

Notes to the consolidated financial statements

Company information

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Italgas", the "Italgas Group" or the "Group"), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. consolidated Italgas S.p.A. pursuant to the accounting principle IFRS 10 "Consolidated Financial Statements".

As at 31 December 2021, CDP S.p.A. owns, via CDP Reti S.p.A.⁷⁶ 26.02% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1. Basis of preparation

The consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretive documents still in force issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing

Interpretations Committee (SIC). For sake of simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The same consolidation principles and measurement criteria of the previous year are applied in the 2021 consolidated financial statements, except for the international accounting standards that came into force starting from 1 January 2021, which are described in the following section "Accounting principles and interpretations applicable from 2021" of said report.

The consolidated financial statements are prepared on a going-concern basis, using the historical cost method, taking into account value adjustments, where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

The consolidated Financial Statements as at 31 December 2021, approved by Italgas S.p.A.'s Board of Directors at the meeting of 09 March 2022, were subjected to an audit by Deloitte & Touche S.p.A., which - as the main auditor - is responsible for auditing the separate financial statements of Italgas S.p.A. and its subsidiaries.

The consolidated Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro, unless otherwise specified.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB (INTERNATIONAL ACCOUNTING STANDARDS BOARD), APPROVED BY THE EUROPEAN UNION (EU) AND IN FORCE SINCE 1/1/2021

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2021:

IASB AND IFRS IC DOCUMENTS	EU effective date	Date of endorsement	Date of publication in the Official Journal
Amendment to IFRS 16 - Covid- 19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)	1 April 2021	30 August 2021	31 August 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 <i>Interest Rate Benchmark Reform - Phase 2</i> (issued on 27 August 2020)	1 January 2021	13 January 2021	14 January 2021
Amendments to IFRS 4 Insurance Contracts - deferral of IFRS 9 (issued on 25 June 2020)	1 January 2021	15 December 2020	15 December 2020

⁷⁶ CDP S.p.A. holds 59.10%.

On 31 March 2021, the IASB published the **“Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)”** document, which extends, by one year (until 30 June 2022), the IFRS 16 amendment that provides operators with an exemption from assessing whether the impacts of Covid-19 on leases (e.g. reduction of rent) constitute amendments to the lease conditions. The amendments are effective for financial years starting on or after 1 April 2021, and early application is permitted.

On 27 August 2020, the IASB published the **“Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)”** document, which specified the effects on financial reporting in the event that, following the reform on IBOR interbank rates (e.g. LIBOR, EURIBOR and TIBOR), alternative reference rates are adopted in the measurement of financial instruments. In particular, it outlined how to implement the changes in the financial assets, financial liabilities, lease liabilities, accounting requirements for hedging operations and reporting requirements pursuant to IFRS 7. In summary, the effects on the financial assets, financial liabilities and lease liabilities are summarised in an amendment to the effective reference rate used in the measurements, whereas on the hedging instruments, the change from the IBOR to alternative reference rates does not cause an interruption to hedge accounting. The amendments are effective for financial years starting on or after 1 January 2021, with early application permitted.

On 25 June 2020, the IASB issued an amendment to standards IFRS 17 and IFRS 4, “Insurance contracts”; the changes include deferral of the application of IFRS 9 to insurance contracts until 1 January 2023.

The changes made did not significantly impact the Group’s consolidated financial statements as at 31 December 2021.

NEW ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED PREVIOUSLY AND APPROVED BY THE EUROPEAN UNION BUT NOT YET IN FORCE

On 14 May 2020, the IASB published the **“Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)”** document, which specified that, if it is possible to obtain proceeds from selling items produced using property, plants and equipment (PPE), before these PPE are fully operative in the manner intended by management, these proceeds must not be taken account of but instead deducted from the cost of the assets themselves. The changes published are effective for financial years starting on or after 1 January 2022.

On 14 May 2020, the IASB published the **“Annual Improvements to IFRS Standards 2018-2020”** document, containing amendments to certain IFRS standards as a result of the IASB’s annual improvement project. In particular, the changes concerned:

- | IFRS 1 “First-time Adoption of International Financial Reporting Standards”, where a subsidiary, when transitioning to international accounting standards, is permitted to cumulatively adopt the values defined by its parent company on the date of transition to the IFRS;
- | IFRS 9 “Financial instruments”, where it specified which paid or received fees are to be considered in the “10 per cent” test carried out to establish whether an issuer reacquiring its own financial instrument, for example for the purposes of re-issuing it later on, can consider that instrument derecognised;

- | IFRS 16 “Leases”, with reference to the treatment of lease incentives granted by the lessor.

On 14 May 2020, the IASB published the **“Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)”** document, amending the standard by detailing which contractual costs a company has to consider for the purposes of the provisions provided for in IAS 37.

On 25 June 2020, the IASB issued the document “Amendments to IFRS 17 Insurance Contracts”. The main changes included:

- | deferment of the initial application date of the IFRS 17 by two years (annual periods starting from 1 January 2023 or later);
- | corresponding deferment of application of the IFRS 9 to insurance contracts from 1 January 2023;
- | exclusion from the scope of application for specific contracts (e.g. those stipulated with credit cards that provide insurance coverage).

The changes to the IFRS 17 are effective for financial years starting on or after 1 January 2023.

The directors do not expect the adoption of these amendments to significantly affect the Group’s consolidated financial statements.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED BY THE EUROPEAN UNION AS AT THE DATE OF REFERENCE OF 31 DECEMBER 2021

On 23 January 2020, the IASB issued the **“Classification of Liabilities as Current or Non-current (Amendments to IAS 1)”** document, providing a more general approach to the classification of liabilities pursuant to IAS 1. The objective is to clarify whether a liability is classified as non-current if an entity expects, or has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms. The IASB has specified that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and only those rights should influence the classification of a liability. Classification is therefore not influenced by the faculty to defer settlement of a liability.

On 12 February 2021, the IASB published the **“Definition of Accounting Estimates (Amendments to IAS 8)”** document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. A change in the accounting estimate that results from new information or new developments is therefore not the correction of an error and may affect only the current period’s profit or loss, and/or the profit or loss of future periods. The changes are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 12 February 2021, the IASB issued the **“Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice**

Statement 2)” document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that “an entity shall disclose its significant accounting policies”, but no definition is provided for the term “significant” (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity’s financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the “materiality process”. The changes to the IAS 1 are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 7 May 2021, the IASB published the “**Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**” document, with which, with a view to standardising the treatment followed by companies, it was clarified that from initial recognition of single transactions (e.g. leasing or asset dismantling charges), it is necessary to account for the resulting temporary differences in the event that deferred tax assets or liabilities arise. The changes are effective for financial years starting on or after 1 January 2023. Early application is permitted.

On 09 December 2021, the IASB published the document

“**Initial Application of IFRS 17 and IFRS 9 - Comparative Information (Amendment to IFRS 17)**”, which allows insurance companies to improve the content of the comparative statements between different accounting periods which must be presented by the same entities upon first-time application of IFRS 17 and IFRS9. Application of this amendment is deferred until insurance companies apply IFRS 17 for the first time.

The company does not expect the aforesaid standards and/or amendments to have any significant impacts on the Group’s consolidated financial statements.

Change in accounting value

The 2021 Consolidated Financial Statements apply the principles of consolidation and the measurement criteria described when preparing the 2020 Consolidated Financial Statements, to which reference is made, with the exception of the international accounting standards that came into force on 1 January 2021, described in the section “Recently issued accounting standards” of that integrated Annual Report.

In line with the provisions of standard IAS 8 (paragraphs 41 and 42), as of 31 December 2021, the Group restated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. These expenses had been previously recorded under intangible assets. The change was incorporated retrospectively in the financial statements, as shown in the table below.

Changes made to the Balance Sheet and Income Statement as at 31 December 2020 are shown below:

BALANCE SHEET

(€ thousands)	31.12.2020		
	2020 statement value	adjustments for legally required periodic checks	adjusted value
ASSETS			
Current assets			
Cash and cash equivalents	664,026		664,026
Current financial assets	5,120		5,120
Trade and other receivables	635,028		635,028
Inventories	101,184		101,184
Current tax assets on income	4,251		4,251
Other current non-financial assets	84,168		84,168
	1,493,777		1,493,777
Non-current assets			
Property, plant and equipment	369,899		369,899

(€ thousands)	31.12.2020		
	2020 statement value	adjustments for legally required periodic checks	adjusted value
Intangible assets	7,060,110	(5,082)	7,055,028
Investments valued using the equity method	29,301		29,301
Non-current financial assets	5,072		5,072
Non-current income tax assets	3,340		3,340
Other non-current non-financial assets	167,441		167,441
	7,635,163	(5,082)	7,630,081
Non-current assets held for sale	69		69
TOTAL ASSETS	9,129,009	(5,082)	9,123,927
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term financial liabilities	698,406		698,406
Trade and other payables	767,555		767,555
Current tax liabilities on income	35,934	(1,463)	34,471
Other current financial liabilities	299		299
Other current non-financial liabilities	9,118		9,118
	1,511,312	(1,463)	1,509,849
Non-current liabilities			
Long-term financial liabilities	4,707,145		4,707,145
Provisions for risks and charges	202,617		202,617
Provisions for employee benefits	104,622		104,622
Deferred tax liabilities	55,215		55,215
Other non-current financial liabilities	21,002		21,002
Other non-current non-financial liabilities	546,054		546,054
	5,636,655		5,636,655
TOTAL LIABILITIES	7,147,967	(1,463)	7,146,504
SHAREHOLDERS' EQUITY			
Share capital	1,001,232		1,001,232
Reserves	139,821		139,821
Profit (loss) carried forward	216,876	(5,121)	211,755
Profit (loss) for the year	382,972	1,654	384,626
Total Italgas shareholders' equity	1,740,901	(3,467)	1,737,434
Minority interests	240,141	(152)	239,989
TOTAL SHAREHOLDERS' EQUITY	1,981,042	(3,619)	1,977,423
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,129,009	(5,082)	9,123,927

INCOME STATEMENT

(€ thousands)

2020 statement items	2020 statement value	adjustments for legally required periodic checks	2020 restated value
REVENUE			
Revenue	2,058,442	(507)	2,057,935
Other revenue and income	68,844		68,844
	2,127,286	(507)	2,126,779
OPERATING COSTS			
Costs for raw materials, consumables, supplies and goods	(123,896)	(170)	(124,066)
Costs for services	(535,589)	(922)	(536,511)
Costs for the use of third-party assets	(87,555)		(87,555)
Personnel cost	(268,164)	(247)	(268,411)
Allocations to/releases from provision for risks and charges	(44,499)		(44,499)
Allocations to/releases from provisions for doubtful debt	16		16
Other expenses	(20,124)		(20,124)
	(1,079,811)	(1,339)	(1,081,150)
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(444,176)	4,123	(440,053)
EBIT	603,299	2,277	605,576
FINANCIAL INCOME (EXPENSE)			
Financial expense	(54,507)		(54,507)
Financial income	5,298		5,298
	(49,209)		(49,209)
INCOME (EXPENSE) FROM EQUITY INVESTMENTS			
Effect of valuation using the equity method	1,466		1,466
Other income (expense) from equity investments	49		49
	1,515		1,515
Gross profit	555,605	2,277	557,882
Income taxes	(151,979)	(654)	(152,633)
Net profit (loss) for the year	403,626	1,623	405,249
Attributable to Italgas	382,972	1,654	384,626
Minority interests	20,654	(31)	20,623
Net profit (loss) per share attributable to Italgas (€ per share)			
- basic and diluted	0.47		0.33

2. Consolidation principles

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 - "Consolidated Financial Statements". Specifically, control exists where the controlling entity simultaneously:

- | has the power to make decisions concerning the affiliate;
- | is entitled to receive a share of or is exposed to the variable profits and losses of the affiliate;
- | is able to exercise power over the affiliate in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an affiliate depends.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. as at 31 December 2021", which is an integral part of these notes.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

COMPANIES INCLUDED IN THE SCOPE OF CONSOLIDATION

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.

The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the participated entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income.

Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under shareholders' equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

EQUITY INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is a participated company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies but does not have control or joint control⁷⁷. It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

BUSINESS COMBINATIONS

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

The shareholders' equity of these participated companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of shareholders' equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill ("Partial goodwill method" or "Full goodwill method") is made based on each individual business combi-

⁷⁷ Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

nation transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER JOINT CONTROL

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3 and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired predating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. With regard to business transfers under common control, the transferee entity should record the business transferred at its historical book value increasing its shareholders' equity by this amount; the transferring entity will record the equity investment in the transferee entity for the same amount as the increase in the shareholders' equity of the latter.

This accounting treatment is based on the Preliminary Guidelines on IFRS (OPI 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued by Assirevi in October 2016.

INTRAGROUP TRANSACTIONS THAT ARE ELIMINATED IN THE CONSOLIDATION PROCESS

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3. Measurement criteria

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is recognised at the cost of purchase or production, including directly allocable ancillary costs needed to make the assets available for use.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/value of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they are incurred.

If impairment indicators are present, the book value of property, plant and equipment is verified to identify any impairment (see the paragraph "Impairment of property, plant and equipment and intangible assets with a finite useful life" for more details).

RIGHTS OF USE

The cost of the asset consisting of right of use comprises:

- a. the amount of the initial measurement of the liability of the lease;
- b. the payments due for the lease made on the date or before the starting date, net of lease incentives received;
- c. the initial direct costs incurred;
- d. the costs for dismantling and restoring the site.

The liabilities of the leases include the following payments for the right of use of the underlying asset along the duration of the lease unpaid as at the starting date:

- a. the fixed payments, net of any lease incentives receivable;
- b. the variable payments due for the lease that depend on an index or rate;
- c. the amounts payable by way of warranties of the residual value;
- d. the price for exercising the right to purchase where there is the reasonable certainty of exercising the option;
- e. the payments of lease termination penalties where lease termination is provided for.

The discount rate used is the embedded interest rate of the lease for the remaining duration of the lease, if such rate is not easy to determine, the marginal loan interest rate of the Group as at the recalculation date is used.

In determining the duration of the lease, the Group considered

the presence of renewal and cancellation options respectively for the lessee, the lessor or both.

As the standard allows, the short-term leases and the leases for assets of a modest amount were excluded.

The duration of the lease is calculated by taking into account the non-voidable lease period, together with any periods covered by an option to extend the agreement if it is reasonably certain that this option will be exercised, or any period covered by an option to terminate the lease contract, if the Group deems it reasonably certain that such option will not be exercised.

In the event of any significant changes in events and circumstances under the Group's control that make it appropriate to change the assessment of the reasonable certainty of exercising the options, the Group will redetermine the duration of the lease.

After initial recognition, the right-of-use asset is adjusted to

take into account (i) the amortization portions, (ii) any impairment losses and (iii) the related effects and any restatements of the leasing liability.

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. Depreciation starts when the asset is available and ready for use.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual depreciation rate (%)
Land and building	
- Industrial buildings	2%
- Civil buildings	3%
Plant and equipment	
- Other plant and equipment	4% - 6.6%
Industrial and commercial equipment	
- Office furniture and machinery	12% - 33.3%
- Transportation vehicles	20% - 25%
Rights of use	duration of the lease agreement

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale" section).

Depreciation rates are reviewed each year and are altered if they do not adequately reflect the future benefits expected. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

INTANGIBLE ASSETS

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. Intangible assets are reported at the cost of purchase or internal production, when their use is likely to generate future benefits and the relative cost can be reliably determined.

They may not be revalued, even through the application of specific laws.

Development costs are only recognised as intangible assets when the Group can prove the technical feasibility of completing the intangible asset and can demonstrate that it has the ability, intention and available resources to complete the asset for use or sale. Research costs are recognised in the income statement.

Intangible fixed assets with a finite useful life are measured at

cost, net of amortisation and accumulated impairment losses. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested at each reporting date, as provided for by IAS standard 36, to check for impairment losses to be reflected in the financial statements.

Intangible assets are eliminated at the time they are decommissioned, or when no future economic benefit is expected from their use; the related profit or loss is posted in the income statement.

SERVICE CONCESSION AGREEMENTS

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service distributor of natural gas and other gases, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by the ARERA, holding the right to use the infrastructure, which is controlled

by the grantor, for the purposes of providing the public service. They also apply to the integrated water service agreements.

The Group applies the intangible asset model as provided for by IFRIC 12 for the accounting of service concession agreements. The intangible asset is accounted for at the cost both on initial recognition and for subsequent recognition. Revenue and costs originating from network construction and other services are recognised and measured applying IFRS 15. Construction services and improvements carried out on behalf of the grantor are accounted for as changes to work in progress on order.

AMORTISATION OF INTANGIBLE ASSETS

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset. Amortisation starts when the asset is ready for use.

The amount to be amortised is the book value, reduced by the projected net realisable value at the end of the asset's useful life if this is significant and can be reasonably determined.

The table below shows the annual amortisation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%) (*)
Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	1.67% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	1.67% - 5%
- Principal and secondary facilities	4% - 6%
- Gas derivation plants	2% - 10%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

(*) for the Rome concession, the terms established by it apply

SUBSIDIES

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of the related assets.

Operating grants are recognised in the income statement on an accrual basis, consistent with the relative costs incurred.

IMPAIRMENT OF NON-FINANCIAL FIXED ASSETS

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS WITH A FINITE USEFUL LIFE

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Fair value measurement") or the value in use, whichever is greater.

As regards the value of the non-financial fixed assets falling within the scope of the regulated activities, the recoverable value is determined considering: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; (ii) any value that the group expects to recover from their sale or at the end of the concession governing the service for which they are intended; (iii) the cash flows expected from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Similarly to what happens for the quantification of tariffs, also the quantification of the recoverable value of the assets falling within the scope of regulated activities takes place on the basis of current regulatory provisions.

With reference to non-financial fixed assets not falling within the scope of the regulated activities, the value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("Cash-Generating Units" or CGUs).

The following are the Group's identified CGUs: Natural and other gas distribution and metering (regulated activity), Sale of natural and other gases, Integrated water service (regulated activity), Various activities (ESCoS).

As compared with last year, due to the advanced state of conversion of the networks supplied by different gases into

networks supplied by natural gases throughout Sardinia and the consequent altered importance in terms of both physical and economic value of the distribution and metering assets, the CGUs "Distribution and metering of natural gas" and "Distribution and metering of other gases (LPG and propane air)", have been combined. In addition, this year, the "Sale of other gases" CGU also includes the business of selling natural gas, following the start-up of natural gas supplies in Sardinia and has consequently been renamed "Sale of natural and other gases".

If the reasons for impairment losses no longer apply, the assets are revalued, and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any depreciation that would have been recorded if an impairment loss had not been recorded for the asset.

IMPAIRMENT OF GOODWILL, INTANGIBLE ASSETS WITH AN INDEFINITE USEFUL LIFE AND INTANGIBLE ASSETS NOT YET AVAILABLE FOR USE

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

INVESTMENTS VALUED USING THE EQUITY METHOD

Equity investments in joint ventures and associates are valued using the equity method.

In applying the equity method, equity investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the affiliate after the date of acquisition, and (ii) the share of the other components of comprehensive income of the affiliate. Dividends paid out by the affiliate are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the equity investments held prior to assumption of association (or joint control) is posted to the income statement, including any components recognised under other components of comprehensive income. When the transfer of equity investments entails loss of joint control or significant influence over the

affiliate, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the affiliate that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".

When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the participated company, greater than the equity investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the participated company or, in any event, to covering its losses.

MINORITY INTERESTS

Financial assets representing minority interests, since they are not held for trading, are measured at fair value with the effects recognised in the income statement.

INVENTORIES

Inventories, including compulsory inventories, are recorded at the lower of purchase or production cost and net realisable value, which is the amount that the company expects to receive from their sale in the normal course of business.

The cost of natural gas inventories is determined using the weighted average cost method.

The value of obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through the allocation of a specific obsolescence fund.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds

to the fair value.

FINANCIAL INSTRUMENTS

Financial instruments are any contracts that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

FINANCIAL ASSETS - DEBT INSTRUMENTS

Depending on the characteristics of the instrument and of the business model adopted for its management, financial assets representing debt instruments are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in the other comprehensive income components (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.

Initial recognition is at fair value; for those trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Following initial recognition, the financial assets that generate contractual cash flows representing only payments of capital and interest are measured at amortised cost if held with the aim of collecting their contractual cash flows (so-called hold to collect business model). Based on the amortised cost method, the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.

The receivables and other financial assets measured at amortised cost are presented in the balance sheet net of their provision for impairment losses.

The financial assets representing debt instruments whose business model includes both the possibility to collect contractual cash flows and the possibility to realise capital gains on transfers (so-called hold to collect and sell business model) are measured at fair value with the effects recorded on OCI (hereinafter also FVTOCI).

In this case the fair value changes in the instrument are recognised in shareholders' equity amongst the other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity provision that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognised. The interest income, calculated using the effective interest rate, exchange rate differences and impairment losses, is recognised on the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value with the effects recognised in the income statement

(hereinafter referred to as FVTPL).

When the purchase or sale of financial assets is made according to a contract requiring that the transaction be regulated and that the asset be delivered within a certain number of days, established by the market control authorities or by market agreements (e.g. purchase of securities on regulated markets), the transaction is recognised on the settlement date.

Disposals of financial assets are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

IMPAIRMENT OF FINANCIAL ASSETS

Recoverability of the financial assets representing debt instruments not measured at fair value with effects on the income statement is measured on the basis of the so-called "expected credit loss model".

In particular, the expected losses are generally determined based on the product between: (i) the exposure to the counterparty net of the relevant mitigants (Exposure At Default, EAD); (ii) the probability that the counterparty does not meet its payment obligation (Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of credit that will be unable to be recovered in case of default (Loss Given Default, LGD) defined on the basis of prior experiences and possible attemptable recovery actions (e.g. out-of-court actions, legal disputes, etc.).

