

15

CHANGING PERSPECTIVES CONSOLIDATED HALF-YEAR
FINANCIAL REPORT AS AT 30 JUNE 2021

05

VALUES AND MISSION

Every day, for more than 180 years, the work of Italgas' men and women has enabled millions of Italians to use a sustainable, durable, reliable source of energy.

An uninterrupted commitment, always based on expertise, efficiency, innovation, quality and safety and inspired by transparency in daily operations, integrity of behaviour and responsibility to the communities served.

Promoting the fundamental role of natural gas in the energy transition process towards a decarbonised and circular economy.

Contributing, through digitised networks, to the development of renewable gases such as biomethane and hydrogen.

Ensuring and improving service quality, helping to create sustainable and smart cities and generating long-term value for customers, the market, the local area and all its stakeholders, while respecting the environment.

These principles, with which we have supported and fostered the economic and social development of Italy, are the cornerstones of Italgas' purpose, with a view to doing our bit to meet the sustainable development goals of the two centuries of history projected into the future Nations' 2030 Agenda. Italgas, two centuries of history projected into the future.

Disclaimer

The consolidated half-year report contains forward-looking statements, specifically in the "Business Outlook" section, relating to: investment plans, financial structure evolution, future operating performance and project execution. The forward-looking statements, by their nature, involve risks and uncertainties as they depend on the occurrence of future events and developments. The actual results could therefore differ from those announced in relation to various factors, including: actual operating performance, general macro-economic conditions, geopolitical factors such as international tensions and socio-political instability, the effects of the pandemic, the impact of energy and environmental regulations, the successful development and application of new technologies, changes in stakeholder expectations and other changes in business conditions, action by competitors.

The names Italgas, Italgas Group or Group refer to Italgas S.p.A. and the companies included in the scope of consolidation.



**CHANGING PERSPECTIVES CONSOLIDATED HALF-YEAR
FINANCIAL REPORT AS AT 30 JUNE 2021**



A. INTERIM DIRECTORS' REPORT _5

CORPORATE BODIES _6

GROUP STRUCTURE AS AT 30 JUNE 2021 _7

SUMMARY FIGURES AND INFORMATION _8

1.0 ITALGAS AND THE FINANCIAL MARKETS _13

2.0 OPERATING PERFORMANCE _17

3.0 LEGISLATIVE AND REGULATORY FRAMEWORK _27

4.0 COMMENT ON THE ECONOMIC AND FINANCIAL RESULTS _33

4.1 Income Statement

4.2 Reclassified Statement of Financial Position

4.3 Reclassified Statement of Cash Flows

4.4 Non – GAAP Measures

5.0 OTHER INFORMATION _57

6.0 ELEMENTS OF RISK AND UNCERTAINTY _61

7.0 CORONAVIRUS EMERGENCY AND BUSINESS OUTLOOK _79

GLOSSARY _82

B. CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS _87

Financial statements

Notes to the Condensed Consolidated Half-Year Financial Statements

Management representations

Report of the Independent Auditors

C. ANNEX _169

Companies and equity investments of Italgas S.p.A. as at 30 June 2021

A.

**INTERIM
DIRECTORS' REPORT**

Corporate bodies ^(a)

BOARD OF DIRECTORS ^(b)

Chairman

ALBERTO DELL'ACQUA

Chief Executive Officer and General Manager

PAOLO GALLO

Directors

YUNPENG HE

PAOLA ANNAMARIA PETRONE

MAURIZIO DAINELLI

GIANDOMENICO MAGLIANO

VERONICA VECCHI

ANDREA MASCETTI

SILVIA STEFINI

CONTROL, RISK AND RELATED PARTY TRANSACTIONS COMMITTEE ^(c)

Chairman

PAOLA ANNAMARIA PETRONE

GIANDOMENICO MAGLIANO

SILVIA STEFINI

INDEPENDENT AUDITING FIRM ^(h)

DELOITTE & TOUCHE S.P.A.

BOARD OF STATUTORY AUDITORS ^(b)

Chairman

PIERLUIGI PACE

Standing auditors

MAURIZIO DI MARCOTULLIO

MARILENA CEDERNA

Alternate auditors

STEFANO FIORINI

GIUSEPPINA MANZO

APPOINTMENTS AND COMPENSATION COMMITTEE ^(d) ^(d)

Chairman

ANDREA MASCETTI

MAURIZIO DAINELLI

SILVIA STEFINI

SUSTAINABILITY COMMITTEE ^(e) ^(e)

Chairman

GIANDOMENICO MAGLIANO

YUNPENG HE

VERONICA VECCHI

SUPERVISORY BODY ^(f)

Chairman

CARLO PIERGALLINI

MARCELLA CARADONNA ^(g)

FRANCESCO PROFUMO

^(a) The Central Finance and Services Department has been closed as of 1 June 2021. On the same day, Mr A. Paccioretti, General Manager, terminated his employment relationship with the company by mutual consent.

^(b) Appointed by the Shareholders' Meeting of 4 April 2019. In office until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2021.

^(c) Committee established by the Board of Directors

on 04 August 2016. Members appointed by the Board of Directors on 13 May 2019.

^(d) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 13 May 2019.

^(e) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 13 May 2019.

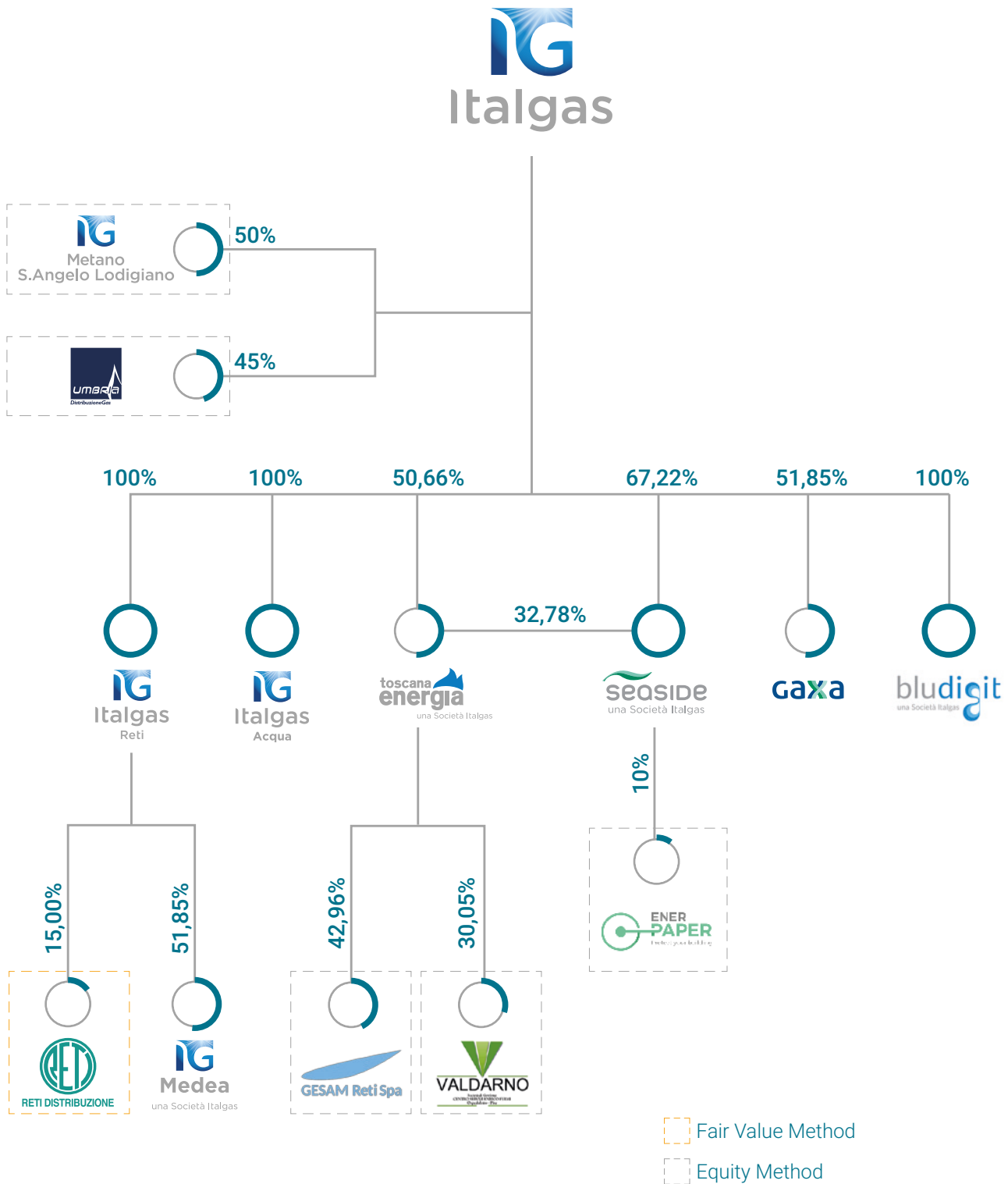
^(f) The Supervisory Body was appointed by the Board of Directors on 23 September 2019.

^(g) Ms Marcella Caradonna resigned from the office on 3 May 2021. On 1 July 2021, the Board of Directors appointed Ms Romina Guglielmetti as a member of the Supervisory Body to replace Ms Caradonna.

^(h) Engagement assigned by the Shareholders' Meeting of 12 May 2020 for the period 2020 - 2028.

Group structure as at 30 June 2021

The structure of the Italgas Group as at 30 June 2021 has changed compared to that of 31 December 2020, due to the merger of Toscana Energia Green into Seaside and the establishment of Bludigit, and is described below:



SUMMARY FIGURES AND INFORMATION

MAIN EVENTS

Extraordinary transactions and area tenders

- The acquisition of the natural gas distribution concession in the **Municipality of Olevano sul Tusciano (SA)** was **finalised** on 28 January 2021 following the framework agreement signed between Italgas and CONSCOOP on 28 December 2020. The network spans around 26 kilometres, covering a potential catchment area of 2500 households overall. As part of the aforesaid agreement, on 13 July 2021, through its subsidiary, Medea, Italgas finalised the acquisition of the entire share capital of **Isgastrentatrè**, a company operating in the natural gas distribution sector in Sardinia.
- The bid review procedure for the tender for management of the natural gas distribution service in the territorial area of **Turin 1**, which encompasses the regional capital and the Municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Torino and Nichelino, was **officially concluded** on 4 March 2021. The only bid received, which had been submitted by Italgas Reti, was deemed valid in all legal respects. The tender committee therefore proposed to award the tender to the Company. The contracting authority is currently carrying out the procedures in preparation for the final awarding of the tender. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow Italgas Reti to seamlessly continue managing the service in an area where it has operated since 1837 and for which has been envisaged an investment plan worth around € 357 million.
- The merger by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was **completed** on 26 April 2021, with effect for accounting and tax purposes as of 1 January 2021.
- On 14 June 2021, the binding agreement **was signed** for the acquisition, through Seaside, of the ESCO **Ceresia S.p.A.**, a company founded in 1921 and specialised in the provision of energy services, with a portfolio of 3,700 customers (of which more than 800 condominiums) located primarily in the Turin area. Closing of the transaction, subject to certain conditions precedent, is scheduled for the second half of 2021.

Innovation, digitisation of the corporate networks and business processes

- On 8 March 2021, a collaboration agreement was **entered** into with **Jemena**, a leading Australian company in the energy infrastructure sector. The agreement is aimed at exchanging knowledge and experience relating to network management, focusing on technological innovation and decarbonisation.
- On 23 June 2021, as a result of a partial and proportional demerger of Italgas Reti S.p.A, the company **Bludigit S.p.A.** was **established**, to which tangible and intangible assets and contracts relative to the IT area were conferred, with the aim of streamlining the Group's business and assets in the IT area and proposing a commercial offer of IT services. The streamlining of the Group's business in the IT area was completed on 29 June 2021 with the capital increase of Bludigit S.p.A. facilitating the contribution in kind by Italgas S.p.A. of its IT business unit, with effect as of 1 July 2021.
- The Group continued on its digitisation pathway, through the development of new cutting-edge digital solutions and the advancement of cyber protection tools. Within the Digital Factory, the innovation factory for the transformation and digitisation of company processes, Italgas has developed solutions aimed at simplifying, automating and speeding up the management of requests to and from customers (both B2B for sales companies and B2C for end customers), in particular by introducing "self-service" solutions to meet the needs of those customers. A paperless solution has been at the disposal of end customers for a few months now, allowing them, via smartphone, to manage the entire supply activation process with ease, with no need for inspections. In addition, machine learning solutions have been developed for the predictive identification of operational problems in installed meters. A system has also been introduced for management of the corporate car fleet (around 2500 vehicles) with digital tracking functions (maintenance, fines, etc.), pool car booking, payment simplification and reporting. The architectural and application convergence work enables all the solutions developed in the Digital Factory to be used, including by the other companies in the Group.

Optimization of the debt structure

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 **bond buyback transaction** was launched, relating to 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 approximately € 256.0 million.

Capital transactions

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 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 nominal maximum 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.

KEY FIGURES

In order to allow for a better assessment of economic and financial performance, the Report on Operations includes the reclassified financial statements and certain alternative performance indicators, including EBITDA, EBIT and net financial debt, in addition to the financial statements and conventional indicators laid out in IAS/IFRS. These figures are presented in the tables below, the relative notes and the reclassified financial statements. For the definition of the terms used, when not directly specified, please refer to the chapter "Financial results, NON-GAAP Measures".

Key share figures

| | | 30.06.2020 | 30.06.2021 |
|---|-----------|------------|------------|
| Number of shares of share capital | (million) | 809 | 810 |
| Closing price at the end of period | (€) | 5.17 | 5.51 |
| Average closing price in the period (a) | (€) | 5.249 | 5.323 |
| Market capitalisation (b) | (million) | 4,246 | 4,310 |
| Exact market capitalisation (c) | (million) | 4,183 | 4,463 |

(a) Non-adjusted for dividends paid.

(b) The product of the number of shares outstanding (exact number) multiplied by the average closing price in the period.

(c) The product of the number of shares outstanding (exact number) multiplied by the closing price at the end of the period.

Key financial figures

| (€ MILLION) | FIRST HALF | |
|--|--------------|--------------|
| | 2020 (**) | 2021 |
| Total revenues (*) | 646.8 | 665.4 |
| Adjusted total revenues (*) | 646.8 | 665.4 |
| EBITDA | 461.8 | 489.1 |
| Adjusted EBITDA | 461.8 | 489.1 |
| EBIT | 254.0 | 279.4 |
| Adjusted EBIT | 254.0 | 279.4 |
| Gross profit | 228.6 | 248.7 |
| <i>Adjusted gross profit</i> | 228.6 | 255.1 |
| Net profit | 163.7 | 180.0 |
| Net profit attributable to the Group | 154.3 | 171.2 |
| Adjusted net profit | 163.7 | 184.9 |
| Adjusted net profit attributable to the Group | 154.3 | 176.1 |
| Adjusted Earnings per share (***) | 0.191 | 0.217 |

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 373.6 and € 322.6 million respectively in the first half of 2021 and 2020), connection contributions (€ 9.6 and € 9.8 million respectively in the first half of 2021 and 2020) and other residual components (0.2 and 1.3 respectively in the first half of 2021 and 2020).

(**) As of 30 June 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 income statement items, the items relating to Operating costs (-€ 0.9 million), Amortisation, depreciation and impairment (+€ 2.1 million) and Income taxes (-€ 0.4 million) were adjusted as of 30 June 2020.

(***) The indicator is calculated as a ratio between the adjusted net profit attributable to the Group and the total number of shares, which is 809,768,354.

| (€ MILLION) | 31.12.2020 (*) | 30.06.2021 |
|--|----------------|----------------|
| Net invested capital at the end of the end of period | 6,713.9 | 6,725.5 |
| Shareholders' equity | 1,977.4 | 1,918.7 |
| Net financial debt at end of period | 4,736.5 | 4,806.8 |
| Finance lease payables - IFRS 16 | 76.3 | 69.8 |

(*) As of 30 June 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, the item relating to shareholders' equity was adjusted as of 31 December 2020 (-€ 3.6 million).



1.0

ITALGAS AND THE FINANCIAL MARKETS

The significant recovery of global equities, already under way since late 2020, continued during the first half of 2021. The trend was supported by the confirmed major expansionary approach of the monetary and fiscal authorities, as well as by the progress of vaccination processes and consequent improvement in the outlook, with a gradual restarting of economic activities and generally better-than-expected macro data (in some cases, such as for the US Manufacturing PMI, at all-time highs). The central banks, in particular, have allayed fears of monetary tightening caused by the substantial rise in prices, by reiterating that the acceleration of inflation reflects primarily temporary factors, and that economies still need considerable monetary support in order to emerge from the recession caused by the pandemic.

