, reduce, measure and odourise the gas from the national transport networks. On the network there are also almost 17,000 secondary reduction groups with a capacity of at least 120 sm³/h used to reduce pressure between the Medium-pressure and Low-pressure networks, direct supply to large customers and intermediate pressure reductions between medium pressure networks.

9.2 Service continuity and safety

By April 2022, the Group published the data on the 2021 service safety and continuity technical standards for all its companies. This work was done by extracting data from the corporate IT systems recorded by the local units during the year.

As in previous years, the Group's performance has exceeded the minimum requirements of the competent authority.

Overall, for the companies of the Group, in terms of constant attention to the safety of plants and end customers, campaigns were undertaken regarding the preventative search for leaks: relating to the planned inspection on the distribution network, equal to over 79% of the High-Pressure and Medium-Pressure (HP/MP) piping and over 67% of the Low-Pressure (LP) piping.

The percentage of network subject to preventative leak detection remained in line with the Group's historical data.

With regard to gas odourisation in-field tests carried out in order to thoroughly monitor the actual level, the reported values were considerably higher than the minimum requirements (around 17,900 chromatography tests) compared to the minimum value required by ARERA (around 3,600 tests).

In the first half of the year, in line with applicable regulations and corporate procedural guidelines, the Group started monitoring the data related to service Safety and Continuity processes pursuant to the new Resolution 569/2019/R/gas (which will govern service continuity and safety for the 2020-2025 period), with no substantial changes compared to the previous Resolution 574/2013.

The main parameters concerning these activities 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 preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odourisation, percentage of network with cathodic protection).

9.3 Resolution 155/08 et seq. – (Smart meters)

As at 30 June 2022, smart meters installed totalled approximately 4.35 million.

The pilot project for the integrated remote handling of non-payment with remote valve shut-off was reactivated. This activity had been temporarily suspended due to the health emergency.

Work continued to standardise the new meter models, analyse the faulty ones, and perform specific tests at the laboratory in Cremona.

The management of network equipment ensuring connectivity with the electronic meters in the 169 MHz band is the responsibility of the company 2i Rete Dati, totally owned by 2i Rete Gas S.p.A., with which a special service agreement has been signed.

9.4 Network digitisation activities

During 2022 the development of the 2i-IoT platform for the centralised acquisition of remote control and remote alarm data from the network was started with the aim of increasing security levels through digitised process monitoring and streamlining network management interventions.

9.5 Planning activities

The preparation, control and updating of the detailed technical elements – mainly related to the plants already managed by the Group – continues, in order to be prepared to draw up the technical proposals to be submitted when the tender phase is entered.

In addition, the ordinary design work to support internal requests for the development and extension of existing networks, as well as requests for fluid dynamic checks on plants, continued.

9.6 Regulatory oversight

During 2022, 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.

10 Quality, Safety and Environment

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

During the month of May, activities necessary for the annual validation of the certified systems for Quality, Health and Safety and Environment were carried out. The audit findings by Certiquality S.r.l. resulted in an opinion of full compliance, checking and confirming compliance of the IMS (Integrated Management System) of the Parent Company 2i Rete Gas S.p.A., in accordance with Standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and UNI ISO 45001:2018;

Therefore, 2i Rete Gas S.p.A. currently operates with a Certified Management System which complies with:

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

Following the annual validation, validity was confirmed up to 3 June 2024. In 2023 a further supervisory audit will be carried out to confirm that the Management Systems are being properly maintained.

The Quality, Safety and Environment Function of the Operations Department scheduled 50 internal audits for 2022, aimed at monitoring the alignment of the Quality, Safety and Environment management system with applicable laws and system documents, as well as at ensuring appropriate implementation of the actions to be deployed in order to monitor significant risks.

In the first half of the year, the first 15 scheduled audits were carried out, conducting checks on headquarters facilities, two departments and a number of Area offices and branch offices falling within the Surveillance scope;

By performing test checks on all the processes being managed, the audits carried out showed that no Serious Non-Compliance situation 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

2i Rete Gas S.r.l. possessed its own UNI EN ISO 9001:2015 certification, valid up to 13 May 2024.

Following the definitive award of ATEM Milan 1 to the new operator and subsequent delivery of the only managed plant, i.e. "Cinisello Balsamo", with the sale of the local operational office, 2i Rete Gas S.r.l. is no longer able to demonstrate the existence of the essential requirements supporting its Quality Management System.

On 30 June 2022, Certiquality was notified about the waiving of certification.

10.1 Prevention and Protection Service

As the COVID-19 emergency continued, the Group updated/implemented the supporting documentation included in Attachment no. 12 to the "Biological Agents" file of the Risk Assessment Document for all Business Units.

During the first half of the year, the Risk Assessment Document was also updated for the following reasons:

- Assessment update (chap. 2.5.12) "Biological agents" supporting documentation "Legionellosis risk control protocol"
- Assessment update (chap. 7.1) "Improvement in working conditions in workplaces"

- Assessment update, introduction chapter 2.5.21 “Smart work”
- Assessment update “Work-related stress”

Workplace injuries:

In the first half of 2022, workplace injuries decreased compared with the previous year, despite the full resumption of gas network installation and maintenance activities as compared to the first six months of 2021.

In the first half of 2021, 9 “non-serious” (i.e. with initial diagnosis of less than 30 days) injuries occurred, 8 involving blue collar staff and 1 involving white collar staff. In the first half of 2022, 8 “non-serious” injuries occurred, of which 4 involving blue collar staff and 4 involving white collar staff. As regards the latter, one was a road accident while on duty, while two injuries occurred at home during the performance of Smart Work activities.

In the first half of 2022 there were no commuting accidents for blue collar or white collar staff. In the first half of 2021 3 commuting accidents occurred, 2 involving blue collar workers and 1 involving a white collar worker.

The total number of injuries recorded in the first half of 2022 was 8, compared to 12 in the first half of 2021.

In order to achieve “zero injuries”, the QSE function, in collaboration with the Head of the Prevention and Protection Service (RSPP), continued performing workplace safety audits at the local structures as well as at the worksites with in-progress inspections for contractors.

Following the election of Workers’ Safety Representatives (RLSs) in November/December 2021 and their subsequent training, in June the RSPP, with Prevention and Protection Service staff members, organised a meeting called “One day...in safety” with the support of in-house HR and QSE functions in order to integrate, engage and enhance the role played by newly elected RLSs, in support of the RSPP and Employer representative.

Health Surveillance Situation:

Since 1 January, the Prevention and Protection Service, in close collaboration with suppliers working for the health surveillance of 2i Rete Gas staff, has updated/rationalised the check-up schedule with the aim of optimising visit periods in two/three periods per year per Area.

The idea is to improve/reconcile mandatory check-ups with work activities. This new improved system will be fully operational in about a year's time.

In the first half of the year, 310 white collars and 319 blue collars underwent examinations in accordance with the healthcare protocol.

During the period, the telephone service that puts the worker in contact with the competent physician, at the latter's request, continued.

During the first half of the year, the identification of persons who, due to their set of pathologies, can be classed as "fragile" subjects and particularly exposed during the health emergency continued.

As at 30 June this activity ended, further to new ministerial provisions.

10.2 Environmental issues

The QSE function constantly monitors material environmental aspects and ensures the Company is aligned with changes in environmental regulations.

Regarding environmental system indicators, the goals set were broken down into parameters to monitor regulatory compliance and targets geared towards continuous improvement.

As far as the 2i Rete Gas Group is concerned, the prerequisites, i.e. the aspects considered to be essential to sound business operations, include:

- Regulatory compliance
- Ethics and anti-corruption
- Listening to stakeholders
- Creating sustainable economic value

The goals that the Management System sets for itself in the near future are defined through a strategy intended to ensure the monitoring of the prerequisites within its scope.

The primary indicators for measuring the effectiveness of our management system include:

- Assessing compliance with regulatory requirements;
- Assessing the effectiveness of the monitoring actions identified in order to mitigate risks;
- Measuring the aspects found to be material to boosting the performance of the QSE System.

In addition to the above, the following indicators apply with respect to Environmental Management:

- Ensuring that worksite operations and special waste produced by contractors during plant construction and maintenance activities are managed properly from an environmental perspective.
- Monitoring the amount of waste generated, maximising the recovery of materials, resulting from plant operation and maintenance, sent for treatment.

- Streamlining production processes to curb the consumption of primary energy required for technological purposes (gas preheating and cathodic protection of steel pipes).
- Keeping the vehicle fleet efficient and optimising work trips to curb fuel consumption and the relevant CO2 emissions.

In addition, all indicators are aligned with meeting the principles set out in the IMS Policy and, as far as the scope of the Management System is concerned, the Group's Sustainability Policy.

Non-hazardous and hazardous special waste products are the subject of specific analyses that have, among the various outputs, the drafting of quarterly reports in order to track the trends of certain performance indicators and any improvements. The Company handles all types of waste it generates in compliance with the law, tracking it on paper by keeping waste loading and unloading records as well as digitally using a dedicated programme.

10.3 Technical and commercial quality, audit of technical and commercial quality data

The audit is intended to assess the quality and consistency of the documents certifying the safety and continuity of the service (management of the Emergency Response Service, management of leaks, management of checks on the level of odourisation of the gas distributed) and the compliance of the service commercial quality performance records, carried out on samples selected with criteria similar to those used by ARERA for its controls.

In order to ensure the performance of controls planned for 2022, the QSE/IMS unit has introduced a new specific method for ON-SITE verification of the most relevant plants, plus an OFF-SITE solution that makes it possible to expand the range of Areas subject to audits during the year.

As at 30 June 2022, 5 plants were audited for technical quality aspects and 3 Provinces were audited for commercial quality aspects; the audits will continue also in the second half of the year, until the planned plants and Provinces are covered.

The proposed corrective or preventative actions, once implemented by the structures concerned, allow to further improve the confidence on compliance of the audited data where necessary.

10.4 Control over worksite safety

During the first half of 2022, work continued to guarantee alignment to relevant laws in force and compliance with corporate provisions regarding the management of safety aspects for activities which fall under art. 26 and in Chapter IV of Legislative Decree 81/08, which involve company representatives, respectively in the role of Employer commissioning the work, Principal and Works Manager.

With respect to the above, 1 coordination meeting with all internal CSEs (safety coordinators in the execution phase) and 3 Department CVC (worksite control and inspection) meetings were called, and there were 2 days of CVC cross-checks on the territory, namely worksites checked by internal CSEs with support from the QSE/CVC Business Unit.

Documents such as the 2i Rete Gas Worksite Anti-Contagion Safety Protocol and the Guidelines for CSEs, were updated to come into line with new regulations and to help work continue to be carried out safely, ensuring, among other things, a much-desired consistent approach to safety issues at 2i Rete Gas worksites.

Company documents relevant to the definition of roles and responsibilities of the profiles involved in the application of Chapter IV of Legislative Decree 81/08 81/08 were reviewed and updated.

As for the management of safety coordination at worksites, monitoring and periodic reporting efforts continued with respect to the activities performed by external and internal CSPs (safety coordinators in the design stage) and CSEs (safety coordinators in the execution phase) involved across the Company.

All the CSEs adopt the same format for reporting site visits, so that a uniform method is adopted by them in carrying out the controls, limiting as far as possible a subjective approach.

In the first half of the year, the ACO_CVC project was presented. Its main objectives include that of harmonising conduct based on the rationalisation and monitoring of the activities carried out by ACO (operational control staff), based in part on experience acquired in the sphere of CSE coordination.

In the first six months of 2022, the CSEs produced a total of 3,182 reports (in line with the first half of 2021), highlighting 316 cases of non-compliance, about 45% fewer than the figure in the first half of 2021. In all such cases of non-compliance, the actions performed by the companies following the instructions of the CSEs were checked.

10.5 Checks on Cilento Reti Gas operations

With reference to the commitments undertaken pursuant to agreements and regulations governing activities underpinning technical design 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 to the coordination of material testing activities carried out by the contractors selected by the shareholder Bonatti.

During the first half of 2022, 1 day of inspections was carried out on worksites – during the testing of finished works – through surveys and sample tests; on 3 plants under construction, 8 technical checks and 3 document checks were carried out in total, the results of which generally attested to the compliance of works with technical specifications and quantities accounted for.

With regard to the materials supplied, 2i Rete Gas ensured that checks were performed on the supplies required, 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.

11 Human resources

11.1 Corporate organisation

In the first half of the year, a series of organisational actions affected both Staff and Business functions.

The year opened with the study and analysis of the reorganisation of the North Department, which was completed on 1 February 2022.

In the following months, on the other hand, the focus of organisational actions was on the Staff functions and, more specifically, on those in closer contact and support of the business. Operational Management has been modified to foster innovation, raise efficiency and modernise gas distribution assets, with the establishment of the Digitisation Unit for Networks and Transmission Systems and consequent modification of Operation and Engineering Units.