To this regard, to determine the probability of default of the counterparties the internal ratings already used for the assignment were adopted; the probability of default for the counterparties represented by state entities and in particular for the national oil companies, basically depicted by the probability of a late payment, is determined using the country risk premiums adopted to determine WACCs for the impairment of the non-financial assets as input.

For the retail customers not characterised by internal ratings, measurement of the expected losses is based on a matrix provision built by grouping, if advisable, the receivables in appropriate clusters to which impairment percentages defined on the basis of prior loss experience are applied. If necessary, those percentages are adjusted to take into account forward looking information on the credit risk of the counterparty or of clusters of counterparties.

FINANCIAL LIABILITIES

Financial liabilities other than derivative instruments, including financial payables, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when there is the currently exercisable legal right to compensation and there is the intention of settling the transaction on a net basis (i.e. realizing the asset and at the same time extinguishing the liability).

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value according to the criteria indicated under the following point "Fair value measurement".

As part of the strategy and objectives defined for risk management, defining transactions as hedging requires: (i) checking the existence of an economic ratio between hedged object and hedging instrument such as to achieve the offsetting of the relevant changes in value and that this offsetting ability is not invalidated by the counterparty's level of credit risk; (ii) the definition of a ratio consistent with the risk management objectives within the scope of the defined risk management strategy, taking the appropriate rebalancing actions if necessary. The changes introduced to the risk management objectives, the conditions previously specified for defining transactions as hedging not met, or implementation of rebalancing transactions bring about the total or partial prospective interruption of the hedging.

When the hedge derivatives cover the risk of change in the fair value of the instruments to be hedged (fair value hedge; e.g. hedging the variability of the fair value of fixed rate asset/liability), the derivatives are recognised at fair value with the effects recorded in the income statement; consistently, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk in the income statement, regardless of the forecast of a different measurement criterion usually applicable to the type of instrument.

When the derivatives cover the risk of change in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging the variability of the asset/liability cash flows due to fluctuations in interest rates or exchange rates), the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity provision pertaining to the other components of comprehensive income and afterwards recorded in the income statement in line with the economic effects generated by the hedged transaction. In the case of hedging future transactions involving the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge derivatives recognised in the shareholders' equity are recorded to adjust the book value of the asset/liability of the non-financial asset/liability hedged (basis adjustment).

The non-effective portion of the hedge is recognised in the income statement item "Financial (expense)/income".

The changes in the fair value of the derivatives that do not meet the conditions to be defined as hedging, including any ineffective components of the hedge derivatives, are recorded in the income statement. Specifically, the changes in fair value of the non-hedge derivatives on interest rates and currencies are recognised in the income statement item "Financial (expense)/income".

The embedded derivatives incorporated in financial assets are no longer separated in accounting; in this case, the entire hybrid instrument is classified based on the general financial asset classification criteria. The embedded derivatives incorporated in financial liabilities and/or non-financial assets are separated by the main contract and are recognised separately if the embedded instrument: (i) meets the definition of derivative; (ii) as a whole is not measured at fair value with the effects recognised in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely tied to those of the main contract. The existence of embedded derivatives to separate and measure separately is checked when the company joins the contract and afterwards when there are amendments to the conditions of the contract that bring about significant changes in the cash flows it generates.

FAIR VALUE MEASUREMENT

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its highest and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of the financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the same entity with reference to a financial liability ("Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

| level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that

can be accessed as at the valuation date;

| level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;

| level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable, and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that affiliate are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Checking that the conditions required to classify an item as held for sale requires that the Company's management made subjective assessments and formulate reasonable and realistic assumptions based on the information available.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly associated liabilities are recognised in the Statement of Financial Position separately from the Company's other assets and liabilities.

The assets and liabilities falling within a disposal group are measured according to the accounting standards applicable to them right before being classified as held for sale. Afterwards, the non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated and are measured at the lower between the book value and the related fair value, less any sales costs (please refer to the forgoing point "Fair value measurement").

The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value of the non-current assets and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be

reliably determined. Provisions are recorded at a value representing the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits deriving from the contract, and the cost to terminate the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset and posting to the income statement is accomplished through depreciation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

PROVISIONS FOR EMPLOYEE BENEFITS

POST-EMPLOYMENT BENEFITS

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

| Defined-benefit plans

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Financial income (expense)".

| Defined-contribution plans

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

OTHER LONG-TERM PLANS

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

DISTRIBUTION OF DIVIDENDS

The distribution of dividends to the Company's Shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's Shareholders or, in the case of interim dividends, by the Board of Directors.

REVENUE

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the price of the transaction; (iv) allocation of the price of the transactions to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when its performance obligation has been met, or when the promised good or service is transferred to the customer; the transfer is considered completed when the customer gains control of the good or service, which can occur over time or at a specific point in time.

As regards the activities carried out by the Italgas Group, revenue is recognised when the service is provided. The largest share of revenue relates to regulated activities, the income from which is governed by the regulatory framework established by the Italian Regulatory Authority for Energy, Networks

and Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA). Therefore, the economic conditions of the services provided are defined in regulatory schemes and not on a negotiation basis. In reference to the distribution and metering of natural gas, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenue is posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement with Cassa per i Servizi Energetici e Ambientali (CSEA).

As regards the recognition of revenues relating to "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit to tariff recognitions for investments, which are not covered by government grants, in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per delivery point, expressed at 2017 prices set by resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Allocations of revenue relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the relative costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenue in the income statement. When the agreement stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset.

Revenue is recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes.

Revenue is reported net of items involving regulation components, in addition to the tariff, applied to cover gas system

expenses of a general nature. Amounts received from Italgas are paid in full to the Energy and Environmental Services Fund (CSEA). Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenue" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenue and costs.

DIVIDENDS RECEIVED

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

COSTS

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

ENERGY EFFICIENCY CERTIFICATES

The Energy Efficiency Certificates purchased during the year are entered in the income statement at the cost borne. The relevant contribution that CSEA will pay at the time the certificates are cancelled is booked as a reduction of the cost borne and is calculated based on the repayment price scheduled at year-end. A special risk provision is allocated to cover the future expected charges to fulfil the year's objective calculated as the difference between the cost to be borne and its cancellation contribution.

INCOME TAXES

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding corporation tax (IRES), Italgas has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Italgas Group companies' participation in the national tax consolidation scheme stipulates that:

| subsidiaries with positive taxable income pay the amount due to Italgas. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of

negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;

| subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders - in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability - or from Italgas in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".

Some Group companies have adhered to the national consolidation option, which makes it possible to determine current IRES on a taxable base that coincides with the algebraic sum of the positive and negative taxable income of the participating companies. Economic transactions, as well as the reciprocal responsibilities and obligations, are regulated by specific agreements between the parties, according to which, in the event of positive taxable income, the subsidiaries transfer the financial resources corresponding to the higher tax due by them as a result of their participation in the national consolidation scheme to the parent company and, in the event of negative taxable income, receive compensation equal to the relative tax savings achieved by the parent company.

Deferred income tax assets and liabilities are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates or those essentially approved for future years. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted

to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

OPERATING SECTORS

The Group mainly operates in gas distribution and metering, and on a residual basis in the sale of gases, the integrated water service and the business energy service company (ESCO) and in the IT service business; owing to the irrelevance of this residual line of business, a single operating sector was identified pursuant to IFRS 8, which is gas distribution and metering.

4. Financial Statements

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- | the Statement of Financial Position items are broken down into assets and liabilities, and then further into "current or non-current items"⁷⁸;
- | the Income Statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- | the Statement of Comprehensive Income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- | the Statement of Changes in Shareholders' Equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in Shareholders' equity;
- | the Statement of Cash Flows is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

It is believed that these statements adequately represent the Group's situation with regard to its Statement of Financial Position, Income Statement and Statement of Cash Flows.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note "Related party transactions", are shown separately in the financial statements.

⁷⁸ The assets and liabilities are classified as current if: (i) their realisation/settlement is expected in the company's normal operating cycle or within twelve months after the financial year-end; (ii) they are composed of cash or cash equivalents which do not have restrictions on their use over the twelve months following the year-end date; (iii) they are mainly held for trading purposes; or (iv) with reference to liabilities, the company does not have the unconditional right to defer settlement of the liability for at least twelve months from the financial year closing date.

5. Use of estimates

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the main accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on results of subsequent years.

IMPAIRMENT OF ASSETS

Measurement of tangible and intangible assets, including goodwill, requires recording of these in the financial statements for a value no higher than their recoverable value (so-called Impairment test).

In determining the recoverable amount, the Group applies the higher of the fair value less cost to sell criterion and the value in use criterion. "Fair value less cost to sell" is:

- i. The estimated value of net invested Capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by ARERA, net of the flat-rate components, employee severance pay and contributions received. RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets⁷⁹. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay;
- ii. The reimbursement value (RV) valid for ATEM (Minimum Territorial Areas) tenders. The RV is the amount to be paid to the operator selling the infrastructure following the tender procedure.

Value in use refers to:

- iii. the present value of the future cash flows expected to be derived from the asset being measured. These flows are determined in line with the most recent business plan approved by management, which is based not only on devel-

opments in the regulations, but also on estimates relating to reference market trends and investment and divestment decisions. In the process of determining the recoverable value, flows are discounted at a discount rate that reflects current market conditions, the time value of money and the specific risks of the asset.

More information on the impairment test carried out by the Company's management on property, plant and equipment and on intangible assets can be found in the "Impairment of non-financial fixed assets" section.

The recoverable value is sensitive to the estimates and assumptions used to determine the total invested capital, cash flows and discount rates applied. Therefore, possible variations in the estimation of the factors on which the calculation of the aforesaid recoverable values is based could result in different measurements.

Analysis of each of the groups of non-financial assets is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

BUSINESS COMBINATIONS

Recognition of business combination transactions requires determination of the fair value of any assets and liabilities acquired as a result of obtaining control of the business. With the help of independent professionals, the company's management measured the fair value of assets, liabilities and potential liabilities, on the basis of information on facts and circumstances available at the acquisition date.

Determination of the fair value of assets and liabilities acquired is subject to estimates and measurements by the company's management. Possible variations in the estimation of the factors on which determination of the fair value is based could generate different measurements.

Analysis of each business combination transaction is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.

ENVIRONMENTAL LIABILITIES

The Italgas Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out.

The measurement of future liabilities in connection with reclamation and restoration obligations in relation to sites and/or land on which the company carries out its business is a complex process based on technical and financial assumptions made by the company's management and supported by independent experts where necessary.

⁷⁹ The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors.

The restoration cost estimate is discounted using a risk-free rate in accordance with IAS 37. The estimate is made using a principle of prudence based on the known market, legislative and technological conditions at the time of measurement.

The estimates are reviewed at each balance sheet date to verify that the amounts recorded are the best reflection of the costs the Group will face. If any significant variations are found, the amounts are adjusted. The key factors for revising cost estimates are the revision of the timeframes for implementing the site reclamation and restoration plan, developments in the technologies and environmental regulations and discount rate trends.

Measurement of environmental liabilities recorded in the financial statements takes into account the environmental legislation currently in force. However, this measurement could be subject to variations, even to a significant extent, in relation to: (i) the possibility of further contamination arising; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes concerning the environmental liability for specific sites and the difficulty of determining the potential consequences of this, including in relation to the liability of other parties and any indemnity.

PROVISIONS FOR EMPLOYEE BENEFITS

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employ-

ees.

Differences in the value of net liabilities relating to employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine other long-term employee benefit obligations; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

PROVISIONS FOR RISKS AND CHARGES

In addition to the amounts allocated to the provisions for environmental liabilities, Italgas recorded provisions mainly relating to the following in the financial statements: (i) operational restoration of metering instruments; (ii) legal and tax disputes; (iii) staff leaving incentives; (iv) expenses related to meeting the Energy Efficiency Certificates targets (EEC) set by the Authority.

The provision for operational restoration of metering instruments is determined by the company's management on the basis of assumptions that take into account (i) hypothesised malfunctioning of smart meters currently installed; (ii) the warranties agreed with the meter suppliers; (iii) the estimated costs for replacing the smart meters.

Provisions are made to cover the risk of future outlay for the cases set out above. The value of the provisions recorded in the financial statements for such risks reflects the best estimate made by the company's management with the support of independent professionals at the preparation date of this document. This estimate involves making assumptions based on factors that may vary over time, which could, therefore, produce a significantly different outcome with respect to the current estimates made by the company's management for the preparation of the Group's financial statements.

6. Business combination transactions

During the year, equity investments were purchased in Isgastrentatrè (thereafter incorporated into Medea S.p.A.) and in Fratelli Ceresa S.p.A.

As part of the aforesaid agreement signed between Italgas and CONSCOOP on 28 December 2020, on 13 July 2021, through its subsidiary, Medea, Italgas finalised the acquisition of 100% of the share capital of Isgastrentatrè, the company holding

the concession for management of the natural gas service in Basin 33 in Sardinia, for a price of € 755 thousand. The scope of the company's assets includes: 242 km of network, around 700 active re-delivery points and an LNG plant covering 60 cubic metres. The merger by incorporation of Isgastrentatrè into Medea was finalised on 04 November 2021, with effect for accounting and tax purposes as of 14 July 2021.

On 1 December 2021, following the verification of the conditions envisaged in the purchase and sale agreement, the purchase of 100% of the capital of the ESCo F.lli Ceresa S.p.A., company established in 1921 and specialised in the supply of

energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) mainly located in the Turin area, was completed. The price paid by the Company was € 19,800 thousand. The initial booking relative to the acquisition of F.lli Ceresa S.p.A. was determined provisionally at the end of the reporting period. The goodwill booked upon completion of the transaction was € 6,501 thousand.

The analysis of the transactions is given below.

(€ thousands)	Acquisition of companies	
	Fratelli Ceresa	Isgastrentatrè
Cash and cash equivalents	786	3
Trade and other receivables	11,178	209
Inventories	592	8
Tax assets	703	
Other current assets	454	335
Current assets	13,713	555
Property, plant and equipment	312	117
Intangible assets	9,774	25,173
Equity investments		
Financial assets	2,684	
Deferred tax assets	328	
Other non-current assets	10	3
Non-current assets	13,108	25,293
TOTAL ASSETS	26,821	25,848
Short-term financial liabilities	1,818	
Trade and other payables	3,333	1,644
Tax liabilities		26
Other current liabilities	5,705	5
Current liabilities	10,856	1,675
Long-term financial liabilities	88	23,021
Provisions for risks and charges	18	
Provisions for employee benefits	588	19
Deferred tax liabilities	441	350
Other non-current liabilities		28
Non-current liabilities	1,135	23,418
TOTAL LIABILITIES	11,991	25,093
NET VALUE OF ACQUIRED ASSETS	14,830	755
GOODWILL	6,501	
PRICE OF THE ACQUIRED ASSETS	21,331	755
of which paid	19,800	
to be paid	1,531	755

With regard to the acquisition transactions, it should be noted that the values entered are subject to the valuation period referred to in paragraph 45 of IFRS 3 which allows provisional amounts to be recognised in the closing financial statements, pending acquisition within a year. Additional information that may derive from any adjustments relating to the assets and liabilities acquired.

7. Cash and cash equivalents

Cash and cash equivalents, equal to € 1,391,763 thousand (€ 664,026 thousand as at 31 December 2020), refer to current account deposits held at banks.

Cash and cash equivalents are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the State-

ment of Cash Flows.

8. Current financial assets

Current financial assets, amounting to € 5,120 thousand, unchanged compared to 31 December 2020, relate to financial receivables from credit institutions that can be liquidated in the short-term, essentially as guarantee of M&A operations with Conscoop (€ 5,001 thousand), and to the remaining amount of the equity investment of Italgas Reti S.p.A. in Acqua Campania S.p.A. (€ 119 thousands).

9. Trade and other receivables

Trade and other receivables, which amount to € 588,098 thousand (€ 635,028 thousand as at 31 December 2020) comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Trade receivables	462,174	388,614
Receivables from investment/divestment activities	16,522	5,278
Other receivables	156,332	194,206
	635,028	588,098

Trade receivables (€ 388,614 thousand as at 31 December 2021 and € 462,174 thousand as at 31 December 2020), mainly relate to the gas distribution and metering service and ancillary services. These primarily concern receivables from sales companies, including from the Eni S.p.A. Group for € 180,121 thousand and the Enel Group for € 41,499 thousand. These receivables are a reduction on the balance of the previ-

ous year, mainly in connection with the sales to the factor, as described further on.

These are reported net of the provision for impairment losses (€ 15,643 thousand at 31 December 2021 and € 15,494 thousand at 31 December 2020). Changes in the provision for impairment losses on receivables during the year are shown below:

(€ thousands)	Provision for impairment losses at 31.12.2019	Provisions	Releases	Provision for impairment losses at 31.12.2020
Trade receivables	15,480		(874)	14,606
Other receivables	888			888
	16,368		(874)	15,494

(€ thousands)	Provision for impairment losses at 31.12.2020	Change in scope of consolidation	Provisions	Releases	Other changes	Provision for impairment losses at 31.12.2021
Crediti commerciali	14,606	1,213	320	(1,384)	888	15,643
Altri crediti	888				(888)	888
	15,494	1,213	320	(1,384)		15,643

The provision for impairment of receivables reflects estimated losses in connection with the Group's credit portfolio. Provisions are made for expected losses on receivables, estimated both on the basis of past experience with receivables with similar credit risk and on the basis of future expected loss on open positions as at the balance sheet date, as well as careful monitoring of the quality of credit portfolios.

Receivables for investment/divestment activities (€ 5,278 thousand as at 31 December 2021 and € 16,522 thousand as at 31 December 2020) involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables (€ 194,206 thousand as at 31 December 2021 and € 156,332 thousand as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	31.12.2021
IRES receivables for the national tax consolidation scheme	15,996	16,285
VAT receivables for liquidation of Group VAT		2
Receivables due from CSEA	102,769	130,575
Receivables from the Public administration	10,292	5,979
Advances to suppliers	19,737	32,805
Receivables from personnel	2,975	2,258
Other receivables	4,563	6,302
	156,332	194,206

IRES receivables for the national tax consolidation scheme (€ 16,285 thousand as at 31 December 2021) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011).

Receivables from the CSEA (€ 130,575 thousand as at 31 December 2021) mainly relate to the additional regulation components of the gas distribution (Safety incentives, UG2⁸⁰ and Bonus Gas⁸¹).

Receivables from public administrations (€ 5,979 thousand as at 31 December 2021) relate to receivables from Municipalities,

mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

The length of time the trade receivables and other receivables have been outstanding is shown below:

(€ thousands)	31.12.2020			31.12.2021		
	Trade receivables	Other receivables (*)	Total	Trade receivables	Other receivables (*)	Total
Receivables not overdue	417,520	172,854	590,374	364,628	199,484	564,112
Receivables overdue:	44,654		44,654	23,986		23,986
- from 0 to 3 months	15,929		15,929	5,575		5,575
- from 3 to 6 months	1,430		1,430	1,375		1,375
- from 6 to 12 months	4,596		4,596	2,438		2,438
- over 12 months	22,699		22,699	14,598		14,598
	462,174	172,854	635,028	388,614	199,484	588,098

(*) The item includes I Receivables from investment/divestment activities

⁸⁰ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

⁸¹ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

The receivables past due, which total € 23,986 thousand, mainly regard receivables from end users for supply of gas and water (€ 12,781 thousand), ESCo services customers (€ 3,531 thousand) and public administrations (€ 3,939 thousand).

Average collection time for receivables is 31 days, in line with last year.

It should be noted that the Group has finalised factoring agreements with financial counterparties on the basis of which the Group's receivables can be factored without recourse. In particular, transactions were completed for the factoring of receivables related to: (i) trade receivables relating to transmissions expiring on 31 December 2021 for € 66.6 million, (ii) receivables due from CSEA for a total of € 182.9 million (additional distribution components of € 44.3 million, cancellation of Energy Efficiency Certificates for € 37.9 million and contribution pursuant to Article 57 of ARERA Res-

olution no. 367/14 as subsequently amended and supplemented for € 100.7 million and (iii) other receivables for a total of € 56.7 million (including VAT receivables and public grants).

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

10. Inventories

Inventories, which amount to € 105,294 thousand, are analysed in the table below:

(€ thousands)	31.12.2020			31.12.2021		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	102,138	(954)	101,184	106,013	(719)	105,294
	102,138	(954)	101,184	106,013	(719)	105,294

Inventories of raw materials, consumables and supplies (€ 105,294 thousand at 31 December 2021) mainly consisted of gas meters in connection with the replacement plan.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 719 thousand.

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

11. Current and non-current income tax assets/liabilities

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	4,251	3,340	7,591	21,625	22,936	44,561
- IRES	4,248	3,340	7,588	18,153	22,936	41,089
- IRAP	3		3	3,472		3,472
Income tax liabilities	34,471		34,471	3,430		3,430
- IRES	32,802		32,802	3,162		3,162
- IRAP	1,669		1,669	268		268

The change in income tax assets of € 36,970 thousand is mainly due to the different position of Group IRES tax, which has gone from a debt position to a credit position, in respect of the incentives for the Superbonus, as envisaged by the Re-launch Decree, Decree Law 34/2020.

Taxes pertaining to the year under review are shown in the note "Income taxes".

12. Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 54,079 thousand, and *other non-current non-financial assets*, amounting to € 80,366 thousand, break down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,618	164,148	202,766	38,664	77,175	115,839
Other assets	45,550	3,293	48,843	15,415	3,191	18,606
- Other current taxes	40,818		40,818	10,710		10,710
- Prepayments	4,729	164	4,893	4,701	163	4,864
- Security deposits		2,767	2,767		2,970	2,970
- Other	3	362	365	4	58	62
	84,168	167,441	251,609	54,079	80,366	134,445

Other regulated activities (€ 115,839 thousand as at 31 December 2021) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas and Determination no. 3/2021.