Overall, with share prices adjusted after the ex-dividend date, the Euro Stoxx share index gained 15.8%, compared to the S&P 500, +15.2%, both at all-time highs. In terms of national indices, the FTSE MIB and Frankfurt DAX (+14.7% and +13.2% respectively) are in line with the Eurozone benchmark overall, while the outperformance of the Paris CAC 40 (+19.5%) and underperformance of the Madrid Ibex 35 (+10.5%) essentially reflect exposure to specific sector dynamics.

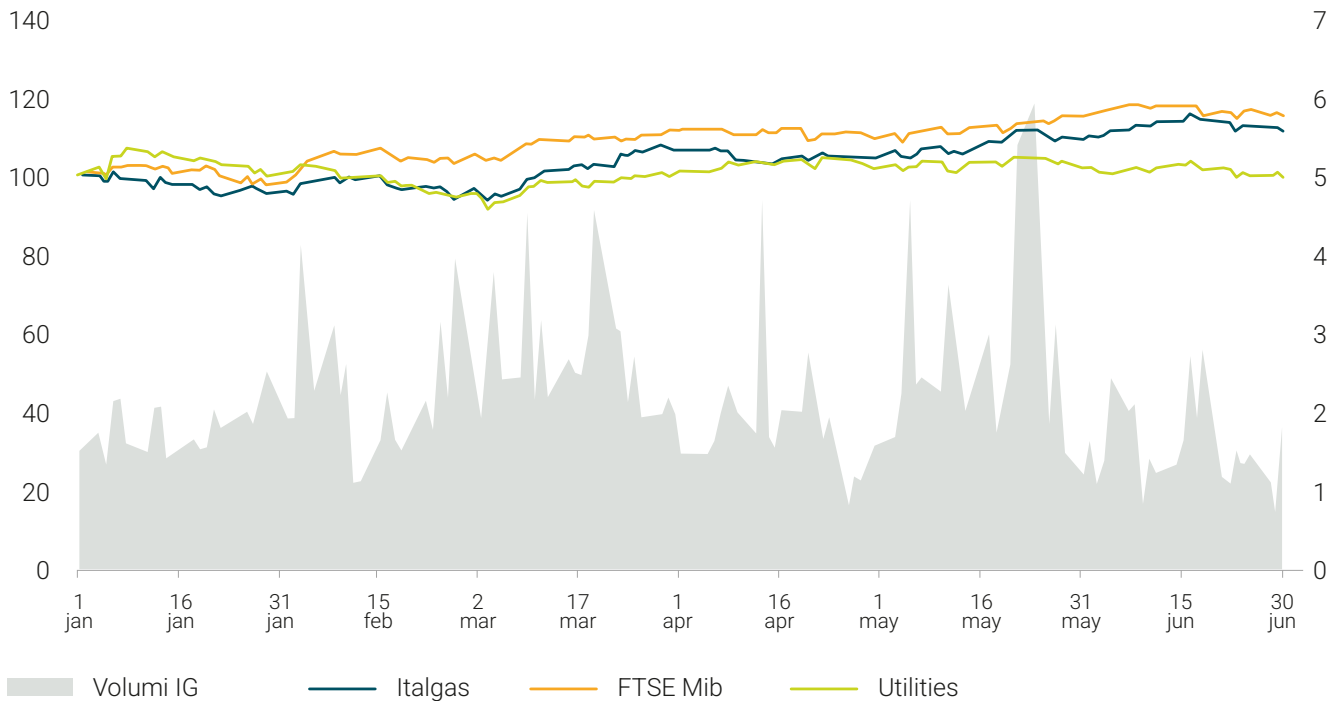
On a sector level, the Euro Stoxx Utilities fell by 0.8%, as the worst performer, due to the defensive/counter-cyclical profile against a backdrop characterised by rising expectations of inflation and bond yields and to the overall

weakness of integrated operators. Despite the multi-year highs of electricity prices caused by bullish pressures on gas and CO2 prices, these integrated operators experienced profit-taking after ample outperformance at the peak of the pandemic, on the one hand, and were also affected by the sharp increase in competitive pressure seen in tenders for the development of wind capacity; on the other hand; they also suffered the consequences of fears of regulatory interventions (as carried out by the Spanish government) aimed at limiting profits for renewable plants, deriving from the above-mentioned sharp rise in electricity prices, while reducing expense for end users. With regard to the rest of the Eurozone market, the above scenario, characterised by a huge improvement in the outlook and a rise in inflation expectations, favoured the cyclical and financial sectors (the banking and automotive sectors were the best performers).

The Italgas stock closed the first half of 2021 at € 5.512. Considering the dividend per share of € 0.277 and a price in late 2020 of € 5.20, the total shareholder return was 11.3% at the end of the first half of 2021. From the date on which it was listed in November 2016 to 30 June 2021, the total shareholder return is 74.1%.

During the half-year, the average daily trading volume of the Italgas stock on the Italian Stock Exchange electronic market was about 2.2 million shares, with a greater concentration of trades around the announcement of quarterly results, the ex-dividend date and updating of the 2021-2027 Strategic Plan, presented in mid-June.

COMPARISON OF THE QUOTES ITALGAS, FTSE MIB AND EURO STOXX UTILITIES (1 JANUARY 2021 - 30 JUNE 2021, FIGURES ADJUSTED FOR DIVIDENDS)



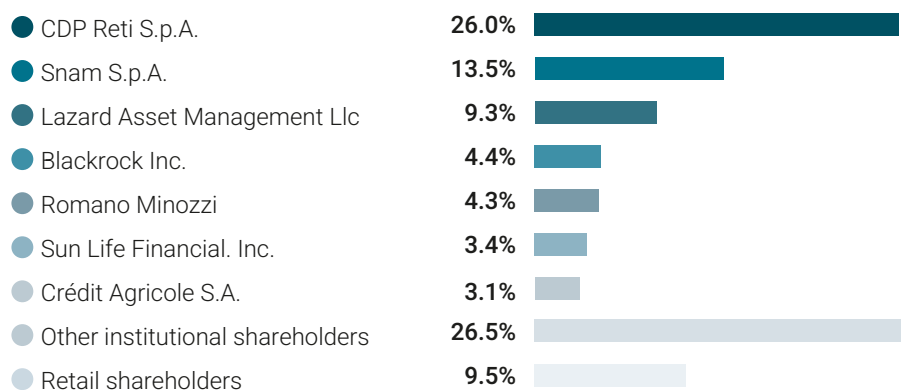
Shareholders

The share capital of the Company as at 30 June 2021 consisted of 809,768,354 shares without par value, giving a share capital value of € 1,002,016,254.92.

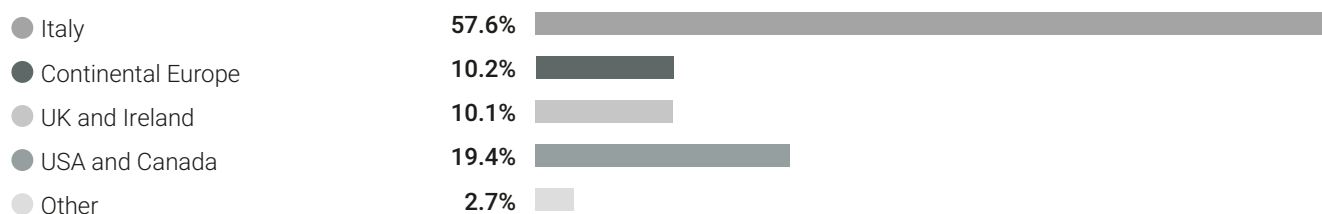
As at 30 June 2021, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments (shares exceeding 3%) are represented below.

| CONSOLIDATING COMPANY | REGISTRANTS | % OWNERSHIP |
|-----------------------|----------------------------------|-------------|
| Italgas S.p.A. | CDP Reti S.p.A. (*) (**) | 26.0 |
| | Snam S.p.A. | 13.5 |
| | Lazard Asset Management Llc | 9.3 |
| | Blackrock Inc. | 4.4 |
| | Romano Minozzi | 4.3 |
| | Sun Life Financial. Inc. | 3.4 |
| | Crédit Agricole S.A. | 3.1 |
| | Other institutional shareholders | 26.5 |
| | Retail shareholders | 9.5 |

ITALGAS SHAREHOLDERS BY TYPE OF INVESTOR



ITALGAS SHAREHOLDERS BY GEOGRAPHICAL AREA



(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as de facto control pursuant to article 2359, subsection 1, no. 2) of the Italian Civil Code and article 93 of the CLF, exercising control through CDP Reti with a 26.05% equity holding and through Snam with a 13.50% equity holding. CDP does not exercise management and coordination activities with respect to Italgas pursuant to articles 2497 et seq. of the Italian Civil Code.

(**) A shareholders' agreement between Snam, CDP Reti and CDP Gas was signed on 20 October 2016, effective from the date of the demerger of Italgas S.p.A. on 16 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP sold the equity investment held in Italgas S.p.A., amounting to 0.969% of the share capital of the same, to CDP Reti, among others. CDP Reti is owned 59.1% by CDP, 35% by State Grid Europe Limited – SGEL, company belonging to the State Grid Corporation of China group, and 5.9% by some Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding.





2.0

**OPERATING
PERFORMANCE**

Infrastructure

Italgas is the leader in Italy in the industry of natural gas distribution and is the third largest operator in Europe.

The distribution service consists of transporting gas through local pipeline networks, from points of delivery at the reduction and measurement stations interconnected with the transport networks ("city-gates") up to the final delivery points to customers (households, enterprises, etc.). Furthermore, Italgas is engaged in metering activities, which consist of determining, gathering, making available and archiving metering data on natural gas withdrawn over the distribution networks.

Collection cabins are equipment that link local distribution networks to the national gas pipeline network. They are complex systems that must perform different functions, including the measurement of the gas collected and a first reduction of the pressure to allow routing through the urban network. Currently Italgas has collection cabins equipped with advanced remote control and smart metering systems. Remote control allows the fastest possible intervention in case of anomalies; smart metering allows the continuous detection of a series of parameters relative to the management of gas flows as well as the detection of the quantity of gas entering the networks.

The systems for the reduction of pressure are devices placed along the distribution network and have the task to bring the pressure of the gas at the right level in relation to the type of use.

Investments

Technical investments were made in the first half of 2021 for a total of € 420.4 million, up by 14.1% compared to the first half of 2020 (€ 368.6 million), of which € 3.7 million due to the adoption of IFRS 16.

| FINANCIAL YEAR 2020 (€ MILLION) | | FIRST HALF OF THE YEAR | | ABS. CHANGE | CHANGE % |
|------------------------------------|---|------------------------|-------|-------------|----------|
| | | 2020 | 2021 | | |
| 569.0 | Distribution | 279.8 | 347.9 | 68.1 | 24.3 |
| 455.8 | Network maintenance and development | 209.4 | 301.6 | 92.2 | 44.0 |
| 84.9 | _ of which digitisation | 35.6 | 67.8 | 32.2 | 90.4 |
| 113.1 | New networks | 70.4 | 46.3 | (24.1) | (34.2) |
| 100.7 | _ of which Sardinia | 64.3 | 36.5 | (27.8) | (43.2) |
| 120.8 | Metering | 53.1 | 37.1 | (16.0) | (30.1) |
| 87.7 | Other investments | 35.7 | 35.4 | (0.3) | (0.8) |
| 41.7 | _ of which Real Estate | 13.3 | 17.5 | 4.2 | 31.6 |
| 25.4 | _ of which ICT | 12.6 | 14.2 | 1.6 | 12.7 |
| 26.5 | _ of which due to the effect of IFRS 16 | 10.5 | 3.7 | (6.8) | (64.8) |
| 777.5 | | 368.6 | 420.4 | 51.8 | 14.1 |

As of 30 June 2021, the Group stated under operating costs the expenses relating to the legally required periodic checks of conversion devices in the meters installed at the re-delivery points. In order to ensure comparability with the details of the Investment items, the corresponding investment item (-€ 0.9 million) was adjusted accordingly as of 30 June 2020.

Distribution investments (€ 347.9 million, +24.3% compared to the first half of 2020) refer to initiatives for the development, maintenance and repurposing of the network as well as for the construction of new gas distribution networks, which involved the installation of a total of 389 km of pipeline. Over the half-year, a further 52 km of new network was constructed in Sardinia, bringing the total installed networks to 858 km.

Investments in digitisation (€ 67.8 million, up +90.4%) 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 (€ 37.1 million, -30.1% compared to the first half of 2020) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. In the first half of 2021, the Company installed 481 thousand new meters, of which 201 thousand to replace traditional G4/G6 meters, 274 thousand for the repair of digital meters with anomalies and 6 thousand to replace large-caliber meters. At the end of the first half of 2021¹, a total of 7.7 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (90.4% of the total number of meters and practically all active meters).

Summary of the key operating figures

KEY OPERATING FIGURES – ITALGAS GROUP

| | FIRST HALF OF THE YEAR | | CHANGE ABS. | CHANGE % |
|---|------------------------|-----------------|-------------|----------|
| | 2020 | 2021 | | |
| Active meters (millions) | 7.587 | 7.592 | 0.0 | 0.1 |
| Installed meters (millions) | 8.488 | 8.538 | 0.1 | 0.6 |
| Municipalities with gas distribution concessions (no.) | 1,825 | 1,827 | 2.0 | 0.1 |
| Municipalities with gas distribution concessions in operation (no.) | 1,739 | 1,746 | 7.0 | 0.4 |
| Distribution network (kilometres) | 70,796.0 | 71,706.7 | 910.7 | 1.3 |
| Gas distributed (million cubic metres) | 4,448.9 | 4,702.3 | 253.4 | 5.7 |

KEY OPERATING FIGURES – ITALGAS GROUP AND AFFILIATES

| | FIRST HALF OF THE YEAR | | CHANGE ABS. | CHANGE % |
|---|------------------------|-----------------|-------------|----------|
| | 2020 | 2021 | | |
| Active meters (millions) | 7.740 | 7.745 | 0.0 | 0.1 |
| Installed meters (millions) | 8.656 | 8.708 | 0.1 | 0.6 |
| Municipalities with gas distribution concessions (no.) | 1,886 | 1,888 | 2.0 | 0.1 |
| Municipalities with gas distribution concessions in operation (no.) | 1,800 | 1,807 | 7.0 | 0.4 |
| Distribution network (kilometres) | 72,667.1 | 73,589.7 | 922.6 | 1.3 |
| Gas distributed (million cubic metres) | 4,584.2 | 4,868.4 | 284.2 | 6.2 |

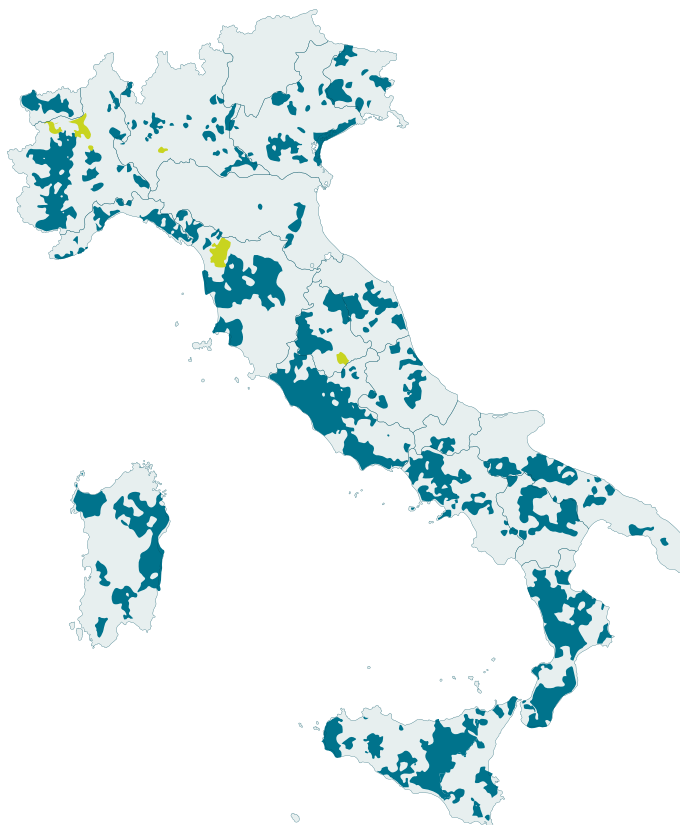
¹ Also taking into account the affiliates, over which Italgas does not exercise control, 517 thousand new meters were installed during the period, bringing the total number of smart meters installed as at 30 June 2021 to 7.8 million (89.4% of the total number of meters and practically all active meters)

Tender notice and contract awarding situation

The following map shows the presence of the Italgas Group in Italy².