The development phase of the Job Evaluation Project was completed, entailing, in collaboration with the Staff Management and Development function, the consolidation of the Skills module, allowing the definition of the course-skills association system for all operational profiles, both blue collar and white collar.

In addition to the aforementioned activities, preliminary work was begun on the integration of ATEM Naples 1.

11.2 Industrial relations

In the first half of the year, the transfer of resources allocated to Cinisello Balsamo plants as part of the distribution service concession of ATEM Milan 1 was concluded positively, following the disclosure pursuant to Ministerial Decree 21 April 2011 (Social Clause Decree) with the local trade unions and RSUs (Labour Councils). On 28 February 2022, the consequent transfer of employees was formalised, with termination of the employment relationship and simultaneous hiring by the incoming operator, i.e. Unareti, as from 1 March.

The contents of the Protocol for updating measures to limit the spread of the SARS-CoV-2/COVID-19 virus in the workplace, signed on 30 June 2022, were implemented, replacing the previous Protocol dated 6 April 2021. The meetings of local committees continued at the level of individual Departments and Headquarters, with a mixed trade union (RLS/RSU) and company (Employer, RSPP, Human Resources) composition. Although the state of emergency ceased on 31 March 2022, actions were further agreed upon and promoted to render effective all measures to contain the spread of COVID-19 through the sharing of information and views, and the company guidelines shared within these committees were updated.

At the beginning of the year, talks with trade unions were successful, and agreements were reached on the reorganisation of offices and smart work. The regulation for the latter was transposed into individual agreements, signed by eligible workers, effective as from 1 April 2022.

The results relating to indicators for the 2021 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 company application. With specific reference to the family, health, assistance and wellness area, the possibility of accessing Welfare Services through a mixed credit, i.e. Performance Bonus (“PDR”) credit and “2insieme a Te” credit, was offered again. 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 confirmed, including additional measures, benefits and services. The unilateral welfare system was revised to foster a greater use and dissemination of the tool among workers, with a new composition of packages for the credit “2insieme a Te”.

The reorganisation of local offices continued following the integration of personnel from recently acquired companies or logistical efficiency measures, with technical-operational personnel seeking to enhance local offices.

As part of the three-year renewal procedure for the Gas & Water collective labour agreement (CCNL), trade union negotiations were commenced on topics presented by the unions in the platform. The efforts made to reach agreements have so far been badly affected by the short-term economic situation impacted by fears of high inflation.

The agreement on the Performance Bonus was signed, limited to 2022, confirming some of the previous technical indicators and the possibility of converting 100% of the total bonus amount into supplementary welfare services in the sector. Furthermore, an additional welfare credit of up to 15% of the aforementioned converted amount only for employees who opt to convert the performance bonus was confirmed, in line with the previous agreement.

In line with the company's social sustainability policies and with regulatory provisions, 2i Rete Gas signed an agreement with trade unions for the voluntary granting, for 2022, to employees in possession of specific requirements of an incentive in the form of "fuel vouchers" for an amount of 200.00 euro, with the aim of limiting the adverse effects of the current macroeconomic context.

11.3 Recruitment

As at 30 June 2022, the Group had 1,998 employees.

As part of a personnel advancement effort deemed as necessary to develop the company's strategy, the 2i Rete Gas Group has embarked on a major long-term selection plan. In the first half of 2022, it resulted in 51 new hires, 49 of whom were recruited through new external selection procedures, plus one transformation of a work-training scheme and one hire as collaborator.

The hiring process pertained to white collar as well as blue collar staff profiles and was designed to meet 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 hires also partly responded to staff implementation needs.

Of the 49 new hires coming from external selection, 28 were recruited on fixed-term contracts, while the other 21 on permanent contracts.

Of these 49, 13 out of 36 white collar hires were female staff.

With regard to in-house job posting, 29 searches were activated for as many vacancies. A total of 22 applications were received. The selection process resulted in 4 vacancies being filled.

Following the COVID-19 emergency, videoconferencing platforms were used for most of the interviews with applicants.

11.4 Training and development

A number of training initiatives were developed in 2022, focusing on management and specialist (including IT) issues, as well as technical and security issues.

The most relevant management and specialist courses included:

- Project Management, following on from 2020 and 2021, with basic and advanced courses, aimed at supporting participants in dealing with projects of different economic and time scale.

- Problem Solving & Time Management, with about 35 participants this year, instrumental in improving self-organisation – by proposing methods that help define priorities – and the ability to make decisions consistent with the skills demanded of the position held.
- A course on Team Working entitled "Working together to Network", held for 35 colleagues, aimed at developing conflict management and negotiation skills and encouraging team work through various meetings that included face-to-face training and experiential role-play sessions.
- Specialist courses for HR staff, including an in-depth study of labour costs for Staff Administration colleagues and, with a view to continuous development, a course on company conflict and labour relations management, aimed at local HR officers.
- Future It Leaders master's course, aimed at developing managerial skills for middle managers in the IT department.
- Smart work: all managers took part in a course designed to give them the appropriate tools to deal with and manage smart work and learn the key concepts to be transferred to their workers/collaborators, exemplifying best practices.
- Thanks to the collaboration of all department managers, the course "Getting to know the company and our Business" aimed at all workers hired over the previous two years resumed. Participants were recruited at an unusual time, as the Covid-19 pandemic affected their knowledge of the company. The course was thus very useful for gaining an in-depth picture of the activities performed by different corporate functions.
- "Tax offences and updates of Organisational Model pursuant to Legislative Decree 231", a course given by the heads of the Legal and Administration Departments.

As for technical and operational training, various important initiatives were launched and provided. Most notably:

- following developments in local IT systems and digitisation processes, in the first half of the year training was provided to all territories, involving a total of about 700 area and department technicians.
- The First Response and Leakage training course continued to be delivered to operators and area technicians, involving about 350 colleagues as well as external personnel (about 560) belonging to contractors working on Group plants.
- As in previous years, training was organised in the sphere of User Management and Plant Maintenance and Operation, taking great care with the quality of the service provided.
- To have a complete picture of work assigned to companies, also from an economic point of view, basic training was given on Technical Specifications and the Fee Schedule, involving about 180 department and area technicians. As

it happens annually for the personnel in charge of surveillance activities of the distribution plants, a 30-hour refresher course was delivered on UNI 11633:2016 – UNI PDR 39:2018 in order to maintain the skill and competence knowledge requirement qualifications of about 230 qualified technicians and workers.

In partnership with the QSE function and the Head of the Prevention and Protection Service, a number of training courses were organised and delivered, including:

- safe driving course: Theory and on-the-road DriveCheck organised in cooperation with ASC - Guida Sicura Quattroruote aimed at gaining insight into safety issues in perceptive, defensive and eco driving.
- In order to better manage vehicle traffic and safety in worksites, basic and refresher courses were organised on road signs, involving about 260 department and area workers. With regard to safety at work, 5 workers were trained as occupational health and safety instructors.
- In compliance with the five-year expiry of the qualification, a refresher course was given to 5 resources acting as CSEs (Safety coordinators in the execution phase), while another colleague was trained to perform this task.

11.5 Staff administration

Smart Work – Operational Aspects

The company agreement of 27 January 2022 made it necessary to examine implementation aspects and provide staff with information and practical guidance. The following actions were taken:

- The agreement was published.
- Employees joining the agreement were registered. A section was added to the “My Self Service” menu to register individual acceptance or rejection of the smart work agreement.
- The choice made was notified individually. Under the procedure, the choice made and the viewed agreement must again be sent to the e-mail box of each employee.

Smart work – IT applications

An IT project was launched to implement SAP HR management modules, which includes the creation of automated functions aimed at employees and their managers. The project, scheduled to end by 31 December 2022, has the following objectives:

- Facilitating the correct management of smart work for employees and their managers.

- Allowing managers to view and check the attendance/absence schedule of their employees. We are also looking into the possibility of implementing this feature and enabling active scheduling.
- Creating an additional SAP TIME database for HR management in order to generate reports to support analyses or assessments.

Document dematerialisation

During the first half of 2022, in order to further consolidate the objectives of environmental sustainability and the reduction of paper-based archives, online digital archives pertaining to additional activities managed by Staff Administration were expanded.

During the year, digital archiving will also be extended to the management of timetable documentary evidence of both blue collar and white collar staff.

In addition, the online consultation of monthly pay slips and *Certificazione Unica dei Redditi* (single income certification) has been extended to blue collar staff.

The extension of the online service has resulted in the reduction of postal costs, elimination of postal disruptions and the timely delivery of documents.

Gas Fund extraordinary contribution

In 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 due following cancellation of the Gas Fund pursuant to Legislative Decree 78/2015.

In July 2022, through communications sent via PEC (certified email), INPS notified payment requests, for the amounts of 137,941.83 euro (for Infrastrutture Distribuzione Gas S.p.A. now merged into 2i Rete Gas S.p.A.) and 3,627,672.83 euro (for 2i Rete Gas S.p.A.) respectively, by way of an extraordinary contribution to cover costs relating to supplementary pensions for the years 2015 to 2020 following cancellation of the Gas Fund, as provided for by Legislative Decree 78/2015.

The company, which has until 16 November 2022 to pay, already recorded as at 30 June 2022 the increase in amounts due compared to the initial estimate of 2015, pending clarifications from INPS about the criteria used to make the calculations for the sums referred to in the payment requests.

11.6 Corporate climate

In the first half of 2022, 2i Rete Gas continued to strive to coordinate an effective internal network of information flows, not only to make corporate objectives clearer and shared on a larger scale, but also to inform employees of news and decisions relating to the Covid-19 emergency in a timely manner.

In addition to the sending of regular newsletters with fresh indications, consultation of the company Intranet continued to be encouraged.

After the signing of the trade union agreement on smart work on 27 January 2022, we can confirm that also in the first half of 2022 work continued on planning and organising a gradual return of staff to the company's offices. The agreement regulates smart work in an experimental form, and represents a sort of "bridge" between smart work applied in the emergency phase and what may be the future working model in 2i Rete Gas corporate organisation.

The 2022 Welfare Plan was expanded and renewed with the aim of offering employees even more concrete and extended benefits, also through agreements with a number of structures and facilities (wellness, medical centres, etc.) in order to increasingly ensure greater coverage all over the country.

In 2022 workers will again be able to access Welfare services through mixed credit deriving not only from the conversion of up to 100% of their Performance Bonus, but also from an additional percentage covered by the Company.

In order to promote greater credit flexibility, this year two packages have been defined, called "2insieme a Te", with 2 types of services and credit that can be combined, related to health, wellness and family. The novelty in 2022 is that these packages will extend coverage to the employee's family members, in order to ensure a greater potential spending range.

Like last year, further innovations were introduced with reference to possible family needs. Workers will be able to access forms of microcredit to support the family/individual budget, thus making it possible to defer certain expenses related to child education, family assistance services and medical expenses. Finally, the telemedicine service continues to be active.

12 IT systems

In the first half of 2022, many projects focused on upgrading core business applications, on preliminary activities for taking over the ATEM Naples 1 plants, on adjustment activities for regulatory compliance, on developing and consolidating the Internet Of Things (IoT) platform, on raising operational efficiency – with a particular focus on work planning processes – on activities related to Cyber Security and on the assessment of the Technological Upgrading strategy for IT Operations.

As part of the broader programme of system upgrades, the upgrade of the technology platform implementing the solution for handling gas fault reporting service call management was completed.

The project for the development of the Commercial Front Office (SINAPSI, formerly the FOUR Gas portal) entailed the design and implementation of the regulated

commercial processes, with the aim of allowing its completion and performance of tests in the second half of the year.

At the same time, as part of initiatives to support the digitisation of networks, the lot platform implementation project was launched, adopting new paradigms for the integration and management of sensors and equipment installed in plants, enabling a more efficient interaction with the systems underpinning operational maintenance and running processes, adopting Advanced Analytics solutions to evaluate and prioritise field interventions. With the scouting of platforms completed and the target solution chosen, activities for creating the reference architecture and integrating the remote alarm devices are under way.

Finally, feasibility studies and designs for the technological upgrading of the SAP IS/U solution for the SAP HANA in-memory platform were completed, raising the efficiency of billing processes for transport services, allowing an evaluation of IT Operation infrastructures, identifying the Cloud migration scenario for almost all centralised and distributed services, to be carried out during 2023, completing the process of identifying Cloud Providers.

Initiatives in support of company development in the first quarter of the year related to final activities for the integration in the company's systems of Infrastrutture Distribuzione Gas, with particular reference to ARERA reports and surveys, and activities for the sale of ATEM Milan 1 installations to the incoming operator.

As part of Sustainability Plan initiatives, activities continued in support of the evaluation and quantification of fugitive emissions, supplementing the information deriving from the leak search systems with asset management systems, enabling a more efficient localisation of leaks in systems for the purposes of subsequent evaluations.