The other current tax assets, amounting to € 10,710 thousand (€ 40,818 thousand as at 31 December 2020) refer to VAT receivables for € 6,976 thousand (€ 36,138 thousand as at 31 December 2020) and to other taxes for € 3,734 thousand (€

4,680 thousand as at 31 December 2020).

Deferred expenses of € 4,864 thousand mainly related to deferrals relative to the single equity charge and insurance policies.

13. Property, plant and equipment

Property, plant and equipment, which amounts to € 372,108 thousand as at 31 December 2021 (€ 369,899 thousand at 31 December 2020), breaks down as follows:

(€ thousands)	31.12.2020						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2019	13,047	440,856	32,504	164,441	29,342	12,210	692,400
Right of Use as at 1.1.2020		38,078		40,160	14,428		92,666
Investments	10	14,089	922	7,240	44	17,197	39,502
Right of Use investments		9,872		6,721	9,887		26,480
Divestments	(43)	(1,893)	(308)	(14,911)	(2,798)	(54)	(20,007)
Disposals of Right of Use		(1,107)		(290)			(1,397)
Other changes	1	321	1,052	767	(5)	(10,409)	(8,273)
Other change in rights of use		(1,216)		(1,882)	1,402		(1,696)

(€ thousands)	31.12.2020						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Accumulated depreciation at 31.12.2019		(200,007)	(13,701)	(111,779)	(16,224)		(341,711)
Depreciation of Right of Use as at 1.1.2020		(5,873)		(8,767)	(2,236)		(16,876)
Depreciation		(7,369)	(1,736)	(6,593)	(414)		(16,112)
Depreciation of Right of Use		(5,854)		(10,019)	(4,362)		(20,235)
Divestments		1,128	116	14,766	2,761		18,771
Disposals of Right of Use		518		180			698
Other change in rights of use		1,199		543	(59)		1,683
Other changes		8	475	(1)	2		484
Accumulated depreciation at 31.12.2020		(210,377)	(14,846)	(112,903)	(18,296)		(356,422)
Provision for impairment losses at 31.12.2019				(657)		(31)	(688)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
Net balance at 31.12.2019	13,047	240,849	18,803	52,005	13,118	12,179	350,001
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
- of which Right of Use		35,617		26,646	19,060		81,323

(€ thousands)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Right of Use as at 1.1.2021		45,627		44,709	25,717		116,053
Investments	2	19,349	2,208	3,576		5,705	30,840
Right of Use investments		1,044		4,031	9,829		14,904
Divestments	(183)	(4,040)	(416)	(13,432)	(960)	(216)	(19,247)

(€ thousands)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Disposals of Right of Use		(1,099)		(3,509)	(18)		(4,626)
Change in scope of consolidation			129	793			922
Change in scope of consolidation right of use				92			92
Other changes	(96)	11,212	211	2,084	484	(16,955)	(3,060)
Other change in rights of use		(169)		(39)	(86)		(294)
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Accumulated depreciation at 31.12.2020		(210,377)	(14,846)	(112,903)	(18,296)		(356,422)
Depreciation of Right of Use as at 1.1.2021		(10,010)		(18,063)	(6,657)		(34,730)
Depreciation and depreciation		(7,779)	(1,723)	(6,416)	(270)		(16,188)
Depreciation of Right of Use		(6,687)		(10,020)	(6,230)		(22,937)
Divestments		1,986	2	12,576	941		15,505
Disposals of Right of Use		565		3,016	6		3,587
Change in scope of consolidation			(1)	(580)			(581)
Change in scope of consolidation right of use				(4)			(4)
Other change in rights of use		62		77	47		186
Other changes		2,534	4	177	(182)		2,533
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
(Write-down)/Value restorations						31	31
Divestments				653			
Other changes				4		(111)	(107)
Provision for impairment losses at 31.12.2021						(111)	(111)
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
- of which Right of Use		29,333		20,290	22,608		72,231

Investments (€ 45,744 thousand) mainly refer to buildings used as offices (€ 19,349 thousand) and leased goods (€ 14,904 thousand).

The Rights of use are detailed in the following table:

							RIGHT OF USE (*)
(€ thousands)	1.1.2021	depreciation	Change in scope of consolidation	increases	decreases	reclassifications	31.12.2021
Buildings	35,617	(6,687)		1,044	(534)	(107)	29,333
- operating properties	35,617	(6,687)		1,044	(534)	(107)	29,333
Industrial and commercial equipment	26,646	(10,020)	88	4,031	(493)	38	20,290
- ICT	3,511	(1,984)		3,492	(1)	(1)	5,017
- motor vehicles	23,135	(8,036)	88	539	(492)	39	15,273
Other assets	19,060	(6,230)		9,829	(12)	(39)	22,608
	81,323	(22,937)	88	14,904	(1,039)	(108)	72,231
Interest expense (included in financial expense)	304						290

(*) included in the item "Property, plant and equipment" of the Balance Sheet

Operating properties include rental expenses for Rights of use to the associate Valdarno S.r.l. in liquidation, of € 1,815 thousand.

Land and buildings, of € 280,261 thousand, mainly include buildings for office use, workshops, warehouses and depots used in the corporate business, of which rights of use of € 29,333 thousand.

Plant and machinery (€ 19,738 thousand) mainly related to photovoltaic plants (€ 12,683 thousand) and VRA units (€ 3,369 thousand).

Industrial and commercial equipment (€ 41,605 thousand) mainly include ICT infrastructures, vehicles and other equipment of which rights of use are € 20,290 thousand.

During the year, there were no changes in the estimated useful

life of assets or in the depreciation rates applied and explained by category in the Note - "Measurement criteria - Property, plant and equipment".

Property, plant and equipment are not collateralised and there are no restrictions on ownership and property. Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in the Note "Guarantees, commitments and risks".

During the year, no impairment indicators were observed, nor any significant variations to the measurement of the recoverability of the value recognised in the financial statements for Property, plant and equipment.

14. Intangible assets

Intangible assets, which amount to € 7,469,805 thousand as at 31 December 2021 (€ 7,055,028 as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020 restated						
	Finite useful life					Indefinite useful life	Total
	Service concession agreements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	
Cost at 31.12.2019	10,784,892	431,191	233,181	14,208	97,223	68,654	11,629,349
Restated effect					(23,562)		(23,562)
Cost at 31.12.2019 restated	10,784,892	431,191	233,181	14,208	73,661	68,654	11,605,787
Investments	522,418	29,422	146,320	9,360	3,842		711,362
Investments restated effect					(1,846)		(1,846)
Government grants			(1,968)				(1,968)
Acquisition of business units	19,769						19,769
Divestments	(88,644)	(47)	(117)	(37)	(11)		(88,856)
Other changes	81,597	10,213	(62,210)	(11,870)	(68)	(1,216)	16,446
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Accumulated amortisation at 31.12.2019	(4,467,900)	(345,999)			(71,319)		(4,885,218)
Restated effect					16,203		16,203
Accumulated amortisation as at 31.12.2019 restated	(4,467,900)	(345,999)			(55,116)		(4,869,015)
Amortisation	(359,337)	(35,886)			(11,673)		(406,896)
Amortisation restated effect					4,123		4,123
Divestments	77,239	6			11		77,256
Other changes	217	56			16		289
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)			(62,639)		(5,194,243)
Provision for impairment losses at 31.12.2019	(9,994)			(2,148)			(12,142)
(Write-down)/Value restorations	(933)						(933)
Other changes	1,651			1			1,652
Provision for impairment losses at 31.12.2020	(9,276)			(2,147)			(11,423)
Net balance at 31.12.2019	6,306,998	85,192	233,181	12,060	18,545	68,654	6,724,630
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438	7,055,028

(€ thousands)	31.12.2021						
	Finite useful life					Indefinite useful life	Total
	Service concession agreements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Investments	632,359	6,382	141,394	39,124	15,396	6,501	841,156
Government grants			(33,140)				(33,140)
Change in the scope of consolidation	26,864	217			1,142		28,223
Divestments	(63,653)	(989)	(87)	(1,880)	(290)		(66,899)
Reclassifications	(77,757)				77,757		
Other changes	106,731	35,261	(105,100)	(36,911)	85	567	633
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)			(62,639)		(5,194,243)
Amortisation	(364,339)	(37,598)			(3,325)		(405,262)
Change in the scope of consolidation	(1,666)	(207)			(704)		(2,577)
Divestments	50,904	288			287		51,479
Reclassifications	76,619				(76,619)		
Other changes	(752)	11			1,136		395
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)			(141,864)		(5,550,208)
Provision for impairment losses at 31.12.2020	(9,276)			(2,147)			(11,423)
(Write-down)/Value restorations	(895)						(895)
Divestments	17			2,095			2,112
Change in the scope of consolidation		(10)			(438)		(448)
Provision for impairment losses at 31.12.2021	(10,154)	(10)		(52)	(438)		(10,654)
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438	7,055,028
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805

As of 31 December 2021, the Group stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the Balance Sheet items and the Income Statement items as at 31 December 2020, these statements have been adjusted.

Service concession agreements including the related work in progress, amounting to € 7,263,680 thousand (€ 6,560,975 thousand as at 31 December 2020), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service natural gas distributor, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution service at the tariff established by ARERA, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

Industrial patent rights and intellectual property rights of 92,311 (€ 88,956 thousand as at 31 December 2020) mainly concern information systems and applications in support of operating activities.

Other intangible assets of € 27,366 thousand (€ 18,021 thousand as at 31 December 2020) predominately concern the customer lists relating to the acquisition of ESCo and gas sales businesses (€ 14,736 thousand).

Intangible assets with an undefined useful life of € 74,506 thousand (€ 67,438 thousand at 31 December 2020) mainly refer to goodwill arising in previous years in relation to the process of allocation of prices paid for the acquired companies. As compared with 31 December 2020, they increase by € 7,068 thousand mainly in view of the business combination relative to Fratelli Ceresa S.p.A.

IFRIC 12 Work in progress of € 318,273 thousand (€ 315,206 thousand at 31 December 2020) mainly refers to new networks under construction.

Investments for the year, equal to € 841,156 thousand, mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- | gas distribution investments (€ 541.6 million) refer to the network development and maintenance initiatives, as well as the construction of new gas distribution networks;
- | investments in digitisation (€ 146.7 million) relate to the installation of digital devices for the acquisition of data for the control and monitoring of the distribution network and plants.
- | metering investments (€ 76.5 million) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In 2021, the Company installed 821 thousand new meters, of which 339 thousand to replace traditional G4/G6 meters, 468 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2021, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart

meters (91.7% of the total number of meters and practically all active meters).

Amortisation refers to economic and technical amortisation determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

The provision for impairment, amounting to € 10,654 thousand, mainly relates to service concession arrangements.

Advanced research and development expenses of the period are not of a considerable amount.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - "Guarantees, commitments and risks".

IMPAIRMENT TEST

The impairment test is conducted for all CGUs with impairment indicators and/or goodwill allocated to them. In 2021, the test was carried out for all the CGUs, regardless of the presence of impairment indicators and/or goodwill.

The impairment test therefore concerned the following CGUs (Cash Generating Units):

- | Distribution and metering of natural and other gases;
- | Sale of natural and other gases;
- | Integrated water service;
- | Other activities (ESCOs).

As compared with last year, due to the advanced state of conversion of the networks supplied by different gases into networks supplied by natural gases throughout Sardinia and the consequent altered importance in terms of both physical and economic value of the distribution and metering assets, the CGUs "Distribution and metering of natural gas" and "Distribution and metering of other gases (LPG and propane air)", have been combined. In addition, this year, the "Sale of other gases" CGU also includes the business of selling natural gas, following the start-up of natural gas supplies in Sardinia and has consequently been renamed "Sale of natural and other gases".

As required by the reference accounting standards (IAS 36), impairment testing was conducted on assets and goodwill by determining their recoverable value and comparing this with the net book value of the CGUs to which they belong.

Goodwill posted to the financial statements is allocated to the CGUs as follows:

- | Distribution and metering of natural and other gases: € 66.2 million;
- | Other activities (ESCOs): € 8.3 million.

With reference to the Natural and other gas distribution and metering CGU and the Integrated water service CGU, the recoverable value was defined in accordance with the estimated value of Net Invested Capital attributed to such assets for tariff purposes (RAB - Regulatory Asset Base⁸²) by the Authority.

The "Distribution and metering of natural gas" CGU includes,

⁸² RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay.

as described previously, the “Municipalities in start-up”, mainly concentrated in Sardinia, for which the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 (expressed at 2017 prices) per delivery point set by resolution no. 704/2016/R/gas. The RAB considered is based on the achievement of break-even delivery points.

The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors; reasonable changes in valuation inputs would not result in losses of value in the asset. As mentioned in the Directors’ Report, with reference to the “Open procedure for the award under concession of the natural gas distribution service in the “Naples 1 - City of Naples and coastal plant” ATEM, on 14 April 2021, the tender commission formulated a proposed award to another operator, subject to the verification that the requirements declared during the tender are effectively met. Italgas Reti has challenged the tender award in the favour of said other operator and the procedure is still in progress. In connection with the assessment of the potential recovery of value of the assets relating to the Naples 1 ATEM, it is noted that there are no impairment indicators for the assets, as the net book value of these assets does not exceed the Reimbursement Value envisaged by the relative tender notice.

With reference to the Sale of natural and other gases CGU, the recoverable amount was defined on the basis of the price offered in a recent binding offer of sale, as better detailed in paragraph “5.6 Business Outlook”.

As regards the Other activities CGU, the recoverable amount has been determined partly by the price paid in a recent binding agreement of sale established in a free transaction and for the remainder, on the basis of the Discounted Cash Flow (DCF) method based on flows deriving from the 2021-2027 Business Plan. No impairment was found as a result of the test carried out. A sensitivity analysis was also carried out on the WACC used to determine the recoverable value.

15. Investments valued using the equity method

Equity investments valued using the equity method, which amount to € 30,108 thousand (€ 29,301 thousand at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	Income (expense) from shareholders' equity	Decrease for dividends	31.12.2021
Umbria Distribuzione Gas S.p.A.	1,547	(32)		1,515
Metano Sant'Angelo Lodigiano S.p.A.	1,102	143	(142)	1,103
Gesam Reti S.p.A.	20,716	1,979	(1,062)	21,633
Valdarno S.r.l. in liquidation	5,562	(101)		5,461
Enerpaper S.r.l.	374	22		396
	29,301	2,011	(1,204)	30,108

Income from valuation using the equity method, of € 2,011 thousand, refers mainly to the company Gesam Reti (€ 1,979 thousand).

The decrease for dividends, of € 1,204 thousand concerns the company Gesam Reti (€ 1,062 thousand) and Metano Sant'Angelo Lodigiano (€ 142 thousand).

Equity investments are not collateralised.

With regard to the recoverable value of equity investments, for companies operating exclusively in regulated businesses, it is calculated using the adjusted RAB value of the net financial

position, while for companies operating in other businesses, it is estimated based on future cash flows deriving from the business plans. In the light of the positive performance of those companies, the value estimated in this way is higher for all equity investments than the value recorded in the financial statements, and therefore there are no losses in value.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. at 31 December 2021”, which is an integral part of these notes.

OTHER INFORMATION ON EQUITY INVESTMENTS

In accordance with the provisions of IFRS 12 - "Disclosure of interests in other entities", the economic and financial data for joint ventures and associates are provided below.

EQUITY INVESTMENTS IN JOINT VENTURES

The IFRS-compliant economic and financial data on equity investments in joint ventures operating in the distribution of natural gas⁸³ are reported below according to their relevance.

(€ thousands)	31.12.2021
	Gas distribution companies under joint control
Current assets	6,919
- of which Cash and cash equivalents	4,382
Non-current assets	12,892
Total assets	19,811
Current liabilities	(12,463)
- of which Short-term financial liabilities	(3,308)
Non-current liabilities	(1,778)
- of which Long-term financial liabilities	(1,566)
Total liabilities	(14,241)
Shareholders' equity	5,570
Group interest	2,617
Other adjustments	1
Book value	2,618
Revenue	7,333
Operating costs	(6,186)
Amortisation, depreciation and impairment	(690)
EBIT	457
Financial expense	(48)
Income taxes	(115)
Net profit	294
Total comprehensive income	294

⁸³ Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.

UMBRIA DISTRIBUZIONE GAS S.P.A.

Umbria Distribuzione Gas S.p.A. operates in the natural gas distribution segment in Umbria.

The share capital of Umbria Distribuzione Gas S.p.A. is held by Italgas S.p.A. (45%), by A.S.M. Terni S.p.A. (40%) and by Acea S.p.A. (15%).

Umbria Distribuzione Gas manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructures, mainly owned by Terni Reti S.r.l., a wholly-owned subsidiary of the Terni municipality, comprising stations for withdrawing gas from the transportation network, pressure reduction plants, the local transportation and distribution network, user derivation plants and redelivery points comprising technical equipment featuring meters at the end users.

The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partners (Italgas S.p.A. and Acea S.p.A.) and the Public Partner (Municipalities).

METANO SANT'ANGELO LODIGIANO S.P.A.

Metano Sant'Angelo Lodigiano S.p.A. operates in the natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

The share capital of Metano Sant'Angelo Lodigiano S.p.A. is held by Italgas S.p.A. (50%), the Municipality of Sant'Angelo Lodigiano (50%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partner (Italgas S.p.A.) and the Public Partner (Municipalities).

EQUITY INVESTMENTS IN ASSOCIATES

The IFRS-compliant economic and financial data for each significant associate, are reported below:

(€ thousands)	31.12.2021		
	Gesam Reti S.p.A.	Valdarno S.r.l. in liquidation	Enerpaper S.r.l.
Current assets	12,587	1,609	932
- of which Cash and cash equivalents	4,362	428	150
Non-current assets	53,192	21,008	454
Total assets	65,779	22,617	1,386
Current liabilities	(24,069)	(1,293)	(126)
- of which Short-term financial liabilities		(418)	(114)
Non-current liabilities	(3,769)	(3,148)	(760)
- of which Long-term financial liabilities		(147)	(719)
Total liabilities	(27,838)	(4,441)	(886)
Shareholders' equity	37,941	18,176	500
Equity investment held by the group %	42,96%	30,05%	10,00%
Group interest	16,299	5,562	50
Other adjustments	5,334	(101)	346
Value of the equity investment	21,633	5,461	396
Revenue	16,721	2,502	1,158
Operating costs	(6,615)	(1,561)	(795)
Amortisation, depreciation and impairment	(3,337)	(441)	(100)
EBIT	6,769	500	263
Financial Income (Expense)	(255)	(6)	(24)
Income taxes	(2,084)	(180)	(30)
Net profit	4,430	314	209
Total comprehensive income	4,430	314	209

GESAM RETI S.P.A.

Gesam Reti S.p.A. operates in the natural gas distribution and network management sector (owned 42.96% by Toscana Energia S.p.A.) in the municipality of Lucca and in another 7 municipalities of the province.

VALDARNO S.R.L. IN LIQUIDATION

Valdarno S.r.l. is a real estate management company in liquidation, 30.05% owned through Toscana Energia S.p.A.

ENERPAPER S.R.L.

Enerpaper S.r.l. operates in Turin, is 10% owned through Seaside S.p.A., whose activities carried out on its own behalf or on behalf of third parties are mostly focused on energy efficiency, building production in general, development, production, installation and sale of innovative products or services having high technological value.

16. Non-current financial assets

Non-current financial assets, amounting to € 7,855 thousand (€ 5,072 thousand as at 31 December 2020), are broken down as follows:

(€ thousands)	31,12,2020	31,12,2021
Financial receivables instrumental to operations	156	2,848
Other equity investments	4,916	5,007
	5,072	7,855

The increase in the item Financial receivables instrumental to operations of 2,692 is due to the entrance into the consolidation area of the company Fratelli Ceresa S.p.A. mainly relating to energy plus service contracts.

The item Other equity investments includes the equity investment held in Reti Distribuzione, measured at fair value with effect on the Income Statement.

17. Assets held for sale

Assets held for sale, worth € 2,180 thousand (€ 69 thousand at 31

December 2020) increase by € 2,111 thousand, mainly due to the future sale of the real estate complex in via Avezzana, Milan and the gas distribution plants in certain municipalities of the ATEM Milan 1 to another operator awarded the related area tender.

18. Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 591,188 thousand (€ 698,406 thousand as at 31 December 2020) and long-term financial liabilities, totalling € 5,785,707 thousand (€ 4,707,145 thousand as at 31 December 2020), break down as follows:

(€ thousands)	31.12.2020					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	600,210	44,160	644,370	237,794	592,047	829,841
Bonds		33,279	33,279	1,242,336	2,578,920	3,821,256
Financial payables for leased assets (IFRS 16)		20,250	20,250	48,043	8,004	56,047
Other shareholders	507		507	1		1
	600,717	97,689	698,406	1,528,174	3,178,971	4,707,145

(€ thousands)	31.12.2021					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	350,470	42,186	392,656	830,429	458,494	1,288,923
Bonds		146,111	146,111	880,791	3,564,619	4,445,410
Financial payables for leased assets (IFRS 16)		19,625	19,625	45,066	5,307	50,373
Other shareholders	32,796		32,796	1,001		1,001
	383,266	207,922	591,188	1,757,287	4,028,420	5,785,707

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

On 5 February 2021, Italgas successfully completed the launch of the fixed-rate 7- and 12-year "dual-tranche" bond issue, for a total of € 500 million each, with an annual coupon of 0% and 0.5% respectively, with a view to pre-funding prospective financial requirements and extending the maturity profile. On the same date, a buyback transaction was carried out on two bond issues, one for an original nominal value of € 750 million maturing in January 2022 and one for an original nominal value of € 650 million maturing in March 2024. The buyback was finalised on 16 February 2021 with a total nominal buyback value of € 255.7 million.