Of the 36 tender notices published to date:

- _ TURIN 3 - South West, MASSA CARRARA, BIELLA, CREMONA 2 - Centre and CREMONA 3 - South aggregates, COMO 1 - Lariano, Brianza, Comasca Triangle, BERGAMO 3 - Suburbs West of Bergamo and BRESCIA 1 - North - West have been suspended by the Contracting Authorities;
- _ VENICE 1 - Laguna Veneta and ALESSANDRIA 2 - Centre were cancelled by the State Council and by the Piedmont Regional Administrative Court (TAR) respectively;
- _ MONZA AND BRIANZA 2 – West and LUCCA, were revoked by the respective contracting authorities;
- _ MILAN 1 – City and Milan Plant, awarded to UNARETI, was annulled by decision of the Lombardy Regional Administrative Court and later deemed lawful by the Council of State with the appeal ruling published on 7 September 2020;
- _ TURIN 2 – Turin Plant, VALLE D'AOSTA, BELLUNO and TURIN 1 – City of Turin, were officially awarded to Italgas Reti.



The public session on the “Open tender procedure for the concession of the natural gas distribution service in the Naples 1 - City of Naples and coastal plant ATEM” was held on 29 January 2021. This ATEM encompasses approximately 370,000 re-delivery points. In this context, the tender committee announced that it would verify the appropriateness of the bids received and suspended tender operations pending the outcome of these checks. On 14 April 2021, the tender committee acknowledged that both bids had been found to be adequate and made a proposal to award the contract to another operator, having verified that the requirements declared during the tender had been met. On 21 June 2021, the tender for NAPLES 1 was awarded to 2i Rete Gas by managerial resolution of the Municipality of Naples. Italgas Reti, the outgoing concession holder, filed a judicial appeal with the Regional Administrative Court of Campania to challenge the award of the contract, considered invalid.

Legal and regulatory events³

- _ On 2 March 2021, **Resolution no. 74/2021/S/gas** was published, with which ARERA issued Italgas Reti a fine of € 500,000, deeming the company to be in breach of the provisions of the Regulation on the Quality of Gas Distribution and Metering services for the 2014-2019 period, as well as of the Guidelines of the Italian Gas Committee (CIG), regarding the emergency intervention service for the natural gas distribution plant called “Castelnuovo Magra”. On 19 April 2021, Italgas Reti

² The territorial presence where Italgas exercises control is shown in blue, the presence through investee companies over which it does not exercise control is shown in orange.

³ Further information is provided in Note 24 “Disputes and other measures” to the Notes to the Condensed Consolidated Financial Statements.

contested the aforesaid resolution, and the setting of a date for the hearing is currently pending.

- On 3 March 2021, the **investigation** launched by the AGCM into the alleged abuse of a dominant position in certain municipalities in the **Venice 1 ATEM** was **successfully closed**. On 30 June 2021 the Company submitted a report on compliance with the commitments, as required by the Order closing the investigation. In addition, once again in order to assess compliance with the commitments, the AGCM [Italian Competition Authority] sent Italgas a request for information on 21 June 2021 aimed at reconstructing the discussions held, following closure of the investigation, with the Municipality of Venice, to which the Company provided the data required for publication of the tender notice. Italgas replied to this request on 09 July 2021.
- With reference to the rehearing before the Council of State requested by the municipalities belonging to the **Belluno ATEM** against ruling no. 1208 of 7 December 2020, with which the Regional Administrative Court of Veneto declared the appeal against the awarding of the tender to Italgas Reti to be inadmissible, at the hearing of 4 March 2021, the Council of State took note of the waiving of the interlocutory application by the municipalities (the appellants), and set the date for the hearing on the merits at 7 October 2021. On **16 April 2021**, the **Regional Administrative Court of Veneto** also upheld Italgas' appeal against the public shareholders of BIM Infrastrutture led by the Feltre Municipal Authority, reiterating what had already been stated in the ruling of December 2020.
- A **ruling was issued** on 31 March 2021, with which the **Regional Administrative Court of Lombardy** rejected the appeal brought against the **Aosta Municipal Authority** by one of the other operators participating in the tender procedure for annulment of the decision awarding the tender to Italgas Reti. The legitimacy of awarding the tender to Italgas Reti was therefore confirmed. The signing by Italgas Reti of the service contract for the Valle d'Aosta ATEM, which will be followed by the launch of the new area management, is expected to be formalised on 27 July 2021.
- With ruling no. 1177/2021 of 4 May 2021, due to the excessive duration of the sanctioning procedure, the **Regional Administrative Court of Lombardy** upheld the appeal brought by Italgas for annulment of Resolutions no. 195/2017/S/gas of 30 March 2017 and no. 232/2017/S/gas of 6 April 2017, with which ARERA had issued the company a fine of € 204,000 for breach of certain provisions of the Regulation of the Quality of Gas Distribution and Metering services, concerning obligations to replace the cast iron pipelines of the distribution network in the Municipality of Venice with hemp and lead joints, in particular for the year 2010. On 8 June 2021, **Resolution no. 237/2021/C/gas** was **issued**, with which ARERA announced its intention to file an appeal against the ruling of the Regional Administrative Court of Lombardy.
- On 1 June 2021, with **Resolution no. 232/2021/R/gas**, ARERA made a payment on account of the total net amount of the premiums relating to safety recoveries of the natural gas distribution service, for the year 2018, owing to distribution companies that gave their approval within the prescribed time limits, in the amount of 80%.

- With **Resolution no. 227/2021/E/gas** of 1 June 2021, ARERA approved the programme for two inspections of gas distribution companies, concerning regulation of the physical and economic items of the natural gas balancing (settlement) service, with particular reference to the 2013-2018 period. The inspections aim to ascertain compliance with the provisions relating to the regulation of physical and economic items, the accuracy of data used, the efficiency of the metering systems and the correct technical operation of the distribution network in relation to the parameters relevant for the purposes of the "delta in-out" control, which expresses the value of the difference between gas injected into the distribution network and gas taken from re-delivery points of the same network.

Sustainability – The path to decarbonisation

THE SUSTAINABILITY PLAN AND STRATEGIC PLAN

Gas networks will play a key role in the energy transition towards meeting the EU's target of "net zero carbon" by 2050, thanks to their widespread nature, flexibility and level of penetration. In this scenario, infrastructure digitisation is the key enabler that allows the entire distribution network to be smart, flexible and able to receive and manage different gases, such as biomethane, green hydrogen and synthetic natural gases.

The Italgas Group will play a key role in the decarbonisation process of Italy's Country system. To do this, it has identified the following main pillars in its Strategic Plan to 2027:

- completion, by 2022, of the digitisation programme of the entire infrastructure, enabling smart and dynamic management of the network for the distribution of gas blend, increasingly characterised by the presence of renewable and zero-carbon gases;
- boosting of the circular economy, in particular by providing a stimulus to the biomethane sector, encouraging the direct connection of production plants to the urban distribution networks;
- testing and implementation of technologies that will make new renewable gases available in the distribution networks, as in the case of the Power-to-Gas plant being developed by the Group in Sardinia, which will make it possible to use the "digital native" networks to transport green hydrogen to the various end users;
- diversification of the business portfolio, extending its experience in digital management of infrastructures to the water sector, through the subsidiary Italgas Acqua, and accelerating energy efficiency measures in the civil sector (housing, offices, commercial premises) through Seaside, the Group's Energy Service Company.

In its business model and in the challenges linked to the context in which it operates, the Italgas Group views sustainability as a fundamental value that is built into the business. It sees it as a guiding principle that contributes to defining strategic and operational choices and ensures,

in the long-term, growth consistent with respect for the environment, maximisation of individuals' potential and effective interaction with the regions and communities where it operates.

Sustainability matters are part of the Group's operational management and a reference value for the work of Top management and all company departments. The strategic guidelines, in terms of commitment and lines of action, are set out in the Italgas Sustainability Plan, developed in line with the United Nations Sustainable Development Goals and updated every six months.

The challenges contained in the Sustainability Plan and the ESG criteria, an integral part of the 2021-2027 Strategic Plan, have imposed new specific targets on the Group in terms of energy efficiency and the cutting of emissions in order to meet the decarbonisation targets set by the European Union.

The sustainability targets set for 2027 aim to reduce CO₂ emissions and energy consumption, putting the Group ahead of the EU targets set for 2030: thanks to the digital transformation of the network and the innovative technologies deployed – from CRDS (Cavity Ring-Down Spectroscopy) technology, a cutting-edge technology in the gas network monitoring activity field, designed and developed by US company Picarro Inc., to Seaside's know-how – Italgas estimates that by 2027 it will have reduced its greenhouse gas emissions (scope 1 and scope 2) by 30%, and its energy consumption by 25%, both compared to 2020 levels⁴.

The Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to both its energy efficiency work, aimed at reducing the consumption of gas and electricity for civil and industrial uses and of fuel for vehicles, and its work to reduce fugitive emissions.

A few examples of initiatives undertaken (or continued) in the first half of 2021 and which may also be completed in as early as 2021 concern:

- large-scale deployment of Savemixer and Savegas solutions on Italgas Reti and Toscana Energia plants equipped with preheating, also demonstrating the synergy between the distribution companies and Seaside;
- large-scale assessments on all preheating plants, once again in collaboration with Seaside, aimed at identifying energy efficiency measures and, in particular, also identifying boilers that have reached obsolescence, to be replaced with state-of-the-art systems, able to cut emissions and gas consumption while producing the same amount of heat;
- launch of a plan to disseminate the culture of energy efficiency among the population of the distribution companies, by providing training courses on ISO 50001 - Energy management systems, basic courses on energy saving and, in a few cases, advanced courses for "Energy Management Expert" (EME) certification (EME course already set up);
- fine-tuning of a predictive maintenance plan on the gas networks, to be implemented in the second half of 2021, based entirely on findings of the inspections conducted with the CRDS technology in the 2019/20 two-year period, with a view to intervening on those sections of pipeline that are more prone to giving rise to fugitive emissions, with radical replacement of these. The importance and validity of the approach have been demonstrated by the performance obtained by the Medea network, on which predictive maintenance was used (see details further on, in the paragraph on "Fugitive emissions");
- initiatives dedicated to continually improving the efficiency of the company's fleet of service vehicles.

Lastly, net electrical consumption is also expected to be cut significantly in as early as 2022, due to the commissioning of cogeneration plants and turbo-expanders installed at the main city gates, which will enable the use of self-generated electricity.

⁴With the same scope, excluding any changes following M&As and ATEM tenders.

ENERGY CONSUMPTION

The energy source used the most in the Group's activities is natural gas, in both civil and industrial uses, and for vehicles.

| NET ENERGY CONSUMPTION (TJ) | FIRST HALF OF THE YEAR | | CHANGE ABS. | CHANGE % |
|--|------------------------|--------------|-------------|----------|
| | 2020 | 2021 | | |
| Fuel energy consumption for civil and industrial use | 232.1 | 233.4 | 1.3 | 0.6 |
| Net electricity consumption for civil and industrial use | 48.6 | 45.7 | (2.9) | (6.0) |
| Fuel energy consumption for vehicles | 57.6 | 71.3 | 13.7 | 23.8 |
| Thermal energy consumption for civil use | - | 0.2 | 0.2 | - |
| | 338.3 | 350.5 | 12.3 | 3.6 |

The first half of 2021 was characterised by a slight increase in net consumption of total energy, of 12.3 TJ (+3.6%), attributable to two factors:

- _ the 0.6% increase in industrial consumption of natural gas for the preheating process, due to the growth in the volume of gas distributed. In fact, as a result of energy efficiency measures, the specific consumption of the preheating process for the Group's plants (natural gas consumed for preheating/gas distributed) drops from a value of 1.31 to a value of 1.26 (-3.8%);
- _ a significant increase in the kilometres travelled by the vehicles fleet used for the detection of network leaks and an increase in the number of interventions carried out on end customer premises compared to the first half of 2020: 22.055 million km were traveled in the first half of 2021 (+23.5%).

FUEL ENERGY CONSUMPTION FOR CIVIL AND INDUSTRIAL USE

In the first half of 2021, fuel energy consumption for civil and industrial use was 233.39 TJ (+0.6% compared to the first half of 2020).

The Italgas Group recorded a decrease of 1.5% in fuel consumption for civil use, against a 0.8% increase in fuel energy consumption for industrial use.

The decrease in civil consumption (-1.5%) is linked to improved efficiency in the use of the Group's offices, partly due to the reorganisation of management as a result of the pandemic. With a view to improving efficiency even further, several projects have also been launched for the monitoring of consumption and office temperatures.

The increase in industrial consumption of natural gas for the preheating process, mentioned earlier, was mitigated by the efficiency initiatives implemented: since the start of the year, 18 preheating optimisation systems have been installed, which, added to those installed in the second half of 2020, bring us to a total of 50 systems installed

to date. Overall, these systems have generated savings of more than 79,000 Sm³ (compared to the first half of 2020), thereby contributing to the cutting of this specific consumption (natural gas consumed for preheating/gas supplied per thousand). For Italgas Reti, this indicator dropped from 1.50 (first half of 2020) to 1.37 (first half of 2021, with a change of -8.7%); for Toscana Energia, which has greater coverage in terms of optimisation work, this specific consumption was 0.93 in the first half of 2021, compared to 1.10 in the first half of 2020, down by -15.4%.

The preheating optimisation plan provides for the installation of a further 201 systems by the end of the year.

LPG consumption increased by 8.7% in the first half of 2021, essentially in line with the same period of the previous year.

NET ELECTRICITY CONSUMPTION FOR CIVIL AND INDUSTRIAL USE

In the first half of 2021, the Italgas Group recorded a 6.0% decrease in electricity consumption for civil and industrial use, compared to the first half of 2020.

The decrease is linked to improved efficiency in the use of the Group's offices, partly due to the reorganisation of management due to the pandemic, which led to a 16.5% reduction in civil consumption.

The restructuring of several important company offices, already under way or planned by 2027, will also help further reduce the demand for electricity and, as a result, related emissions.

The 2.4% increase in the Group's industrial electricity consumption is mainly attributable to intensive pumping activity following maintenance on the water network managed by Italgas Acqua and increased consumption linked to greater use of service equipment for the handling of LPG (pumps and compressors), as a result of increased distribution. A number of measures have been implemented in 2021 to improve efficiency, including

LED relamping. Additional initiatives on control and efficiency systems of energy-intensive processes have also been identified.

FUEL ENERGY CONSUMPTION FOR VEHICLES

Fuel energy consumption for vehicles increased by 13.71 TJ in the first half of 2021 (+23.8% compared to the first half of 2020).

The rise is due to increased mileage (+23.5%), primarily for two reasons: the effect of the first lockdown in 2020, which restricted movement considerably in the period from March to May 2020, and the increase in leak detection activities from January 2021, with related network maintenance activities, accelerated as a result. The difference characterises the entire period and, as stated above, is concentrated in the months from March to May (+36% compared to the same period in 2020), and especially in April (+50% compared to the same month of 2020). This difference is expected to decrease during the second half of 2021, settling in the 16-18% range on an annual basis.

The commitment of the Italgas Group to cutting emissions is also demonstrated by the ethical conduct of its employees behind the wheel of the corporate fleet. In this regard, the improvement recorded in the use of bi-fuel vehicles in the first half of 2021 is significant. In fact, average mileage using methane stood at 92.5%, compared to 81% in the same period of 2020. This improvement has resulted in a significant reduction overall in the use of petrol (-22.9% compared to the first half of 2020) and a consequent increase in mileage using methane (+36.5%).

With a view to continually improving performance, the Group is currently developing or has planned various initiatives to reduce impacts.

GREENHOUSE GAS EMISSIONS

The Italgas Group's main greenhouse gas emission contributions are from fugitive emissions of natural gas from distribution networks, distributed gas preheating processes in the decompression systems and the use of cars in the corporate fleet.

| SCOPE 1 AND SCOPE 2 (THOUSAND TCO ₂ EQ) | FIRST HALF OF THE YEAR | | CHANGE ABS. | CHANGE % |
|---|------------------------|-------------|----------------|----------|
| | 2020 | 2021 | | |
| Fugitive gas emissions | 46.5 | 52.9 | 6.4 | 13.8 |
| Emissions from gas consumption for civil and industrial use | 13.1 | 13.2 | 0.1 | 0.8 |
| Emissions from fuel consumption for vehicles | 2.7 | 3.3 | 0.6 | 22.2 |
| Emissions from thermal energy for civil use | - | - | - | - |
| Emissions from electricity consumption for civil and industrial use | 0.2 | 0.1 | (0.1) | (50.0) |
| | 62.5 | 69.5 | 7.0 | 11.2 |

The Group's total emissions increased by 11.2% compared to the first half of 2020. This change is due to the increase in fugitive emissions of 13.8%, mainly due to the clear increase in the length of the network inspected by the Italgas Group (+36.6% compared to the 1st half of 2020).

The emissions from gas consumption for civil and industrial use are in line with the increase in consumption described.

With regard to emissions from fuel consumption for vehicles, although the parameter for CO₂ emissions per km travelled remained the same, thanks to the massive use of natural gas (at operational level, the 92% of the kilometers were traveled with the use of methane), there was a significant decrease of the other emissions in terms of grams per kilometre: NO_X (-7.4%) and particulate matter (-33.4%).