In line with trends in recent years, activities to ensure regulatory Compliance, in light of changes brought by standardisation and regulation, related to preparing for impacts deriving from changes in the structure of station measurements and measurements in general and the management of pressure points.

With regard to Electronic Meters, activities focused on ensuring the supervision, monitoring as well as on efficiency of processes related to the remote reading and remote management of electronic meters, both residential and industrial, focusing in particular on the recovery of historical meter readings, completing initiatives for the optimisation of communication with SAC (the central acquisition system) in order to minimise the consumption of modem batteries.

As part of the IT system in support of 2i Rete Dati S.r.l. operational and control processes, the functions needed for the network management of devices with 169

Mhz Bus technology of other non-Group companies relating to the water sector were implemented.

Operational Efficiency actions related to the evolution of the budget management system and the forecasting of technical works, for improved planning of interventions and more efficient control of the progress of planned and ongoing activities, and to support the automation of some processes for the management of network inspections contracted out, also in support of works management, extending the adoption of works estimates and graphical reporting by companies.

In the field of Cyber Security, the initiatives identified by the Risk Assessment programme and aimed at increasing the level of resilience and protection against the risk of cyber attacks continued to be implemented.

In particular, the enhancement of Vulnerability Assessment & Penetration Test activities – performed on the whole Group, in central & network systems and in the IoT area – was completed. In order to heighten the level of cyber-attack awareness among the Group, Social Engineering initiatives were undertaken in order to guard against “Phishing” attacks.

Finally, the protection solution was upgraded through an integrated platform covering personal mobile devices and distributed cloud services.

As far as data protection is concerned, the extension of the classification of all 2i Rete Gas sensitive business information – with a view to Data Loss Prevention – started, as well as the integrated Office Automation solution, starting from central functions, with the aim of completing coverage to the entire company population and business processes by the end of the year.

13 Research and development

In the first half of 2022, the research activities initiated under the three-year scientific cooperation agreement between the Politecnico di Milano and the parent company 2i Rete Gas signed in the second half of 2020 continued, focusing on energy transition issues, involving several departments of the Politecnico.

In greater detail, studies on the energy efficiency of cathodic protection and gas preheating processes continued, and studies on the behaviour of methane and hydrogen mixtures were carried out in anticipation of their future use with a view to decarbonisation. In particular, aspects relating to the stratification of these mixtures and their odourisation were analysed.

14 Risk management

This section concerning Enterprise Risk Management describes the main operational risks that characterise the sector in which the 2i Rete Gas Group operates. Regarding liquidity, credit and market risks, reference should be made to the relevant section in the notes to the interim condensed consolidated financial statements.

14.1 Operational risks

Operating natural gas distribution networks involves the risks of malfunction or unforeseen service disruption due to factors that are beyond the Group's control, such as accidents, breakdowns or malfunctions of equipment or control systems, plant underperformance 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.

14.2 Regulatory risks

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 lasts six years, and the WACC (Weighted Average Cost of Capital) is reviewed every three years.

14.3 Risks deriving from future changes in natural gas consumption

Although the regulated income of the Group's operating companies does not directly depend on distribution volumes, and therefore the Group is not exposed to any risks concerning natural gas demand volumes, a prolonged economic crisis or

other external event that may cause a decrease in gas consumption could result in more government involvement and changes to the legal framework, which could negatively affect the Group. In relation to the climate change targets set in 2015 by the Paris Conference of the Parties to the United Nations Framework Convention (COP21) and the further targets set at EU level for the progressive decarbonisation of energy, the energy sector could evolve, in the medium/long term, towards new scenarios and arrangements in which the role of gas in end uses could be different from what it is 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 infrastructure, with the risk of ending up with “stranded assets”, i.e. infrastructure that is not fully used over its entire depreciation period. On the other hand, the prospect of using the existing infrastructure 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, the gas infrastructure 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.

14.4 Environmental, safety and climate change operational risks

Operating and maintaining gas distribution networks involves potentially dangerous activities that may cause damage to the general public 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 sites 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 those for waste disposal.

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

To mitigate this risk, the Group has adopted control and management systems that carefully monitor the processes and the related environmental issues, as well as taken out specific insurance policies covering both the cost of containing a potential contamination as well as the cost of restoration and related damages.

The climate change risk is closely monitored by the Group. To this end, the Group is carrying out a number of assessments on how its operations can counteract the current climate change and how this change may impact the future of its business. While the assessments being conducted show that both aspects are not significant over the short and medium term, the focus on climate and legislative changes remains strong.

Lastly, in light of the recent events that led to Italy's lockdown, the Group has conducted a thorough survey on the risk arising from unforeseen external shocks, such as the recent COVID-19 pandemic. From this perspective, the Group can claim to have proved that it can mitigate this risk by being flexible in how and when it deploys its staff and by relying on its ability to adapt its network development and operation strategies to the new scenario and to the fast scalability of its telecommunication capabilities.

14.5 Risks related to the current geopolitical situation

As we all know, 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 has not experienced 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 at present.

However, looking downstream 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. Nonetheless, it should be remembered that, thanks to regulations regarding access to the gas market, financial guarantees are in place safeguarding the distributor, which can be activated in the event of payment problems.

15 Outlook

In 2022, the Group will continue to invest in its network and metering systems and look for potential entities to acquire, while extraordinary transactions will be deployed with a view to incorporating into the parent company the companies acquired in the meantime.

Profitability for 2022 is expected to be in line with the first half of the year.

The 2022 action plan includes the following objectives:

- Continue reducing the number of workplace injuries by improving work quality and safety across its operations;
- Continue the extraordinary maintenance programme for the gas network;
- Concentrate resources on the highest value-added network operations through increasingly focused and specialised operational structures;
- Carry out all the preparatory activities for taking over ATEM Naples 1, whose tender has been awarded to the company and whose service agreement was signed with the contracting authority on 21 June 2022;
- Continue monitoring ATEM tenders in order to assess whether or not to take part;
- Further improve the IT tools currently used in order to update the architecture and application map and achieve greater efficiency;
- Leverage the functionalities made available by innovation to pursue and improve corporate processes and systems as well as open up new opportunities.
- Continue to implement the sustainability plan by pursuing the objectives of the approved four-year plan.

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

IV. Interim condensed consolidated financial statements

V. Financial Statements

VI. Profit and Loss Account

Thousands of euro	Notes	30.06.2022	of which to related parties	30.06.2021	of which to related parties
Revenue					
Revenue from sales and services	5.a	341,386	-	348,207	-
Other revenue	5.b	16,570	32	16,491	32
Revenue from intangible assets / assets under development	5.c	162,462	-	164,490	-
Running total		520,418		529,188	-
Costs					
Raw materials and consumables	6.a	20,368	-	28,981	-
Services	6.b	177,719	3,234	170,174	1,733
Personnel costs	6.c	64,470	1,791	63,746	1,170
Amortisation, depreciation and impairment losses	6.d	105,872	-	101,250	-
Other operating costs	6.e	17,319	176	21,328	172
Capitalised costs for internal work	6.f	(422)	-	(429)	-
Running total		385,325		385,049	-
EBIT					
		135,093		144,139	-
Income (expenses) from equity investments	7	204	203	90	90
Financial income	8	35	16	151	27
Financial expenses	8	(29,249)	-	(28,074)	-
Running total		(29,010)		(27,833)	-
Pre-tax income					
		106,083		116,306	-
Taxes for the period	9	28,929	-	19,850	-
Net income (expenses) from continuing operations					
		77,154		96,456	-
Net income (expenses) from discontinued operations					
	10	-		-	-
NET INCOME FOR THE PERIOD					
		77,154		96,456	
Net income for the period attributable to:					
- Owners of the Parent		77,081		96,361	
- Non controlling interests		73		95	

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VII. Statement of Comprehensive Income

Thousands of euro	30.06.2022	31.12.2021
Net income recognised through profit or loss	77,154	211,190
- Net income attributable to owners of the Parent	77,081	210,927
- Net income attributable to non-controlling interests	73	263
Other comprehensive income		
<i>Items that will never be restated under profit/(loss):</i>		
Revaluations of net liabilities/assets for defined benefits - owners of the Parent	4,813	(9)
Deferred tax assets and liabilities on items which will never be classified through profit/(loss) - owners of the Parent	(352)	(44)
	4,461	(53)
<i>Items that may be restated subsequently under profit/(loss):</i>		
Change in fair value of hedging derivatives - owners of the Parent	84,071	28,568
Change in fair value of hedging derivatives reclassified in profit for the period - owners of the Parent	(612)	(1,235)
Change in fair value of hedging derivatives (tax effect) - owners of the Parent	(20,177)	(6,856)
Change in fair value of hedging derivatives reclassified in profit for the period (tax effect) - owners of the Parent	147	296
	63,428	20,773
Total other comprehensive income	67,889	20,720
Total comprehensive income	145,043	231,910
Total comprehensive income attributable to:		
- Owners of the Parent	144,970	231,647
- Non-controlling interests	73	263

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VIII. Statement of Financial Position

Thousands of euro	Notes	30.06.2022	of which to related parties	31.12.2021	of which to related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,310	-	37,680	-
IFRS 16 right-of-use assets	12	26,933	-	25,957	-
Intangible assets	13	4,206,389	-	4,146,348	-
Net deferred tax assets	14	125,540	-	145,657	-
Equity investments	15	3,872	3,749	3,669	3,546
Non-current financial assets	16	86,891	-	13,012	-
Other non-current assets	17	50,801	-	40,323	-
	<i>Total</i>	4,537,736		4,412,646	
Current assets					
Inventories	18	20,491	-	20,049	-
Trade receivables	19	70,208	33	221,721	55
Short-term financial receivables	20	27,439	960	2,014	480
Other current financial assets	21	18	6	26	18
Cash and cash equivalents	22	372,990	-	442,956	-
Income tax receivables	23	3,035	-	2,262	-
Other current assets	24	333,620	-	216,197	-
	<i>Total</i>	827,801		905,225	
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	2,214	-	10,486	-
	<i>Total</i>	2,214		10,486	
TOTAL ASSETS		5,367,750		5,328,356	

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Thousands of euro	Notes	30.06.2022	of which to related parties	31.12.2021	of which to related parties
EQUITY AND LIABILITIES					
Equity - Owners of the Parent	26				
Share capital		3,639	-	3,639	-
Treasury Shares		-	-	-	-
Other Reserves		587,041	-	519,152	-
Retained earnings/(accumulated losses)		517,750	-	411,830	-
Net income for the period		77,081	-	210,927	-
Total equity - Owners of the Parent		1,185,511		1,145,548	
Equity - non-controlling interests					
Non-controlling interests		2,168	-	1,905	-
Net income for the period - non-controlling interests		73	-	263	-
Total equity - non-controlling interests		2,241		2,168	
TOTAL EQUITY		1,187,752		1,147,716	
Non-current liabilities					
Long-term loans	27	3,196,728	-	3,225,548	-
Post-employment and other employee benefits	28	30,830	-	37,092	-
Provision for risks and charges	29	7,149	-	8,206	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	-	-	10,184	-
Non-current IFRS 16 financial liabilities	31	20,302	-	20,006	-
Other non-current liabilities	32	338,224	-	338,512	-
	<i>Total</i>	3,593,233		3,639,548	
Current liabilities					
Short-term loans	33	-	-	-	-
Current portion of long-term loans	34	18,182	-	18,182	-
Short-term portion of long-term and short-term provisions	35	77,217	-	70,360	-
Trade payables	36	211,147	5,581	218,820	4,450
Income tax payables	37	1,344	-	2,438	-
Current financial liabilities	38	42,055	-	20,009	-
Current IFRS 16 financial liabilities	39	5,719	-	5,606	-
Other current liabilities	40	230,816	8	204,398	7
	<i>Total</i>	586,481		539,812	
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	285	-	1,280	-
	<i>Total</i>	285		1,280	
TOTAL LIABILITIES		4,179,999		4,180,640	
TOTAL EQUITY AND LIABILITIES		5,367,750		5,328,356	