On 15 September 2021, the Board of Directors resolved on

the renewal of the EMTN Programme launched in 2016 and already renewed in 2017, 2018, 2019 and 2020, confirming the maximum nominal amount of € 6.5 billion, which was signed on 7 October 2021.

In October 2021, Italgas took out two fixed-rate bank loans with leading banks, in relation to the achievement of ESG targets, with a 3-year term, for a total of € 500 million.

Any failure to achieve these ESG objectives focussed on gender equality and the maintenance of a solid sustainability rating by the Group would only affect the interest rate applied to the nominal amount for the time remaining to expiry. At 31 December 2021, both objectives had been met.

As required by IAS 7 (§44A), below is the statement showing the prospectus containing a reconciliation of the changes in liabilities deriving from financing, distinguishing between changes deriving from cash flow and other non-monetary changes.

(€ thousands)	Figures at 01.01.2021	Cash flow	Other non-monetary changes				Figures at 31.12.2021
			Conversion differences	Other changes	Business combinations	Total change	
Bank loans	1,474,211	238,022		(32,472)	1,818	207,368	1,681,579
<i>of which short-term</i>	644,370	(163,553)		(89,979)	1,818	(251,714)	392,656
<i>of which long-term</i>	829,841	401,575		57,507		459,082	1,288,923
Bonds	3,854,535	683,938		53,048		736,986	4,591,521
<i>of which short-term</i>	33,279	(92,271)		205,103		112,832	146,111
<i>of which long-term</i>	3,821,256	776,209		(152,055)		624,154	4,445,410
Financial payables for leased assets (IFRS 16)	76,297	(21,529)	975	14,167	88	(6,299)	69,998

(€ thousands)	Figures at 01.01.2021	Cash flow	Other non-monetary changes				Figures at 31.12.2021
			Conversion differences	Other changes	Business combinations	Total change	
<i>of which short-term</i>	20,250	(21,529)	975	19,841	88	(625)	19,625
<i>of which long-term</i>	56,047			(5,674)		(5,674)	50,373
Other shareholders	508	33,289				33,289	33,797
<i>of which short-term</i>	507	32,289				32,289	32,796
<i>of which long-term</i>	1	1,000				1,000	1,001
	5,405,551	933,720	975	34,743	1,906	971,344	6,376,895

SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities, of € 591,188 thousand (€ 698,406 thousand as at 31 December 2020), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The reduction of € 107,218 thousand is mainly due to the decreased use of the credit lines.

There are no short-term financial liabilities denominated in currencies other than the Euro.

LONG-TERM FINANCIAL LIABILITIES

Long-term financial liabilities amount to € 5,785,707 thousand

overall (€ 4,707,145 thousand as at 31 December 2020).

Net of financial payables for leased assets, the increase compared to 31 December 2020, of € 1,084,236 thousand, is primarily due to the effect of the “dual-tranche” bond issues maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buyback of bonds maturing in January 2022 and March 2024 for a total of € 255,700 thousand. In view of the net liquidity from the “dual-tranche” bond issue, on 12 March 2021 Italgas cancelled the “Revolving Credit Facility” of € 500 million, maturing in October 2021 and completely unused.

The breakdown of the bonds (€ 4,591,521 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following table.

(€ thousands)							
Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2021	Rate (%)	Due date (year)
Euro Medium Term Notes							
ITALGAS S.p.A.	2017	euro	750,000	6,916	756,916	1.625%	2027
ITALGAS S.p.A.	2017	euro	112,307	519	112,826	0.500%	2022
ITALGAS S.p.A.	2017	euro	381,326	2,561	383,887	1.125%	2024
ITALGAS S.p.A.	2017	euro	750,000	8,435	758,435	1.625%	2029
ITALGAS S.p.A.	2019	euro	600,000	(3,107)	596,893	0.875%	2030
ITALGAS S.p.A.	2019	euro	500,000	(3,981)	496,019	1.000%	2031
ITALGAS S.p.A.	2020	euro	500,000	(3,096)	496,904	0.250%	2025
ITALGAS S.p.A.	2021	euro	500,000	(6,373)	493,627	0.000%	2028
ITALGAS S.p.A.	2021	euro	500,000	(3,985)	496,015	0.500%	2033
			4,593,633	(2,112)	4,591,521		

(a) Includes issue discount/premium and interest rate.

The breakdown of bank loans, amounting to € 1,681,579 thousand is provided in the table below.

(€ thousands)							
Type	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2021	Rate (%)	Due date (year)
ITALGAS S.p.A. - BEI	2017	euro	360,000	(171)	359,829	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - BEI	2015	euro	115,733	0	115,733	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - BEI	2016	euro	275,000	(163)	274,837	0.47+Euribor 6M	30.11.2032
TOSCANA ENERGIA S.p.A - BEI	2016	euro	77,727	(26)	77,702	1.049%	30.06.2031
ITALGAS S.p.A. - TL MEDI-OBANCA	2021	euro	200,000	0	200,000	0,000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	euro	300,000	0	300,000	0,000%	27.10.2024
ITALGAS S.p.A. - HM BNL	2021	euro	350,000	56	349,944	-0.290%	03.05.2022
Debiti finanziari verso altre banche			3,534		3,534		
			1,681,994	(416)	1,681,579		

(a) Include aggio/disaggio di emissione e rateo di interesse.

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date.

There were no breaches of loan agreements as at the reporting date. See the "Financial covenants and negative pledge contractual clauses" paragraph.

BREAKDOWN OF TOTAL FINANCIAL LIABILITIES BY INTEREST RATE TYPE

As at 31 December 2021, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2020		31.12.2021	
	Value	%	Value	%
Fixed rate	4,676,3	86.5	5,910,9	92.7
Floating rate	728,8	13.5	466,0	7.3
	5,405,1	100.0	6,376,9	100.0

FINANCIAL COVENANTS AND NEGATIVE PLEDGE CONTRACTUAL CLAUSES

As at 31 December 2021 there are no loan agreements containing financial covenants and / or secured by collateral, with the exception of the EIB loan signed by Toscana Energia for an amount of € 90 million which provides for compliance with certain financial covenants⁸⁴. Some of these contracts require, inter alia, compliance with: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) pari passu and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. These commitments were satisfied as at 31 December 2021.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by

Italgas. As at 31 December 2021, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

BREAKDOWN OF NET FINANCIAL DEBT

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods.

(€ thousands)	31.12.2020	31.12.2021
A, Cash	432,974	1,390,711
B, Cash equivalents	231,052	1,052
C, Other current financial assets	5,120	5,120
D, Liquidity (A+B+C)	669,146	1,396,883
E, Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	600,717	383,266
F, Current portion of non-current financial debt (*)	97,689	207,922
G, Current financial debt (E+F)	698,406	591,188
<i>of which, related parties</i>	<i>536</i>	<i>464</i>
H, Net current financial debt (G-D)	29,260	(805,695)
I, Non-current financial debt (excluding the current portion and debt instruments) (*)	885,889	1,340,297
J, Debt instruments	3,821,256	4,445,410
K, Trade and other non-current payables		
L, Non-current financial debt (I+L+K)	4,707,145	5,785,707
<i>of which, related parties</i>	<i>2,097</i>	<i>1,351</i>
M, Total financial debt as per ESMA guideline (H+L)	4,736,405	4,980,012

(*) Includes financial payables for leased assets recognised in accordance with IFRS 16 "Leases", of which € 50,373 thousand are long-term (€ 56,047 thousand at 31.12.2020) and € 19,625 thousand are short-term portions of long-term financial payables (€ 20,250 thousand at 31.12.2020).

⁸⁴ The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2021 have been respected.

With reference to the new provisions of paragraphs 175 et seq. of the ESMA Guidelines on disclosure obligations in accordance with Regulation EU 2017/1129, the change to the prospectus has involved the highlighting under the item of Cash and cash equivalents of bank funds that are not readily available for use (€ 1,052 thousand at 31 December 2021 and € 231,052 thousand at 31 December 2020).

Net financial debt as at 31 December 2021, including the effects of the application of IFRS 16, of € 70 million, amounted to € 4,980,012 thousand, up by € 243,607 thousand (€ 4,736,405 thousand as at 31 December 2020). Net of that effect, the net financial debt amounted to € 4,910,014 thousand (€ 4,660,108 thousand as at 31 December 2020, € +249,906 thousand).

Financial and bond debt as at 31 December 2021 totalled € 6,376,895 thousand (€ 5,405,551 thousand as at 31 December 2020) and refer to: bonds (€ 4,591,521 thousand), loan agreements with the European Investment Bank (EIB) (€ 828,101

thousand), (iii) payables to banks (€ 887,275 thousand) and financial liabilities pursuant to IFRS 16 (€ 69,998 thousand).

Cash, amounting to € 1,390,711 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

Net financial debt does not include payables for dividends resolved and yet to be distributed, payables for investments and the fair value of interest rate hedges.

19. Trade and other payables

Trade payables and other payables, which amount to € 769,137 thousand (€ 767,555 thousand as at 31 December 2020), comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Trade payables	303,021	300,906
Payments on account and prepayments	2,402	2,269
Payables for investment activities	225,109	247,055
Other payables	237,023	218,907
	767,555	769,137

Trade payables of € 300,906 thousand (€ 303,021 thousand as at 31 December 2020) relate to payables to suppliers and to CSEA relating to equalisation⁸⁵ (€ 8,027 thousand).

Payables for investment activities equal to € 247,055 thousand (€ 225,109 thousand as at 31 December 2020) mainly relate to payables to suppliers for technical activities.

The 2021 purchase of the concession of Olevano sul Tusciano is subject to a price adjustment clause according to the ultimate RAB to be approved by ARERA following the upholding of a specific request for correction of the equity data submitted by the seller on 14 September 2018 as concession-holder, in accordance with the provisions of RTDG 2014-2019, subject to the final tariffs of 2020. The Group has reflected the best esti-

mate available of said value in the financial statements.

The purchase of the equity investment Isgastrentatrè in 2021 is subject to a price adjustment clause according to the RAB subject to the definitive 2021 tariffs. The Group has reflected the best estimate available of said value in the financial statements.

The 2021 purchase of the equity investment in Fratelli Ceresa is subject to a price adjustment clause according to the net financial position at the closing date. The Group has reflected the best estimate available of said value in the financial statements.

Other payables (€ 218,907 thousand at 31 December 2021 and € 237,023 thousand as at 31 December 2020) break down as follows:

(€ thousands)	31.12.2020	31.12.2021
Payables to the public administration	46,043	75,816
Payables to CSEA	139,316	71,578
Payables to personnel	34,229	29,523
Payables to social security institutions	14,934	15,045
Payables to consultants and professionals and other payables	2,501	26,945
	237,023	218,907

⁸⁵ The mechanism based on which the differences between what is invoiced to sales companies and the revenue restrictions defined by the Authority are recorded as debits/credits from the CSEA.

Payables to the public administration (€ 75,816 thousand; € 46,043 thousand as at 31 December 2020) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 71,578 thousand; € 139,316 as at 31 December 2020) relate to safety penalties for € 11,694 thousand (€ 24,224 as at 31 December 2020) and to several ancillary components of tariffs relating to the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)⁸⁶ for the remaining amount.

Payables to related parties are described in the note "Related party transactions".

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the "Guarantees, commitments and risks - Other information on financial instruments" note for the market value of the trade payables and other payables.

20. Other current and non-current financial assets/liabilities

The market value of the derivative financial instruments as at 31 December 2021 is analysed below:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other assets					670	670
Derivative financial instruments for foreign exchange risk						
- Fair value instruments for foreign exchange risk					670	670
Other liabilities	(299)	(21,002)	(21,301)	(290)	(6,283)	(6,573)
Derivative financial instruments Cash flow hedge						
- Fair value interest rate hedging instruments	(299)	(21,002)	(21,301)	(290)	(6,283)	(6,573)

The value of other non-current assets, amounting to € 670 thousand, concerns the foreign exchange rate risk derivative hedging future payment flows in USD on Picarro invoices. The total amount hedged is \$16.3 million. The Group did not apply hedge accounting under IFRS 9 for this instrument, as it is for operational hedging only.

	Date stipulated	Initial amount as at 15.01.2021 USD hedging	Residual value as at 31.12.2021 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000,00	14,980,000,00	1.2131	from 1.2143 to 1.2517	31.10.2024

(*) based on future instalments.

⁸⁶ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an

amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	360,000,000,00	var EUR 6M+spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	360,000,000,00	0.6195%	var EUR 6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	300,000,000,00	var EUR 6M+spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	300,000,000,00	-0.056%	var EUR 6m	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 31 December 2021 did not show any impacts on the income statement in terms of ineffectiveness.

21. Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 13,111 thousand (€ 9,118 thousand as at 31 December 2020) and *other non-current non-financial liabilities*, amounting to € 534,425 thousand (€ 546,054 thousand as at 31 December 2020), are broken down as follows:

(€ thousands)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	9,011		9,011	8,686		8,686
Accruals and deferrals connection contributions		543,484	543,484		531,678	531,678
Liabilities for security deposits		2,570	2,570		2,747	2,747
Other	107		107	4,425		4,425
	9,118	546,054	555,172	13,111	534,425	547,536

Other non-current liabilities, totalling € 534,425 thousand, mainly regard connection contributions totalling € 531,678 thousand.

Other current tax liabilities of € 8,686 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees (€ 8,167 thousand).

22. Provisions for risks and charges

Provisions for risks and charges, which amount to € 159,506 thousand as at 31 December 2021 (€ 202,617 thousand as at 31 December 2020), comprise the following:

31.12.2020							
(€ thousand)	Opening balance	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	115,461	58	1,228	(8,265)			108,482
Provisions for site decommissioning risks and charges	1,823	3,334	(23)			543	5,677
Risk provision for litigation	12,180	3,241		(524)	(2,099)	1	12,799
Provisions for other risks - energy efficiency certificates	10,926	4,980		(7,668)		1	8,239
Provision for retirement risks	2,873	10,000		(91)			12,782
Provision for operational restoration of metering instruments	14,240	38,600		(8,004)		(286)	44,550
Other personnel risk provisions	3,111	1,585		(1,557)	(106)	2	3,035
Risk provision for tax disputes for indirect tax	290				(76)	(43)	171
Other provisions	8,659	371		(2,054)	(383)	289	6,882
	169,563	62,169	1,205	(28,163)	(2,664)	507	202,617

31.12.2021								
(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	108,482			774	(13,703)	(6,094)	(5,650)	83,809
Provisions for site decommissioning risks and charges	5,677			(818)	(6)		4	4,857
Risk provision for litigation	12,799		7,667		(5,367)	(1,732)	(1)	13,366
Provisions for other risks - energy efficiency certificates	8,239		3,043		(492)	(4,903)	(1)	5,886
Provision for retirement risks	12,782				(1,124)			11,658

(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provision for operational restoration of metering instruments	44,550				(14,130)			30,420
Other personnel risk provisions	3,035		664		(942)	(16)	(7)	2,734
Risk provision for tax disputes	171		152			(41)	1	283
Other provisions	6,882	18	237		(534)		(110)	6,493
	202,617	18	11,763	(44)	(36,298)	(12,786)	(5,764)	159,506

The provision for environmental risks and charges of € 83,809 thousand (€ 108,482 thousand as at 31 December 2020) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The reduction, equal to € 24,673 thousand, is mainly due to uses in view of period expenses (€ 13,703 thousand) and the transfer of the reclamation expense, together with the related property, of the Chiavari site (€ 5,650 thousand). The release is due to the cessation of obligations mainly linked to the Bassa di Stura (Turin) site.

The risk provision for litigation (€ 13,366 thousand) included costs which the Group has estimated it will incur for existing lawsuits.

The Energy Efficiency Certificates risk provision (EEC) of € 5,886 thousand (€ 8,239 thousand as at 31 December 2020) is connected with reaching the targets set by the Authority. The release is due to the halving of obligations for 2020, which took place in 2021 with Ministerial Decree of 21 May 2021.

The provision for operational restoration of metering instruments, totalling € 30,420 thousand (€ 44,550 thousand at 31 December 2020), was determined by the management on the basis of assumptions that take into account (i) the number of meters that have already shown malfunctions and hypotheses on future outbreaks; (ii) of the guarantees agreed with the suppliers of the meters for the resolution of anomalies; (iii) the estimated costs for restoring the functionality of smart meters with operating anomalies.

The risk provision for early retirement of € 11,658 thousand (€ 12,782 thousand as at 31 December 2020) involves personnel incentive and mobility schemes for the 2021-2023 period.

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on provisions of risks and charges arising from a reasonably possible change to the discount rate used at year-end are shown below. The sensitivity analysis on the discounting rates shows the change in value of the actuarial liabilities obtained with the year-end assessment data, by changing the discounting rate, without prejudice to other hypotheses.

(€ thousands)	% change in discounting rates	
	10% reduction	10% increase
Effect on net obligation at 31.12.2021		
Provision for site decommissioning risks and charges	61	(59)
Provisions for environmental risks and charges	525	(514)

23. Provisions for employee benefits

Provisions for employee benefits, which amount to € 95,648 thousand as at 31 December 2021 (€ 104,622 thousand as at 31 December 2020) comprise the following:

(€ thousands)	31.12.2020	31.12.2021
Employee severance pay (TFR)	67,644	62,445
Supplementary healthcare provision for company executives of Eni (FISDE)	8,621	8,868
Gas Fund	24,257	20,479
Other provisions for employee benefits	4,100	3,856
	104,622	95,648

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 8,868 thousand as at 31 December 2021) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current⁸⁷ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group⁸⁸ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 20,479 thousand at 31 December 2021) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as of 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020⁸⁹; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme.

At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 3,856 thousand as at 31 December 2021) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends

⁸⁷ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

⁸⁸ The fund provides the same benefits for Italgas Group executives.

⁸⁹ Article 9-quinquiesdecies also stipulates that "... If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the “vesting period”). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

The composition of and changes in provisions for employee benefits, determined by applying actuarial methods, are as follows⁹⁰:

€ thousands)	31.12.2020					31.12.2021				
	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total
Current value of the obligation at the start of the year	72,347	6,641	26,735	7,474	113,197	67,644	8,621	24,257	4,100	104,622
Current cost	150	161		1,540	1,851	185	192		1,615	1,992
Cost for interest	518	49	202	16	785	(26)	40	(12)	8	10
Revaluations / (Impairment):	1,323	2,103	(101)	(93)	3,232	1,162	199	(613)	(505)	243
- Actuarial (Gains) / Losses resulting from changes in the demographic assumptions	107				107	(583)		(25)		(608)
- Actuarial (Gains) / Losses resulting from changes in the financial assumptions	3,035	99	1,177		4,311	608	715	(351)		972
- Effect of past experience	(1,956)	2,004	(18)	(224)	(194)	575	(579)	(425)	(575)	(1,004)
- Other changes	137		(1,260)	131	(992)	562	63	188	70	883
Paid benefits	(6,694)	(333)	(5,563)	(266)	(12,856)	(6,520)	(184)	(3,153)	(1,389)	(11,246)
Effect of transfers			2,984	(4,571)	(1,587)				27	27
Current value of the obligation at the end of the year	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648

(*) Concerns the measurement of the liabilities arising from: (i) the contribution in favour of those registered or in voluntary continuation of the contribution, equal to 1% for each year of registration in the Gas Fund multiplied by the social security tax base for 2014, (ii) the extraordinary contribution for expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020.

⁹⁰ The table also provides a reconciliation of liabilities recorded for provisions for employee benefits.

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below:

(€ thousands)	2020				2021			
	Employee severance fund	FISDE	Gas Fund	Other provisions	Employee severance fund	FISDE	Gas Fund	Other provisions
Discount rate (%)	(0.04)	0.46	(0.05)	0.40	0.37	0.60	0.27	0.99
Inflation rate (%) (*)	0.70	N/A	N/A	0.70	1.50	N/A	N/A	1.50

(*) With reference to the other provisions, the rate refers only to the seniority bonuses.

The discount rate adopted was determined by considering the yields on corporate bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Italgas are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change⁹¹ in the discount rate at the end of the year. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

(€ thousands)	Discount rate			
	reduction		increase	
	%	amount	%	amount
Effect on net obligation at 31.12.2021				
Employment severance pay	(0.13)	1,912	0.87	(1,810)
FISDE	0.10	621	1.10	(558)
Gas Fund	(0.23)	553	0.77	(528)
Other provisions for employee benefits	(0.25)	112	0.75	(105)
		3,198		(3,001)

⁹¹ With regard to FISDE, any changes relating to mortality do not have a significant effect on the liability.

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(€ thousands)	31.12.2020					31.12.2021				
	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total	Employee severance fund	FISDE	Gas Fund (*)	Other provisions	Total
Within the next year	6,724	356	522	1,816	9,418	8,998	342	620	1,261	11,221
Within five years	20,764	1,285	4,965	838	27,852	22,570	1,258	5,163	1,323	30,314
Beyond five and up to ten years	25,046	1,394	9,549	834	36,823	21,527	1,394	7,636	878	31,435
Beyond ten years	15,110	5,586	9,221	612	30,529	9,350	5,874	7,060	394	22,678
	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648

(*) The amount includes the estimate of the 10% INPS solidarity contribution applied to the amounts to allocate to the supplementary pension.

24. Deferred tax liabilities

Net deferred tax liabilities of € 50,791 thousand (€ 55,215 thousand as at 31 December 2020) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(€ thousands)	31.12.2019	Provisions	Uses	Other changes	31.12.2020
Deferred tax liabilities	346,146	7,314	(30,033)	425	323,852
Deferred tax assets	(253,662)	(34,348)	23,569	(4,196)	(268,637)
	92,484	(27,034)	(6,464)	(3,771)	55,215

(€ thousands)	31.12.2020	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2021
Deferred tax liabilities	323,852	791	166	(20,913)	9,421	313,317
Deferred tax assets	(268,637)	(328)	(24,990)	26,878	4,551	(262,526)
	55,215	463	(24,824)	5,965	13,972	50,791

There are no prepaid income taxes which cannot be offset.