Lastly, emissions from gas consumption for civil and industrial use are in line with the increased consumption described, while those from electricity consumption are decreasing as a result of reduced consumption and the almost total supply of electricity from certified renewable sources (certified by the guarantee of origin management system).

FUGITIVE EMISSIONS

The total increase of 13.8% in fugitive emissions, as anticipated, is mainly due to the greater coverage in terms of network inspected by the Italgas Group compared to the first half of 2020. Compliance with the 2021 investigation plan for June produced an increase of the inspected network from 25,765 kilometers in the first half of 2020 to 35,193 in 2021 (+ 36.6%).

Thanks to the maintenance interventions carried out in recent years, there was a significant decrease in emissions/km inspected equal to 14.7%: from 102 scm/km to 87 scm/km. In particular, the value of the first half 2021, for Italgas Reti, is equal to 84.03 smc/km against 90.07 smc/km of final balance for the first half of 2020 (-6.7%). The KPI of the first half of the year 2021, for Toscana Energia, was 108.70 smc/km, against 170.57 smc/km of the final balance for the first half of 2020 (-36.3%).

More generally, the fugitive emissions were equal to 0.064% of the total distributed gas.

Data on the methane gas networks managed by Medea is interesting. Fugitive emission detection activity using CRDS technology has been in place on these networks since 2021. Emissions associated with the first 220 km investigated, relating to just one leak detected in May, are negligible in numerical terms.

The expertise that the Group is developing in Sardinia with Medea shall therefore lay the foundations for improvement of the entire infrastructure of the Italgas Group, with the aim of developing a predictive network maintenance model. By combining the physical characteristics of the network (e.g. age, material and pressure) with the outcome of the processing of data obtained in the field via the intensive leak detection programme, this model will identify the areas potentially at risk of leakage and the related probability of emissions, with a view to predictive management and maintenance.

This model is a valid tool for the preparation of the plans for network replacement and reclamation/remediation work on overhead connections, thereby optimising performance and related costs.



3.0 LEGISLATIVE AND REGULATORY FRAMEWORK

Tariff regulation

L'attività di distribuzione del gas naturale è regolamentata. The distribution of natural gas is regulated by the Regulatory Authority for Energy, Networks and Environment (ARERA). Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructure and for the delivery of the related services.

The rate system establishes in particular that the reference revenue for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for

a fair return on invested capital. Three cost categories are recognised:

- _ the cost of net invested capital for RAB (Regulatory Asset Base) purposes through the application of a rate of return of the same;
- _ economic-technical amortisation/depreciation, hedging investment costs;
- _ operating costs, hedging operational costs.

The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended)

| HIGHLIGHTS FIFTH REGULATORY PERIOD (FROM 1/1/2020 TO 31/12/2025) | |
|--|--|
| End of Regulatory period (<i>TARIFFS</i>) | 31 december 2025 |
| Calculation of net invested capital recognized for regulatory purposes (RAB)* | Revalued historical cost Parametric method for centralised asset base |
| Return on net invested capital recognized for regulatory purposes ($WACC_{pre-tax}$) | Distribution and Metering 6.3% Years 2020-2021 |
| Incentives on new Investment | Return on investments t-1 to offset regulatory time lag (from 2023) |
| Efficiency Factor (X-factor) | Distribution operating costs: <ul style="list-style-type: none"> _ 3.53% for large companies (PDR > 300.000) _ 4.79% for medium companies (PDR > 50.000) _ 6.59% for small companies (PDR < 50.000) Metering operating costs: 0% Commercialization operating costs: 1.57% |

(*) The RAB of the companies currently included in the scope of consolidation, calculated by applying the criteria adopted by the Authority, with reference to investments made up to 31 December 2020, in the definition of the reference tariffs, is equal to € 7.8 billion.

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |
|--|------|------|------|------|------|------|------|------|------|------|------|
| V REGULATORY PERIOD (parameters: beta, X-factor, opex) | | | | | | | | | | | |

| | |
|---|---|
| Validity WACC (parameters set: risk free interest, remuneration linked to country risk, inflation, gearing, cost of debt, tax rate) | Validity WACC (parameters set: risk free interest, remuneration linked to country risk, inflation, gearing, cost of debt, tax rate) |
|---|---|

●
Update of WACC parametrs within the period

Resolution no. 570/2019/R/gas, following the consultation process conducted with the documents for consultation no. 170/2019/R/gas and 410/2019/R/gas, approved the regulation of tariffs for gas distribution and metering services for the period 2020-2025.

In particular:

- _ the Authority confirmed the six-year duration of the tariff regulation period, as well as the division into two half-periods of three years each;
- _ with regard to the recognition of operating costs, the Authority provided that:
 - a. the initial level for 2020 of recognised operating costs be fixed by applying equal weight to the actual and recognised costs of the reference year 2018;
 - b. the rate of annual reduction of unit costs recognised to cover operating costs be set at:
 - _ for the distribution service:
 - _ 3.53%, for large companies (> 300,000 re-delivery points);
 - _ 4.79%, for medium-sized enterprises (> 50,000 re-delivery points);
 - _ 6.59%, for small businesses (< 50,000 re-delivery points);
 - _ 0% for the metering service;
 - _ 1.57% for the marketing service;
 - c. the level of the recognised standard cost for each switch reading be confirmed, for the first half of the regulation period, at € 5;
 - d. the recognition of costs relating to smart metering/remote management systems be confirmed based on the costs actually incurred for the first half of the regulation period, with the application of a ceiling and recognition in account;
 - e. the recognition of costs relating to meter checks be confirmed on the basis of the costs actually incurred with the application of recognition in account;
- _ with regard to the recognition of capital costs, the Authority provided that:
 - a. the adoption of a ceiling to tariff recognition for investments in distribution networks applied to locations with year of first supply after 2017 be confirmed for the fifth regulation period, to the extent set out in Resolution no. 704/2016/R/gas;
 - b. the weights to be applied for the recognition of smart meter investments made in the two-year period 2020-2021 be revised to 30% (from 40%) for the standard cost and to 70% (from 60%) for the actual cost and that the standard cost revision be referred to the investments in the metering service made in 2022;
 - c. a time horizon be adopted for the full recovery of "frozen" contributions aligned with the time horizon for the reimbursement of contributions subject to depreciation (about 34 years);
 - d. in relation to the recognition of residual costs of traditional meters class G6 or lower replaced with

smart meters, an amount be set for the recovery of non-depreciation (IRMA), to be paid to the distribution companies over five years, equal to the difference between the residual non-depreciated value, calculated applying the pro-tempore regulatory useful life in force, and the residual value, calculated by applying a useful life of 15 years; also providing for the recovery of non-depreciation for traditional meters installed in the period 2012-2014 replaced with smart meters;

- e. following the equalisation of the β asset parameter for distribution (0.439) and metering services (from 0.502 to 0.439), the rate of return on invested capital WACC be set at 6.3% until 2021, including for metering activities;
- f. incentive regulation schemes for capital costs related to the distribution service, based on standard cost recognition logics, be introduced starting from investments made in 2022;
- g. aspects related to the introduction of tools to support network innovation be addressed in a specific consultation document, which was published in February 2020;

_ with regard to the methanisation of Sardinia, the Authority has established a specific tariff framework providing, for a period of three years, for a transitional equalisation mechanism that allows the tariff of the Sardinian sector to be equalised with that of the southern Italy sector

_ with regard to the application of the tariff regulation to isolated LNG networks and isolated networks supplied by gas supply trucks, the Authority has introduced transitional rules, providing that these networks may be assimilated to interconnected distribution networks for a period of five years, subject to submission of an application by the distribution company concerned.

The Company filed an appeal before the Regional Administrative Court of Lombardy, served on 24 February 2020, challenging the legitimacy of the Resolution no. 570/2019/R/gas in several respects, including the planned reduction in recognised operating costs to the distributors, the reduction in the return on capital invested in metering activities, confirmation of the cap on investments in start-up locations, the proposed single tariff sector for Sardinia with equalization mechanism limited to the first three years only, and the proposal for a fixed x-factor throughout the regulation period. The setting of a date for the hearing is currently pending.

Resolution No. 571/2019/R/gas approved the mandatory tariffs for natural gas distribution, metering and marketing services and the bimonthly equalisation prepayment amounts for natural gas distribution service for the year 2020.

Resolution no. 106/2020/R/gas redetermined the reference tariffs for gas distribution and metering services for the years 2009-2018 based on the requests of several distribution companies to correct the data. The Resolution also redetermined the reference tariffs for distribution and metering services for 2018 for locations with first year of supply starting from 2017 based on the provisions of Resolution no. 570/2019/R/gas, in relation to the ceiling on the costs recognised to cover capital costs relating to

the distribution service in start-up locations. In particular, for 2017 start-ups, the Authority no longer provides for application of the ceiling to the amount of recognised costs, which are therefore remunerated based on the costs actually incurred

Resolution no. 107/2020/R/gas determined the final reference tariffs for gas distribution and metering services for 2019, calculated on the basis of the actual balance sheet figures for 2018.

Resolution no. 128/2020/R/gas amended the definition of different gas sector as per Article 1, subsection 1, of the RTDG, introducing the type of gas distributed to the criteria for identifying the sector, and accepted the application to redetermine the tariff options for the year 2020 for the Sardinia different gas sector of the company Medea S.p.A., filed on 25 February 2020 by Italgas S.p.A., distinguishing, with effect as of 1 January 2020, the locations served with propane air from those served with LPG.

Resolution no. 544/2020/R/gas redetermined the reference tariffs for gas distribution and metering services for the years 2009 to 2019, based on the requests received from certain distribution companies to correct the data by 15 September 2020.

Resolution no. 568/2020/R/gas approved the amounts of operating costs, relating to smart metering/remote management systems and concentrators, incurred by the companies which submitted an application for the years 2017 and 2018. By the due date of 30 April 2021, the CSEA settled the amounts in adjustment of those already paid for the collection years.

Resolution No. 596/2020/R/gas approved the mandatory tariffs for natural gas distribution, metering and marketing services and the bimonthly equalisation prepayment amounts for natural gas distribution service for the year 2021. The Resolution also determined the values expressed in euro/re-delivery points, valid for the year 2021, of the components to cover operating costs related to the distribution, metering and marketing service, as well as the component to cover centralised capital costs.

Resolution no. 117/2021/R/gas determined the final reference tariffs for gas distribution and metering services for 2020; the resolution was contested by the Company on 25 May 2021 and the setting of a date for the hearing is currently pending.

Resolution no. 122/2021/R/gas determined the provisional reference tariffs for gas distribution and metering services for 2021, based on the preliminary balance sheet data for 2020 pursuant to Art.3, subsection 2, of the RTDG.

Resolution no. 287/2021/R/gas contains the provisions applicable to the decommissioning of traditional metering units replaced in implementation of the directives for gas smart meter commissioning, with particular reference to the reporting method of such decommissioning, as well as the methods for recording residual depreciation relating to meters decommissioned before the end of their useful life.

Commercial regulation of gas distribution and metering service

With **Resolution no. 63/2021/R/com** of 23 February 2021, the Authority defined, pursuant to Law Decree no. 124 of 26 October 2019, the procedures for application of the system for automatic recognition of social gas and water bonuses for economic hardship, replacing the regulatory provisions of the previous "on-demand" system. The automatic recognition of the social gas bonus has a duration of 12 months and the procedures for application take into account the entry into operation of the Integrated Information System (IIS) to cross-check direct supplies and the personal data of an ISEE household, received from INPS [the Italian Social Security Institute], with those listed in its Official Central Register, in order to identify a re-delivery point held by one of the household members.

With **Resolution no. 130/2021/A** of 30 March 2021, the Authority presented the reporting of activities carried out in the 2019-2020 period and the revision for 2021 of its Strategic Framework for the 2019-2021 three-year period, adopted with Resolution no. 242/2019/A. In particular, the Arera document highlighted:

- development of pilot projects for optimisation of management in the gas sector, testing the potential and any limits to the dissemination of "renewable gases" (including hydrogen, at an early stage, even if not from a strictly renewable source), as well as of new technologies, techniques and management practices that can bring positive external effects to the energy system, particularly from an environmental perspective;
- expansion of the activities relating to the new European legislative proposals for decarbonisation, with reference to future natural gas frameworks and the regulation of hydrogen and power-to-gas.

Moreover, with regard to the energy infrastructure in Sardinia, please note that:

- a number of independent studies are expected to be concluded in the first half of 2021, including the one that the Authority commissioned RSE to conduct with regard to the cost/benefit analysis of the above-mentioned energy infrastructure configurations;
- forms of coordination are planned for the granting of gas and electricity distribution concessions, in order to favour efficient infrastructure development and renewal planning.

Energy efficiency

- _ On 12 February 2021, **Resolution no. 550/2020/R/efr** was **contested**, with which the tariff contribution for Energy Efficiency Certificates was determined for the year 2019. At present, the hearing on the merits has not yet been scheduled.
- _ On 18 February 2021, a **ruling was issued**, with which the Regional Administrative Court of Lombardy declared that **Resolution no. 270/2020/R/efr** did not violate the judgement of the previous Regional Administrative Court of Lombardy ruling no. 2358/2019 on EECs. The latter states that Italian Ministerial Decree of 10 May 2018, in the part where it set the cap on the tariff recognition of costs incurred for the purchase of certificates at € 250/EEC, unlawfully exceeded the tariff powers granted to ARERA. The setting of a date for a new hearing for the decision on the matter is pending. On 18 May 2021, the Company contested Regional Administrative Court of Lombardy ruling no. 437 of 18 February 2021. The setting of a date for the hearing is currently pending.
- _ With **Resolution no. 1/2020 – DMRT of 31 January 2020 – subsequently amended with Resolution 06/2021** following publication of the Ministerial Decree of 21 May 2021 - the Authority updated the national quantitative obligations for the increase in **energy efficiency** of natural gas end uses, to be achieved in 2020 by distributors with more than 50,000 end customers connected to their distribution network as at 31 December 2018. For subsidiaries and affiliates of Italgas S.p.A., the **quantitative obligation for 2020**, rounded off to the nearest whole number on a commercial basis and expressed as a number of White Certificates, is: i) **429,881** for Italgas Reti; ii) **62,226** for Toscana Energia and iii) **3,181** for Umbria Distribuzione Gas. The publication of the Ministerial Decree of 21 May 2021 also provided for the postponement of the cancellation date for the 2020 obligation from 31 May 2021 to 16 July 2021.



4.0 COMMENT ON THE ECONOMIC AND FINANCIAL RESULTS

4.1 INCOME STATEMENT

| FINANCIAL YEAR 2020 | (MILIONI DI €) | FIRST HALF OF THE YEAR | | | |
|---------------------|--|------------------------|----------------|-------------|--------------|
| | | 2020 (**) | 2021 | ABS. CHANGE | CHANGE % |
| 1,394.3 | Gas distribution regulated revenue | 626.0 | 642.2 | 16.2 | 2.6 |
| 1,183.7 | <i>of which distribution revenue</i> | 590.1 | 595.5 | 5.4 | 0.9 |
| 102.2 | <i>of which other distribution revenue</i> | 35.9 | 46.7 | 10.8 | 30.1 |
| 108.4 | <i>of which special items</i> | - | - | - | - |
| 1,285.9 | Adjusted gas distribution regulated revenue | 626.0 | 642.2 | 16.2 | 2.6 |
| 47.9 | Other revenues | 20.8 | 23.2 | 2.4 | 11.5 |
| 1,442.2 | Total revenues (*) | 646.8 | 665.4 | 18.6 | 2.9 |
| 1,333.8 | Adjusted total revenues | 646.8 | 665.4 | 18.6 | 2.9 |
| (414.3) | Operating costs (*) | (185.0) | (176.3) | 8.7 | (4.7) |
| (51.9) | <i>of which special items</i> | - | - | - | - |
| (362.4) | Adjusted operating costs | (185.0) | (176.3) | 8.7 | (4.7) |
| 1,027.9 | EBITDA | 461.8 | 489.1 | 27.3 | 5.9 |
| 971.4 | Adjusted EBITDA | 461.8 | 489.1 | 27.3 | 5.9 |
| (424.6) | Amortisation, depreciation and impairment | (207.8) | (209.7) | (1.9) | 0.9 |
| 603.3 | EBIT | 254.0 | 279.4 | 25.4 | 10.0 |
| 546.8 | Adjusted EBIT | 254.0 | 279.4 | 25.4 | 10.0 |
| (49.2) | Net financial expense | (26.4) | (31.8) | (5.4) | 20.5 |
| - | <i>of which special items</i> | - | (6.4) | (6.4) | - |
| 1.5 | Net income from equity investments | 1.0 | 1.1 | 0.1 | 10.0 |
| 555.6 | Gross profit | 228.6 | 248.7 | 20.1 | 8.8 |
| 499.1 | Adjusted gross profit | 228.6 | 255.1 | 26.5 | 11.6 |
| (152.0) | Income taxes | (65.0) | (68.7) | (3.7) | 5.7 |
| (16.9) | <i>taxation related to special items</i> | - | 1.5 | 1.5 | - |
| (135.1) | Adjusted income taxes | (65.0) | (70.2) | (5.2) | 8.0 |
| 403.6 | Net profit | 163.7 | 180.0 | 16.3 | 10.0 |
| 383.0 | Net profit attributable to the Group | 154.3 | 171.2 | 16.9 | 11.0 |

| FINANCIAL YEAR 2020 | (MILIONI DI €) | FIRST HALF OF THE YEAR | | ABS. CHANGE | CHANGE % |
|---------------------|---|------------------------|-------|-------------|----------|
| | | 2020 (**) | 2021 | | |
| 20.6 | <i>Net profit attributable to minority interests</i> | 9.4 | 8.8 | (0.6) | (6.4) |
| 364.0 | Adjusted net profit | 163.7 | 184.9 | 21.2 | 13.0 |
| 345.4 | <i>Adjusted net profit attributable to the Group</i> | 154.3 | 176.1 | 21.8 | 14.1 |
| 18.6 | <i>Adjusted net profit attributable to minority interests</i> | 9.4 | 8.8 | (0.6) | (6.4) |

(*) Unlike the legal statement, the reclassified income statement requires the listing of Total revenues and Operating costs net of the impact of IFRIC 12 "Service concession agreements" (€ 373.6 and € 322.6 million respectively in the first half of 2021 and 2020), connection contributions (€ 9.6 and € 9.8 million respectively in the first half of 2021 and 2020) and other residual components (0.2 and 1.3 respectively in the first half of 2021 and 2020).