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IX. Statement of Cash Flows

Thousands of euro		30.06.2022	31.12.2021
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	22	442,956	186,991
Cash flow from operating activities			
Pre-tax income		106,083	261,624
Taxes for the period	9	(28,929)	(50,434)
1. Net income for the period		77,154	211,190
Adjustments for:			
Depreciation and amortisation	6. d	105,980	207,636
Impairment/(Reversals)/(Releases)	6. d	(108)	1,828
Capital (gains)/losses	5. b/6. e	2,591	11,544
Allocations to provisions for risks and charges and post-employment benefits		18,078	20,057
Financial (income)/expenses	7 and 8	29,010	56,696
2. Total adjustments		155,551	297,760
Change in net working capital			
Inventories	18	(442)	(1,162)
Trade receivables	19	151,621	18,571
Trade payables	36	(7,672)	(2,287)
Other current assets	24	(117,380)	50
Other current liabilities	40	26,306	(6,551)
Net tax receivables/(payables)	23 and 37	(1,866)	8,115
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(8,402)	(19,697)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	(265)	(25,711)
Other non-current assets	17	(10,474)	3,788
Other non-current liabilities	32	(1,171)	7,927
Financial income/(expenses) other than for financing	8	(170)	308
3. Total change in net working capital		30,085	(16,649)
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		262,790	492,301
Cash flow (used in)/generated by investing activities			
Net fixed assets		(161,827)	(347,194)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	0	(105,091)
Settlement of loan for purchase of equity investment	33 and IFRS 3	-	(45,733)
Cash acquired through company acquisition		-	4,106
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		(161,827)	(493,912)
D) FREE CASH FLOW (B+C)		100,962	(1,610)
Cash flow from financing activities			
Dividend payout		(105,008)	(125,019)
Change in amortised cost	16, 27 and 34	1,230	(587)
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(612)	(1,235)
Financial income for financing activities	8	16	16
Financial (expenses) for financing activities	8	(29,059)	(56,905)
Receipts from debenture loan issues	27	0	500,000
Debenture loan settlements	27 and 33	(20,907)	-
Change in short-term and long-term financial debt	27 and 33	(9,091)	(54,609)
Change in other non-current financial assets	16	(45)	1
Change in other financial receivables	20 and 21	(25,417)	(204)
Change in IFRS 16 financial leases	31, 39 and 11	(4,080)	(6,828)
Change in other financial payables	38	22,046	2,944
E) CASH FLOW FROM FINANCING ACTIVITIES		(170,928)	257,574
F) CASH FLOW FOR THE PERIOD (D+E)		(69,965)	255,964
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	22	372,990	442,956

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X. Statement of Changes in Equity

	Share capital and reserves						Net income for the period	Total - Owners of the Parent	Total - Non-controlling interests	Total consolidated equity
	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)				
Thousands of euro										
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
<i>Allocation of income for 2020:</i>										
Distribution of income	-	-	-	-	-	58,457	(58,457)	-	-	-
- Dividend payout	-	-	-	-	-	-	(125,019)	(125,019)	-	(125,019)
<i>Total contribution from shareholders and payments to them as shareholders</i>	-	-	-	-	-	-	-	(125,019)	-	(125,019)
- Other changes	-	-	-	-	7	(7)	-	-	-	-
- Change in IAS reserves	-	-	-	20,773	(53)	-	-	20,720	-	20,720
- Net income for the period 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
<i>Allocation of income for 2021:</i>										
Distribution of income	-	-	-	-	-	105,919	(105,919)	-	-	-
- Dividend payout	-	-	-	-	-	-	(105,008)	(105,008)	-	(105,008)
<i>Total contribution from shareholders and payments to them as shareholders</i>	-	-	-	-	-	-	-	(105,008)	-	(105,008)
- Change in IAS reserves	-	-	-	63,428	4,461	-	-	67,889	-	67,889
- Net income for the period recognised in profit or loss	-	-	-	-	-	-	77,081	77,081	73	77,154
Total 30 June 2022	3,639	286,546	728	62,234	237,533	517,750	77,081	1,185,511	2,241	1,187,752

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XI. Notes

16 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. Pursuant to article 3 of the Articles of Association, the duration of the Parent Company is until 2050.

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

- North West Department - Via Gazzoletto, 16/18 - 26100 Cremona (CR)
- North Department - Via Francesco Rismondo, 14 - 21049 Tradate (VA)
- North East Department - Via Serassi, 17/Rs - 24124 Bergamo (BG)
- Central Department - Via Morettini, 39 - 06128 Perugia (PG)
- South-West Department - Via Boscofangone snc - 80035 Nola (CE)
- South East Department - Via Enrico Mattei - 72100 Brindisi (BR)

On 29 September 2022, the Directors of 2i Rete Gas S.p.A. approved these interim condensed consolidated financial statements prepared on a voluntary basis.

For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 29 September 2022.

These interim condensed consolidated financial statements are subject, on a voluntary basis, to a limited audit by PricewaterhouseCoopers S.p.A.

17 Compliance with IFRS/IAS and basis of presentation

These interim condensed consolidated financial statements as at 30 June 2022 have been prepared in compliance with: the International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and effective at the end of the period; the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the interpretations of the Standing Interpretations Committee (SIC) effective at the same date. In particular, these interim condensed consolidated financial statements have been prepared in

compliance with IAS 34 – Interim Financial Reporting. The above standards and interpretations are hereinafter referred to as “IFRS-EU”.

Basis of presentation

The interim condensed consolidated financial statements as at 30 June 2022 consist of the Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and Explanatory 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 sold, consumed or realised as part of the normal operating cycle or within 12 months after the end of the financial year; current liabilities are those expected to be settled in the normal operating cycle or within 12 months after the end of the financial year.

Items in the Profit and Loss Account are classified based on the nature of expenses, while the Statement of Cash Flows is presented using the indirect method.

The interim condensed consolidated financial statements are presented in euro (the Group’s functional currency) and the amounts reported in the notes are shown in thousands of euro, unless otherwise stated.

The interim condensed 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 interim condensed consolidated financial statements have been prepared on a going-concern basis, as set out more in detail in the Directors’ Report.

18 Accounting standards, valuation criteria and use of estimates

In preparing these interim condensed consolidated financial statements, the Group has used the same accounting standards as those used in preparing the consolidated financial statements for the year ended 31 December 2021.

Accounting standards applicable as of 1 January 2022

The following amendments to IFRS 3, IAS 16, IAS 37 apply as from 1 January 2022, but have no material impact on the Group:

- 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 “Property, Plant and Equipment – proceedings before Intended Use (Amendments to IAS 16)”, which governs the possibility of deducting, from the costs of assets under construction or not fully operational, the revenue from the sale of products obtained in the meantime from the same assets. The IASB has specified that sales revenue must be recognised in profit or loss and must not be deducted from the costs of these assets.
- the document “Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)”, which amends the standard by detailing which contractual costs a company must consider for the purposes of provisions under IAS 37 governing Provisions for Risks and Charges. These changes specify the costs to consider when appraising onerous contracts and clarify that the “directly correlated costs” approach must be adopted.
- the document “Annual Improvements to IFRS Standards 2018-2020” containing amendments to some IFRS as a result of the annual IASB improvement project.

Accounting standards and interpretations issued by the IASB/IFRIC during the first half of the year and not yet effective or endorsed by the European Commission

Below are the new standards or interpretations that have already been issued but have not yet become effective or have not yet been endorsed by the European Union as at 30 June 2022 and, as such, are not applicable.

- “Definition of Accounting Estimates (Amendments to IAS 8)” for the purpose of helping entities distinguish between changes in accounting policies and changes in accounting estimates.
- “Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)” containing amendments that are intended to help drafters decide

which accounting standards to disclose in their financial statements, based on a concept of materiality (relevance to the subject).

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1, issued on 23 January 2020 and 15 July 2020), with which a more general approach to the classification of liabilities under IAS 1 has been provided.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) published on 7 May 2021 with which, in order to standardise the accounting practices applied by companies, it was clarified that, from the initial recognition of individual transactions, the resulting temporary differences must be accounted for if deferred tax assets or liabilities arise.

The impact of these amendments on the Group's financial statements is currently being analysed.

Use of estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. As these are estimates, actual results may differ from those presented in these financial statements.

The subjective judgements that are relevant to the preparation of these interim condensed consolidated financial statements, as well as the main sources of estimation uncertainty, are the same as those applied in the preparation of the financial statements for the year ended 31 December 2021.

XII. Information on Profit and Loss Account

Revenue

Methane gas is transported by the company exclusively within Italy. For this reason, the Group did not provide segment reporting pursuant to the requirements of IAS 34 and IFRS 8 (Operating Segments) due to the substantial uniqueness of its business.

5.a Revenue from sales and services

“Revenue from sales and services” amounted to 341,386 thousand euro in the period and mainly referred to gas transport operations and connection fees.

Below is a breakdown of “Revenue from sales and services”:

Thousands of euro	30.06.2022	30.06.2021	2022 - 2021
Sales and services			
Gas and LPG transport	321,861	328,838	(6,977)
Connection fees	4,553	4,473	81
Ancillary fees	2,879	2,847	33
Revenue from the sale of water	-	9	(9)
Ancillary services - water sector	-	0	(0)
Revenue from customer operations	51	71	(20)
Sundry revenue and other sales and services	12,041	11,970	72
Total revenue from sales and services	341,386	348,207	(6,821)

Revenue from gas transport totalled 321,861 thousand euro and mainly represent the portion for the first half of the year of the 2022 Tariff Revenue Cap for natural gas.

The decrease was due to Arera’s revision of the tariff remuneration rate for 2022, which was set at 5.6% for both distribution and metering services (Resolution 614/2021/R/com), partially offset by investments accounted for in respect of the amortisation charge and the ensuing remuneration.

Connection fees, totalling 4,553 thousand euro, were stable at the previous year’s levels. It should be noted that the connection fee is a set amount defined through a specific quote according to the type of service requested, and consists of:

- The cost of the required material;
- Labour costs;
- A percentage amount for the coverage of overheads.

“Sundry revenue and other sales and services” were essentially unchanged compared to the same period of last year, with the suspension and reconnection of customers in arrears in line with the past.

5.b Other revenue

“Other revenue” totalling 16,570 thousand euro (16,491 thousand euro in the same period of 2021) were broadly stable, although it must be noted that, while the first half of the previous year was strongly impacted by contingent assets of 3,075 thousand euro deriving from a transaction with a municipality, in 2022 there has been an increase of 2,482 thousand euro in the estimated revenue recognised for technical quality (Revenue under Resolution 574/13). This item also includes capital gains on the disposal of assets, amounting to 1,555 thousand euro in the first half, due to the sale of the network of the municipality of Cinisello Balsamo (370 thousand in June 2021).

5.c Revenue from intangible assets/assets under construction

Thousands of euro	30.06.2022	30.06.2021	2022 - 2021
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	162,462	164,490	(2,028)
Total revenue from intangible assets / assets under development	162,462	164,490	(2,028)

As from 1 January 2010, the Company has been recognising this revenue, standing at 162,462 thousand euro, pursuant to IFRIC 12 “Service Concession Arrangements”. Compared to the same period last year, this revenue showed a slight decrease of 2,028 thousand euro due to a physiological slowdown in some categories of investments that have reached maturity.

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.

Costs

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	30.06.2022	30.06.2021	2022 - 2021
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	5,532	4,012	1,519
Costs for services	110,990	103,996	6,993
Other operating costs	379	396	(17)
Depreciation and amortisation	1,611	1,368	243
Capitalised costs for materials, personnel and services	43,950	54,717	(10,766)
<i>of which personnel costs</i>	<i>30,262</i>	<i>32,385</i>	<i>(2,123)</i>
<i>of which raw materials and consumables</i>	<i>13,689</i>	<i>22,332</i>	<i>(8,643)</i>
Total costs relating to revenue from intangible assets / assets under development	162,462	164,490	(2,028)

6.a Raw materials and consumables

"Costs of raw materials and consumables", amounting to 20,368 thousand euro, basically includes the purchase cost of materials used in the process of laying the pipes, as well as of meters and automotive fuel; as at 30 June 2022 these costs decreased by 8,613 thousand euro due to lower investment activities, especially on meters, in the half year.

6.b Services

"Costs for services", amounting to 177,719 thousand euro, are broken down as follows:

Thousands of euro

	30.06.2022	30.06.2021	2022 - 2021
Costs for services			
Maintenance, repair and realisation of assets	114,000	106,692	7,308
Costs for electricity, power and water	920	1,328	(407)
Gas (for internal use)	1,876	1,819	57
Telephone and data transmission costs	1,357	1,225	132
Insurance premiums	2,071	2,065	6
Costs for services and other expenses relating to personnel	1,950	1,875	75
Fees	384	352	32
Legal and notary costs	791	1,026	(234)
Costs for company acquisitions and disposals	2	(0)	2
Advertising	76	118	(42)
IT services	5,245	4,644	600
Meter reading service	1,079	1,310	(231)
Audit fees	313	279	34
Repairs and emergency service	1,901	1,720	181
Plant certifications Resolution no. 40	192	180	13
Gas transport by third parties	397	906	(509)
Professional and other services	3,197	2,602	596
Other costs for services	4,470	4,106	364
Costs for the use of third-party assets			
Leases	455	446	9
Rentals	236	219	17
Other costs for the use of third-party assets	1,191	1,008	183
Fee for temporary occupation of public space (C.o.s.a.p.)/Single Property Tax (CUP)	2,237	1,927	310
Municipal gas concession fees	33,378	34,328	(950)
Total	177,719	170,174	7,545
- of which capitalised for intangible assets	110,990	103,996	6,993

The costs for services have increased compared to last year due to the increase in amounts paid to companies for ordinary and extraordinary maintenance activities, offset however by a decline in activities.