Deferred tax liabilities and deferred tax assets break down as follows, based on the most significant temporary differences:

(€ thousands)	31.12.2020							
	Opening balance	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	346,146	7,314	(30,033)		425	323,852	312,150	11,702
Amortisation and depreciation exclusively for tax purposes	203,697	881	(12,315)			192,263	181,014	11,249
Revaluations of property, plant and equipment	113,127		(12,239)			100,888	100,888	
Capital gains subject to deferred taxation	1,766	1,126	(842)			2,050	2,050	
Employee benefits	11,154	2,249	(1,222)			12,181	12,094	87
Capitalisation of financial expense	2,592		(133)			2,459	2,093	366
Impairment losses on receivables in excess of tax deductibility and other temporary differences	13,810	3,058	(2,857)			14,011	14,011	
Other temporary differences			(425)		425			
Deferred tax assets	(253,662)	(34,348)	23,569	(3,725)	(471)	(268,637)	(245,597)	(23,040)
Provisions for risks and charges and other non-deductible provisions	(49,439)	(13,909)	8,275			(55,073)	(47,360)	(7,713)
Non-repayable and contractual grants	(67,357)		2,667			(64,690)	(52,437)	(12,253)
Non-deductible amortisation and depreciation	(116,687)	(18,295)	10,838			(124,144)	(123,455)	(689)
Employee benefits	(8,179)	(1,327)	978	(1,248)		(9,776)	(8,209)	(1,567)
Other temporary differences	(12,000)	(817)	811	(2,477)	(471)	(14,954)	(14,136)	(818)
Net deferred tax liabilities	92,484	(27,034)	(6,464)	(3,725)	(46)	55,215	66,553	(11,338)

(€ thousands)	31.12.2021								
	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	323,852	791	166	(15,711)	458	3,761	313,317	318,496	(5,179)
Amortisation and depreciation exclusively for tax purposes	192,263		24	(2,824)		696	190,159	182,250	7,909
Revaluations of property, plant and equipment	100,888		(32)	(10,758)		2,914	93,012	106,448	(13,436)
Capital gains subject to deferred taxation	2,050		31	(592)		32	1,521	1,521	
Employee benefits	12,181		4				12,185	12,185	
Capitalisation of financial expense	2,459			(124)			2,335	1,987	348
Other temporary differences	14,011	791	139	(1,413)	458	119	14,105	14,105	
Deferred tax assets	(268,637)	(328)	(24,017)	26,878	3,623	(45)	(262,526)	(241,125)	(21,401)
Provisions for risks and charges and other non-deductible provisions	(55,073)		(3,407)	15,776		13	(42,691)	(36,731)	(5,960)
Non-repayable and contractual grants	(64,690)			2,789		(576)	(62,477)	(50,728)	(11,749)
Non-deductible amortisation and depreciation	(124,144)		(18,542)	5,230		830	(136,626)	(135,762)	(864)
Employee benefits	(9,776)		(994)	1,161	540	(345)	(9,414)	(7,707)	(1,707)
Other temporary differences	(14,954)	(328)	(1,074)	1,922	3,083	33	(11,318)	(10,197)	(1,121)
Net deferred tax liabilities	55,215	463	(23,851)	11,167	4,081	3,716	50,791	77,371	(26,580)

Deferred tax assets and deferred tax liabilities are considered to be long term.

It should be noted that there are no deductible temporary differences, tax losses and unused tax credits for which, in the balance sheet, the deferred tax asset is not recognized.

Furthermore, there are no temporary differences relating to investments in subsidiaries, branches and associated companies, and to jointly controlled investments, for which a deferred tax liability has not been recognized.

The Group has deemed it appropriate to set aside prepaid tax-

es on the timing differences at 31 December 2021, insofar as it believes it is likely they will be recovered.

The note "Income taxes" provides information about taxes for the year.

25. Shareholders' equity

Shareholders' equity, which amounts to € 2.142,491 thousand as at 31 December 2021 (€ 1,977,423 thousand as at 31 December 2020) breaks down as follows:

(€ thousands)	31.12.2020	31.12.2021
Shareholders' equity attributable to Italgas	1,737,434	1,891,414
Share capital	1,001,232	1,002,016
Legal reserve	200,246	200,246
Share premium reserve	620,130	622,377
Cash flow hedge on derivative contracts reserve	(15,962)	(4,750)
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	5,635	5,602
Other reserves	19,926	19,921
Profits relating to previous years	211,755	372,075
Reserve for remeasurement of defined-benefit plans for employees	(16,408)	(15,140)
Net profit (loss)	384,626	362,813
<i>to be deducted</i>		
- Treasury shares		
Shareholders' equity attributable to minority interests	239,989	251,077
	1,977,423	2,142,491

SHARE CAPITAL

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves. Following the capital increase, the share capital of the Company amounts to € 1,002,016,254.92, made up of 809,768,354 shares. Moreover, Italgas' Shareholders' Meeting of 20 April 2021 approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in

accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

LEGAL RESERVE

The legal reserve stood at € 200,246 thousand as at 31 December 2021, unchanged compared to the previous year.

SHARE PREMIUM RESERVE

The share premium reserve, which totalled € 622,377 thousand (€ 620,131 thousand as at 31 December 2020), was created after the equity investment in Italgas Reti S.p.A. was acquired.

CASH FLOW HEDGE ON DERIVATIVE CONTRACTS RESERVE

The reserve includes the negative fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as "cash flow hedging instruments". The related tax effect is reported in the "tax effect" item of the "Components reclassifiable to the income statement" in the Statement of comprehensive income.

CONSOLIDATION RESERVE

The consolidation reserve, amounting to € -323,907 thousand, was determined during the first consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

RESERVE FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggregation of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

STOCK GRANT RESERVE

The reserve includes the assessment pursuant to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Italgas S.p.A. Shareholders' Meeting.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity provision.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves.

OTHER RESERVES

The other reserves relate to the effects deriving from the valuation of equity investments.

RESERVE FOR REMEASUREMENT OF DEFINED-BENEFIT PLANS FOR EMPLOYEES

The reserve for remeasurement of employee benefit plans (€ -15,140 thousand at 31 December 2021) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19. The changes in the reserve during the course of the year are shown below:

(€ thousands)	Gross reserve	Tax effect	Net reserve
Reserve as at 31 December 2019	(18,467)	5,210	(13,257)
Changes of the year 2020	(4,347)	1,196	(3,151)
Reserve as at 31 December 2020	(22,814)	6,406	(16,408)
Changes of the year 2021	1,761	(493)	1,268
Reserve as at 31 December 2021	(21,053)	5,913	(15,140)

TREASURY SHARES

As at 31 December 2021 Italgas did not have any treasury shares in its portfolio.

SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MINORITY INTERESTS

The Shareholder's equity attributable to minority interests is broken down below:

(€ thousands)	Shareholders' equity attributable to minority interests 31.12.2020	Shareholders' equity attributable to minority interests 31.12.2021	Net income attributable to minority interests 31.12.2020	Net income attributable to minority interests 31.12.2021
Toscana Energia S.p.A.	208,150	209,122	21,353	20,411
Toscana Energia Green S.p.A.	2,744		469	
Seaside S.p.A.		(1,519)		589
Ceresa		3,502		42
Medea S.p.A.	27,635	39,672	(936)	723
Gaxa S.r.l.	1,460	300	(263)	(1,158)
	239,989	251,077	20,623	20,607

DIVIDENDS

In its meeting of 09 March 2022, the Board of Directors proposed to the Shareholders' Meeting the distribution of an ordinary dividend of € 0.295 per share. The dividend will be paid out as of 25 May 2022, with an ex-coupon date of 23 May 2022 and a record date of 24 May 2022.

RECONCILIATION STATEMENT OF THE RESULT FOR THE YEAR AND OF THE SHAREHOLDERS' EQUITY OF ITALGAS S.P.A. WITH THE CONSOLIDATED ONES.

(€ thousands)	Profit net 2021	Shareholders' equity 31.12.2021
Financial statements Italgas S.p.A.	239,589	1,737,695
Profit of the companies included in the consolidation	409,089	
Difference between book value of investments consolidated companies and shareholders' equity of the financial statements, including the result		289,843
Adjustments consolidation:		
Dividends net of the tax effect	(261,292)	
Income from valuation of equity investments with the equity method and other income from equity investments	1,198	33,199
Other consolidation adjustments net of the tax effect	(5,164)	81,754
Net income attributable to minority interests	(20,607)	(251,077)
	123,224	153,719
Consolidated financial statements Group	362,813	1,891,414

26. Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,191,477 thousand as at 31 December 2021 comprise:

(€ thousands)	31.12.2020	31.12.2021
Bank guarantees given in the interest of the companies of the Group	366,575	460,618
Financial commitments and risks:	1,326,492	1,730,859
Commitments	1,028,356	1,430,705
Commitments for the purchase of goods and services	1,024,084	1,430,705
Other	4,272	
Risks	298,136	300,154
- for compensation and litigation	298,136	300,154
	1,693,067	2,191,477

GUARANTEES

Guarantees of € 460,618 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

COMMITMENTS

At 31 December 2021, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,430,705 thousand.

On 10 December 2021, the purchase agreement for the investment in DEPA Infrastructure S.A. was signed with Hellenic Republic Asset Development Fund S.A (HRDAF) and Hellenic Petroleum SA (HELPE). for a price of 733 million euros, increased, as envisaged by the same, by interest from 1 January 2021, the date of the locked box, up to the date of the closing. Upon signing the contract, as envisaged therein, a bank guarantee was delivered to the sellers for an amount of € 50 million to support the contractual commitments undertaken. Completion of the purchase is subject to the satisfaction of various conditions, namely approval of the operation by the Greek regulatory authority RAE and clearing by the Greek anti-trust authority, HCC. DEPA Infrastructure currently holds 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DEDA), the three lead players in gas distribution in Greece, which together manage 6,900 kilometres of network and 509,000 active delivery points.

Depa Infrastructure S.A. is also expected to undertake, following its purchase by Italgas, to acquire the remaining 49% of the capital of EDA Thess S.A. owned by Eni Gas & Luce S.p.A. under the terms and conditions previously defined between HRDAF, HELPE and Eni Gas & Luce S.p.A.

OTHER UNVALUED COMMITMENTS

The acquisition of 51% of the share capital of ACAM Gas S.p.A. by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of Enerco Distribuzione by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "Alessandria 4 ATEM" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

RISKS

Risks concerning compensation and litigation (€ 300,154 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

Foreword

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- | risk arising from exposure to fluctuations in interest rates;
- | credit risk arising from the possibility of counterparty default;
- | liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- | rating risk;
- | debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

Interest rate risk

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented - in full or in part - in the regulatory WACC, could have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 31 December 2021 the financial debt at floating rate was 7.3% and at fixed rate was 92.7%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Below are the impacts on shareholders' equity and the net period result at 31 December 2021 of a hypothetical positive and negative variation of 10 basis points (bps) of the interest rates effectively applied during the year.

(€ thousands)	Result of the income statement		Other items of the statement of comprehensive income	
	interest +10 bps	interest -10 bps	interest +10 bps	interest -10 bps
Variable-rate loans not hedged				
Effect of change in interest rate	(200)	200		
Variable-rate loans converted into fixed-rate loans by means of IRSs				
Effect of change in interest rate on the fair value of the hedge derivative contracts - effective portion of hedge			2,448	(2,464)
Impacts gross of the tax effect				
Tax effect	54	(54)	(661)	665
Impacts net of the tax effect	(146)	146	1,787	(1,799)

(*) The change in interest rate impacts the change in fair value of the hedge derivatives, which is noted amongst other items of the statement of comprehensive income and, therefore, does not impact the result of the income statement.

Credit risk

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation. It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

The rules for customer access to the gas distribution service are established by the ARERA and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services and contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference market is the Italian market.

For further considerations linked to the impacts associated with Covid-19, as well as the related accounting implications linked to the measurement of assets and liabilities, see the below note, "Update information on Covid-19".

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

Rating risk

With reference to the long-term debt of Italgas, on 25 November 2021 and 06 December 2021, the rating agencies Moody's and Fitch confirmed the rating assigned to Italgas S.p.A. as level BAA2 with stable outlook and BBB+ with stable outlook, respectively. Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

Debt covenant and default risk

As at 31 December 2021 there are no loan agreements containing financial covenants and / or secured by collateral, with the exception of the EIB loan signed by Toscana Energia for an amount of € 90 million which provides for compliance with certain financial covenants⁹². Some of these contracts require, inter alia, compliance with: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. In relation to the EIB loan of Toscana Energia, refer to the note "Short-term financial liabilities and long-term financial liabilities". For all other ones, these commitments were satisfied as at 31 December 2021.

The bonds issued by Italgas as at 31 December 2021 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and *pari passu* clauses.

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

⁹² The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2020 have been respected.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

€ thousands)	Due date								
	Balance as at 31.12.2020	Balance as at 31.12.2021	Portion with due date within 12 months	Portion with due date beyond 12 months	2023	2024	2025	2026	Beyond
Financial liabilities									
Bank loans	874,001	1,332,110	42,186	1,289,924	633,239	66,124	65,672	66,395	458,494
Bonds	3,854,535	4,591,521	146,111	4,445,410		383,887	496,904		3,564,619
Short-term liabilities	600,717	383,266	383,266						
Interest on loans			44,033	276,381	43,382	43,295	38,913	37,575	113,215
Liabilities Right of Use	76,297	69,998	19,625	50,373	17,310	13,669	8,560	5,527	5,307
Interest Right of Use			290	726	226	169	116	79	136
	5,405,550	6,376,895	635,511	6,062,814	694,157	507,144	610,165	109,576	4,141,771

With reference to the payment times with regard to trade and other payables, refer to the note "Short-term and long-term liabilities" in the consolidated financial statements.

As for the sensitivity on the interest rate, any changes in interest rates do not lead to significant effects in consideration of the fact that 92.7% of the Group's financial debt is at fixed rate.

Please refer to note "Trade and other receivables" for the breakdown of receivable by due date bracket.

Market value of financial instruments

Below is the classification of financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- a. level 1: listed prices (unadjusted) on active markets for identical financial assets or liabilities;
- b. level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- c. level 3: inputs not based on observable market data.

In connection with the above, classification of the assets and liabilities measured at fair value in the Statement of Financial Position according to fair value concerned the IRS and exchange rate derivative instruments classified level 2 and recorded under the note "Other current and non-current financial assets" and "Other current and non-current financial liabilities".

Equity investments measured at fair value with effects posted to the income statement fall under fair value category level 3.

Other information on financial instruments

With reference to the categories established by IFRS 9 "Financial instruments", the book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(€ thousands)	Book value		Income / expense recognised to income statement		Income / expense recognised to shareholders' equity (a)	
	Balance as at 31.12.2020	Balance as at 31.12.2021	Balance as at 31.12.2020	Balance as at 31.12.2021	Balance as at 31.12.2020	Balance as at 31.12.2021
Financial instruments measured at amortised cost						
- Cash	664,026	1,391,763				
- Current financial assets	5,120	5,120				
- Trade and other receivables	635,028	588,098				
- Non-current financial assets	156	2,848				
- Other investments	4,916	5,007				
- Other current and non-current non-financial assets	251,609	134,445				
- Trade and other payables	767,555	769,137				
- Financial payables (b)	5,405,551	6,376,895	(53,984)	(63,851)		
- Other current and non-current non-financial liabilities	555,172	547,536				
- Financial instruments measured at fair value						
- Financial assets (liabilities) for hedge derivative contracts	(21,301)	(6,573)			(5,721)	

(a) Net of tax effect.

(b) The effects in the income statement are recognised in the item "Financial income (expense)".

The table below provides a comparison between the book value of financial assets and liabilities and their respective fair value.

(€ thousands)	Balance as at 31.12.2020		Balance as at 31.12.2021	
	Book value	Market value	Book value	Market value
Financial instruments measured at amortised cost				
- Long-term financial debt	4,724,030	5,039,078	5,734,333	5,939,843

The book value of trade receivables, other receivables and financial payables is close to the related fair value measurement, given the short period of time between when the receivable or the financial payable arises and its due date.

Disputes and other measures

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimated.

Civil dispute

ITALGAS RETI S.P.A. / MUNICIPALITY OF ROME - ROME CIVIL COURT

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, which is an integral part of the above-mentioned Contract, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties and supplemented it on 30 August 2019 due to reasons added following further notices of the Municipality of Rome. On 19 December, the Municipality of Rome served the Managerial Resolution dated 6 September 2019 that i) set € 91,853,392.79 as the alleged amount owed by Italgas Reti by way of penalties for the supposed delay in implementing the business plan covered by the gas concession contract, ii) levied the bank guarantee issued to guarantee the proper execution of the above Service Contract, in the case in which the penalties should not be paid within the deadline of 90 days from notification of the resolution. With its appeal of 20 January 2020, Italgas contested the above-mentioned Managerial Resolution at the Lazio Regional Administrative Court and submitted, as a precautionary measure, a petition to suspend the effect of the measure in so far as it is illegitimate from different perspectives, including i) invalidity due to vagueness of the penalty clause, ii) non-existence and/or in any case non-chargeability of the company for the non-fulfillments challenged by the Municipality of Rome, iii) waiver by the Municipality of Rome to promptly apply the penalties, iv) violation of the procedure to impose the penalties. The precautionary application was conditionally granted with order no. 1124/2020 - confirmed, again conditionally, with precautionary decree no. 1636/2020 - by which the effectiveness of the contested acts was suspended until the chamber proceedings scheduled for 22 April 2020. However, the Board expressed some doubts concerning the existence of its jurisdiction, inviting the parties to file briefs prior to the chamber proceedings scheduled for 22 April 2020.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction, pending judgement before the Regional

Administrative Court. The appeal was notified on 18 April 2020 and filed in the office of the clerk of the court on 20 April 2020. It was entered in the General Registry under no. 10196/2020. The hearing was held on 15 December 2020 and, with an order of 12 January 2021, the Court of Cassation declared the jurisdiction of the ordinary court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court adopted Order no. 4140/2020, with which it acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings. It also performed a further assessment for the purposes of the invoked precautionary legal protection and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti appealed against this order before the Council of State. The hearing was held on 18 June 2020. On the outcome of the hearing, the Council of State, with an order of 19 June 2020, upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until definition of the merits.

At the same time, on 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it requested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the public methane gas distribution service concession contract entered into on 20 November 2012. The Regional Administrative Court later declared the jurisdiction of the ordinary court, in line with the previous decision. Therefore, in this case too, Italgas Reti, in a reinstatement of the case notified on 1 September 2021, summarised the proceedings before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Rome Council. The hearing for appearance for both proceedings has been scheduled for 20 September 2022.

At the same time, Italgas Reti filed an interim petition whereby it asked the Court of Rome to suspend the effects of the Penalty Quantification Ruling of 19 December 2019 and to prevent Roma Capitale from enforcing the Surety given by Intesa San Paolo S.p.A. By order of 12 November 2021, the Court suspended the effects of the quantification of the penalties by Roma Capitale to Italgas Reti, at the same time preventing Roma Capitale from executing the surety given by Intesa San Paolo S.p.A. in connection with the demand for the payment of penalties.

The parties in any case keep dialogue and the related investigations of the respective positions open in order to verify that the conditions for coming to an agreement are met, the terms of which to date are nevertheless unforeseeable. Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

ITALGAS RETI S.P.A. / MUNICIPALITY OF ANDRIA - TRANI COURT

With Ruling no. 1862/2019 of 5 August 2019, published on 7 August 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of the sum of € 1,521,402.00, in addition to legal interest and inflation adjustment, as an increase in concession fees for the gas distribution service in the municipal area, from 1 January 2006 to 31 December 2011. With a subsequent

ruling, no. 2562/2019, of 25 November 2019, published on 29 November 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of a sum, in addition to legal interest and inflation adjustment, as reimbursement of the constraint on distribution revenue owed by the company to the Municipality, as the owner of the gas distribution plant in the relative area, from 1 January 2006 to 31 December 2011.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

MUNICIPALITY OF VENICE / ITALGAS RETI S.P.A. - COURT OF VENICE

Italgas Reti appealed against the acts through which the Municipality of Venice had deducted from the residual industrial value due to Italgas Reti as the outgoing operator, the value of a portion of the distribution network (Block A), which as at 31 December 2014 had a residual industrial value of about € 31 million. The Municipality of Venice claims to have acquired - through a free transfer - ownership of Block A at the end of the original concession deed (2010).

However, according to Italgas Reti, the expiry of the concession and therefore the accrual of entitlement to the free transfer was postponed to 2025 on the basis of the subsequent additional amending deed to the original concession deed, signed by the parties in 1995.

With Ruling no. 654/2017, the Regional Administrative Court of Veneto rejected the appeal lodged by the company, deeming that the free acquisition of a portion of the distribution network had fallen due on the original expiry date of the concession relationship (2010). Italgas Reti appealed against the ruling before the Council of State. Consequent to ruling no. 654/2017, in a letter dated 2 February 2018, the Municipality of Venice requested Italgas Reti to pay a fee, the amount of which to be defined, for use of the plants subject to free acquisition. Italgas Reti appealed against this request before the Regional Administrative Court of Veneto.

Decision no. 4104/2018 was filed on 4 July 2018, by which the State Council rejected the appeal brought by Italgas Reti against decision no. 654/2017 pronounced by the Veneto Regional Administrative Court, confirming the acquisition free of charge in favour of the Municipality of Venice of assets included in Block A, as well as the Company's obligation to pay a fee for use of the portion of network devolved free of charge.