(**) As of 30 June 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 income statement items, the items relating to Operating costs (-€ 0.9 million), Amortisation, depreciation and impairment (+€ 2.1 million) and Income taxes (-€ 0.4 million) were adjusted as of 30 June 2020.

Net profit attributable to the Group achieved in the first half of 2021 amounted to € 171.2 million, up by € 16.9 million (11.0%), compared to the first half of 2020.

The adjusted net profit attributable to the Group was € 176.1 million, up by 14.1% compared to the first half of 2020.

Analysis of the Reclassified Income Statement items

TOTAL REVENUE

| FINANCIAL YEAR 2020 | (€ MILLION) | FIRST HALF | | ABS. CHANGE | CHANGE % |
|---------------------|---|--------------|--------------|-------------|------------|
| | | 2020 | 2021 | | |
| 1,183.7 | Distribution revenues | 590.1 | 595.5 | 5.4 | 0.9 |
| 102.2 | Other gas distribution regulated revenues | 35.9 | 46.7 | 10.8 | 30.1 |
| 108.4 | <i>of which Special Items</i> | - | - | - | - |
| 1,285.9 | Total adjusted gas distribution regulated revenues | 626.0 | 642.2 | 16.2 | 2.6 |
| 47.9 | Other revenues | 20.8 | 23.2 | 2.4 | 11.5 |
| 1,333.8 | Adjusted total revenues | 646.8 | 665.4 | 18.6 | 2.9 |
| 1,442.2 | Total revenues | 646.8 | 665.4 | 18.6 | 2.9 |

The **total revenues** of the first half of 2021 amount to € 665.4 million, up by € 18.6 million compared to the corresponding period of 2020 (+2.9%), and refer to natural gas distribution regulated revenues (€ 642.2 million) and other revenues (€ 23.2 million).

Gas distribution regulated revenues increased by € 16.2 million compared to the corresponding period of 2020, due to an increase in distribution revenues (€ 5.4 million) and in other distribution revenue (€ 10.8 million).

The increase in **distribution revenues** (€ 5.4 million) is mainly attributable to the change in the tariff components: € -4,0 million due to the application of the Resolution no. 570 "x factor" offset by an increase related to the RAB, to the deflator, to the contribution from investments in Sardinia and other items for a total of € +13.3 million, net of the adjustments relating to previous years (€ -4.0 million).

The increase in **other regulated revenue** (€ 10.8 million) is linked mainly to the contribution pursuant to article 57 of

ARERA Resolution no. 367/14, as amended, relating to the replacement of traditional meters with electronic ones (€ 6.1 million as of 30 June 2021; € 5.2 million as of 30 June 2020), higher revenues from services to customers (€ 9,8 million), up compared to the same period of 2020, strongly impacted by the restrictive measures brought by the COVID-19 emergency, and higher ARERA incentives for leak detection activities (€ 1.1 million), partially offset by lower revenues for complex arrears (€ -1.0 million).

Other revenues amounted to € 23.2 million as of 30 June 2021. The increase of € 2.4 million compared to the corresponding period of 2020 is linked mainly to the increase in revenues from the sale of LPG and activities in the energy efficiency field.

The changes introduced by **Resolution no. 570/2019/R/gas** resulted in a lower recognition, in terms of allowed opex, of approximately € 4 million compared to the corresponding period of 2020.

OPERATING COSTS

| FINANCIAL YEAR 2020 | (€ MILLION) | FIRST HALF | | ABS. CHANGE | CHANGE % |
|---------------------|--|--------------|--------------|--------------|---------------|
| | | 2020 | 2021 | | |
| 258.5 | Fixed gas distribution costs | 128.5 | 119.9 | (8.6) | (6.7) |
| 145.7 | _ net personnel cost | 73.6 | 67.7 | (5.9) | (8.0) |
| 0.4 | of which special items | - | - | - | - |
| 112.8 | _ net external costs | 54.9 | 52.2 | (2.7) | (4.9) |
| 258.1 | Adjusted Fixed gas distribution costs | 128.5 | 119.9 | (8.6) | (6.7) |
| 24.9 | Other assets | 13.1 | 17.5 | 4.4 | 33.6 |
| 3.6 | _ net personnel cost | 1.8 | 2.5 | 0.7 | 38.9 |
| 21.3 | _ net external costs | 11.3 | 15.0 | 3.7 | 32.7 |
| 57.9 | Other costs and provisions | 4.0 | 1.2 | (2.8) | (70.2) |
| 51.5 | of which special items | - | - | - | - |
| 6.4 | Other adjusted costs and provisions | 4.0 | 1.2 | (2.8) | (70.2) |
| 5.0 | Energy Efficiency Certificates | 4.9 | 3.0 | (1.9) | (38.8) |
| 68.0 | Concession-related expenses | 34.5 | 34.7 | 0.2 | 0.7 |
| 362.4 | Adjusted operating costs | 185.0 | 176.3 | (8.7) | (4.7) |
| 414.3 | Operating costs | 185.0 | 176.3 | (8.7) | (4.7) |

As of 30 June 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 income statement items, the item relating to operating costs was adjusted as of 30 June 2020 (€ 0.9 million).

Operating costs as of 30 June 2021 amounted to € 176.3 million, down by € 8.7 million compared to the first half of 2020, mainly due to lower i) net staff costs (€ 5.2 million), ii) net costs in connection with Energy Efficiency Certificates (€ 1.9 million), iii) other costs and provisions (€ 2.8 million), partially offset by increased net external costs (€ 1.0 million), mainly attributable to the energy efficiency and gas marketing activities in Sardinia, and concession-related expenses (€ 0.2 million).

AMORTISATION, DEPRECIATION AND IMPAIRMENT

| FINANCIAL YEAR 2020 | (€ MILLION) | FIRST HALF | | ABS. CHANGE | CHANGE % |
|---------------------|--|--------------|--------------|--------------|---------------|
| | | 2020 | 2021 | | |
| 423.7 | Amortisation and depreciation | 207.3 | 209.3 | 2.0 | 1.0 |
| 339.8 | Intangible assets IFRIC 12 | 169.4 | 169.6 | 0.2 | 0.1 |
| 47.6 | Other Intangible Assets | 20.2 | 21.0 | 0.8 | 4.1 |
| 36.3 | Property, plant and equipment | 17.7 | 18.7 | 1.0 | 5.6 |
| 20.2 | <i>_ of which amortisation of Right of Use</i> | 9.8 | 10.9 | 1.1 | 11.2 |
| 0.9 | Impairment | 0.5 | 0.4 | (0.1) | (20.0) |
| 424.6 | | 207.8 | 209.7 | 1.9 | 0.9 |

As of 30 June 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 income statement items, the item relating to Amortisation, depreciation and impairment (+€ 2.1 million) was adjusted as of 30 June 2020.

Amortisation, depreciation and impairment (€ 209.7 million) increased by € 1.9 million (+0.9%) compared to the corresponding period of 2020, due to higher amounts mainly linked to investments made in the previous financial year, partially offset by lower depreciation in relation to the replacement of traditional meters in view of the upcoming completion of the replacement plan (€ 0.6 million as of 30 June 2021; € 10.6 million for the first half of 2020).

NET FINANCIAL EXPENSE

| FINANCIAL YEAR 2020 | (€ MILLION) | FIRST HALF OF THE YEAR | | ABS. CHANGE | CHANGE % |
|---------------------|--|------------------------|-------|-------------|----------|
| | | 2020 | 2021 | | |
| 48.9 | Expense (income) on short-term and long-term financial debt | 24.2 | 30.2 | 6.0 | 24.8 |
| 0.0 | <i>of which special items</i> | - | 6.4 | 6.4 | - |
| 4.8 | Upfront fee and fee | 2.1 | 3.0 | 0.9 | 42.9 |
| (2.6) | Other net financial expense (income) | 0.9 | (0.1) | (1.0) | |
| 2.0 | <i>_ Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits</i> | 1.2 | 1.0 | (0.2) | (16.7) |
| (4.6) | <i>_ Other net financial expense (income)</i> | (0.2) | (1.0) | (0.8) | |
| (1.9) | Financial expense capitalised | (0.8) | (1.3) | (0.5) | 62.5 |
| 49.2 | Adjusted net financial expense | 26.4 | 25.4 | (1.0) | (3.8) |
| 49.2 | Net financial expense | 26.4 | 31.8 | 5.4 | 20.5 |

Adjusted⁵ net financial expense, i.e. net of the effects of the above-mentioned buyback (€ 6.4 million), decreased by € 1 million compared to the corresponding period of 2020.

NET INCOME FROM EQUITY INVESTMENTS

As of 30 June 2021, **net income from equity investments** amounted to € 1.1 million, up by € 0.1 million compared to the same period in 2020.

⁵ Italgas' management assesses Group performance on the basis of alternative performance indicators not envisaged by IFRS, obtained by excluding special items from EBIT and net profit.

The income components are classified as special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business.

The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Adjusted EBIT and adjusted net profit are not provided for by either IFRS or other standard setters. These performance metrics allow for analysis of the business trends, making it easier to compare results. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IFRS.

INCOME TAXES

| FINANCIAL YEAR 2020 | (€ MILLION) | FIRST HALF OF THE YEAR | | ABS. CHANGE | CHANGE % |
|---------------------|--|------------------------|--------------|-------------|------------|
| | | 2020 | 2021 | | |
| 185.5 | Current taxes | 79.1 | 82.3 | 3.2 | 4.0 |
| (33.5) | Net deferred taxes | (14.1) | (13.6) | 0.5 | (3.5) |
| 152.0 | Income taxes | 65.0 | 68.7 | 3.7 | 5.7 |
| (16.9) | <i>taxation related to special items</i> | - | 1.5 | 1.5 | - |
| 135.1 | Adjusted income taxes | 65.0 | 70.2 | 5.2 | 8.0 |
| 27.36% | Effective tax rate (%) | 28.4% | 27.6% | | |
| 27.07% | Adjusted effective tax rate (%) | 28.4% | 27.5% | | |

As of 30 June 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 income statement items, the item relating to Income taxes (-€ 0.4 million) was adjusted as of 30 June 2020.

Income taxes for the first half of 2021 (€ 68.7 million) increased by € 3.7 million compared to the first half of the previous year, primarily due to the higher tax base.

The effective tax rate was 27.6% (28.4% in the first half of 2020).

Reconciliation of EBIT and the reported net profit with adjusted EBIT and adjusted net profit

The income components classified as special items in the first half of 2021 concern increased costs (€ 6.4 million) resulting from the bond buyback transaction finalised in February 2021, net of related taxes (€ 1.5 million). The effect on adjusted net profit is equal to € 4.9 million of lower expenses.

4.2 RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the Annual Report based on the criterion of how the business operates, conventionally split into the three basic functions of investment, operations and financing.

The statement provided represents useful information for the investor because it makes it possible to identify the sources of financial resources (own and third-party funds) and uses of financial resources in fixed and working capital.

The Italgas' Reclassified Statement of Financial Position as of 30 June 2021, compared with that as of 31 December 2020, is summarised below:

| (€ MILLION) | 31.12.2020 (**) | 30.06.2021 | ABS. CHANGE |
|--|-----------------|----------------|----------------|
| Fixed capital (*) | 6,707.2 | 6,909.6 | 202.4 |
| Property, plant and equipment | 369.9 | 374.6 | 4.7 |
| Intangible assets | 6,511.5 | 6,708.6 | 197.1 |
| Equity investments | 34.2 | 33.8 | (0.4) |
| Financial receivables and securities held for operations | 0.2 | 0.2 | - |
| Net payables for investments | (208.6) | (207.6) | 1.0 |
| Net working capital | 111.2 | (79.5) | (190.7) |
| Provisions for employee benefits | (104.6) | (100.0) | 4.6 |
| Assets held for sale and directly related liabilities | 0.1 | (4.6) | (4.7) |
| NET INVESTED CAPITAL | 6,713.9 | 6,725.5 | 11.6 |
| Shareholders' equity | 1,977.4 | 1,918.7 | (58.7) |
| _ attributable to the Italgas Group | 1,737.5 | 1,690.7 | (46.8) |
| _ attributable to minority shareholders | 239.9 | 228.0 | (11.9) |
| Net financial debt | 4,736.5 | 4,806.8 | 70.3 |
| HEDGING | 6,713.9 | 6,725.5 | 11.6 |

(*) Net of the effects deriving from the application of IFRS 15.

(**) As of 30 June 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, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.

The **net invested capital** as at 30 June 2021 amounted to € 6,725.5 million and was made up of the items commented below.

Fixed capital (€ 6,909.6 million) was up by € 202.4 million compared to 31 December 2020 primarily due to the increase in tangible and intangible assets (€ 201.8 million).

Below is an analysis of the change in **Property, plant and equipment** and **Intangible assets**:

| (€ MILLION) | PROPERTY, PLANT AND EQUIPMENT | IFRIC 12 ASSETS | INTANGIBLE ASSETS | TOTAL |
|---|-------------------------------|-----------------|-------------------|-----------------|
| Balance at 31 December 2020 | 369.9 | 6,332.70 | 178.8 | 6,881.40 |
| Investments | 22.2 | 374.8 | 23.4 | 420.4 |
| <i>_ of which IFRS 16</i> | 3.7 | - | - | 3.7 |
| Amortisation, depreciation and impairment | (18.7) | (169.6) | (21.5) | (209.8) |
| <i>_ of which D&A pursuant to IFRS 16</i> | (10.9) | - | - | (10.9) |
| Change in the scope of consolidation | - | 1.7 | - | 1.7 |
| <i>Subsidies</i> | - | (7.3) | - | (7.3) |
| Other changes | 1.2 | (8.5) | 4.1 | (3.2) |
| Balance at 30 June 2021 | 374.6 | 6,523.80 | 184.8 | 7,083.20 |

As of 30 June 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, the item relating to intangible assets (-€ 5.1 million) was adjusted as of 31 December 2020.

Intangible assets (€ 6,708.6 million), which primarily include assets for the concession services accounted for pursuant to IFRIC 12, increased by € 197.1 million mainly due to investments for € 398.3 million, asset acquisitions for € 1.7 million net of amortisation and impairment for € 191.1 million.

The **tangible assets** (€ 374.6 million), which mainly concern industrial and commercial buildings and equipment, recorded an increase of € 4.7 million principally due to the effect of investments of € 22.2 million, of which € 3,7 million linked to the application of IFRS 16, net of depreciation of € 18.7 million, of which 10.9 linked to the right of use pursuant to IFRS 16.

The **equity investments** item (€ 33.7 million) refers mainly to the Gesam Reti, Valdarno, Umbria Distribuzione Gas, Metano S. Angelo Lodigiano and Enerpaper equity investments, consolidated using the equity method, and Reti Distribuzione.

Net working capital as at 30 June 2021 amounts to € 79.5 million and is broken down as follows:

| (€ MILLION) | 31.12.2020 | 30.06.2021 | ABS. CHANGE |
|--|--------------|----------------|----------------|
| Trade receivables | 462.2 | 181.2 | (281.0) |
| Inventories | 101.2 | 114.6 | 13.4 |
| Tax receivables | 64.4 | 42.6 | (21.8) |
| Accruals and deferrals from regulated activities | 202.8 | 208.9 | 6.1 |
| Other assets | 148.3 | 190.5 | 42.2 |
| Trade payables | (303.0) | (308.8) | (5.8) |
| Provisions for risks and charges | (202.6) | (185.6) | 17.0 |
| Deferred tax liabilities | (55.2) | (39.6) | 15.6 |
| Tax payables | (43.5) | (16.3) | 27.2 |
| Other liabilities | (263.4) | (267.0) | (3.6) |
| | 111.2 | (79.5) | (190.7) |

As of 30 June 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, the item relating to tax payables (-€ 1.5 million) was adjusted as of 31 December 2020.