As already mentioned, as from 2010, all costs relating to the operation of the concessions include network construction costs in accordance with IFRIC 12. Excluding this item, costs for services were up 552 thousand euro overall.

The change in costs for service, a breakdown of which is shown in the table above, was mainly due to the effect of higher costs for maintenance, repair and construction of assets, totalling 7.308 thousand euro, due to the activities carried out by the Group on plants in the first half of the year.

The items relating to the costs for the use of third-party assets have been presented differently since 2019 because of IFRS 16, which requires recognising a “Right-of-use asset” that is depreciated over the lease term. Since 2019, the relevant costs thus appear in the financial statements in the form of depreciation and associated financial expenses.

The fees allocated for business development activities in municipalities fell by 950 thousand euro, while the costs for the Single Property Tax (CUP) increased by 310 thousand euro, with a balance of 2,237 thousand euro in the six-month period.

6.c Personnel costs

“Personnel costs” of 64,470 thousand euro include all charges incurred on a continuous basis that, directly or indirectly, relate to employees and rose by 724 thousand euro compared to the same period of the previous year. This item was particularly affected by the company’s Welfare programme, whose cost in the six-month period amounted to 668 thousand euro (and was absent in the previous half-year).

The total amount capitalised pursuant to IFRIC 12, following the trend of lower investments, fell by 2,123 thousand euro.

The table below shows the changes in personnel by category for the first half of 2022.

	Executives	Middle Managers	White collars	Blue collars	Total
Personnel as at 31 December 2021	35	120	1,258	616	2,029
Change in the scope of consolidation	-	-	-	-	-
Increase	-	-	37	13	50
Decrease	(2)	(5)	(37)	(37)	(81)
Change in category	-	-	-	-	-
Personnel as at 30 June 2022	33	115	1,258	592	1,998

6.d Amortisation, depreciation and impairment losses

This item stood at 105,872 thousand euro in the period, up 4,622 thousand euro on the same period of the previous year. This item was affected by full recognition of the acquisition of IDG S.p.A. and related amortisation (impacting for only two months in the previous half-year).

The write-down of receivables includes the provision for the period (1,400 thousand euro) and release of the provision (1,508 thousand euro).

This item is broken down as follows:

Thousands of euro			
	30.06.2022	30.06.2021	2022 - 2021
Depreciation	2,494	2,504	(10)
Depreciation of IFRS 16 right-of-use assets	3,512	3,257	255
Amortisation of intangible assets	99,974	95,415	4,559
Impairment losses:			
- Impairment of intangible assets	-	459	(459)
- Write down of receivables	(108)	(386)	277
Total amortisation and impairment	105,872	101,250	4,622
- of which capitalised for intangible assets	1,611	1,368	243

6.e Other operating costs

"Other operating costs" as at 30 June amounted to 17,319 thousand euro, down by 4,009 thousand euro. Compared to the first half of the previous year, there were lower capital losses on asset disposals, due in part to reduced investment activity over the year.

The item also included net charges for EECs (1,486 thousand euro), which in the same period last year showed a positive margin, offset by a decrease in Other charges thanks to lower losses on receivables in 2022.

Net provisions for risks and charges totalled 7,874 thousand euro, slightly down compared to the first half of 2021. The breakdown of the relevant provisions is shown in the comments on liabilities.

6.f Capitalised costs for internal work

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 includes only any residual costs that can be capitalised but do not concern concessions. As at 30 June, this item totalled 422 thousand euro, in line with the first half of the previous year.

7. Income / (Expenses) from equity investments

The item, amounting to 204 thousand euro in the reporting period, includes the net income from investments in associates and other companies. In particular, as at 30 June 2022 this item refers to the valuation of the investment in MEA S.p.A. (238 thousand euro) and 2i Servizi Energetici S.r.l. (-35 thousand euro) using the equity method.

8. Financial income / (expenses)

This item is broken down as follows:

Thousands of euro	30.06.2022	30.06.2021	2022 - 2021
Financial income			
- Interest income from loans to employees	0	0	0
- Interest on arrears receivable	-	0	(0)
- Interest income from current accounts and post office deposits	16	4	11
- Interest income from receivables from customers	3	14	(11)
- Other financial interest and income	17	133	(116)
Total income	35	151	(116)
Financial expenses			
- Interest expense on medium/long-term loans	1,741	1,761	(21)
- Other expense on medium/long-term loans from banks	251	251	-
- Financial expenses on debenture loans	25,918	25,178	740
- Financial expenses from amortised cost	1,230	1,129	101
- Interest expense on current bank accounts	514	4	510
- Discounting of post-employment and other employee benefits	183	82	102
- Interests on taxes	3	0	2
- Change in fair value of hedging derivatives reclassified from comprehensive income	(612)	(612)	-
- Other financial and interest expense	3	13	(10)
- IFRS16 Financial Expenses	18	268	(250)
Total expenses	29,249	28,074	1,175
TOTAL FINANCIAL INCOME AND (EXPENSES)	(29,214)	(27,923)	(1,291)

The Group reported 29,219 thousand euro in financial expenses, largely arising from the recognition of the financial expenses on the debenture loan net of the current hedging, the costs related to the outstanding loan, and the amortised cost of both of them.

Financial expenses on the debenture loan grew due to the early payment of interest after the partial repurchase of a tranche of the debenture loan, while liquidity management fees affected the balance (514 thousand euro) of interest payable on bank accounts.

9. Taxes for the period

This item is broken down as follows:

Thousands of euro

	30.06.2022	30.06.2021	2022 - 2021
Current taxes			
Current income taxes: IRES	23,502	26,787	(3,285)
IRES substitute tax on realignment	-	1,614	(1,614)
Current income taxes: IRAP	5,711	6,197	(486)
Total current taxes	29,212	34,597	(5,385)
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	-	-	-
Positive adjustments for income taxes relating to previous years	(18)	(1,237)	1,219
Total adjustments for income taxes relating to previous years	(18)	(1,237)	1,219
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(2,243)	(1,894)	(348)
Prepaid taxes (allocation)/use	1,978	(11,536)	13,514
<i>Total current deferred and prepaid taxes</i>	<i>(265)</i>	<i>(13,431)</i>	<i>13,166</i>
Adjustments to deferred taxes of previous years due to tax rate change	-	(90)	90
Adjustments to prepaid taxes of previous years due to tax rate change	-	11	(11)
<i>Total adjustments to deferred and prepaid taxes</i>	<i>-</i>	<i>(79)</i>	<i>79</i>
Total deferred and prepaid taxes	(265)	(13,510)	13,245
TOTAL TAXES	28,929	19,850	9,079

The income tax expense for the first half of 2022 totalled 28,929 thousand euro. The negative difference of 9,079 thousand euro is due to the presence in 2021 of the initial effects of the realignment of the tax and statutory values of goodwill (13,748 thousand euro overall), partially offset by lower direct taxes due to the lower profit before taxes and the reduction in taxes thanks to the positive outcome during the half-year of the “Patent Box” application. Elsewhere, changes in deferred tax assets and liabilities reflected normal operations.

For further details on deferred tax assets and liabilities, please refer to the relevant sections in the notes to the Statement of Financial Position.

10. Discontinued operations

During the half year, no activities were classified under discontinued operations.

XIII. Information on the Statement of Financial Position

Assets

11. Property, plant and equipment

Following the introduction of IFRIC 12, property, plant and equipment include only those fixed assets that are not related to gas distribution concessions. The breakdown of, and changes in, property, plant and equipment for the years 2020, 2021 and 2022 are reported 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	7,929	32,727	13,572	25,204	56,749	13,979	159	150,319
Accumulated depreciation	-	(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. depr.	-	(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. depr.	-	-	-	-	-	-	-	-
Disposals	(178)	(376)	(532)	-	(2,003)	-	-	(3,089)
Gross value	(178)	(1,803)	(673)	(6)	(4,094)	-	-	(6,753)
Acc. depr.	-	1,427	141	6	2,091	-	-	3,665
Reclassifications	-	7	(55)	55	-	(7)	-	0
Gross value	-	35	(286)	286	-	(35)	-	(0)
Acc. depr.	-	(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. depr.	-	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 depreciation	-	(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
Increases (including Fixed assets classified as assets available for sale)	-	98	696	159	828	309	90	2,179
Commissioning	-	-	-	-	-	-	-	-
Disposals	(0)	(7)	0	-	(0)	-	(48)	(55)
Gross value	-	(352)	0	(0)	(73)	-	(48)	(473)
Acc. depr.	(0)	346	(0)	0	72	-	-	418
Reclassifications	-	-	-	-	-	-	-	-
Gross value	-	-	-	-	-	-	-	-
Acc. depr.	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fixed assets classified as assets available for sale	-	-	-	-	-	-	-	-
Gross value	-	-	-	-	-	-	-	-
Acc. depr.	-	-	-	-	-	-	-	-
Depreciation	-	(293)	(474)	(212)	(1,391)	(123)	-	(2,494)
Total changes	(0)	(202)	222	(53)	(564)	186	42	(370)
Historical cost	7,102	32,709	15,409	26,487	59,500	14,790	337	156,333
Accumulated depreciation	(0)	(24,351)	(4,077)	(24,927)	(51,916)	(13,751)	-	(119,023)
Balance as at 30.06.2022	7,102	8,357	11,332	1,560	7,583	1,039	337	37,310

As at 30 June 2022, this item decreased by 370 thousand euro compared to the previous year. This change was largely due to the net balance of investments (2,179 thousand euro), disposals (55 thousand euro), and depreciation (2,494 thousand euro). There were no events in the period worthy of note with respect to this item.

12. IFRS 16 right-of-use assets

Following the application of IFRS 16, hire, rental or lease contracts are carried in this item as right-of-use assets.

Below is the table showing changes in assets for 2020, 2021 and 2022. The most significant increase related to rented properties, following the Group's decision to maintain its current headquarters in Milan until at least 2026.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	28,339	8,683	367	37,389
Accumulated depreciation	(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
<i>Gross value</i>	77	209	-	285
<i>Acc. depr.</i>	-	-	-	-
Increase and change in right-of-use assets	2,483	6,915	-	9,398
Change in right-of-use assets	-	-	-	-
<i>Gross value</i>	-	-	-	-
<i>Acc. depr.</i>	-	-	-	-
Disposal and changes in right-of-use assets	(847)	(72)	-	(920)
<i>Gross value</i>	(2,091)	(2,351)	-	(4,442)
<i>Acc. depr.</i>	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 depreciation	(11,526)	(4,941)	(206)	(16,673)
Balance as at 31.12.2021	17,282	8,515	161	25,957
Increase and change in right-of-use assets	6,312	360	162	6,833
Change in right-of-use assets	-	-	-	-
<i>Gross value</i>	-	-	-	-
<i>Acc. depr.</i>	-	-	-	-
Disposal and changes in right-of-use assets	(2,254)	(91)	-	(2,345)
<i>Gross value</i>	(2,855)	(259)	-	(3,113)
<i>Acc. depr.</i>	601	167	-	769
Depreciation	(2,094)	(1,326)	(92)	(3,512)
Total changes	1,964	(1,057)	70	976
Historical cost	32,265	13,557	529	46,350
Accumulated depreciation	(13,019)	(6,100)	(298)	(19,417)
Balance as at 30.06.22	19,246	7,457	230	26,933

13. Intangible assets

It is noted that following the introduction of IFRIC 12, intangible assets also include the fixed assets related to gas distribution concessions. The breakdown of, and changes in, intangible assets for the years 2020, 2021 and 2022 are reported 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	96,145	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.	-	-	-	-	-	-	0
Decreases	-	(22,591)	(432)	-	-	-	(23,023)
Gross value	-	(51,897)	(432)	-	-	-	(52,329)
Acc. depr.	-	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
Increases (including Fixed assets classified as assets available for sale)	-	121,385	41,093	2,498	4,827	-	169,804
Commissioning	-	14,721	(14,721)	(530)	530	-	(0)
Gross value	-	14,721	(14,721)	(530)	530	-	(0)
Acc. amort.	-	-	-	-	-	-	-
Decreases	-	(9,574)	(50)	-	-	-	(9,624)
Gross value	-	(24,845)	(50)	-	-	-	(24,895)
Acc. amort.	-	15,271	-	-	-	-	15,271
Reclassifications	-	(3)	3	-	-	-	-
Gross value	-	(3)	3	-	-	-	-
Acc. amort.	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Fixed assets classified as assets available for sale	-	(166)	2	-	-	-	(164)
Gross value	-	(181)	2	-	-	-	(179)
Acc. amort.	-	15	-	-	-	-	15
Amortisation	(698)	(92,309)	-	-	(6,967)	-	(99,974)
Total changes	(698)	34,055	26,326	1,968	(1,609)	-	60,041
Historical cost	98,824	7,704,219	68,835	2,991	185,854	306,467	8,367,191
Accumulated amortisation	(96,740)	(3,913,514)	-	-	(149,333)	(1,214)	(4,160,801)
Balance as at 30.06.2022	2,084	3,790,705	68,835	2,991	36,521	305,253	4,206,389

Intangible assets increased by 60,041 thousand euro compared to 31 December 2021. This was due to the net balance of new investments (169,804 thousand euro), decreases and impairment losses (9,624 thousand euro), restatements to assets available for sale (164 thousand euro), and amortisation (99,974 thousand euro).