The Company has filed a claim for repeal of the decision of 4 July 2018 with the State Council and with the European Court of Human Rights (ECHR). Note that, also with respect to a fee request from the Municipality of Venice equivalent to the tariff remuneration of the assets from Block A, in the absence of specific reference regulations, the company is not yet able to reliably determine the extent of the liability.

At the same time, following the aforementioned provision of the Council of State, the Company has expedited the depreciation of part of the network relating to the "Block A".

With decision no. 588/2019 of 24 January 2019, the State Council pronounced on a similar case relating to the devolution free of charge of a portion of a network relating to the

existing concession with the Municipality of Cavallino-Treporti. In fact, Italgas manages the public natural gas distribution service in the aforementioned Municipality under the terms of concession agreements at the time accepted by the Municipality of Venice. This is due to the fact that the Municipality of Cavallino-Treporti was established in 1999 as a spin-off portion of the geographic area already falling within the Municipality of Venice.

With the aforementioned decision, the State Council sanctioned the free-of-charge acquisition in favour of the Municipality of Cavallino Treporti of assets included in Block A, as well as the Company's obligation to pay a fee for use of the portion of network devolved free of charge.

The Company has filed a claim for repeal of the decision of 24 January 2019 with the State Council before the European Court of Human Rights (ECHR). Note - in this case, too - that, also against a claim for fees from the Municipality of Cavallino-Treporti equivalent to remuneration of the Block A assets, in the absence of specific reference regulations, to date it is not possible to reliably determine the extent of the liability.

With subsequent Decisions no. 2177 and no. 2178 of 21 March 2019, published on 2 April 2019, the State Council confirmed the previous rulings on the free transfer of "Block A" to the Municipality of Venice and to the Municipality of Cavallino Treporti, respectively, rejecting the claims for appeal filed by Italgas Reti.

Lastly, on 24 April 2019, the Municipality of Venice notified a writ of summons against Italgas Reti to the Court of Venice, for the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 01/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti filed an appearance challenging the quantification of the fee and asking for repayment of the amount wrongfully paid to the Municipality after the free transfer of Block A. At the first hearing on 12 September 2019, after having heard the defence of the parties, the Judge postponed the case for the admission of preliminary evidence, initially to 1 April 2020, then to 23 December 2020, due to the health emergency and, most recently, to 29 December 2020. By order of 26 April 2021, the Judge ordered Italgas Reti S.p.A. to produce relevant documentation and consequently scheduled the hearing for 31 May 2022 for examination of the documentation.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

MUNICIPALITY OF CAVALLINO TREPORTI / ITALGAS RETI S.P.A. - COURT OF VENICE

Following the rulings of the Council of State on the free transfer of Block A, the Municipality of Cavallino-Treporti served a writ on Italgas Reti S.p.A, summoning it before the Court of Venice, requesting that it be ordered to pay € 4,669,129.00 or a different amount as payment due under the current tariff regulation for the use of the plants comprising the so-called "Block A", which became the property of the Municipality of Cavallino-Treporti as a result of the Concession no. 19309/1970 from 1 June 2010 until 31 December 2018, and of the assets in Block A. With an appearance and response filed on 25 November 2020, Italgas Reti appeared in court. In

the same appearance, a counterclaim was made for the Municipality of Cavallino to be ordered to repay the total amount of € 37,313.69 paid in fees for the occupation of public spaces and areas (COSAP) for Block A in the period from 1 January 2013 to 31 December 2018. The first appearance hearing was held on 17 December 2020, following which the judge granted the parties the time limits for the preliminary statements and adjourned the case to the hearing of 1 April 2021 for the admission of evidence. Later, that hearing was postponed to 13 January 2022, when the terms were assigned for depositing the replies. On the basis of the information currently available and supported by an external legal opinion, the Company does not believe it likely it will lose.

PUBLISERVIZI S.P.A. / ITALGAS S.P.A. - FLORENCE COURT

On 25 July 2019, a writ of summons was served on Italgas S.p.A. by Publiservizi S.p.A. and other Municipalities with stakes in Toscana Energia which, claiming the alleged violation of a shareholders' agreement signed between said parties and Italgas S.p.A. on 28 June 2018, demanded that Italgas be ordered to acquire a 3% stake in Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned shareholders' agreement and, in the alternative, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. The first hearing, held on 14 January 2020 before the Court of Florence, was adjourned first to 6 May 2020, then, due to the health emergency, to 25 November 2020 and, most recently, to 28 April 2021. Italgas S.p.A., which entered an appearance within the legal term, raised all the objections required to prove that the counterparty's claims were groundless. After being postponed a number of times, the hearing for the discussion of the preliminary requests was held on 28 April 2021, by means of the exchange of written notes, with which the parties emphasised their respective preliminary statements, even though Italgas had stressed that the case could be heard without carrying out any preliminary activity. Following this hearing, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 28 June 2022. Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

ITALGAS RETI S.P.A. - ROME/VIA PARLATORE EVENT

The public prosecutor at the Court of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome.

The incident, which took place due to causes that are still being investigated, caused a fire that involved three people. Two of them, workers for an Italgas Reti contractor, suffered mild injuries. The third person - an Italgas Reti employee - died after a few weeks despite medical treatment. The preliminary inves-

tigations involved some Italgas Reti managers. On completion of the investigations, the Public Prosecutor's office of Rome requested that the case be discontinued for all persons under investigation. The file was assigned to the Judge for Preliminary Investigations for the decision. At the hearing of 26 October 2018, the Judge for Preliminary Investigations requested the Public Prosecutor to carry out further investigations. Following the additional investigations, the Public Prosecutor once again requested that the case be discontinued for all persons under investigation. The injured parties objected and the Judge for Preliminary Investigations scheduled the Chamber proceedings for 20 March 2020 for discussion of the objection to the request for the case to be discontinued. This was later postponed to 25 September 2020 due to the ongoing health emergency. The judge set aside the ruling at that hearing. On 17.11.2020, the Judge for Preliminary Investigations, lifting the reservation made at that hearing, did not grant the Public Prosecutor's second request for dismissal and ordered the latter to charge the individuals under investigation (basically a request for committal for trial). Enforcing the order of the Judge for Preliminary Investigations, the Public Prosecutor prepared the indictment for the three Italgas Reti individuals under investigation, without formulating charges against Italgas Reti under Law 231 for safety violations. The Judge for the Preliminary Hearing scheduled the hearing for discussion for 26 May 2021. At that hearing, the Judge for the Preliminary Hearing called for the indictment of the individuals under investigation, with the next hearing scheduled for 22.01.2022. The wife, son and sister of Mr Spera and the contractor's two employees who suffered injuries appeared as civil claimants. The hearing was postponed to 06 April 2022 for the first hearing activities.

ITALGAS RETI S.P.A. - CERRO MAGGIORE/VIA RISORGIMENTO EVENT

The public prosecutor at the Court of Busto Arsizio opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The incident was caused by a gas leak due to a gas leak due to remotely guided boring works for the laying of a fibre optic cable carried out by a third party.

The explosion occurred while interception activities were being completed on the section involved in the damage, causing the collapse of a house at No. 39 and the death of the woman who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries. A notice was served on 24 April 2017 advising of the conclusion of the preliminary investigations pursuant to Article 415-bis of the Code of Criminal Procedure of the persons under investigation and Italgas Reti, with regard to which it was alleged the occupational safety prevention measures had failed to be adopted. On 30 April 2018 the trial documents still being served were acquired from the office of the clerk of the Court of Busto Arsizio: request for committal for trial, request for dismissal regarding several natural persons under investigation, list of witnesses for the public prosecutor's office. The content of the request for remand is in line with those of the notification of conclusion of the preliminary investigations with regard to the involvement of Italgas Reti, while the request for application seeking, subsequently received by the Judge in the preliminary hearing, also included Italgas Reti's principal. On 4 May 2018 notification of the preliminary hearing being set for 26 June 2018 was served together with the request for committal for trial. The hearing,

however, was not then held and was postponed until 23 October 2018. There were no applications to join proceedings as a civil party at the 23 October 2018 hearing, and the judge acknowledged the negotiations in progress with the injured parties, so the hearing was postponed until 23 January 2019. During that hearing the payment was acknowledged for the indemnification of the descendants of the dead person and the other injured parties, who then waived the option to initiate civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings. Both the Italgas Reti defence and that of the Company's employees asked for the indictment to be dismissed. The judge reserved their decision on request of the defending counsels. At the subsequent hearing of 19 March 2019, the Judge for the Preliminary Hearing pronounced the dismissal for the two employees of Italgas Reti for not having committed the act. A conviction was issued against those requesting the abbreviated trial procedure, employees of the subcontracting company for the laying of the optic fibre cable, rejecting the request for damages of the civil party, the Municipality of Cerro Maggiore. On the hearing of 9 December 2019 the Judge called for the indictment of the Company Italgas Reti and its three employees, in addition to the defendants of the company contracting the laying of the fibre optic cable. The first hearing was held on 9 December 2019, during which it was ascertained that the parties had been duly served and appeared. Exclusion of the civil claimant, the Municipality of Cerro, was requested. A schedule, subject to change, was also fixed for the actual investigation.

The judge rejected the preliminary claims at the hearing on 13 January 2020, considering that the Municipality of Cerro Maggiore might have sustained damage to its image, the demonstration of which is left to the continuation of the proceedings. The witnesses summoned by the Italgas Reti defence shall be heard once all the witnesses of the prosecution have been heard. The first hearing for the examination of witnesses, scheduled for 8 June 2020, was postponed to 7 September 2020 due to the health emergency. The hearings of the prosecution's witnesses began during the hearing of 7 September 2020 and continued on a weekly basis. The hearings of the defence witnesses began at the hearings of 9 November 2020 and 23 November. Examination of the defendants was completed at the subsequent hearing of 8 February 2021 (two of the defendants employed by Italgas Reti were heard) and the following hearing, for the examination and cross-examination of the expert witnesses, has been set for 8 March 2021. At the hearing of 8 March 2021, the civil claimant waived the hearing of its expert, and our expert witnesses were heard. At the hearing of 19 April 2021, the expert of two defendants of the contracting company was heard, and the discussion of the parties took place on 7 May at the subsequent hearing.

The Public Prosecutor's Office requested acquittal of the Italgas Reti safety manager and two defendants of the contracting company, while it requested two years' imprisonment for the other two defendants of Italgas Reti, with a suspended (and therefore not enforceable) sentence.

It was requested that a reduced fine be imposed on Italgas Reti for administrative liability pursuant to Italian Legislative Decree 231/01. The defence lawyers of Italgas Reti and of the defendants from the company discussed the matter at length, contesting all the conclusions of the Public Prosecutor's Office.

The Municipal Authority, a civil claimant, requested the conviction of two Italgas Reti defendants only, complaining of damage to their image and financial damage for costs incurred, for

which, however, it failed to provide a figure.

The ruling of the sentence was communicated at the hearing of 4 June 2021. The acquittal of the Italgas Reti safety manager and of one of the two defendants of the company was confirmed. The other defendant, on the other hand, was sentenced to one year and six months with a suspended sentence and the right not to disclose the conviction. Acquittal was also confirmed for the two defendants of the contracting company for the laying of the optic fibre cable.

The fine for liability pursuant to Legislative Decree 231/01 was further reduced to € 30,000 for Italgas Reti, without the application of prohibitory measures. The civil claimant's claim was rejected.

The Company and its sentenced employee lodged an appeal against the judgement, deposited on 14 October 2021. On 13 September 2021, the Public Prosecution lodged an appeal against the other Italgas Reti employee who had been acquitted at first instance.

ITALGAS RETI S.P.A. - ROME VIA SABA EVENT

The public prosecutor at the Court of Rome opened an investigation in relation to the incident that took place on 2 May 2018 during a repair job on the gas distribution network in the Municipality of Rome.

The incident, which took place in via Saba 68, severely injured a worker of a contractor company. The Public Prosecutor's Office of Rome declared that four people were under investigation, one of whom a former Italgas Reti employee, from January 2020. On 12 November 2020, the Public Prosecutor's Office served notice of conclusion of the preliminary investigations on the former Italgas Reti employee, together with the employer of the contractor, the supervisor and a specialised worker of the same company, on charges of serious injury caused by negligence and violation of Italian Legislative Decree 81/2008. Thereafter, the Prosecution notified the writ of summons to court for the hearing of 25 January 2022. Upon completion of the legal and technical investigations, it was considered appropriate to settle the proceedings through plea-bargaining.

An agreement was reached with the Public Prosecutor on 4 months of imprisonment with a suspended sentence.

At the hearing of 25 January, having made this request, the Court wrote off the position of the former Italgas Reti employee, separating it out from that of the other defendants and deferred to the 25 February 2022 for the settlement of the plea-bargaining. At the hearing of 25 February, with the consent of the public prosecutor on the plea-bargaining request, the Judge upheld this plea-bargaining request submitted by the former employee of Italgas Reti.

ITALGAS RETI S.P.A. - ROCCA DI PAPA EVENT

The public prosecutor at the Court of Velletri opened an investigation relating to the incident on 10 June 2019 in the municipality of Rocca di Papa, caused by the rupture of an Italgas Reti pipe by a company carrying out works for the same Municipality.

The resulting gas leak caused an explosion in which some people were injured, two of which died in the following days.

The Velletri Public Prosecutor is carrying out preliminary investigations which are focusing on people outside of the company. Italgas Reti, which is an injured party in the offence having suffered damage to its conduct, is cooperating with the investigations. The Prosecutor has also arranged expert investigations on the accident area and Italgas Reti has appointed its own defendant's expert as injured party. The Judge for Preliminary Investigations approved the request for a special pre-trial evidentiary hearing made by one of the individuals under investigation, aimed at verifying the causes of the explosion, which was reported to Italgas Reti on 16 July 2019. After a number of postponements, the deadline for filing the expert's report of the expert witness appointed by the Judge for Preliminary Investigations was set for 5 July 2020 and later extended to 31 August 2020. The expert witness report was made available on 10 September 2020. The hearing before the Judge for Preliminary Investigations, initially scheduled for 1 October 2020, was postponed to 16 October 2020, during which the evidentiary hearing took place, with discussion of the expert witness report.

The Public Prosecutor's investigation ended with the serving, on 28 April 2021, of notice of the conclusion of the preliminary investigations to the persons under investigation. The persons under investigation are: the geologist, Mr Nolasco, appointed by the Municipal Authority, the geologist of IMG s.r.l., appointed by Mr Nolasco, the owner of the company Tecnogeo, in charge of the drilling works, the Technical Director of Tecnogeo and the Project Manager of the municipality of Rocca di Papa.

Italgas Reti is an injured party in the proceedings. The preliminary hearing held in Velletri on 09 November 2021 was postponed due to failure to notify three offended persons.

The hearing was postponed to 15 March 2022. Italgas Reti entered an appearance as civil party.

Other events

ITALGAS RETI S.P.A. - RAVANUSA EVENT

At 21:02 on 11 December 2021, the fire brigade notified the Integrated Supervision Centre of an explosion in the residential area of Ravanusa and asked for emergency intervention. Italgas Reti's technical staff arrived on site at 21:20.

The initial network sectioning work intended to make the pipeline safe began at midnight after the Fire Brigade had given the respective authorisation. At 02:05 on 12 December 2021, the Italgas Reti technicians completed the work required to isolate the section of pipeline that crosses the area affected by the event, between via Trilussa and via Galileo Galilei.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

The previous week, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed

in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021, no critical issues had arisen.

On 31 December 2021, the Public Prosecution of Agrigento issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatable technical assessments.

Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. This breakage is currently being further investigated in metallurgical terms. At present, the causes of the breakage are not known, as neither are the causes of the event.

Note that following the incident, a precautionary claim has been promptly opened with the insurance companies with which the "third party liability" and "property" policies had been stipulated, in order to assure the orderly management of any claims for compensation.

On the basis of the information available and supported by legal and technical opinions, at present it is not possible to foresee the outcomes of the surveys conducted by the Public Prosecutor's Office in Agrigento, surveys which are covered by investigative secrecy.

At present, no civil legal actions have been filed against Italgas Reti S.p.A..

INFORMATIVE PRIORITIES ESMA 2021

The global health emergency emerged in the early months of 2020, caused by the spread of the Covid-19 virus, in response to which the World Health Organisation declared a global "pandemic crisis" on 11 March 2020.

The epidemic developed very quickly, resulting in a significant number of infections and forcing many governments to place restrictive measures on the movement of people and, consequently, on the performance of company and production activities in order to contain the spread of the virus.

In particular, in Italy the government introduced several Government Decrees (DPCM), starting with the one of 22 March 2020, which defined the economic activities exempt from the obligation to close/restrict and those that were to be suspended in that they were not considered immediately essential.

As regards the 2021 financial statements, with Public Statement no. 32-63-1186 of 29 October 2021, the "European common enforcement priorities for 2021 annual financial reports", ESMA aims to guide management in preparing the 2021 annual financial statements, focussing particularly on the need to provide a suitable financial and non-financial disclosure on the long-term impacts of the Covid-19 pandemic and topics related to climate change.

With reference to climate change, in its October 2021 Public Statement, ESMA stresses that companies must pay close attention to climate risk, to the extent to which the effects of these risks may be significant.

In light of the ESMA documents and in accordance with the

provisions of the IAS 34 in subsections 15-15C with reference to “significant events” during the year, an update for 2021 to the information already presented in the 2020 Integrated Annual Financial Report is provided below.

In particular, specific thematic areas have been identified and expanded on below which, with reference to the individual IFRS standards, provide a better understanding of the information.

Update information on Covid-19

BUSINESS CONTINUITY (IAS 1)

Based on the provisions of IAS 1, paragraph 25, where factors of uncertainty arise, which a pandemic situation would certainly be classed as, the management is required to analyse their potential impacts in terms of business operation.

Taking into account Italgas’ activities and the consequences for it deriving from the spread of Covid-19, there are no elements that require an in-depth analyses of the validity of the assumption of business continuity.

From the start of the pandemic, the company took action with measures and means that allowed it to ensure the continuity of its services, also thanks to the innovative digital tools developed also by its Digital Factory.

In compliance with the measures issued by the Authorities, activities deemed essential were in fact always guaranteed (e.g. emergency interventions, work linked to plant safety and efficiency, etc.), temporarily suspending technical activities that could be postponed.

Work on networks and interventions at user premises, including the replacement of traditional meters with smart meters, gradually resumed as provided for and permitted by the legislator.

Unless there are unforeseeable future resurgences of the health emergency, which reasonably should be countered by ongoing vaccinations, the Company believes it will be able to confirm its investment plans, having already proven in 2020 and 2021 that it was able to overcome delays in its original plans to carry out works, with particular reference to the implementation of the network digitisation projects, the installation of “smart” meters and the methanisation of Sardinia, in addition to the usual maintenance and development activities of the networks managed.

Similarly, Italgas confirmed the strategic priorities included in its 2021-2027 Strategic Plan, with reference to both participation in area tenders to award the natural gas distribution service, and potential acquisitions, which will strengthen territorial presence and enable the scope of activities to grow.

FINANCIAL INSTRUMENTS (IFRS 9, IFRS 7 AND IFRS 13)

The impacts deriving from the worsening of the macroeconomic situation caused by the global spread of the pandemic have not had significant effects on the Italgas financial instruments.

With reference to the customer base / sales company and their solvency, it is noted that the rules for user access to the

gas distribution service are established by ARERA and are regulated in the Network Code. For each service type, this Code defines the rules for the rights and obligations of the parties involved in the process of providing the services, as well as the tools to mitigate the risk of default by customers.

As at 31 December 2021 there were no significant credit risks. Note that on average 97.8% of trade receivables relating to gas distribution are settled by the due date and over 99.7% within the following 4 days, confirming the strong reliability of the customers.

With regard to access to credit, Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with major credit institutions for a total of around € 1,391.8 million as of 31 December 2021; (ii) there are limited requirements to refinance debt (in January 2022 a bond was repaid for around € 112 million and the subsequent repayment is due during 2024), (iii) the bonds issued by Italgas as of 31 December 2021, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

As of 31 December 2021, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for € 90 million taken out by Toscana Energia.

The success of the “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of € 500 million each, implementing the EMTN Programme, as well as confirmation of the rating by Moody’s (Baa2, stable outlook), on 25 November 2021, and Fitch (BBB+, stable outlook), on 06 December 2021, bear witness to the Company’s financial soundness and confirm its ability to access the capital market.

CLASSIFICATION AND MEASUREMENT

The impacts of Covid-19 did not result in changes for Italgas in the classification of the financial instruments and, in particular, the reference business model for these instruments has not changed.

In this regard, in the context of the credit and liquidity risk management strategy, the pandemic did not cause transfer of receivables, or other financial activities; there were no changes to the frequency or to the sum of revenues that led to changes to the business model; the company’s revenues are not subject to reduction for impairment or lower market liquidity.

There were no changes to the conditions of the loan agreements leading to a renegotiation of the contractual terms of the financial transactions for both assets and financial liabilities and therefore the need to determine, in accordance with IFRS 9, the effects deriving from any derecognition or modification of the financial instruments.

HEDGE ACCOUNTING

Compliance with requirements in hedging relationships has been maintained in the Covid-19 context, also with reference to any new hedging operations.

FAIR VALUE

The measuring of the fair value of the company's assets and liabilities did not change due to the effect of Covid-19 in terms of market price volatility, increased credit and counterparty risk, change to interest rates, etc.

Similarly, there were no changes to the sensitivity analysis of the evaluation with respect to the change to the underlying assumptions.

FINANCIAL RISK MANAGEMENT

In accordance with IFRS 7, note that the credit risk, liquidity, change to interest rates, rating, debt covenant and default risk and other risks have not undergone significantly negative changes for the company as a result of the pandemic.