Compared to 31 December 2020, **net working capital** fell down by € 190.7 million, mainly as a result of: i) lower trade receivables (€ 281.0 million) linked to the seasonality of the billing period; ii) an increase in inventories (€ 13.4 million) predominantly in relation to gas meters; iii) a decrease in net tax liabilities (€ 21.0 million) due mainly to payments during the period; iv) an increase in accruals and deferrals from regulated activities (€ 6.1 million) due to receivables relating to the contribution for meters pursuant to article 57 of ARERA Resolution no. 367/14, as amended; v) an increase in other assets (€ 42.2 million) mainly relating to the increase in receivables from the CSEA; vi) an increase in trade payables (€ 5.8 million); vii) a decrease in provisions for risks and charges (€ 17 million), mainly linked to the reduction of the environmental remediation provision (€ 12.1 million, of which € 6.5 million following an accounting reclassification) and use of the provision for risks for operational restoration of metering instruments (€ 5.1 million); viii) an increase in other liabilities for the period (€ 3.6 million).

It should be noted that the Company has finalised factoring agreements with financial counterparties on the basis of which the Company's receivables can be factored without recourse. In particular, transactions were completed for the sale of receivables related to: i) trade receivables for distribution due on 30 June 2021 for a collection equal to a total of € 119.8 million, (ii) receivables from CSEA for a collection equal to € 1.9 million, (iii) credits related to Energy Efficiency Certificates for a collection equal to € 39.7 million and (iv) tax receivables for a collection equal to € 22.4 million.

Net financial debt was € 4,806.8 million as at 30 June 2021, up € 70.3 million compared to 31 December 2020. Excluding the effects deriving from the application of IFRS 16, amounting to € 69.8 million, the net financial debt came to € 4,737.0 million (€ 4,660.2 million at the end of 2020).

| (€ MILLION) | 31.12.2020 | 30.06.2021 | ABS. CHANGE |
|---|----------------|----------------|---------------|
| Financial and bond debt | 5,405.1 | 5,496.8 | 91.7 |
| Short-term financial debt (*) | 677.7 | 175.2 | (502.5) |
| Long-term financial debt | 4,651.1 | 5,251.8 | 600.7 |
| Finance lease payables - IFRS 16 | 76.3 | 69.8 | (6.5) |
| Financial receivables and cash and cash equivalents | (668.6) | (690.0) | (21.4) |
| Cash and cash equivalents | (663.5) | (684.9) | (21.4) |
| Financial receivables | (5.0) | (5.0) | - |
| Securities not held for operations | (0.1) | (0.1) | - |
| Net financial debt | 4,736.5 | 4,806.8 | 70.3 |
| Finance lease payables - IFRS 16 | 76.3 | 69.8 | (6.5) |
| Net financial debt (excluding the effects pursuant to IFRS 16) | 4,660.2 | 4,737.0 | 76.8 |

(*) These include the short-term portions of long-term financial debt.

Financial and bond debt as of 30 June 2021, amounting to € 5,496.85 million (€ 5,405.1 million as of 31 December 2020), relates to bonds (€ 4,571.9 million), loan agreements concerning European Investment Bank (EIB) funding (€ 848.8 million), liabilities pursuant to IFRS 16 (€ 69.8 million) and bank loans (€ 6.3 million).

Cash, amounting to € 684.9 million, up by € 21.4 million compared to 31 December 2020 thanks to the positive cash flow of the half-year and the net liquidity resulting from the bond issue transaction carried out in February 2021, is held in current accounts immediately available with leading banks.

The breakdown of debt by type of interest rate as of 30 June 2021 is as follows:

| (€ MILLION) | 31.12.2020 | % | 30.06.2021 | % |
|-----------------------------|----------------|--------------|----------------|--------------|
| Fixed rate | 4,676.3 | 86.5 | 5,377.0 | 97.8 |
| Floating rate | 728.8 | 13.5 | 119.8 | 2.2 |
| Gross financial debt | 5,405.1 | 100.0 | 5,496.8 | 100.0 |

Fixed-rate financial liabilities amounted to € 5,377.0 million and mainly refer to bonds (€ 4,571.9 million), three EIB loans (€ 728.9 million) and financial liabilities pursuant to IFRS 16 (€ 69.8 million).

Fixed-rate financial liabilities increased by € 700.7 million compared to 31 December 2020, primarily due to the "dual-tranche" bond issue maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the buy back of bonds maturing in January 2022 and March 2024, for a total of € 255.7 million. 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.

Floating-rate financial liabilities, relating to EIB loans, were down by € 609.0 million due to the decreased use of bank credit lines.

As of 30 June 2021, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

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. As of 30 June 2021, these commitments were respected.

4.3 RECLASSIFIED STATEMENT OF CASH FLOWS

The reclassified statement of cash flows provided below is the summary of the legally required cash flow statement. The reclassified statement of cash flows makes it possible to reconcile the change in cash and cash equivalents at the start and end of the period with the change in net financial

debt at the start and end of the period. The measure which allows for the reconciliation between the two statements is the free cash flow⁶, i.e. the cash surplus or deficit remaining after the financing of investments.

| (€ MILLION) | FIRST HALF OF THE YEAR | |
|---|------------------------|--------------|
| | 2020 (**) | 2021 |
| Net profit | 163.7 | 180.0 |
| <i>Correction:</i> | | |
| _ Amortisation, depreciation and other non-monetary components | 200.5 | 208.3 |
| _ Net capital losses (capital gains) on asset sales and eliminations | 2.3 | 0.8 |
| _ Interest and income taxes | 91.0 | 100.5 |
| Change in working capital due to operating activities | 1.4 | 216.3 |
| Dividends, interest and income taxes collected (paid) | (75.0) | (156.2) |
| Cash flow from operations (*) | 383.9 | 549.7 |
| Technical investments | (352.6) | (409.4) |
| Other changes related to investments activities | (34.1) | (12.2) |
| Divestments and other changes | 0.3 | 11.5 |
| Free cash flow before M&A transactions | (2.5) | 139.6 |
| Companies included in the scope of consolidation | (4.4) | (2.3) |
| <i>of which:</i> | | |
| _ price paid for equity | (4.4) | |
| _ deferred payments | | (2.3) |
| Acquisition of business units and plants | (6.3) | (1.7) |
| Free cash flow | (13.2) | 135.6 |
| Change in short- and long-term financial debt and financial receivables | 295.4 | 113.6 |
| Reimbursements of financial liabilities for leased assets | (9.5) | (8.8) |
| Equity cash flow | (206.0) | (219.4) |
| Net cash flow for the year | 66.7 | 21.0 |

(*) Net of the effects deriving from the application of IFRS 15.

(**) As of 30 June 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 income statement items, the items relating to Operating costs (-€ 0.9 million), Amortisation, depreciation and impairment (+€ 2.1 million) and Income taxes (-€ 0.4 million) were adjusted as of 30 June 2020.

⁶ The free cash flow alternatively closed: (i) the change in cash for the period, after the addition/subtraction of cash flows relating to financial payables/receivables (usage/repayment of financial receivables/payables) and equity (payment of dividends/capital contributions); (ii) the change in net financial debt for the period, after the addition/subtraction of flows of debt relating to equity (payment of dividends/capital contributions).

CHANGE IN NET FINANCIAL DEBT

| (€ MILLION) | FIRST HALF OF THE YEAR | |
|---|------------------------|---------------|
| | 2020 | 2021 |
| Free cash flow before M&A transactions | (2.5) | 139.6 |
| Change due to acquisitions of equity investments, business units and assets | (10.7) | (4.0) |
| Increase in finance lease payables | (10.3) | (2.2) |
| Equity cash flow | (206) | (219.4) |
| Other changes (Difference between interest accounted for and paid) | 13.5 | 15.7 |
| Change in net financial debt | (216.0) | (70.3) |

The cash flow from operations in the first half of 2021 amounted to € 549.7 million and made it possible to fully finance the flow from net investments, totalling € 410.1 million, generating a free cash flow before M&A transactions of € 139.6 million. As at 30 June 2021, the cash outflow from M&A transactions amounted to € 4 million, bringing the free cash flow to € 135.6 million.

Taking into account payment of the dividend for € 219.4 million, net financial debt increased by € 70.3 million.

4.4 NON - GAAP MEASURES

Alternative performance indicators

On 5 October 2015, the ESMA (European Security and Markets Authority) published its guidance (ESMA/2015/1415) on the presentation criteria for alternative performance indicators (API or APM), which replaces the CESR/05-178b recommendations from 3 July 2016. The NON-GAAP financial report must be considered complementary to and not replacing the reports prepared according to IAS/IFRS.

The alternative performance indicator adopted in this report are illustrated below.

MAIN ALTERNATIVE PERFORMANCE INDICATORS

| ALTERNATIVE ECONOMIC PERFORMANCE INDICATORS | DESCRIPTION |
|---|--|
| Gas Distribution regulated revenue | Operating performance indicator representing revenue from regulated gas distribution activities, calculated by subtracting Other revenue from the Total revenue. Other revenue is revenue from unregulated activities, revenue for construction and enhancement of infrastructures recognised pursuant to IFRIC 12, the release of connection contributions relating to the financial year and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows". |
| Reclassified operating costs | Operating performance indicator representing the legally-required operating costs minus costs for construction and enhancement of the infrastructure recognised pursuant to IFRIC 12 and any other components entered in the statement of reconciliation of the income statement of the subsequent chapter "Reconciliation of the reclassified income statement, statement of financial position and statement of cash flows". |
| EBITDA | Operating performance indicator, calculated by subtracting operating costs and the release of connection contributions relating to the financial year from the revenue. |
| Adjusted EBITDA | Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBITDA. |
| EBIT | Operating performance indicator, calculated by subtracting operating costs, amortisation, depreciation and impairment from revenue. |
| Adjusted EBIT | Operating performance indicator, calculated by subtracting income components classified as special items (as defined in the chapter "Comment on the economic and financial results" of this Report) from EBIT. |
| Adjusted Earnings per Share | Indicator of the profitability of the company's shares, calculated as the ratio between the adjusted net profit attributable to the Group and the total number of shares. |

| ALTERNATIVE CAPITAL PERFORMANCE INDICATORS | DESCRIPTION |
|--|--|
| Net working capital | A capital indicator that expresses the capital employed in current and non-financial assets and liabilities. This is defined as the sum of the values relating to trade receivables and payables, inventories, tax receivables and payables, provisions for risks and charges, deferred tax assets, deferred tax liabilities and other assets and liabilities. |
| Fixed capital | A capital indicator that expresses the total fixed assets. It is defined as the sum of the values relating to items of Property, plant and equipment, Intangible assets net of Other liabilities relating to connection contributions, Equity investments and Net debt relating to investment activities. |
| Net invested capital | A capital indicator that expresses the investments made by the company in operations. This is defined as the sum of the values related to fixed capital, net working capital, provisions for employee benefits and assets held for sale and directly related liabilities. |

| ALTERNATIVE FINANCIAL PERFORMANCE INDICATORS | DESCRIPTION |
|--|--|
| Cash flow from operating activities | It represents the net cash flow from the operating activity of the mandatory schemes, excluding the effects deriving from the application of the IFRS 15 accounting standard (Other liabilities relating to connection contributions). |
| Free cash flow before M&A transactions | It represents the cash surplus or deficit remaining after the financing of investments, excluding the flow deriving from Merger and Acquisition transactions. |
| Free cash flow | It represents the cash surplus or deficit remaining after financing of the investments. |
| Net financial debt | Determined as the sum of short- and long-term financial debt, financial liabilities for leases pursuant to IFRS 16 and cash and cash equivalents. |

Reconciliation of the reclassified income statement and statement of financial position

In line with ESM/2015/1415 guidance, the reconciliation of the Income Statements, Statements of Financial Position and Statements of Cash Flows of the Italgas Group and Italgas S.p.A., commented in the Report on Operations, is provided below with the related legally required statements.

RECONCILIATION BETWEEN RECLASSIFIED CONSOLIDATED FINANCIAL STATEMENTS AND THE LEGALLY REQUIRED FINANCIAL STATEMENTS

RECLASSIFIED INCOME STATEMENT

| (€ MILLION) | REFERENCE TO THE EXPLANATORY NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS | FIRST HALF | | | | | |
|--|---|--|---|--------------------------------------|--|---|--------------------------------------|
| | | 2020 | | | 2021 | | |
| | | FIGURES FROM RESTATED MANDATORY STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | FIGURES FROM RESTATED MANDATORY STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| Revenues (from mandatory statements) | | 977.1 | | | 1,048.8 | | |
| _ Revenues for construction and upgrading of distribution infrastructures IFRIC 12 | (note 26) | | (321.8) | | | (373.6) | |
| _ Release of connection contributions relating to the financial year | (note 26) | | (9.8) | | | (9.6) | |
| _ Net income from Energy Efficiency Certificates | (note 26) | | 1.3 | | | 0.5 | |
| _ Reimbursement of faulty meters | (note 26) | | - | | | (0.7) | |
| Total revenue (from reclassified statements) | | | | 646.8 | | | 665.4 |
| Operating costs (from mandatory statements) | | (505.5) | | | (550.1) | | |
| _ Revenues for construction and upgrading of distribution infrastructures IFRIC 12 | (note 26) | | 321.8 | | | 373.6 | |
| _ Net income from Energy Efficiency Certificates | (note 26) | | (1.3) | | | (0.5) | |

| (€ MILLION) | REFERENCE TO THE EXPLANATORY NOTES OF THE CONSOLIDATED FINANCIAL STATEMENTS | FIRST HALF | | | | | |
|---|---|--|---|--------------------------------------|--|---|--------------------------------------|
| | | 2020 | | | 2021 | | |
| | | FIGURES FROM RESTATED MANDATORY STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | FIGURES FROM RESTATED MANDATORY STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| _ Reimbursement of faulty meters | (note 26) | | | | | 0.7 | |
| Operating costs (from reclassified statements) | | | | (185.0) | | | (176.3) |
| EBITDA | | | | 461.8 | | | 489.1 |
| Amortisation, depreciation and impairment (from mandatory statements) | | (217.6) | | | (219.3) | | |
| _ Release of connection contributions relating to the financial year | | | 9.8 | | | 9.6 | |
| Amortisation, depreciation and impairment (from reclassified statements) | | | | (207.8) | | | (209.7) |
| EBIT | | 254.0 | | 254.0 | 279.4 | | 279.4 |
| Net financial expense | | (26.4) | | (26.4) | (31.8) | | (31.8) |
| Net income from equity investments | | 1.0 | | 1.0 | 1.1 | | 1.1 |
| Gross profit | | 228.6 | | 228.6 | 248.7 | | 248.7 |
| Income taxes | | (65.0) | | (65.0) | (68.7) | | (68.7) |
| Net profit (loss) | | 163.7 | | 163.7 | 180.0 | | 180.0 |