The item “Concessions and similar rights”, broken down into fixed assets and fixed assets under construction, showed a net increase of 60.381 thousand euro in the period, of which 26.326 thousand euro relating to fixed assets under construction. In general, 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.

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.

At the end of the period, “Fixed assets under construction and advances” totalled 2,991 thousand euro. Increases in the first half totalled 2,498 thousand euro, which add to a negative 530 thousand euro relating to commissioning.

“Other intangible assets”, amounting to 36.521 thousand euro, relate to software used. The increase was mainly due to the acquisition of new software licenses, while amortisation for the period stood at 6,967 thousand euro.

“Goodwill” totalled 305,253 thousand euro and related to the deficit arising from the consolidation or merger by incorporation of previously controlled companies. There were no changes in this item during the half-year.

Goodwill was tested for impairment as at 31 December 2021.

Up to the reporting date, no impairment indicators were identified, thus goodwill will be tested for impairment again at the closing of the financial statements as at 31 December 2022.

14. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date.

Deferred tax assets totalled 260,719 thousand euro (265,625 thousand euro as at 31 December 2021), while deferred tax liabilities totalled 135,179 thousand euro (119,968 thousand euro as at 31 December 2021).

Deferred tax assets and liabilities as at 30 June 2022 were determined using the tax rates in force: 24% for IRES and 4.52% for IRAP.

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.

Thousands of euro	Balance as at 31.12.2021	Adjustments to UNICO	Capital contributions from extraordinary operations during the year	Total	Increases recognised in		Decreases recognised in		Other changes in		Other reclassifications	Balance as at 30.06.2022
					Profit or Loss	Equity	Profit or Loss	Equity	Profit or Loss	Equity		
Deferred income tax assets:												
allocation to provisions for risks and charges, deferred deductibility	17,923	-	-	17,923	4,322	-	(2,440)	-	-	-	-	19,805
allocation to provisions for incentives to leave and stock options	492	-	-	492	-	-	(40)	-	-	-	-	452
allocation to provisions for disputes	3,510	-	-	3,510	241	-	(421)	-	-	-	-	3,330
allocation to provisions for inventory obsolescence	3,310	-	-	3,310	132	-	(66)	-	-	-	-	3,376
impairment losses with deferred deductibility (impairment of receivables)	2,219	-	-	2,219	284	-	(557)	-	-	-	-	1,945
impairment losses with deferred deductibility (impairment of plants)	1,900	-	-	1,900	-	-	(2)	-	-	-	-	1,898
depreciation and amortisation of tangible and intangible assets with deferred deductibility	132,617	-	-	132,617	5,308	-	(2,629)	-	(3)	-	-	135,294
separation of land-buildings and component analysis	114	-	-	114	-	-	(0)	-	-	-	-	114
start-up costs	2,225	-	-	2,225	-	-	(0)	-	-	-	-	2,224
post-employment and other employee benefits	4,716	-	-	4,716	707	-	(1,834)	-	-	-	-	3,589
cash deductible taxes and duties	4	-	-	4	-	-	-	-	-	-	-	4
proceeds subject to deferred taxation (connection fees)	30,756	-	-	30,756	-	-	(485)	-	-	-	-	30,271
deferred deductibility charges	13,652	-	-	13,652	12	-	(961)	-	-	-	-	12,703
goodwill	47,281	-	-	47,281	-	-	(3,536)	-	-	-	-	43,745
post-employment and other employee benefits - OCI	2,363	-	-	2,363	-	-	-	(489)	-	-	-	1,874
derivative financial instruments (in case of a net negative change in the relevant equity reserve)	2,440	-	-	2,440	-	-	-	(2,440)	-	-	-	(0)
for losses recoverable in future years	1	-	-	1	-	-	-	-	-	-	-	1
other consolidation adjustments	105	-	-	105	(11)	-	(1)	-	-	-	-	93
Total	265,625	-	-	265,625	10,994	-	(12,969)	(2,929)	(3)	-	-	260,719
Deferred income tax liabilities:												
differences on tangible and intangible assets – additional depreciation and amortisation	24,397	-	-	24,397	82	-	(350)	-	-	-	-	24,129
differences on intangible assets – goodwill	5,195	-	-	5,195	-	-	1	-	-	-	-	5,194
separation of land-buildings and component analysis	3,826	-	-	3,826	-	-	4	-	-	-	-	3,822
allocation to assets of costs relating to company mergers	31,610	-	-	31,610	-	-	(1,209)	-	-	-	-	30,401
Post-employment and other employee benefits	1,121	-	-	1,121	-	-	(1)	(226)	-	-	-	893
proceeds subject to deferred taxation	3,312	-	-	3,312	246	-	(4)	-	-	-	-	3,554
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	2,062	-	-	2,062	-	17,737	-	(147)	-	-	-	19,653
other...	971	-	-	971	16	-	(103)	-	-	-	-	884
ASEM - OCI	97	-	-	97	-	90	-	(0)	-	-	-	187
recognition of deferred taxes due to merger	47,377	-	-	47,377	261	-	(1,175)	-	-	-	-	46,463
5% dividends received allocated to future years on an accruals basis	0	-	-	0	-	-	-	-	-	-	-	0
Total	119,968	-	-	119,968	605	17,827	(2,847)	(373)	-	-	-	135,179
Net deferred tax assets	145,657	-	-	145,657	10,390	(17,827)	(10,122)	(2,555)	(3)	-	-	125,540

15. Equity investments

The following table shows the changes for each equity investment during the period, as well as the corresponding opening and closing amounts, and the list of equity investments in associates and 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	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31.12.2021		Changes in 2022					as at 30.06.2022			
Associates											
Equity Method											
Melegnano Energia Ambiente SpA	3,309	40.00%				238		2,451	1,095	3,547	40.00%
2i Servizi Energetici Srl	237	60.00%		-			(35)	6		202	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%
Borgo Offida Srl	1	0.19%						1		1	0.19%
Banca Popolare Pugliese	11	0.00%								11	0.00%
Immobiliare Cestia srl	0	0.05%								0	0.05%
TOTAL EQUITY INVESTMENTS	3,669		-	-	-	238	(35)	2,570	1,095	3,872	

The following tables show the list of equity investments in the Group's investees as at 30 June 2022:

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 (MI)	4,800,000	8,866,854	5,340,835	595,227	31.12.2021	40%	3,546,742
	Milan	10,000	337,335	81,609	(57,864)	30.06.2022	60%	202,401
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	6,904,886	7,184,955	1,895,348	200,377	31.12.2021	0.30%	41,634
Fingrandia S.p.A. in Liquidazione	Cuneo	2,662,507	1,170,153	2	(23,943)	31.12.2021	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	23,079,108	22,792,109	1,030,076	33,474	31.12.2021	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,059,777	9	(31,928)	31.12.2021	0.09%	10,989
Borgo Offida Srl**	Offida (AP)	10,000 **	(303,848)	5,999	(243,715)	31.12.2021	0.19%	548
Banca Popolare Pugliese	Parabita (LE)	183,084,198	340,988,987	128,040,477	10,916,376	31.12.2021	0.01%	11,127
Immobiliare Cestia srl	Rome (RM)	50,000 *	439,985	127,867	(69,491)	31.12.2021	0.05%	26

* The share capital was reduced to Euro 50,000 due to excess capital, pursuant to art. 2482 of the Italian Civil Code, as approved by the Extraordinary Shareholders' Meeting of 22.10.2020, registered on 16.11.2020, Folder 45.801, File 26.489. Effective 90 days after deed registration.

**change of name and share capital on 25.05.2022

16. Non-current financial assets

The item, amounting to 86,891 thousand euro, mainly includes the Fair Value of outstanding derivatives (73,886 thousand euro). In the six months under review receivables relating to advances paid to contracting authorities in the event of an ATEM tender, which are of a financial nature, were reclassified in this item. Therefore, below is a table showing restated comparative figures as at 31 December 2021 (€12,383 thousand) in order to allow for a comparison. The item also includes the prepayment of transaction costs incurred to obtain credit lines that were granted but had still not been used as at 30 June 2022.

	30.06.2022	31.12.2021	2022 - 2021
Non-current prepaid financial expenses	394	446	(52)
Long-term loans to employees	4	12	(7)
Financial receivables due from others	12,607	12,554	52
Fair value measurement of IRS derivatives	73,886	-	73,886
Total	86,891	13,012	73,879

17. Other non-current assets

The item, amounting to 50,801 thousand euro, rose by 10,477 thousand euro compared to 31 December 2021.

Guarantee deposits of 3,710 thousand euro refer 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 grants related to plants to be received: this item was unchanged during the period.

Receivables for tax reimbursements applied for, amounting to 306 thousand euro, relate to reimbursement requests pursuant to art. 6 of Legislative Decree 185/2008 (Deduction from IRES of the IRAP portion for labour costs and interest expense).

Sundry non-current assets totalled 13,117 thousand euro (3,269 thousand euro as at 31 December 2021), and mainly referred to the amount paid to the municipalities of ATEM Naples 1 for the EEC production commitment (10,035 thousand euro).

The balance of long-term receivables from CSEA relating to recoveries of capital losses generated as a result of the replacement of traditional meters with electronic ones decreased by 655 thousand euro (to 32,393 thousand euro).

Current assets

18. Inventories

Closing inventories of raw materials in the reporting period stood at 20,491 thousand euro and rose by 442 thousand euro compared to 31 December 2021.

Specifically, closing inventories of raw and ancillary materials and consumables mainly consist of materials for the construction and maintenance of gas distribution plants. The item includes the provision for the write-down of inventories of 874 thousand euro, set aside to take into account the inventories that are unlikely to be used in the future.

The company uses the weighted average cost method.

19. Trade receivables

As compared to 31 December 2021, trade receivables fell overall by 151,513 thousand euro, due to ordinary seasonal factors and to Law Decrees and subsequent ARERA Resolutions that eliminated some tariff components and created new negative components in order to minimise the impact of higher energy product prices on end users.

Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely include receivables related to gas distribution operations.

This item is broken down as follows:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Third-party customers:			
Receivables from customers	68,828	224,404	(155,577)
- Bad debt provision	(8,148)	(9,127)	979
Receivables for returns under warranty	10,174	7,089	3,085
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	70,208	221,721	(151,513)

Here below is the breakdown of the changes in the bad debt provision.

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Opening balance	9,127	8,076	1,051
Contribution from change in the scope of consolidation	0	377	(377)
Allocations	1,400	2,054	(654)
Releases	(1,508)	(860)	(648)
Uses	(871)	(520)	(351)
Closing balance	8,148	9,127	(979)

All Group companies operated exclusively in Italy.

20. Short-term financial receivables

Short-term financial receivables, totalling 27,349 thousand euro, are almost entirely financial receivables from Gestore dei Mercati Elettrici (GME).

Receivables from GME stood at 23,789 thousand euro and referred to the liquidity deposited with GME in order to trade on the Energy Efficiency Certificates market.

21. Other current financial assets

Other current financial assets, standing at 18 thousand euro, consisted of accrued income on interest-bearing bank deposits.

22. Cash and cash equivalents

Cash and cash equivalents, amounting to 372,990 thousand euro, fell by 69,965 thousand euro. Operations in the first half of the year guaranteed positive cash flows net of distribution of the dividend for 105,008 thousand euro.

The item consists of 368,021 thousand euro in bank accounts, 4,794 thousand euro in postal accounts and 175 thousand euro cash on hand.

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

23. Income tax receivables

Income tax receivables for 3,035 thousand euro mainly refer to receivables for IRES corporation tax due from the tax authorities relating to the excess payments on account made relating to the additional Robin Hood Tax and further payments on account made and for IRES corporation tax requested for reimbursement directly by the Group, mainly due to the non-deduction of personnel and similar costs (pursuant to Legislative Decree 201/2011).

Compared to the previous year, they increased by 773 thousand euro.