FINANCIAL INSTRUMENTS IMPAIRMENT TEST

Financial assets representative of debt instruments, not measured at fair value with effects on the income statement, are subject to recoverability tests based on the "Expected credit loss model" (ECL) according to which the anticipated losses are determined, taking into account the Company's exposure as regards the counterparty ("Exposure At Default"), the probability that the counterparty will not fulfil its payment obligations ("Probability of Default") and the estimate, in percentage terms, of the amount of credit not recovered in the case of default ("Loss Given Default").

In this regard, to determine the probability of default of the counterparties, internal ratings have been adopted that take into account the historical record of payments made by the counterparties and, on a quarterly basis, an update of the analyses relating to the need to support the exposure with guarantees.

For the financial instruments in scope for the ECL calculation, and therefore with particular reference to trade and other receivables, the impacts of Covid-19 did not result in changes to the assumptions incorporated into the ECL estimates, subject to disclosure pursuant to IFRS 7, and in particular there were no changes to the ECL deriving from the transfer of assets from stage 1 (low risk or absence of worsening) to stage 2 (significant increase in risk).

IMPAIRMENT OF NON-FINANCIAL ASSETS AND EQUITY INVESTMENTS (IAS 36)

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries, is an integrated group at the forefront of the regulated natural gas sector and a relevant player in terms of invested capital in its regulatory asset base (RAB) in the sector.

RAB (Regulatory Asset Base) is calculated on the basis of the rules defined by Authority for determining base revenues for regulated businesses.

At present, following the impairment tests carried out, there are no effects that could suggest a reduction of the value of property, plant and equipment under concession or of intangible assets with a finite or indefinite useful life (goodwill).

In particular, as regards the value of property, plant and equipment under concession that fall within the scope of regulated activities, their recoverable value is determined by considering: (i) the amount quantified by the Authority on the basis of the rules that define the tariffs for the provision of the services they are intended for; (ii) the value the group expects to recover from the transfer or at the end of the concession that governs the service for which they are intended.

Therefore, for each valuation of the regulated assets, reference should be made to the provisions of current legislation.

At the end of 2019, ARERA issued Resolution 570/2019/R/gas, with which it approved the regulation of tariffs for gas distribution and metering services for the period 2020-2025.

This resolution defined the method for calculating the RAB (revalued historic cost and centralised assets) and the related WACC with the related parameters (risk-free rate, beta, inflation, gearing, cost of debt, tax rate) throughout the next five-year period.

Considering the temporary interruption of some operating activities mainly regarding worksites or user services, the stability of the regulatory framework meant the effects on business profitability and on the expected cash flows could be significantly limited. In the light of the foregoing, no impairment losses emerged as at 31 December 2021 relating to the recoverability of the asset and goodwill values.

Similar conclusions apply to the equity investments, both those in companies operating in regulated activities (whose recoverable value is determined taking into consideration the pro-quota RAB value net of the financial position and/or the reimbursement value valid for ATEM tenders) and those in companies whose activities are exclusively or partly unregulated (whose recoverable value is determined taking into consideration the value determined on the basis of business evaluation methodologies - Discounted Cash Flows).

LEASES (IFRS 16)

On 28 May 2020 the IASB published the document "Covid-19-Related Rent Concessions (Amendment to IFRS 16)" on the basis of which lessor companies are allowed not to consider contractual amendments made following the pandemic as lease modifications. The accounting of the aforementioned amendments as lease modifications would in fact have resulted in the need to update: i) the estimate of financial liabilities for the leases, ii) the right-of-use asset and related future amortisation associated with it, iii) the discounting rate (incremental borrowing rate) updated to the modification date.

As of today, Italgas's leasing contracts (both as lessor and lessee) have not been amended with the counterparties for a value of € 1.1 million.

REVENUE RECOGNITION (IFRS 15)

IFRS 15 requires verification of whether there is a fee reduction for transactions with customers, taking into account the nature, amount, timing and uncertainty of the cash flows deriving from the revenues.

The most significant part of Italgas' revenue relates to regulated activities, the income of which are governed by the regulatory framework defined by ARERA. Therefore, the economic

conditions of the services provided are defined in regulatory schemes and not on a negotiation basis. In reference to the distribution of natural gas, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenue is posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables", if negative, in that it will be subject to monetary settlement with Cassa per i Servizi Energetici e Ambientali (CSEA).

Therefore, taking into account the methodology described above and the absence of significant insolvency situations on the part of customers, as specified above, at present Italgas is unaffected by effects induced by Covid-19 capable of causing a revenue reduction with an impact on the accounting records and estimates.

GOVERNMENT INCENTIVES AND TAX AREA (IAS 12 AND 20)

The Italian government has issued measures to support the economy to mitigate the impacts of Covid-19, including tax relief and exemptions and, in some cases, specific incentives for certain sectors.

In 2020, some of the Group's companies benefited from the exclusion from payment of the 2019 IRAP balance and the first 2020 IRAP instalment; these payments, pursuant to Article 24 of Decree-Law no. 34 of 19 May 2020, converted with amendments by Law no. 77 of 17 July 2020, are not payable by Companies with revenues of up to € 250 million in the 2019 tax period. These provisions are nevertheless applied in accordance with the limits and conditions envisaged by the communication of the European Commission dated 19 March 2020 (C(2020) 1863 Final), "Temporary framework for state aid measures to support the economy in the current Covid-19 outbreak", as amended.

Considering the uncertainty around the interpretation and application of these provisions, the legislator subsequently postponed the deadline of the payments first to 30 April 2021 and then to 30 September 2021, making it possible to implement them, without the application of fines or interest, in the event of misapplication of said provisions in relation to determination of the limits and conditions envisaged by said European Commission communication.

The companies benefited from the extension in the deadlines, including for the purpose of assessing the effects of proposed amendments to the aforesaid "Temporary framework for state aid measures to support the economy in the current Covid-19

outbreak"; amendments that were confirmed by the European Commission communication published in the Official Journal of the EU on 1 February 2021, the effects of which are still to be assessed in light of the legislative and interpretation changes yet to be issued.

Pending adoption of these measures, with reference to the application of the aforementioned regulations, the payable related to the tax in question was nevertheless recognised in the financial statements as at 31 December 2020.

By the due date of 30 September 2021, and without any charges for penalties or interest, the Group's companies paid the portion of the benefit used over the limits and conditions of the above-mentioned communication of the European Commission dated 19 March 2020 C(2020) 1863 final, "Temporary framework for State aid measures to support the economy in the current Covid-19 outbreak", as amended.

In terms of deferred taxation, due to the health emergency caused by Covid-19, the need to review the recoverability of deferred tax assets or the determination of deferred tax liabilities did not arise.

OTHER LIABILITIES

PROVISIONS FOR RISKS AND ONEROUS CONTRACTS (IAS 37)

IAS 37 establishes that provisions for risks should only be recorded if: (i) an entity has an obligation deriving from past events; (ii) a financial outlay will likely be required to meet this obligation; (iii) a reliable estimate can be made.

In fact, IAS 37 does not permit provisions for future operating costs or future restructuring costs.

As there are no current specific obligations in relation to Covid-19 forecasts that would likely require a future financial outlay, there has been no need to make provisions deriving from the pandemic situation.

MAIN ECONOMIC IMPACTS DIRECTLY ATTRIBUTABLE TO COVID-19

As recommended by ESMA, the amounts recognised in the 2021 income statement for the main impacts directly attributable to Covid-19 are set out below.

(€ thousands)

	2021
Purchase of consumables (disinfectant, gloves, masks, etc.) and services	2,740

ENVIRONMENTAL REGULATIONS

With respect to environmental risk, while the Group believes that it operates in substantial compliance with the laws and regulations and considering the adjustments to environmental regulations and actions already taken, it cannot be ruled out that the Company may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties' liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the Directors' Report, in recent years, Italgas' corporate strategy has been increasingly influenced by climate change matters and various initiatives have been developed with a view to reducing GHG emissions (e.g. leak detection using Picarro technology, conversion of the corporate fleet to methane gas, green gas initiatives, etc.).

In the short-term, the main elements impacting Italgas' strategy development are the regulatory aspects of climate change such as the European policy objectives, whilst in the short/medium-term, the efficient procurement of natural gas, in order to reduce impacts on climate change.

In the Strategic Plan, Italgas defines a macro-comprehensive scenario that includes contexts and trends of the Energy and Environmental Policies (decarbonisation - Paris Agreement, renewal sources, energy efficiency, sustainable mobility, power to gas and green gas) and presents its own Sustainability Plan. The Group's strategy is developed consistently with the United Nations Sustainable Development Goals.

Italgas' strategy is outlined in the 2021-2027 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition, etc.

TOPICS RELATED TO CLIMATE CHANGE

In consideration of ESMA's requests made in the October 2021 recommendation, below are assessments relating to the climate change risk in the medium/long-term on operations and on Italgas values.

ESMA recommends that suitable information be provided on the significant judgement and main sources of uncertainty in forecasts with reference to climate risks and the energy transition.

More specifically, the request is that a correct disclosure be assured in connection with the main risks considered in preparing forecasts, which may entail a significant adjustment to the carrying value of assets and liabilities; additionally, a suitable disclosure should also be provided on how and why specific risks have not significantly impacted the financial statements.

For more details, in addition to that reported below, reference is made to the chapters on "Risk Management" and "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" of the Annual integrated report.

IMPAIRMENT TESTING AND EXPECTED USEFUL LIFE OF TANGIBLE AND INTANGIBLE ASSETS

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value.

IAS 37 - PROVISIONS FOR RISKS AND POTENTIAL LIABILITIES

In accordance with IAS 37, the company management does not believe that there are any provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

EFFECTS OF THE CLIMATE RISK ON MEASURING EXPECTED CREDIT LOSS

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

INFORMATION ON ARTICLE 8 OF THE TAXONOMY REGULATION

In connection with the disclosure obligations pursuant to Article 8 of the European Regulation on Taxonomy, the system envisaged for classifying economic activities as environmentally-sustainable on the basis of six environmental objectives for two of which, (i) climate change mitigation and (ii) climate change adaptation, the European Commission has prepared technical criteria, the Group has:

- | assessed the degree of alignment of its economic activities with the taxonomy criteria;
- | prepared internal reporting systems to comply with the requirements envisaged;
- | specifically collected data in order to guarantee a timely and correct application of taxonomy requirements.

For more details, see the chapter on “Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments” of the Integrated annual report.

Public funds received

With reference to the new rules introduced by Law no. 124 of 4 August 2017 “Annual competition law”, under Article 1, paragraphs 125-129, please note that the following grants from public authorities relating to the construction of gas networks were collected in 2021.

Beneficiary			Grantor	Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	00516370673	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	14,421.00
ITALGAS RETI S.P.A.	CASTEL SAN GIORGIO	80021560653	80021560653	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	551,881.91
ITALGAS RETI S.P.A.	PINETO	00159200674	00159200674	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,160.00
ITALGAS RETI S.P.A.	CICALA	00296280795	00296280795	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	330,300.44
ITALGAS RETI S.P.A.	SANTA CATERINA DELLO IONIO	00245050794	00245050794	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	125,285.83
ITALGAS RETI S.P.A.	BAGALADI	00283390805	00283390805	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	87,012.21
ITALGAS RETI S.P.A.	CONDOFURI	00162630800	00162630800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	95,075.45
ITALGAS RETI S.P.A.	SELLIA	00311650790	00311650790	Plant account grants Law 784/80	50,000.00
MEDEA S.P.A.	ALA' DEI SARDI	81000550905	81000550905	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	57,691.12
MEDEA S.P.A.	ANELA	00237220900	00237220900	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	183,146.76
MEDEA S.P.A.	BENETUTTI	00289880908	00289880908	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	103,183.24
MEDEA S.P.A.	NULE	81001030907	81001030907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	459,591.52
MEDEA S.P.A.	BITTI	80006550919	80006550919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	197,533.44

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	ONANI	80003810910	80003810910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	287,807.21
MEDEA S.P.A.	OSIDDA	80006560918	80006560918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	49,150.47
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	541,502.91
MEDEA S.P.A.	GALTELLI	80003250919	80003250919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	6,332.26
MEDEA S.P.A.	IRGOLI	80005110913	80005110913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	106,142.45
MEDEA S.P.A.	LOCULI	80006160917	80006160917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	53,703.81
MEDEA S.P.A.	ONIFAI	80006610911	80006610911	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	119,610.23
MEDEA S.P.A.	OROSEI	00134670918	00134670918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	510,812.11
MEDEA S.P.A.	GIBA	81002090926	81002090926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	203,749.17
MEDEA S.P.A.	MASAINAS	81002530921	81002530921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	196,062.12
MEDEA S.P.A.	NARCAO	00535840920	00535840920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	316,594.36
MEDEA S.P.A.	PISCINAS	90005610929	90005610929	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	274,479.07
MEDEA S.P.A.	PERDAXIUS	81002390920	81002390920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	76,070.86

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	SANT'ANNA ARRESI	81001910926	81001910926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	342,493.20
MEDEA S.P.A.	TRATALIAS	81001590926	81001590926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	261,748.86
MEDEA S.P.A.	VILLAPERUCCIO	81005130927	81005130927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	273,918.16
MEDEA S.P.A.	MONASTIR	82001930922	82001930922	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	157,503.35
MEDEA S.P.A.	NURAMINIS	82002130928	82002130928	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	140,067.53
MEDEA S.P.A.	SAN SPERATE	01423040920	01423040920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	360,614.85
MEDEA S.P.A.	USSANA	82001730926	82001730926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	149,332.70
TOTAL					6,684,978.60

For information only, it should be noted below that the following contributions were collected through the Factor:

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	VICO EQUENSE	82007510637	01548611217	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,937,073.00
ITALGAS RETI S.P.A.	BARANO D'ISCHIA	83000730636	83000730636	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,754,230.86
ITALGAS RETI S.P.A.	MASSA LUBRENSE	00637560632	00637560632	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	389,934.80

Beneficiary	Grantor		Type of transaction	Amount €	
	Designation Company name	Tax code			VAT Number
ITALGAS RETI S.P.A.	META	00423370634	00423370634	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	224,242.83
ITALGAS RETI S.P.A.	PIANO DI SORRENTO	00385130638	00385130638	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	558,622.45
ITALGAS RETI S.P.A.	SANT' AGNELLO	82007930637	82007930637	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	277,227.95
ITALGAS RETI S.P.A.	SORRENTO	82001030632	82001030632	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	705,230.39
ITALGAS RETI S.P.A.	ALBI	80002220798	80002220798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	179,284.89
ITALGAS RETI S.P.A.	BIVONGI	81000470807	81000470807	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	182,500.51
ITALGAS RETI S.P.A.	BONIFATI	00390090785	00390090785	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	151,456.20
ITALGAS RETI S.P.A.	CARAFFA DEL BIANCO	81001190800	81001190800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	95,575.05
ITALGAS RETI S.P.A.	COLOSIMI	00375660784	00375660784	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	446,347.78
ITALGAS RETI S.P.A.	GERACE	81002190809	81002190809	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	405,345.30
ITALGAS RETI S.P.A.	GIMIGLIANO	00296900798	00296900798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	162,721.88
ITALGAS RETI S.P.A.	GROTTERIA	00282690809	00282690809	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	545,911.64
ITALGAS RETI S.P.A.	PANETTIERI	00391660784	00391660784	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	77,487.77
ITALGAS RETI S.P.A.	PAZZANO	81001230804	81001230804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	47,106.38
ITALGAS RETI S.P.A.	PENTONE	00220810790	00220810790	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	186,732.63
ITALGAS RETI S.P.A.	SANT'AGATA DEL BIANCO	00720540806	00720540806	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	54,733.78
ITALGAS RETI S.P.A.	SAN PIETRO APOSTOLO	00296580798	00296580798	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	219,489.78

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	SAN SOSTI	00395970783	00395970783	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	267,321.72
ITALGAS RETI S.P.A.	SAMO	81002530806	81002530806	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	125,991.63
ITALGAS RETI S.P.A.	SANGINETO	00401810783	00401810783	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	67,948.87
ITALGAS RETI S.P.A.	SIMERI CRICHI	00296790793	00296790793	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	136,550.88
ITALGAS RETI S.P.A.	STIGNANO	81001010800	81001010800	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	79,266.43
ITALGAS RETI S.P.A.	STILO	81001070804	81001070804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	335,421.20
MEDEA S.P.A.	ALA' DEI SARDI	81000550905	81000550905	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,242,593.78
MEDEA S.P.A.	ANELA	00237220900	00237220900	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	117,047.69
MEDEA S.P.A.	BENETUTTI	00289880908	00289880908	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,015,335.28
MEDEA S.P.A.	NULE	81001030907	81001030907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	293,721.44
MEDEA S.P.A.	BITTI	80006550919	80006550919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	126,242.12
MEDEA S.P.A.	ONANI	80003810910	80003810910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	206,109.29
MEDEA S.P.A.	OSIDDA	80006560918	80006560918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	201,455.63
MEDEA S.P.A.	ORUNE	00161070917	00161070917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	282,051.28

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,296,213.72
MEDEA S.P.A.	GALTELLI	80003250919	80003250919	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	15,157.73
MEDEA S.P.A.	IRGOLI	80005110913	80005110913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	778,812.04
MEDEA S.P.A.	LOCULI	80006160917	80006160917	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	202,977.76
MEDEA S.P.A.	ONIFAI	80006610911	80006610911	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	286,315.00
MEDEA S.P.A.	OROSEI	00134670918	00134670918	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	623,587.65
MEDEA S.P.A.	BARRALI	80019570920	80019570920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	992,155.96
MEDEA S.P.A.	GESICO	80015830922	80015830922	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	16,887.71
MEDEA S.P.A.	GONI	80010850925	80010850925	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	17,257.47
MEDEA S.P.A.	GUAMAGGIORE	80008970925	80008970925	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	575,781.64
MEDEA S.P.A.	SAN BASILIO	80016750921	80016750921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	150,417.25
MEDEA S.P.A.	SELEGAS	80018170920	80018170920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,216,776.01
MEDEA S.P.A.	SENBORBI'	80008070924	80008070924	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,616,467.38

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	SUELLI	80016870927	80016870927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,145,266.06
MEDEA S.P.A.	GIBA	81002090926	81002090926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	245,375.09
MEDEA S.P.A.	MASAINAS	81002530921	81002530921	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	236,117.59
MEDEA S.P.A.	NARCAO	00535840920	00535840920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	381,274.55
MEDEA S.P.A.	PISCINAS	90005610929	90005610929	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	330,555.10
MEDEA S.P.A.	PERDAXIUS	81002390920	81002390920	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	91,612.13
MEDEA S.P.A.	SANT'ANNA ARRESI	81001910926	81001910926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	412,464.52
MEDEA S.P.A.	TRATALIAS	81001590926	81001590926	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	315,224.12
MEDEA S.P.A.	VILLAPERUCCIO	81005130927	81005130927	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	268,446.36
TOTAL					27,313,455.95

27. Revenue

The breakdown of *revenue* for the year, which totalled € 2,163,232 thousand as at 31 December 2021 (€ 2,126,779 thousand as at 31 December 2020) is shown in the following table.

(€ thousands)	2020	2021
Revenue	2,057,935	2,098,463
Other revenue and income	68,844	64,769
	2,126,779	2,163,232

Group revenue is earned exclusively in Italy.

REVENUE

Revenues, which amount to € 2,098,463 thousand (€ 2,057,935 thousand as at 31 December 2020), are analysed in the table below:

(€ thousands)	2020	2021
Gas distribution	1,322,303	1,213,906
Revenues for infrastructure construction and improvements (IFRIC 12)	668,231	772,005
Technical assistance, engineering, IT and various services	46,850	66,643
Energy efficiency interventions		21,688
Water distribution and sale	7,515	7,715
Gas sales	13,036	16,506
	2,057,935	2,098,463

Revenue refers primarily to the consideration for the natural gas distribution service and other regulated revenues (€ 1,213,906 thousand) and revenue deriving from the construction and upgrading of gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 772,005 thousand).

Revenue is reported net of the following items involving regulation components, in addition to the tariff, applied to cover gas system expenses of a general nature. Amounts received from Italgas are paid in full to CSEA.

(€ thousands)	2020	2021
RE-RS-UG1 fees	153,656	111,093
UG3 fees	21,528	14,501
Gas Bonus and GS fees	(15,377)	(61,206)
UG2 fees	(19,679)	(3,101)
	140,128	61,287

The fees in addition to the distribution service (€ 61,287 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the *Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector*; (ii) RS, to cover expenses burdening the *Account for gas services quality*; (iii) UG1, to cover any imbalances in and adjustments to the equalisation system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUI), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

Gas distribution revenue (€ 1,213,906 thousand) refers to

natural gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code. These revenues include the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021, for a total of € 13.9 million.

As regards the recognition of revenues relating to "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per delivery point, expressed at 2017 prices set by resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years

(in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Revenue for technical assistance, engineering, IT and various services (€ 66,433 thousand) increase by € 41,481 thousand in respect of the greater revenues relative to the business of the ESCos.

Revenue deriving from energy efficiency interventions (€ 21,688 thousand) mainly relate to work carried out during the year, generally referred to as "superbonus", as envisaged by the "Relaunch Decree" (Decree Law 34/2020), which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the "sismabonus" that makes it possible to receive 110% of the expense generated and admissible in 5 years.

Revenue from the sale of gas (€ 16,506 thousand) relates to gases sold in Sardinia by the subsidiary Gaxa S.p.A.

Revenue from the sale of water (€ 7,715 thousand) relates to the water distributed in Campania by the company Italgas Acqua.