RECLASSIFIED STATEMENT OF FINANCIAL POSITION
(€ MILLION)

| (WHERE NOT EXPRESSLY INDICATED, THE ITEM IS OBTAINED DIRECTLY FROM THE LEGALLY-REQUIRED STATEMENT) | REFERENCE TO THE EXPLANATORY NOTES OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS | 31.12.2020 | | 30.06.2021 | |
|--|---|---|--------------------------------------|---|--------------------------------------|
| | | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| Fixed capital | | | | | |
| Property, plant and equipment | (note 11) | | 369.9 | | 374.6 |
| Intangible assets, of which: | | | 6,516.6 | | |
| _ Intangible assets | (note 12) | 7,060.1 | | 7,246.3 | 6,708.6 |
| <i>from which to deduct Connection contributions</i> | (note 19) | (543.5) | | (537.7) | |
| Participating interests, composed of: | | | 34.2 | | |
| _ Equity investments measured using the equity method | (note 13) | 29.3 | | 28.9 | 33.8 |
| _ Other investments | (note 14) | 4.9 | | 4.9 | |
| Net payables relating to investment activities, composed of: | | | (208.6) | | (207.6) |
| _ Payables for investment activities | (note 17) | (225.1) | | (212.9) | |
| _ Receivables from investment/divestment activities | (note 7) | 16.5 | | 5.3 | |
| _ Financial receivables and securities instrumental to operations | (note 14) | | 0.2 | | 0.2 |
| Total fixed capital (from reclassified statements) | | | 6,712.3 | | 6,909.6 |
| Net working capital | | | | | |
| Trade receivables, of which: | (note 7) | | 462.2 | | 181.2 |
| Inventories | (note 8) | | 101.2 | | 114.6 |
| Tax assets, composed of: | | | 64.4 | | 42.6 |
| _ Current and non-current income tax assets | (note 9) | 7.6 | | 6.3 | |
| _ Other current tax assets | (note 10) | 40.8 | | 20.3 | |
| _ IRES receivables for National Tax Consolidation Scheme | (note 7) | 16.0 | | 16.0 | |
| Accruals and deferrals from regulated activities | | | 202.8 | | 208.9 |
| Other assets, composed of: | | | 148.3 | | 190.5 |
| _ Other receivables | (note 7) | 99.5 | | 177.5 | |
| <i>to which to add Receivables for safety incentives</i> | | | 0.0 | | |
| _ Other assets | (note 10) | 48.8 | | 13.0 | |

| (WHERE NOT EXPRESSLY INDICATED, THE ITEM IS OBTAINED DIRECTLY FROM THE LEGALLY-REQUIRED STATEMENT) | REFERENCE TO THE EXPLANATORY NOTES OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS | 31.12.2020 | | 30.06.2021 | |
|--|---|---|--------------------------------------|---|--------------------------------------|
| | | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| Trade payables, of which: | | | (303.0) | | (308.8) |
| _ Trade payables | (note 17) | (303.0) | | (308.8) | |
| Provisions for risks and charges, of which: | | | (202.6) | | (185.6) |
| _ Provisions for risks and charges | (note 20) | (202.6) | | (185.6) | |
| Deferred tax liabilities | (note 22) | | (55.2) | | (39.6) |
| Tax payables, composed of: | | | (45.0) | | |
| _ Current income tax liabilities | (note 9) | (35.9) | | (11.7) | (16.3) |
| _ Other tax liabilities | (note 19) | (9.0) | | (4.6) | |
| _ Parent company's payables for liquidation of Group VAT | (note 19) | (0.1) | | 0.0 | |
| Other liabilities, composed of: | | | (263.4) | | (267.0) |
| _ Other payables | (note 17) | (239.4) | | (251.5) | |
| <i>to which to add Payables for penalties</i> | | 0.0 | | | |
| from which to deduct Receivables for safety incentives | | 0.0 | | | |
| _ Other liabilities | (note 19) | (2.7) | | (15.5) | |
| _ Other financial liabilities | (note 18) | (21.3) | | | |
| Total net working capital (from reclassified statements) | | | 109.7 | | (79.5) |
| Provisions for employee benefits | (note 21) | | (104.6) | | (100.0) |
| Assets held for sale and directly related liabilities, composed of: | | | 0.1 | | (4.6) |
| _ Assets held for sale | (note 15) | 0.1 | | 1.9 | |
| _ Liabilities directly associated with assets held for sale | | - | | (6.5) | |
| NET INVESTED CAPITAL | | | 6,717.5 | | 6,725.5 |
| Shareholders' equity including minority interests | (note 24) | | (1,981.0) | | (1,918.7) |
| Net financial debt | | | | | |
| Financial and bond debt, composed of: | (note 16) | | (5,405.1) | | (5,496.8) |
| _ Long-term financial liabilities | | (4,651.1) | | (5,251.8) | |
| Short-term financial liabilities, composed of: | | | | | |
| _ Short-term portions of long-term financial debt | | (600.8) | | (172.9) | |
| Short-term financial liabilities: | | | (76.9) | | |
| _ Short-term financial liabilities | | (77.4) | | (2.3) | |

| (WHERE NOT EXPRESSLY INDICATED, THE ITEM IS OBTAINED DIRECTLY FROM THE LEGALLY-REQUIRED STATEMENT) | REFERENCE TO THE EXPLANATORY NOTES OF THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS | 31.12.2020 | | 30.06.2021 | |
|--|---|---|--------------------------------------|---|--------------------------------------|
| | | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| <i>from which to deduct Factoring transactions in transit</i> | | 0.5 | | | |
| _ Financial liabilities pursuant to IFRS 16 | | (76.3) | | (69.8) | |
| Financial receivables and cash and cash equivalents, composed of: | | | 668.6 | | 690.0 |
| Cash | | | 663.5 | | 690.0 |
| _ Cash and cash equivalents | (note 5) | 664.0 | | 684.9 | |
| <i>from which to deduct Factoring transactions in transit</i> | | (0.5) | | | |
| Current financial assets, composed of: | (note 6) | | | | |
| _ Financial receivables non-instrumental to operations | | 5.0 | | 5.0 | |
| _ Other financial assets held for trading or available for sale | | 0.1 | | 0.1 | |
| Total net financial debt (from reclassified statements) | | | (4,736.5) | | (4,806.8) |
| HEDGING | | | (6,717.5) | | (6,725.5) |

RECLASSIFIED STATEMENT OF CASH FLOWS

(€ MILLION)

| RECLASSIFIED STATEMENT OF CASH FLOWS ITEMS AND INTERSECTION OF LEGALLY-REQUIRED STATEMENT ITEMS | FIRST HALF OF 2020 | | FIRST HALF OF 2021 | |
|---|---|--------------------------------------|---|--------------------------------------|
| | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| Net profit | | 162.8 | | 180.0 |
| <i>Correction:</i> | | | | |
| Amortisation, depreciation and other non-monetary components: | | 202.6 | | 208.3 |
| _ Amortisation and depreciation | 219.2 | | 218.9 | |
| _ Net impairment of property, plant and equipment and intangible assets | 0.5 | | 0.5 | |
| _ Contributions for connections - uses | (9.8) | | (9.6) | |
| _ Effect of valuation using equity method | 2.5 | | (1.0) | |
| _ Non-monetary items (stock grants) | - | | (0.5) | |
| Net capital losses (capital gains) on asset sales and eliminations | | (2.3) | | 0.8 |
| Interest, income taxes and other changes: | | 91.0 | | 100.5 |

| RECLASSIFIED STATEMENT OF CASH FLOWS ITEMS AND INTERSECTION OF LEGALLY-REQUIRED STATEMENT ITEMS | FIRST HALF OF 2020 | | FIRST HALF OF 2021 | |
|---|---|--------------------------------------|---|--------------------------------------|
| | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| _ Interest income | (0.3) | | (2.1) | |
| _ Interest expense | 26.7 | | 33.9 | |
| _ Income taxes | 64.6 | | 68.7 | |
| Change in working capital due to operating activities: | | 5.1 | | 216.1 |
| _ Inventories | (21.4) | | (13.4) | |
| _ Trade receivables | 198.0 | | 246.7 | |
| _ Trade payables | (92.1) | | 16.8 | |
| _ Change to provisions for risks and charges | (5.1) | | (17.2) | |
| _ Other assets and liabilities | (80.6) | | (12.2) | |
| <i>from which to deduct Deferrals for connection contributions - increases</i> | 9.8 | | 3.9 | |
| <i>from which to deduct Deferrals for connection contributions - uses</i> | (3.8) | | (9.6) | |
| <i>from which to deduct effects of transactions to municipalities</i> | | | | |
| _ other changes | 0.3 | | | |
| _ Change in provisions for employee benefits | | | (4.6) | |
| Dividends, interest and income taxes collected (paid): | | (75.0) | - | (156.2) |
| _ Dividends collected | 3.8 | | 0.1 | |
| _ Interest income | 0.3 | | 2.1 | |
| _ Interest paid | (26.7) | | (48.7) | |
| _ Income taxes (paid) refunded | (52.5) | | (109.7) | |
| Cash flow from operating activities | | 388.8 | | 549.5 |
| Technical investments: | | (353.5) | | (409.4) |
| _ Property, plant and equipment | (16.6) | | (18.5) | |
| _ Intangible assets | (340.7) | | (394.8) | |
| _ Contributions for connections - increases | 3.8 | | 3.9 | |
| Other changes relating to investment activities: | | (34.1) | | (12.2) |
| _ Change in payables relating to investment activities | (34.1) | | (12.2) | |
| _ Other changes | | | | |
| Disinvestments: | | 0.3 | | 11.5 |
| _ Property, plant and equipment | 0.3 | | 0.3 | |
| _ Intangible assets | - | | - | |
| _ Change in receivables relating to investment activities | - | | 11.2 | |
| _ Other changes | - | | | |

| RECLASSIFIED STATEMENT OF CASH FLOWS ITEMS AND INTERSECTION OF LEGALLY-REQUIRED STATEMENT ITEMS | FIRST HALF OF 2020 | | FIRST HALF OF 2021 | |
|--|--|--|--|--|
| | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS | PARTIAL FIGURES FROM MANDATORY STATEMENTS | FIGURES FROM RECLASSIFIED STATEMENTS |
| Free cash flow before M&A transactions | | 1.5 | | 139.4 |
| Change in scope of consolidation | | (4.4) | | (2.3) |
| <i>of which:</i> | | | | |
| <i>price paid for equity</i> | (4.4) | | (2.3) | |
| <i>assumption of the net debt of companies acquired</i> | | | | |
| Business units and assets | | (6.3) | | (1.7) |
| Free cash flow | | (9.2) | | 135.4 |
| Change in financial debt: | | 304.9 | | 113.6 |
| _ Change in short- and long-term financial debt | 296.9 | | 113.6 | |
| _ Medium- to long-term financial receivables | | | - | |
| Factoring | 8.0 | | - | |
| Cash needs | | | - | |
| EGN debt | | | - | |
| Other changes relating to monetary items | | | - | |
| _ Disposals of interests | | | | |
| _ Reimbursements of financial liabilities for leased assets | | (9.5) | | (8.8) |
| Equity cash flow | | (206.0) | | (219.4) |
| Cash flow for the year | | 80.2 | | 20.8 |
| Cash needs | - | | | - |
| Factoring | - | | | - |
| Other changes | - | | | - |
| Net cash flow for the year | 80.2 | | | 20.8 |







5.0 OTHER INFORMATION

Treasury shares

The company did not own any treasury shares as at 30 June 2021.

Related party transactions

Based on Italgas' current ownership structure, Italgas related parties include, in addition to directors, statutory auditors, executives with strategic responsibilities, companies associated with the Group or under its joint control, also the subsidiaries directly or indirectly controlled by CDP, therefore including the shareholder Snam, and the Ministry of Economy and Finance (MEF). Transactions with these entities relate to the exchange of assets, the provision of services and, in the case of CDP, the provision of financial resources.

These transactions are part of ordinary business operations and are generally settled at arm's length, i.e. the conditions which would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

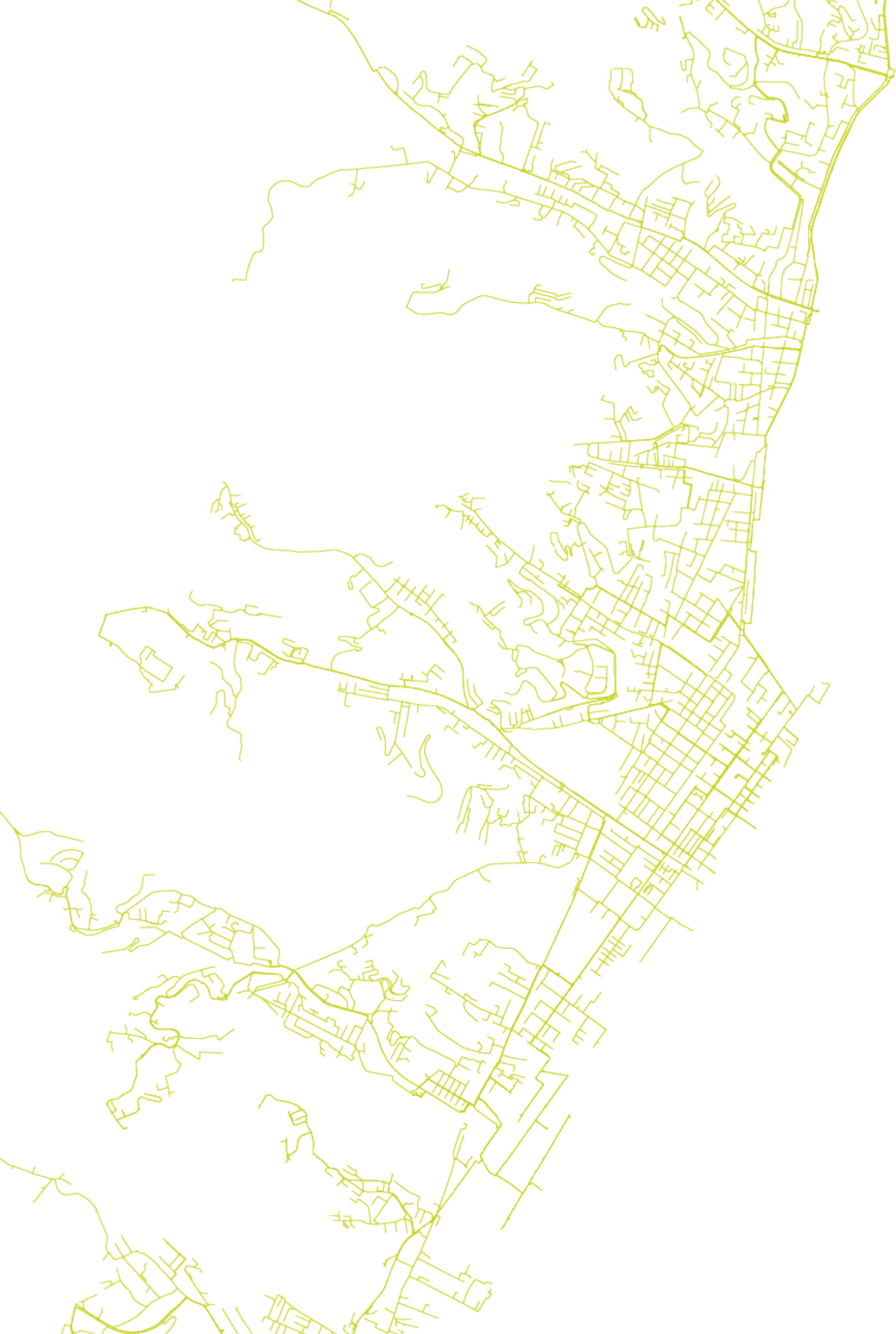
Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

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.

CDP and CDP Reti consolidate Italgas in accordance with the international accounting standard IFRS 10; in addition, at the meeting of its Board of Directors on 1 August 2019, CDP reclassified its equity interest in Italgas S.p.A. as de facto control pursuant to article 2359, subsection 1, no. 2) of the Italian Civil Code and article 93 of the CLF. Italgas is not subject to management and coordination activities by CDP.

As at 30 June 2021, Italgas manages and coordinates its subsidiaries, pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the balance sheet, income statement and cash flows, are provided in the paragraph "Related-party transactions" of the Notes to the consolidated financial statements.





6.0 ELEMENTS OF RISK AND UNCERTAINTY

Italgas has an Internal Control and Risk Management System integrated into the organisational, administrative and accounting structure and, more generally, a corporate governance system that ensures compliance with the laws and company procedures, protects the company assets and contributes to the management of activities, solidifying the accounting and financial data processed.

The Enterprise Risk Management (ERM) Department is tasked with overseeing the Group's integrated business risk management process. The ERM activities focus on the definition of a homogeneous, transversal model for assessing the risks, identifying priority risks, ensuring consolidation of the mitigation actions and developing a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and the existing international best practices (in particular, the 2017 COSO framework relative to the Enterprise Risk Management, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and ISO 31000:2018). The process for the identification, assessment, measurement and management of the risks is carried out periodically, at least once a year, on the basis of the importance of the risk and any changes in context.

The activities directly involve all business departments through dedicated meetings that make it possible to incorporate updates to the information on the description, significance and management of the risks already existing in the portfolio, and the detection of new emerging risks. These activities are carried out in a way that covers the entire scope of the Group and all the potential applicable events. In order to ensure the correct assessment and prioritisation of risk events, the assessment is carried out considering the following potential types of impact: economic-financial; operative; legal, governance and compliance; environment, health and safety; reputation and market. The ERM model establishes an integrated, cross-cutting and dynamic risk assessment that enhances the management systems already existing in the individual business processes. Each risk is assessed using a specific assessment scale that sets out the thresholds of relevance for the Group and attributes a "rating" to each risk, thereby making it easier to prioritise them. For all risks, the risk ownerships are identified and attributed and the management strategies are defined, broken down into specific actions for dealing with the risk and establishing the relative implementation time.

With reference to strategic risks, the Enterprise Risk Management Department, in coordination with all relevant departments, carries out a specific in-depth analysis of risks, opportunities and uncertainties related to the Strategic Plan. The analysis is conducted using a proprietary Monte Carlo simulation model that uses the information gathered on risks, opportunities and volatility and on related correlations to generate a multitude of alternative scenarios for the evolution of the variables underlying the Strategic Plan and evaluates their overall impact on the value drivers. In addition, specific "what if" scenarios are identified in relation to the reference context on which the Strategic Plan is based, and the impacts that these scenarios would have on the strategic agenda are then assessed. The analysis allows estimation of the overall volatility of the defined economic and financial targets and evaluation of the level of resilience of the Strategic Plan. The "Strategic Plan" document, which has been approved by Italgas S.p.A.'s Board of Directors, contains the output of this analysis;

The Enterprise Risk Management Department draws up specific summary reports on the identification, assessment and management of the risks and shares them with the different company levels. The risks are updated once a quarter, half-year or year, depending on their relevance. The results found in relation to the main risks and related management plans are presented to the Control, Risk and Related Party Transactions Committee at each updating. Moreover, the mapping of risks and the relative management strategies are presented periodically to the Board of Statutory Auditors and the Supervisory Body of Italgas and to the Boards of Statutory Auditors and the Supervisory Bodies of the Subsidiaries.