24. Other current assets

Other current assets, totalling 333,620 thousand euro, rose 117,423 thousand euro compared to 31 December 2021; this increase, due to the seasonal nature of some items, is mainly the result of:

- an increase in VAT receivables from Italian tax authorities totalling 7,642 thousand euro due to billing trends;
- an increase in receivables from the Equalisation Fund (Cassa Conguaglio) of 96,894 thousand euro, mainly for the recognition of receivables relating to eliminated or negative components established by Decree (48.8 million euro for the UG2 component of Resolution 148/2022 and 23.3 million euro for the increase in the Gas Bonus component), and for the increase in receivables for energy saving objectives achieved against purchased EECs (24.2 million euro). The item is correlated with the payables due to the Equalisation Fund reported in note 40 "Other current liabilities";
- Prepaid expenses for insurance premiums rose by 928 thousand euro, while other prepaid expenses rose by 8,135 thousand euro, due to prepaid concession fees paid to municipalities (2.7 million euro), to the payment of the additional tariff relating to network insurance (2 million euro) and to the Single Property Tax.

This item is broken down as follows:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Other tax receivables:			
VAT receivables claimed for reimbursement	11,702	10,837	865
Receivables due from tax authorities for VAT	11,076	3,434	7,642
Other tax receivables	1	11	(10)
Other receivables:			
from social security and insurance agencies	1,476	767	709
receivables for plant contributions	1,762	2,875	(1,113)
from CSEA	287,249	190,355	96,894
Receivables from third parties for tender / concession expiration	2,632	2,062	570
from municipalities	246	246	0
from suppliers	2,958	2,446	512
Other receivables	4,949	3,168	1,781
Provision for other doubtful debts	(2,402)	(2,915)	513
Accrued income	17	19	(2)
Deferred charges for other multi-year fees	15	16	(1)
Deferred charges for property lease fees	445	445	0
Deferred charges for promotional expenses	9	9	(0)
Deferred charges for insurance premiums	1,006	78	928
Other deferred charges	10,480	2,344	8,135
Total	333,620	216,197	117,423

25. Assets held for sale

During the period, assets classified as being held for sale included one property being disposed of and the assets relating to the Mortegliano concession, to be handed over to the company awarded the ATEM Udine 2 tender within the next 12 months. The assets valued totalled 2.214 thousand euro.

Liabilities

Equity

26. Equity

Equity totalled 1,187,752 thousand euro, up by 40,035 thousand euro, due to the following changes:

- A decline due to the ordinary dividend payout totalling 105,008 thousand euro;
- An increase in IAS reserves following measurement of the derivative instrument totalling 63,428 thousand euro, and the discounting of defined benefit plans for 4,461 thousand euro;
- An increase in the profit for the period totalling 77,154 thousand euro.

Share capital

The share capital as at 30 June 2022 totalled 3,639 thousand euro and was entirely subscribed and paid up; this item did not show any changes during the period.

Share premium reserves

The reserve was established at the time of the capital increase, and did not change during the period.

Legal reserve

The legal reserve amounted to 728 thousand euro and was unchanged during the period.

Reserve for the measurement of derivatives

The reserve for the measurement of derivatives includes the measurement of a hedging derivative with a notional amount of 500 million euro. During the period, it increased by 63,428 thousand euro due to the measurement at fair value of the hedging derivative in place on the debenture loan.

Other reserves

Other reserves were up 4,461 thousand euro from the previous year, as the Group recognised a change in IAS reserves after reviewing the value of its defined benefit obligations in accordance with IAS 19.

Retained earnings (accumulated losses)

Retained earnings and accumulated losses rose 105,919 thousand euro from the previous year, as a result of the allocation of the previous year's result net of distributions.

Net income for the period

The Group reported 77,154 thousand euro in net income for the first half of 2022, down 19,302 thousand euro compared to the prior-year period due, as commented above, to the reduction in the return on invested capital and to operating costs in 2022.

Non-current liabilities

27. Long-term loans (including portions due within the next 12 months)

The item refers to the four tranches of the long-term debenture loan the Parent Company issued as part of the overhaul of its financial structure, as well as to outstanding bank loans totalling 479,545 thousand euro.

The EIB loans have some covenants that the Company must meet every six months to continue using the credit lines. The covenants concern the following consolidated indicators: Total net financial debt, RAB (Regulatory Asset Base), EBITDA, and Net Financial Expenses.

As at 30 June 2022 the company met all covenants.

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.

	Balance		Notional value		Interest rate in force	Interest rate actual
	30.06.2022	31.12.2021	30.06.2022	31.12.2021		
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	136,364	145,455	136,364	145,455	Eur+0,59%	0.81%
Debenture loan expiring 2024	579,093	600,000	579,093	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	500,000	500,000	0.58%	0.64%
Costs linked to loans (long term)	(8,729)	(9,906)				
TOTAL LONG TERM	3,196,728	3,225,548	3,205,457	3,235,455		
Floating rate debt	18,182	18,182	18,182	18,182	Eur+0,59%	0.81%
non-bank short-term payables due to third parties	-	-	-	-		
TOTAL SHORT TERM	18,182	18,182	18,182	18,182		

The tranche of the debenture loan maturing in 2024 decreased following a repurchase operation carried out by the company on the open market (so-called "Open Market Repurchase").

The contract maturity schedule for this loan and for the tranches of the debenture loan is set out below:

Thousands of euro	Notional		1 year	2 - 5 years	Beyond 5 years
	as at 30.06.2022	as at 31.12.2021			
Short and medium/long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	461,364	470,455	-	397,727	63,636
Loan - Short-term Capex Line	18,182	18,182	18,182	-	-
Medium/long-term debenture loans	2,744,093	2,765,000	-	1,514,093	1,230,000
Total	3,223,638	3,253,636	18,182	1,911,820	1,293,636

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

28. Post-employment and other employee benefits

The Group provides employees with various types of benefits, including post-employment benefits, health benefits, compensation due in lieu of notice of dismissal (*Indennità Sostitutiva del Preavviso* - ISP) and compensation due in lieu of energy discount (*Indennità Sostitutiva 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, 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. The change that occurred in the half-year (-6,262 thousand euro compared to 31 December 2021) is largely due to the discounting of these obligations, with the discounting rate rising from the previous 1% to the current 3.25%, while trend inflation increased from 1.5% to 2%.

Below are comments on the main items making up the aggregate, which as at 30 June 2022 totalled 30,830 thousand euro.

Post-employment benefits

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, corresponding, for each year of service, to an amount calculated by dividing their gross annual salary by 13.5.

Following the approval of Italian Law No. 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 care 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 funds set up for workers in Italy's electricity industry, reimburse health care expenses.

Fondo Gas

Italian Law Decree No. 78/2015, combined with Law 78/2015 (Official Journal of 14 August 2015), ordered the elimination of the so-called "Fondo Gas" (gas fund) effective 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 balance of the fund, which amounts to 6,054 thousand euro, is the best estimate at the time of the preparation of these financial statements of the liability arising from this law.

29. Provisions for risks and charges

Provisions for risks and charges are used to cover contingent liabilities that could 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 (considering both the short-term and the medium/long-term portion) increased by 5,801 thousand euro overall compared to 31 December 2021.

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	Of which current portion		Of which non-current portion		Allocations	Releases	Uses	Of which current portion		Of which non-current portion	
	31.12.2021							30.06.2022			
Provisions for litigation and disputes	6,293	-	6,293	457	(671)	(728)	5,351	-	5,351		
Provision for taxes and duties	1,813	-	1,813	-	(106)	(9)	1,698	-	1,698		
Provisions for disputes with personnel	100	-	100	-	-	-	100	-	100		
Provision for disputes on concessions	29,142	29,142	-	4,647	-	-	33,790	33,790	-		
Other provisions for risks and charges	39,317	39,317	-	10,894	(112)	(8,434)	41,665	41,665	-		
Total	76,665	68,460	8,206	15,998	(888)	(9,171)	82,604	75,455	7,149		
Provisions for charges pertaining to leave incentives	1,900	1,900	-	-	-	(138)	1,762	1,762	-		
Total	78,565	70,360	8,206	15,998	(888)	(9,309)	84,366	77,217	7,149		

The provisions for risks and charges stood at 84,366 thousand euro (short-term portion: 77,217 thousand euro) and were broken down as follows:

- “Provision for litigation and disputes” addresses, for 5,351 thousand euro, the liabilities deriving mainly from some ongoing legal disputes for potentially damaging events; in the first half of the year it decreased by 942 thousand euro owing to further allocations for legal disputes (457 thousand euro), offset by uses and releases for a total of 1,399 thousand euro;
- “Provision for taxes and duties”, standing at 1,698 thousand euro, referring mainly to ongoing litigation or disputes concerning local taxes;
- “Provision for disputes with personnel”, amounting to 100 thousand euro, covering 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 these financial statements;
- “Provision for disputes on concessions”, totalling 33,790 thousand euro, rose by 4,647 thousand euro following adjustments to the risk relating to a review of the agreed concession fees and related disputes with the municipalities. No use was made of this fund in the reporting period;
- “Other provisions for risks and charges”, totalling 41,665 thousand euro, mainly cover the costs that could potentially arise from the need for maintenance or replacement of meters not fully compliant with corporate standards, the risk that the contribution to derecognise EECs does not cover the cost to purchase such certificates in order to comply with regulatory obligations, and other operational risks;
- “Provision for charges pertaining to incentives to leave”, totalling 1,762 thousand euro, addresses possible liabilities that may arise from agreements already finalised or being negotiated concerning early retirement incentives. The Group used 138 thousand euro of this provision during the period.

30. Non-current financial liabilities

The item, which included the negative Fair Value of derivatives outstanding as at 31 December 2021, was eliminated as at 30 June 2022, with the Fair Value moving into positive territory thanks to the rise in interest rates in the half year.

31. Non-current IFRS 16 financial liabilities

This item consists of the long-term portion of the financial liability arising from the recognition of rental and lease costs in accordance with IFRS 16. To view the overall impact of the related payable, it is necessary to add to the value of the item also that of “Current IFRS 16 financial liabilities”. The balance as at 30 June 2022 was 20,302 thousand euro.

Below is the breakdown by due date of the future cash flows that make up the financial liabilities under IFRS 16, for both the long-term and short term-portion. Details of non-discounted contractual flows are also shown, with the same breakdown by due date.

Thousands of euro	Present value of IFRS 16 cash flows 30.06.2022	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities				
Non-current IFRS 16 financial liabilities	20,302	-	18,777	1,525
IFRS 16 Property			13,707	1,525
IFRS 16 Vehicles			5,023	-
IFRS 16 ICT			47	-
Current IFRS 16 financial liabilities	5,719	5,719	-	-
IFRS 16 Property		3,978		
IFRS 16 Vehicles		1,554		
IFRS 16 ICT		186		
Total	26,020	5,719	18,777	1,525

32. Other non-current liabilities

This item decreased by 288 thousand euro compared to the previous year. A breakdown is provided below:

Thousands of euro	30.06.2022	31.12.2021	2022 - 2021
payables to social security and insurance agencies	-	2,137	(2,137)
other payables	961	961	-
Deferred income for plant contributions	48,143	48,771	(627)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	289,119	286,644	2,476
Total deferred income	338,224	338,512	(288)

Deferred income for grants related to plants fell as a result of the portion accrued during the period, while the 2,476 thousand euro increase in deferred income for connection fees was mostly attributable to the fees received during the year.

Current liabilities

33. Short-term loans

The item was zero in the period.

34. Current portion of medium/long-term bank loans

This item stood at 18,182 thousand euro and includes bank loan instalments due to expire within the next 12 months.

35. Current portion of long-term and short-term provisions

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

36. Trade payables

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

This item decreased by 7,672 thousand euro compared to 31 December 2021.

The balance mainly consists of outstanding payables due to companies to which the Group outsourced gas distribution plant construction and maintenance operations, as well as purchases of electricity and gas for internal use. The trend in payables due to suppliers reflected, on the one hand, the recovery of network construction and meter replacement activities and, on the other hand, seasonal patterns.

37. Income tax payables

Income tax payables refer largely to payables for corporate income tax (IRES) and regional business tax (IRAP) and reflect normal advance payment and balance patterns.

38. Current financial liabilities

Current financial liabilities referred to accrued interest expenses on the debenture and bank loan, which are due within 12 months. These liabilities rose as at 30 June 2022 as a result of the normal rolling effect caused by interest on the debenture loan becoming due.

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Accrued liabilities for interest on short-term bank loans and bank expenses	41,229	19,243	21,986
Other current financial payables	826	767	60
Total	42,055	20,009	22,046

39. Current IFRS 16 financial liabilities

The item includes the short-term portion of the financial liabilities generated by the application of IFRS 16. The balance of this item (5,719 thousand euro) must be added to the medium/long-term portion, which has already been commented on in paragraph 31, in order to obtain a complete picture of the impact on financial debt of the application of the accounting standard.