OTHER REVENUE AND INCOME

Other revenue and income, which amounted to € 64,769 thousand, can be broken down as follows:

(€ thousands)	2020	2021
Income from gas distribution service safety recovery incentives	23,445	22,399
Plant safety assessment pursuant to ARERA Resolution no. 40/04	2,281	2,520
Capital gains from sale of assets	5,016	4,458
Sundry management refunds and chargebacks	662	399
Contractual penalties receivable	812	659
Revenue from regulated activities	8,381	11,110
Connection contribution uses	19,564	19,589
Income from real estate investments	1,391	525
Revenue from seconded personnel	223	283
Net revenue from Energy Efficiency Certificates (EEC)		232
Other revenue	7,069	2,595
	68,844	64,769

Income from safety recovery incentives, equal to € 22,399 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Net revenues from EECs of € 232 thousand at 31 December 2021 were net of EEC charges at 31 December 2020 for € 4,271 thousand. The item contains the effect net of expenses for the purchase of energy efficiency certificates and the contribution due to gas distributors by applicable regulations.

28. Operating costs

The breakdown of operating costs for the period, which totalled € 1,134,750 thousand, is shown in the following table:

(€ thousands)	2020	2021
Purchase costs for raw materials, consumables, supplies and goods	124,066	150,932
Costs for services	537,076	614,831
Costs for the use of third-party assets	87,555	90,780
Personnel cost	269,853	256,808
Allocations to/(releases from) provision for risks and charges	44,499	(1,868)
Allocations to/(releases from) provisions for doubtful debt	(16)	320
Other expenses	20,124	25,783
<i>To be deducted:</i>		
Increases for own work	(2,007)	(2,836)
- of which costs for services	(565)	(608)
- of which labour costs	(1,442)	(2,228)
	1,081,150	1,134,750

Operating costs relating to the construction and upgrading of gas distribution and water service infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amount to € 772,005 thousand and are broken down as follows:

(€ thousands)	2020	2021
Purchase costs for raw materials, consumables, supplies and goods	94,236	121,277
<i>of which external</i>	15,336	40,622
<i>of which internal</i>	78,900	80,655
Costs for services	457,188	520,816
<i>of which external</i>	411,941	468,576
<i>of which internal</i>	45,247	52,240
Costs for the use of third-party assets	8,572	10,264
<i>of which external</i>	8,572	10,264
Personnel cost	107,076	113,576
<i>of which internal</i>	107,076	113,576
Other expenses	1,159	6,072
<i>of which external</i>	1,159	6,072
	668,231	772,005

Costs for raw materials, consumables, supplies and goods, amounting to € 150,932 thousand (124,066 as at 31 December 2020), comprise the following:

(€ thousands)	2020	2021
Inventories	88,395	115,361
Purchase of gas	19,847	27,107
Purchase of water	2,638	2,194
Motive power	1,129	1,594
Purchase of fuel	2,442	3,298
Consumables	9,615	1,378
	124,066	150,932

Inventories refer in particular to the acquisition of meters and gas pipes.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure (€ 121,277 thousand), recorded in accordance with IFRIC 12.

Costs for services of € 614,223 thousand relate to:

(€ thousands)	2020	2021
Project management and plant maintenance	409,682	485,405
Consultancy and professional services	51,025	56,230
Costs for personnel services	10,899	11,757
IT and telecommunications services	39,018	37,481
Electricity, water and other (utility) services	5,733	6,751
Insurance	5,434	5,508
Cleaning, security service and guard services	3,613	4,871
Advertising and entertainment	2,869	3,896
Costs for seconded personnel	256	367
Other services	24,389	29,863
Use of risk provision	(15,842)	(27,298)
	537,076	614,831
<i>To be deducted:</i>		
Increases for own work	(565)	(608)
	536,511	614,223

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure (€ 520,816 thousand) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 485,405 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 90,780 thousand, regard:

(€ thousands)	2020	2021
Patent, license and concession fees	77,203	80,501
Leases and rentals	10,635	10,440
Use of risk provision	(283)	(161)
	87,555	90,780

Fees, patents and licences (€ 80,501 thousand) refer primarily to fees recognised to contracting parties for the running of natural gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure (€ 10,264 thousand) recognised in accordance with IFRIC 12.

Releases from provision for risks and charges, amounting to € -1,868 thousand net of utilisations, refer mainly to the

provision for risks and charges relating to energy efficiency certificates.

For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 254,580 thousand, breaks down as follows:

(€ thousands)	2020	2021
Wages and salaries	180,419	180,176
Social charges	55,740	54,827
Employee benefits	14,316	16,544
Other expenses	19,378	5,261
	269,853	256,808
<i>To be deducted:</i>		
Increases for own work	(1,442)	(2,228)
	268,411	254,580

The item includes costs relating to the construction and upgrading of gas distribution infrastructure (€ 113,576 thousand) recognised pursuant to IFRIC 12.

Employee benefits (€ 16,544 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 5,261 thousand, in particular refer to charges for the incentive plan for senior executives (co-invest-

ment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the "Black-Scholes" economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

More details are provided in the "Provisions for employee benefits" note.

AVERAGE NUMBER OF EMPLOYEES

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	2020	2021
Executives	60	61
Managers	302	312
Office workers	2,239	2,175
Manual workers	1,430	1,389
	4,031	3,937

The average number of employees is calculated on the basis of the monthly number of employees for each category.

At 31 December 2021, there were 3,932 employees on average.

REMUNERATION DUE TO KEY MANAGEMENT PERSONNEL

The remuneration due to persons with powers and responsibilities for the planning, management and control of the Company, i.e. executive and non-executive directors, general managers and managers with strategic responsibilities ("key management personnel"), in office at 31 December 2021, amounted to € 10,271 thousand and breaks down as follows:

(€ thousands)	2020	2021
Wages and salaries	5,536	8,215
Post-employment benefits	559	742
Other long-term benefits	1,147	1,314
	7,242	10,271

REMUNERATION DUE TO DIRECTORS AND STATUTORY AUDITORS

Remuneration due to Directors, except for the Chairman and the CEO who form part of the key management personnel as explained in the foregoing paragraph, amounted to € 1,619 thousand and remuneration due to Statutory Auditors amounted to € 621 thousand (Article 2427, no. 16 of the Italian Civil Code). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor giving rise to a cost for the Company, even if not subject to personal income taxes.

Other expenses, of € 25,783 thousand, are analysed below:

(€ thousands)	2020	2021
Gas distribution service safety improvement penalties	473	440
Other penalties	7,844	2,259
Indirect taxes, local taxes	6,552	6,729
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	3,866	8,011
Other expenses	1,389	8,344
	20,124	25,783

Gas distribution service safety improvement penalties (€ 440 thousand) relate to expenses, paid to the Authority, related to awards for gas distribution safety improvements for 2021.

The capital losses from the disposal/recovery of fixed assets (€ 8,011 thousand) mainly relate to the replacement of faulty meters and pipes and connections.

29. Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 445,251 thousand, breaks down as follows:

(€ thousands)	2020	2021
Amortisation and depreciation	439,120	444,387
- Property, plant and equipment	16,112	16,188
- Right of use pursuant to IFRS 16	20,235	22,937
- Intangible assets	402,773	405,262
Impairment	933	864
- Write-backs of tangible assets		(31)
- Impairment of intangible assets	933	895
	440,053	445,251

Impairment of intangible assets, of € 895 thousand (€ 933 thousand in 2020) relate to the exit from the production process of certain assets.

30. Financial Income (Expense)

Net financial expense, amounting to € 60,379 thousand, comprises:

(€ thousands)	2020	2021
Financial Income (Expense)	(53,669)	(63,292)
Financial expense	(53,941)	(64,060)
Financial income	272	768
Other financial income (expense)	4,460	2,913
Other financial expenses	(566)	(619)
Other financial income	5,026	3,532
	(49,209)	(60,379)

(€ thousands)	2020	2021
Financial Income (Expense)	(53,669)	(63,292)
Borrowing costs:	(53,941)	(64,060)
- Interest expense on bonds	(45,919)	(54,602)
<i>of which the effect of the bond buyback transaction of 5 February 2021</i>		(6,433)
- Commission expense on bank loans and credit lines	(6,298)	(8,702)
- Interest expense on credit line and loan expense due to banks and other lenders	(1,724)	(756)
Financial expense capitalised		
Income on financial receivables:	272	768
- Interest income and other income on financial receivables non-held for operations	272	768
Other financial income (expense):	4,460	2,913
- Capitalised financial expense	1,884	1,920
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(2,022)	(839)
- Uses of risk provisions and financial expense		
- Expense for right of use pursuant to IFRS 16	(304)	(290)
- Other expenses	(124)	(1,410)
- Other income	5,026	3,532
	(49,209)	(60,379)

(*) The item relates to the increase in the provisions for risks and charges and provisions for employee benefits that are specified, at a discounted value, in the notes "Provisions for risks and charges" and "Provisions for employee benefits".

31. Income (expense) from equity investments

Income (expense) from equity investments, totalling € 2,452 thousand, breaks down as follows:

(€ thousands)	2020	2021
Effect of valuation using the equity method	1,466	2,011
Capital gains from valuation using the equity method	1,466	2,011
Other income (expense) from equity investments	49	441
Dividends	25	50
Other income from equity investments	24	391
	1,515	2,452

The increase of € 937 thousand as compared with 2020 mainly relates to the valuation using the equity method of Gesa Reti (€ 957 thousand).

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note "Equity investments valued using the equity method".

32. Income taxes

Income taxes for the year, amounting to € 141,884 thousand (€ 152,633 thousand as at 31 December 2020) comprise:

(€ thousands)	2020			2021		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	152,987	33,144	186,131	128,146	26,422	154,568
Current taxes for the year	152,041	32,433	184,474	134,322	27,967	162,289
Adjustments for current taxes pertaining to previous years	946	711	1,657	(6,176)	(1,545)	(7,721)
Deferred and prepaid taxes	(29,665)	(3,833)	(33,498)	(13,470)	786	(12,684)
Deferred taxes	(19,816)	(2,903)	(22,719)	(14,183)	(1,362)	(15,545)
Prepaid taxes	(9,849)	(930)	(10,779)	713	2,148	2,861
	123,322	29,311	152,633	114,676	27,208	141,884

Income taxes relate to current taxes amounting to € 154,568 thousand (€ 186,131 thousand as at 31 December 2020) and net prepaid taxes with a positive effect of € 12,684 thousand (€ 33,498 thousand as at 31 December 2020).

The rates applied and provided for by tax regulations for current taxes are 24% for IRES and 4.2% for IRAP.

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) rate in force in Italy) with the actual tax charge for the year can be broken down as follows:

(€ thousands)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
IRES				
Gross profit		557,882		525,304
IRES tax calculated based on the theoretical tax rate	24.00%	133,892	24.00%	126,073
Changes compared to the theoretical rate:				
- Income from equity investments	0.6%	2,874	0.9%	3,209
- Current taxes for previous years	0.0%	138	0.0%	(207)
- "Super Iper amortisation and depreciation" tax benefit	(2.1%)	(12,067)	(2.3%)	(12,111)
- Other permanent differences	(0.4%)	(2,302)	(0.4%)	(2,425)
IRES taxes for the year through profit or loss	22.1%	122,535	22.2%	114,539

(€ thousands)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
IRAP				
EBIT for IRAP		605,576		583,231
IRAP tax calculated based on the theoretical tax rate	4.2%	25,434	4.2%	24,496
Changes compared to the theoretical rate				
- Taxes for previous years	0.0%	24	(0.1%)	(245)
- Regional IRAP adjustments	0.8%	4,012	0.8%	3,519
- Other permanent differences	0.2%	600	(0.1%)	(425)
IRAP taxes for the year through profit or loss	5.2%	30,070	4.8%	27,345

An analysis of deferred tax assets and liabilities based on the nature of the significant temporary differences that generated them can be found in the note "Deferred tax liabilities".

Pursuant to Article 157 of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020, amended by Article 22-bis of Decree Law no. 183 of 31 December 2020, converted, with amendments, by Law no. 21 of 26

February 2021, notifications of investigations, disputes, imposition of penalties, recovery of tax credits, settlements and adjustment and settlement, for which the time limits expired between 8 March 2020 and 31 December 2020 - including documents relating to IRES and IRAP declarations for the 2015 tax year - had to be issued by 31 December 2020, but may be filed in the period between 1 March and 28 February 2022.

TAXES RELATED TO COMPONENTS OF COMPREHENSIVE INCOME

Current and deferred taxes related to other components of comprehensive income can be broken down as follows:

(€ thousands)	2020			2021		
	Gross value	Tax impact	Net tax value	Gross value	Tax impact	Net tax value
Remeasurement of defined-benefit plans for employees	(4,532)	1,248	(3,284)	(6,293)	1,741	(4,552)
Change in fair value of cash flow hedge derivative financial instruments	(10,320)	2,477	(7,843)	1,929	(540)	1,389
Other components of comprehensive income	(14,852)	3,725	(11,127)	(4,364)	1,201	(3,163)
Deferred tax assets/liabilities		3,725			1,201	

33. Profit (loss) per share

The earnings per basic share, equal to € 0.45, was calculated by dividing the net profit attributable to Italgas (€ 362,813 thousand) by the weighted average number of Italgas shares outstanding during the year (809,768,354 shares).

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 362,813 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.45 per share.

34. Related party transactions

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas’ related parties, based on the current ownership structure, are represented by Italgas’ associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm’s length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with

related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer’s interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

During the year, Mr Antonio Paccioretti, former General Manager of Finance and Services, reached an agreement for the termination by mutual consent of his employment relationship with effect as of 1 June 2021 and also resigned from all his positions held in the Group’s companies. The above-mentioned agreement was approved on 31 May 2021 by Italgas’ Board of Directors, subject to the favourable opinion of the Appointments and Compensation Committee and in compliance with Italgas’ regulations on related-party transactions, regarding an executive with strategic responsibilities.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference to the balances reported to the Eni Group and the Enel Group, the underlying relationships refer to the activities relating to the natural gas distribution service according to the terms of the Network Code, defined by the Regulatory Authority for Energy Networks and Environment. The Network Code regulates the non-discriminatory conditions, including tariff conditions, applicable to distribution users. These relationships can be configured as ordinary transactions concluded at market or standard conditions as they fall within the ordinary exercise of the Group’s operating activity, as defined by the Compliance Standard “Transactions with interests of Directors and Statutory Auditors and Transactions with Related Parties” of Italgas.

COMMERCIAL AND OTHER TRANSACTIONS

Commercial and other transactions are analysed below:

(€ thousands)	31.12.2020			2020				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		100			143			
		100			143			
Companies under joint control and associates								
- Umbria Distribuzione Gas	201						614	37
- Metano Sant'Angelo Lodigiano	347				(2)		306	95
- Gesam Reti	29							
- Valdarno in liquidation		140			421	272		
	577	140			419	272	920	132
Companies owned or controlled by the State								
- Eni Group	204,005	17,405		3,593	762	1,406	690,242	6,131
- Snam Group	4,859	4,691		122	288	2	235	1,499
- Enel Group	42,606	2,485		1	148	415	162,030	1,524
- Anas Group	22	731			2	385		63
- Ferrovie dello Stato Group	208	72			7	758		146
- GSE Gestore Servizi Group	1,581	(31)			4	132,966		5
- Poste italiane Group	3	354			577		5	
- Terna Group								16
- Saipem Group		187			311			
	253,284	25,894		3,716	2,099	135,932	852,512	9,384
Other related parties								
- Gruppo Valvitalia		1,899		3,662				
- Trevi		673			647			
- Eur Group		4				2		
		2,576		3,662	647	2		
Total	253,861	28,710	-	7,378	3,308	136,206	853,432	9,516

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

(€ thousands)	31.12.2021			2021				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		101			81			
		101			81			
Companies under joint control and associates								
- Umbria Distribuzione Gas	690				(5)		572	102
- Metano Sant'Angelo Lodigiano	565				(5)		387	106
- Gesam Reti	147							151
- Valdarno in liquidation		36			185	14	39	
- Enerpaper					54			
	1,402	36			229	14	998	359
Companies owned or controlled by the State								
- Eni Group	180,121	28,341		2,881	837	2,552	651,409	3,990
- Snam Group	743	771			654	39	240	7
- Enel Group	41,499	5,009			27	760	151,435	1,328
- Anas Group	15	841			10	449		37
- Ferrovie dello Stato Group	238	61			1	699		
- GSE Gestore Servizi Group	2,481	(29)			15	95,793	2,137	
- Poste italiane Group	4	245			200			3
- Terna Group								1
- Saipem Group		53			130			
	225,101	35,292		2,881	1,874	100,292	805,221	5,366
Other related parties								
- Zecca dello Stato [Italian State Mint]								1
- Eur Group		4				6		
- Gruppo Valvitalia		1,286		8,215				
- Trevi		139			742			
		1,429		8,215	742	6		1
Total	226,503	36,858	-	11,096	2,926	100,312	806,219	5,726

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

The main receivable commercial transactions mostly regarded IT supplies and staff services to Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A.

The main receivable commercial transactions mainly regard IT services.

COMPANIES OWNED OR CONTROLLED BY THE STATE

The main receivable commercial transactions refer to:

| the distribution of natural gas to the Eni Group;

| the distribution of natural gas to Enel Energia S.p.A.

The main payable commercial transactions refer to:

| the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

| acquisition of Energy Efficiency Certificates

FINANCIAL TRANSACTIONS

Financial transactions can be broken down as follows::

(€ thousands)	31.12.2020		2020	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti				299
				299
Companies under joint control and associates				
- Valdarno in liquidation		2,633		
		2,633		
Total		2,633		299

(€ thousands)	31.12.2021		2021	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti				163
				163
Companies under joint control and associates				
- Valdarno in liquidation		1,815		
		1,815		
Other companies				
- Sace Ft				751
				751
Total		1,815		914

RELATIONS WITH THE PARENT COMPANY CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

The main financial transactions carried out with Valdarno S.r.l. in liquidation concern rental expenses for Rights of use (pursuant to IFRS 16).

OTHER COMPANIES

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Transactions with Directors, Statutory Auditors and key managers, with reference in particular to their remuneration, are described in the note "Operating costs", to which reference is made.

IMPACT OF RELATED-PARTY TRANSACTIONS OR POSITIONS ON THE STATEMENT OF FINANCIAL POSITION, INCOME STATEMENT AND STATEMENT OF CASH FLOWS

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2020			31.12.2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Trade and other receivables	635,028	253,182	39.9%	588,098	225,831	38.4%
Other current non-financial assets	84,168	5	0.0%	54,079	4	0.0%
Other non-current non-financial assets	167,441	674	0.4%	80,366	668	0.8%
Short-term financial liabilities	698,406	536	0.1%	591,188	464	0.1%
Trade and other payables	767,555	28,535	3.7%	769,137	36,683	4.8%
Other current non-financial liabilities	9,118	175	1.9%	13,111	175	1.3%
Long-term financial liabilities	4,707,145	2,097	0.0%	5,785,707	1,351	0.0%
Other non-current non-financial liabilities	546,054	0	0.0%	534,425	0	0.0%

The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	2020			2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	2,057,935	853,432	41.5%	2,098,463	806,219	38.4%
Other revenue and income	68,844	9,516	13.8%	64,769	5,726	8.8%
Costs for raw materials, consumables, supplies and goods	124,066	7,378	5.9%	150,932	11,096	7.4%
Costs for services	536,511	3,308	0.6%	614,223	2,926	0.5%
Costs for leased assets	87,555	1,414	1.6%	90,780	1,142	1.3%
Personnel cost	268,411	0	0.0%	254,580	0	0.0%
Other expenses	20,124	134,792		25,783	99,170	
Financial expense	54,507	299	0.5%	64,645	914	1.4%
Financial income	5,298	0	0.0%	3,630	0	0.0%

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table:

(€ thousands)	2020	2021
Revenue and income	862.948	811.945
Costs and charges	(146.892)	(115.248)
Change in trade and other current receivables	(20.874)	27.351
Change in other assets	(124)	7
Change in trade and other payables	10.904	8.148
Change in other current liabilities	(2)	
Interest collected (paid)	(299)	(914)
Net cash flow from operating activities	705.661	731.289
Net investments		
- (Purchase) Sale of equity investments	(520)	(807)
Net cash flow from investment activities	(520)	(807)
Dividends distributed to minority shareholders	(81.944)	(88.646)
Increase (decrease) in financial debt	(534)	(818)
Net cash flow from financing activities	(82.478)	(89.464)
Total cash flows to related entities	622.663	641.018

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	2020			2021		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	761,661	705,661	92.6%	839,634	731,289	87.1%
Cash flow from investment activities	(771,626)	(520)	0.1%	(813,741)	(807)	0.1%
Cash flow from financing activities	411,754	(82,478)	(20.0%)	701,844	(89,464)	(12.7%)

35. Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

36. Positions or transactions arising from atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

37. Significant events after year end

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Therefore, there are no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially

in relation to components, we cannot rule out that the political and economic tension induced by the ongoing conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

With reference to the tensions on the financial markets, Italgas reports that it is marginally exposed to foreign exchange risk and in any case only against the US dollar. With regard to the availability of sources of financing and the related costs, it is reported that i) over 92% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2021, of € 1,391.8 million, which, including in light of the existing investment plans and the operations planned over the next months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation would not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the

optimisation of storage, the diversification of procurement sources and the increase in domestic output.

In light of the above, with reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the Russian-Ukrainian conflict, the Company has not found any evidence to date to suggest significant effects on the 2022 results.

The company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook of the years to follow, should the situation last significantly longer.

The company presently does not see any factors of uncertainty that would make it unable to consider the same ability to continue as a going concern. These circumstances do not lead to any adjustments of the balances as at 31 December 2021 pursuant to IAS 10.

On 21 January 2022 Italgas received, from a third party to the Group, a binding offer for the acquisition of a majority stake in Gaxa S.p.A. The conclusion of the transaction is subject to the successful outcome of the negotiations in progress and the signing of the necessary contractual documentation

Further post-balance sheet events are described in the section "Other information" contained in the Directors' Report.

38. Publication of the financial statements

The financial statements were authorised for publication by the Board of Directors of Italgas at its meeting of 09 March 2022. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.