40. Other current liabilities

Other current liabilities increased in the period under review due to the interaction mechanism with CSEA. Other current liabilities are set out below:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
other tax payables	3,016	6,782	(3,765)
payables to social security and pension agencies	13,671	10,629	3,042
other payables	197,256	172,329	24,927
accrued liabilities	3,807	3,324	483
deferred income	13,066	11,334	1,732
Total	230,816	204,398	26,419

Other tax payables are set out below:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
due to tax authorities for VAT	188	2,898	(2,710)
due to tax authorities for taxes withheld from employees	2,721	3,755	(1,034)
due to tax authorities for withholding taxes	107	128	(21)
other payables to tax authorities	0	0	(0)
Total	3,016	6,782	(3,765)

Payables to welfare and social security agencies are set out below:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
due to INPS	12,237	9,552	2,685
due to other agencies	1,434	1,077	357
Total	13,671	10,629	3,042

Other payables are set out below:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Payables to employees	13,986	13,426	560
Payables to municipalities for rights and fees	1,201	1,204	(3)
Payables for connections, network extension and other payables to customers	9,385	8,199	1,186
Payables for security deposits and user advances	4,958	4,524	435
Payables to CSEA	160,045	137,858	22,187
Other payables	7,681	7,119	562
Total	197,256	172,329	24,927

Payables to CSEA, totalling 160,045 thousand euro, consist of amounts due in respect of items transiting through the mechanism of invoicing to trading companies, which are then transferred to the Equalisation Fund. The 22,187 thousand euro increase compared to 31 December 2021 was related to the seasonal pattern of invoicing in 2022, given the previously defined Tariff Revenue Cap.

Below is a breakdown of accrued liabilities and deferred income:

Thousands of euro

	30.06.2022	31.12.2021	2022 - 2021
Accrued liabilities			
Additional monthly accrual for employees	3,456	3,309	147
Other accrued liabilities	351	15	336
Total accrued liabilities	3,807	3,324	483
Deferred income			
Deferred income for plant contributions	2,198	2,204	(6)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	9,095	8,978	117
Other deferred income	1,773	152	1,621
Total deferred income	13,066	11,334	1,732
Total accrued liabilities and deferred income	16,873	14,658	2,215

25. Liabilities held for sale

During the half year, liabilities relating to the Mortegliano concession, which will be sold within the next 12 months following the ATEM Udine 2 tender, assigned to another distributor, plus a deposit on a property being disposed of, were recorded as liabilities held for sale. As at the reporting date, these liabilities stood at 285 thousand euro.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

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 it, jointly controlled companies and those over which the parent company has significant influence. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the relevant Directors.

The dividends paid to related parties, totalling 104,945 thousand euro, refer to the distribution of the 2020 results to F2i - Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.) and Finavias Sarl.

Pursuant to art. 2427-bis of the Italian Civil Code, financial and trade transactions between the Group and related parties are part of ordinary operations and have always been carried out at arm's length.

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

Trade and other transactions

30 June 2022

Thousands of euro	Trade		Costs	Trade	
	Receivables	Payables		Revenue	
F2i SGR S.p.A	-	38	38	-	
MEA SPA	4	-	-	4	
APG Infrastructure Pool 2017 II	-	10	10	-	
Bonatti Spa	-	5,436	3,189	-	
2i Servizi Energetici Srl	29	45	45	28	
Key management personnel, including directors and statutory auditors	-	60	1,919	0	
Total	33	5,589	5,201	32	

31 December 2021

Thousands of euro	Trade		Costs	Trade	
	Receivables	Payables		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	

Financial transactions

30 June 2022

Thousands of euro	Financial		Costs	Financial	
	Receivables	Payables		Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					67,100
Finavias S. à r.l.					37,845
MEA SPA				238	
2i Servizi Energetici Srl	966		35	16	
Key management personnel, including directors and statutory auditors					
Total	966	-	35	255	104,945

Equity investments in related parties include MEA S.p.A. (3,457 thousand euro) and 2i Servizi Energetici S.r.l. (202 thousand euro).

31 December 2021

Thousands of euro	Financial		Costs	Financial	
	Receivables	Payables		Revenue	Dividends paid
F2i – Terzo Fondo Italiano 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	
Key management personnel, including directors and statutory auditors					
Total	498	-	245	192	124,945

41. Contractual commitments and guarantees

Guarantees provided in the interests of third parties totalled 162,681 thousand euro. These guarantees refer to bank guarantees (117,663 thousand euro) and insurance and other guarantees (45,018 thousand euro).

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.

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 analysed as a whole by top management.

The reporting format used by top 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

As at 30 June 2022 there were no contingent liabilities.

Contingent assets

As at 30 June 2022 there were no contingent assets.

Market, credit, liquidity, and interest rate risk

Credit risk

The 2i Rete Gas Group provides its distribution services to around 260 sales companies, the most significant of which is Enel Energia S.p.A.

In relation to invoiced volumes, no significant cases of non-compliance by the counterparties were found in the first half of 2022.

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 for the purpose of ensuring an appropriate level of protection against the risk of default by the counterparty.

Outstanding guarantees and security deposits on trade receivables totalled 237,112 thousand euro.

As a result, credit risk is mitigated.

A summary quantitative indication of the maximum exposure to credit risk can be derived from the carrying amount of financial assets, before the relevant bad debt provision.

As at 30 June 2022, the Group's maximum exposure to credit risk amounted to 918.5 million euro:

Millions of euro	30.06.2022	31.12.2021	2022 - 2021
Non-current financial assets	86.9	13.0	73.9
Other non-current financial assets (gross of bad debt provision)	50.9	40.5	10.5
Trade receivables (gross of bad debt provision)	79.0	231.5	(152.5)
Other current financial assets	27.5	2.0	25.4
Cash and cash equivalents	373.0	443.0	(70.0)
Other receivables (gross of bad debt provision)	301.3	201.9	99.4
Total	918.5	931.9	(13.3)

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, an undrawn credit line with a primary bank is available, as well as three loans for a total of 479.6 million euro (fully used as at 30 June 2022).

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 as at 30 June 2022 and, for comparative purposes, 31 December 2021, are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 30 June 2022			
Long-term loans	-	397.7	63.6
Medium/long-term debenture loans	-	1,514.1	1,230.0
Short-term debenture loans	-	-	-
Short-term loans	-	-	-
Current portion of long-term loans	18.2	-	-
Other long-term financial liabilities	-	-	-
Other short-term financial liabilities	42.1	-	-
Non-current IFRS 16 financial liabilities	-	18.8	1.5
Current IFRS 16 financial liabilities	5.7	-	-
Total	66.0	1,930.6	1,295.2

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

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.

It should be noted that loans are subject to regular checks on compliance with some financial covenants at a consolidated level.

As at 30 June 2022, such covenants were fully met.

The “Medium/long-term debenture loans” totalling 2,744.1 million euro refer to the aforementioned five debenture loan tranches issued by 2i Rete Gas and expiring between 2024 and 2031.

The Group’s growth plan requires refinancing existing debt, but given the Group’s strong performance, the rating obtained, and the ongoing compliance with the financial covenants established by the lending banks, currently the Group does not face any problems in obtaining such refinancing.

The Group constantly monitors opportunities to improve its financial structure.

To gain further insights into long-term loans, reference should be made to note 27 in these interim condensed consolidated 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.

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.

Thousands of euro	Notes	Measured at fair value	carrying amount			Total	Fair value
			Derivatives*	Receivables	Available for sale		
Financial assets measured at fair value							
Non-current financial assets	16		73,886			73,886	73,886
Financial assets not measured at fair value							
Non-current financial assets	16			13,005		13,005	13,005
Other non-current assets	17			50,748		50,748	50,748
Trade receivables	19-25			70,208		70,208	70,208
Short-term financial receivables	20			27,439		27,439	27,439
Other current financial assets	21			18		18	18
Cash and cash equivalents	22			372,990		372,990	372,990
Other current assets	24			321,665		321,665	321,665
TOTAL ASSETS			73,886	856,073	-	929,959	929,959
Financial liabilities measured at fair value							
IRS Derivatives	38		-				
Financial liabilities not measured at fair value							
Long-term loan	27				461,364	461,364	461,364
Medium/long-term debenture loans	27				2,735,364	2,735,364	2,553,272
Short-term debenture loans	33				-	-	-
Non-current IFRS 16 financial liabilities	31	20,302				20,302	20,302
Other non-current liabilities	32				961	961	961
Short-term loans	33-34				18,182	18,182	18,182
Trade payables	36-25				211,147	211,147	211,147
Current financial liabilities	38				41,229	41,229	41,229
Current IFRS 16 financial liabilities	39	5,719				5,719	5,719
Other current liabilities	40				75	217,825	217,825
TOTAL LIABILITIES		26,020	-	-	75	3,685,998	3,712,093

* amount recognized at level 2 of fair value classification. Inputs that are directly market observable.

In order to enable comparison, the same table as the one used in 2021 is provided:

Thousands of euro	Notes	Measured at fair value	carrying amount				Total	Fair value
			Derivatives*	Receivables	Available for sale	Other financial liabilities and payables		
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			13,012			13,012	13,012
Other non-current assets	17			40,266			40,266	40,266
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
TOTAL LIABILITIES		25,611	10,184	-	80	3,675,818	3,711,694	3,850,939

* amount recognized at level 2 of fair value classification. Inputs that are directly market observable.

With regard to the financial assets that are not measured at fair value, and to 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.

In order 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 aim 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.

As at 30 June 2022, the debt structure was not subject to interest rate risk to the extent of 3,069 million euro out of 3,224 million euro reflected in the financial statements.

The Group does not hold derivatives for trading or speculative purposes. During the year, the Company entered into 5 Forward Start Interest Rate Swap derivative contracts (with start date set in 2 years and 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 the future debenture loan issue planned to refinance part of the existing one that will reach maturity in the coming years.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 30.06.2022	as at 31.12.2021	as at 30.06.2022	as at 31.12.2021	as at 30.06.2022	as at 31.12.2021	as at 30.06.2022	as at 31.12.2021
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	73,886	(10,184)	73,886	-	-	(10,184)
Total Interest Rate Derivatives	500,000	500,000	73,886	(10,184)	73,886	-	-	(10,184)

The contract expiry dates are shown below:

Thousands of euro	Notional		1 year	2 - 5 years	Beyond 5 years
	as at 30.06.2022	as at 31.12.2021			
Cash flow hedge derivatives					
<i>Forward Start Interest Rate Swap</i>	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

The values are also shown, assuming interest rate shocks of +0.10% and -0.10%:

Thousands of euro	Notional		-0,10%	Fair value as at 30.06.2022	+0,10%	-0,10%	Fair value as at 31.12.2021	+0,10%
	as at 30.06.2022	as at 31.12.2021						
Cash flow hedge derivatives								
<i>Forward Start Interest Rate Swap</i>	500,000	500,000	70,569	73,886	78,542	(15,369)	(10,184)	(5,148)
Total	500,000	500,000	70,569	73,886	78,542	(15,369)	(10,184)	(5,148)

Significant events after the reporting period

On 9 August 2022, the Italian Government, through Law Decree 115, decided to leave unchanged the rates for general system charges in force in the third quarter of 2022 in the natural gas sector, in order to limit the effects of gas price increases in the final quarter of the year.

The Group is carefully monitoring the evolution of these measures which, it is recalled, primarily impact on the so-called “pass-through components” that are invoiced to sales companies. In the year some were eliminated, others were created with negative values, thus generating for the Group a significant credit in relations with CSEA and shifting the net VAT balance.

Direction and coordination

The parent company directs and coordinates the subsidiaries 2i Rete Gas S.r.l., Cilento Reti Gas S.r.l., and 2i Rete Dati S.r.l., while no company directs or coordinates 2i Rete Gas S.p.A.

Corporate governance

The guidelines of the Group’s corporate governance are described in the “Organisation, Management and Control Model” (model 231/2001) as well as in the “Code of Ethics”. Both documents are available on the company’s website.

XIV. Report of the Independent Auditors



2I RETE GAS SPA

**REVIEW REPORT ON CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS AS OF AND FOR
THE SIX-MONTH PERIOD ENDED 30 JUNE 2022**



REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022

To the board of directors of
2i Rete Gas SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of 2i Rete Gas SpA and its subsidiaries (2i Rete Gas Group) as of and for the six-month period ended 30 June 2022, comprising the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in shareholders' equity and related notes. The directors of 2i Rete Gas SpA are responsible for the preparation of the condensed consolidated interim financial statements that give a true and fair view in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our work in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than a full-scope audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed consolidated interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of 2i Rete Gas Group as of and for the six-month period ended 30 June 2022 are not prepared, in all material respects, in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union.

Milan, 30 September 2022

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

This report is an English translation of the original report, which was issued in Italian. This report has been prepared solely for the convenience of international readers.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311