The Officer Responsible and the Internal Audit department periodically receive the results of the risk assessments performed by the ERM unit.

The reconciliation table below shows the main risks mapped in the ERM process being monitored, the management methods and the material topics identified. It is specified that the management methods include those initiatives envisaged on the Strategic Plan that amongst others have the effect of reducing exposure to risk.

It should be noted that, despite the mitigation actions introduced in order to monitor and prevent the occurrence of significant risks, the Company cannot rule out specific events that could lead to the recognition of liabilities in the financial statements.

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|--------------------------------|---|---|--|---|
| Strategic/ business related | Changes in Regulation and legislation | Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector. Risk of penalising update of the rate of return on net invested capital recognised by ARERA starting 1 January 2022 according to the update of the reference macroeconomic variables. | <ul style="list-style-type: none"> _ Specific structures for monitoring regulation, legislation and their prospective development plans, including in Europe _ Active participation in the consultations called by ARERA, sharing corporate positions and/or proposals for defining, updating and implementing clear and transparent regulation criteria _ Active participation in consultations called by the Italian government or by European community organisations on relevant topics, including Taxonomy _ Guidance aimed at defining unified trade positions in Italy and abroad | Economic performance and financial sustainability |
| Strategic/ business related | Climate Change | <p>Physical Risk: increased frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in repair and insurance costs, service interruption, etc.) with a negative impact on costs, revenue and level of service</p> <p>EMERGING RISK:⁷ Physical Risk: increase in the average temperatures in the areas where Italgas operates with a negative impact on volumes of gas distributed and/or on the number of active re-delivery points served, with a negative impact on revenue</p> <p>EMERGING RISK: Transition Risk: changes in the Italian and EU legislative and regulatory context in terms of greenhouse gas, with the objective of limiting emissions, for instance by introducing measures that require natural gas distributors to acquire certificates to cover emissions, with a negative impact on costs.</p> <p>EMERGING RISK: Transition Risk: technological changes that may lead to a negative impact on residential demand for natural gas with a negative impact on costs, revenue and level of expected investments</p> <p>EMERGING RISK: Transition Risk: uncertainty of the role of natural gas in the future energy mix with a negative impact on costs, revenue and level of expected investments</p> | <ul style="list-style-type: none"> _ Operational countermeasures as described in the "Service continuity: malfunctioning, accidents or extraordinary events" risk _ Target to reduce greenhouse gas emissions by 30% and energy consumption by 25% in the 2020-27 period _ Use of Picarro Surveyor technology, currently the most advanced technology in the field of gas network monitoring activities, with significant benefits in terms of speed of execution, extent of the areas being controlled and three times greater sensitivity of detection of gas in the air than those currently used by sector operators (parts per billion versus parts per million) _ Process of converting the approximately 73,000 kilometres of network into digital infrastructure in order to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas _ Development, implementation and adoption of digital applications for the remote control of network and facility construction, development and maintenance worksites _ Conversion to methane of the distribution networks supplied by LPG, with resulting reduction in emissions compared to the current configuration _ Actions to continuously modernise the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, restoration of upright columns and brackets) _ Promotion of responsible business practices, by joining the UN Global Compact and the OGMP 2.0 of the UNEP _ Guidance aimed at defining unified trade positions in Italy and abroad _ Active participation in consultations called by the Italian government or by European community organisations on relevant topics _ Active participation in the activities of European sector associations to oversee technological changes _ Carrying out energy efficiency projects through the subsidiary Seaside _ Investments intended to increase the Group's presence in the water and energy efficiency sectors _ Promotion of sustainable mobility _ Development of power-to-gas technology powered by renewable energy in order to produce gas that can be used in the existing networks _ Network and facility analysis initiatives for the evaluation of their adequacy and of interventions intended to enable the distribution of gas other than methane, such as hydrogen, biomethane and e-gas. | <p>Corporate identity</p> <p>Environmental sustainability and the fight against climate change</p> <p>Economic performance and financial sustainability</p> <p>Quality and safety of assets</p> <p>Innovation</p> |
| Strategic/ business related | Risks associated with the development and awarding of area tenders for the gas distribution service | <p>Risk of not being awarded concessions in the planned areas, or being awarded concessions with less favourable conditions than previously.</p> <p>Risk of higher management costs borne by the Group with respect to its operating standards in case of concessions awarded in ATEMs (Minimum Territorial Areas) previously managed entirely or partially by other operators.</p> <p>Risk of legal and/or arbitration disputes with possible negative effects on the business and the equity, economic and financial position of the Italgas Group deriving from the complexity of the legislation that governs the expiry of the concessions held by Italgas.</p> <p>Risk that the redemption value of the concessions, for which a third party is an assignee following the area tenders, is lower than the value of the RAB, with possible negative effects on the business and on the equity, economic and financial position of Italgas</p> | <ul style="list-style-type: none"> _ The existing legislation states that, in the event of failure to be awarded concessions previously managed, the outgoing operator is entitled to the redemption value for the networks it owns. _ Specific procedures that govern the pre-tender activities, including calculation of the redemption value, and participation in area tenders _ Monitoring of legislative changes (national, regional, local) and evaluation of the potential impacts on the tender process _ Planning of the Tender calendar and the bidding strategy integrated into the Group's Strategic Plan. _ Critical analysis of the quality of the tender bid and implementation of improvement measures, including through use of external experts, organisations and universities | <p>Corporate identity</p> <p>Economic performance and financial sustainability</p> |

⁷ Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|--------------------------------|--|--|---|---|
| Strategic/ business related | Risks related to energy efficiency certificates | Potential risk of economic loss due both to the possible negative difference recorded between the mean purchase value of the Energy Efficiency Certificates purchased and the recognised tariff-based fee at the end of each year of obligation and the failure to achieve the targets annually set | <ul style="list-style-type: none"> – Established a specific provision to cover the liabilities associated with the Energy Efficiency Certificates. – Process for the acquisition of Energy Efficiency Certificates and the management of related obligations – Monitoring of legislative changes – Active participation in working groups and development of sector position papers with proposals for guidelines for reviewing the rules of the EEC system – Optimised purchasing strategy through access to the market, evaluation and development of any reports for bilateral agreements, periodic reporting to company management – Presence in energy efficiency sectors through the development of projects with partial reduction of the EEC short position | <p>Environmental sustainability and the fight against climate change</p> <p>Economic performance and financial sustainability</p> |
| Financial | Credit Risk | Risk of potential losses arising from counterparties failing to fulfil their obligations or delayed payment of amounts owed with negative effects on the financial results and financial position of Italgas | <ul style="list-style-type: none"> – Rules for user access to the gas distribution service established by 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 lay down contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request. – As at 30 June 2021 there were no significant credit risks. Note that on average, 98% of trade receivables relating to gas distribution are settled by the due date and over 99% within the following 4 days, confirming the strong reliability of the customers. – Analysis and monitoring of the credit portfolio – Assessments of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies. | Economic performance and financial sustainability |
| Financial | Changes in interest rates, inflation and deflation | Risk of fluctuations in interest rates, impacting the market value of the Company's financial assets and liabilities and its net financial expense. The risk that an extended period of inflation lower than the Group's forecasts could have adverse effects in the long-term on the RAB value and expected regulated revenue. Risk of an unexpected increase in the inflation rate with possible adverse effects on expected costs | <ul style="list-style-type: none"> – Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks; – Financial planning activities with a time frame of 7 years, carried out annually; – Maintenance of a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates (as at 30 June 2021, 2.2% of the gross financial debt was at floating rate and 97.8% at fixed rate); – Use of a diverse mix of external financial resources (bonds subscribed by institutional investors, syndicated loans with banks and other financial institutions, in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Europe Interbank Offered Rate [Euribor]); – Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) | Economic performance and financial sustainability |
| Financial | Liquidity Risk | 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 | <ul style="list-style-type: none"> – Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks; – Financial planning activities with a time frame of 7 years, carried out annually; – Adequate level of cash held in current accounts and fixed-term deposits with leading banks. – The EMTN programme, in addition to funding from the banking system, which presently allows issue of the remaining bonds worth a nominal € 1.9 billion to be placed with institutional investors; – Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) | <p>Corporate identity</p> <p>Economic performance and financial sustainability</p> |
| Financial | Credit rating risk | Risk of a downgrade in Italgas' credit rating due to worsening in the economic and financial parameters or due to a downgrade of the rating of the Italian Republic, which, based on the methodologies adopted by the rating agencies, could trigger a downward adjustment in Italgas' rating | <ul style="list-style-type: none"> – Process for the preparation and monitoring of the financial and management plan, and control and reporting of financial risks; – Financial planning activities with a time frame of 7 years, carried out annually; – Monitoring of the main economic and financial indicators, including financial structure indices used by rating agencies, liquidity indicators and liquidity buffers, risk indicators of counterparty liabilities, and of certain key parameters, such as the ratio between debt and the RAB, indicators of debt mix/composition (fixed/variable, short/long, used/agreed) – Constant dialogue with rating agencies | <p>Corporate identity</p> <p>Economic performance and financial sustainability</p> |

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|-------------|---|---|---|--|
| Financial | Debt covenant and default risk | Risk of failure to comply with financial covenants for existing 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), which could result in Italgas' failure to comply and could trigger the early repayment of the relative loan | <ul style="list-style-type: none"> _ Absence of financial covenants and/or collateral in the loan agreements (as at 30 June 2021, there were no loan agreements with these characteristics, except for the EIB loan taken out by Toscana Energia, for a nominal € 90 million, which requires compliance with certain financial covenants); _ The issue of bonds as part of the Euro Medium Term Notes programme, requiring compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses. _ Monitoring of compliance with the following types of contractual clauses: (i) negative pledge undertakings, pursuant to which Italgas and its 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 (as at 30 June 2021, these commitments appear to have been respected); | Corporate identity Economic performance and financial sustainability |
| Operational | Anomalies in smart meter performance | Risk of increased levels of malfunctioning of remote-reading meters with lost/failed reading of the use and/or requiring replacement or regeneration | <ul style="list-style-type: none"> _ Maintenance of an adequate provision to cover the liabilities generated by the costs arising from malfunctioning. _ Issue of adequate guarantees by the suppliers of materials; _ "SmartTracker" Digital Factory application for the tracking and management of smart meters throughout the entire life cycle; _ Plan to replace and/or repair meters with function anomalies. _ Audits on suppliers and supply tests _ Updating of technical specifications, including in consideration of technological developments _ Adoption in the field of smart meters equipped with NB-IoT communication technology | Corporate identity Customer quality and satisfaction Economic performance and financial sustainability Quality and safety of assets Innovation |
| Operational | Service continuity: malfunctioning, accidents or extraordinary events | Risks of malfunctioning and unforeseeable distribution service disruptions from unintended events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control | <ul style="list-style-type: none"> _ Third Party Liability Insurance and Asset Protection coverage; _ Procedures and systems for emergency management, emergency plans with measures defined to make plants safe and guarantee service continuity; _ Health and safety procedures, communication campaigns, training and meetings to raise awareness of and analyse the prevention of accidents, initiatives that also involve suppliers/contractors. _ Integrated Centre for Supervision (ICS) active 24/7 which makes it possible to monitor the status of the network remotely using remote monitoring systems, manage requests for prompt intervention, identify the places that require intervention and monitor the progress of making conditions safe. _ Plant and asset safety and network monitoring systems; _ Digitisation of the network, for the improvement of real-time monitoring systems and predictive maintenance; _ Planned search for leaks using the best systems and technologies (Picarro Surveyor) and with higher levels of coverage of the network inspected on an annual basis than the standards defined by ARERA; _ Continuous modernisation of the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, plans to clean up upright columns and brackets); _ Prevention of potential damage to pipes caused by third parties (e.g. other sub-services); _ Qualification procedures for third-party construction, engineering and project management companies, contractor monitoring; _ Digital Factory for the development of innovative solutions intended to digitise processes and improve the network operating and management activities and the quality of service. | Corporate identity Development of human resources Customer quality and satisfaction The commitment to the local area Economic performance and financial sustainability Quality and safety of assets |

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|-------------|--|--|---|--|
| Operational | <i>Cyber attacks</i> | Risks of cyber attacks on the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors | <ul style="list-style-type: none"> _ Specific insurance coverage of the risks related to cybersecurity _ Cybersecurity organisational and operational model; _ Models and procedures for business continuity, network and information security, and emergency and crisis management _ Specific training for Group employees on cyber risks, common vulnerabilities, phishing and spam. _ Phishing simulations for Group employees intended to test and strengthen their ability to recognise malicious emails; _ Secure Product Development Lifecycle process which defines an operational and project approach in which the considerations and measures to prevent and mitigate cybersecurity risks are integrated from the very start of the procurement process and/or the development of hardware and software _ Performance of IT and OT vulnerability assessment _ Definition and periodic updating of contract technical specifications, including in relation to cybersecurity. _ Leading sector suppliers that guarantee maximum levels of security and performance, the service levels of which are defined by contract and monitored _ "Cybersecurity Awareness for third parties", with which Italgas Group suppliers must formally comply. It promotes the application of appropriate cybersecurity processes by third parties | <ul style="list-style-type: none"> Corporate identity Compliance and transparency Responsible supply chain management Customer quality and satisfaction Economic performance and financial sustainability Innovation |
| Operational | Risks associated with the health and safety of people and environmental protection | <p>Risk of injuries due to accidents and/or non-compliance with safety standards.</p> <p>Risk that Italgas may incur costs or liability, including to a significant extent, arising from any environmental damage, including in consideration of changes in legislation on protecting the environment, the possible occurrence of disputes and the difficulty of determining any consequences, including in relation to the liability of other parties</p> | <ul style="list-style-type: none"> _ Specific insurance policies for "individuals", which cover cases of professional and non-professional accidents, and death by illness; _ HSEQ system in compliance with the reference standards, certified according to international legislation for aspects of health, safety, environment, quality and energy efficiency, which envisages compliance audits carried out by the certification body. _ Research and technological innovation and actions and projects for the energy efficiency of processes, the improvement of plant safety conditions and the environmental recovery of former manufactured gas production sites. _ Monitoring of HSEQ legislation, formation and dissemination of applicable legislative oversight. _ Training on HSEQ issues and digital management system for courses (Learning Management System) _ Digital applications for reporting and recording "near misses" and for waste management. _ Communication campaigns and meetings to raise awareness about safety and other HSEQ topics for all operating units. Reward systems for virtuous operating structures in terms of health and safety. _ Conventions with suppliers/contractors intended to raise awareness/create alignment on HSEQ issues _ Internal procedures that involve specific measures with regard to suppliers/contractors in case of HSEQ non-compliance and reward system for virtuous behaviour (Contractor Safety Trophy) _ Compliance audits on the HSEQ and ISO 37001 integrated system and technical audits on suppliers and contractors during qualification and normal activities _ With particular reference to reclamation activities: <ul style="list-style-type: none"> _ A specific provision has been set up to cover the estimated liabilities in relation to the formalities required by the law in effect _ Reclamation process of contaminated sites, which defines the tasks, operating procedures and indications in operations of waste removal, land analysis, establishing safe conditions and/or reclamation of sites contaminated by previous activities. _ Structure dedicated to monitoring the design and construction phases. Audits on sites being reclaimed, carried out internally and by third parties, both during the works and for the final inspection | <ul style="list-style-type: none"> risk management Development of human resources Environmental sustainability and the fight against climate change Responsible supply chain management The commitment to the local area Compliance and transparency |

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|-------------|--|---|---|---|
| Operational | Risks associated with human resources | Risks associated with the development of human resources, including risk of resources in key roles leaving, lack of technical and specialist know-how, increase in the age of company personnel, drop in the level of satisfaction and/or increase in workplace disputes | <ul style="list-style-type: none"> _ Knowledge transfer system developed in the Italgas Digital Factory, which involves the video coding of operating activities and real-time instructions available via wearable devices _ Refining of training processes, with a multimedia platform for planning, managing and accessing the various managerial, technical, HSEQ and digital training activities. _ Initiatives for the dissemination of the culture and digital knowledge (mapping of digital skills, creation of Digital Ambassadors and training on digital topics) _ Personnel scouting and recruitment process, performance management system and development plans for resources with a role-specific training programme. _ Succession plan for senior roles; _ Collaborations with Italian universities intended to anticipate talent acquisition; _ Definition of organisational structures dedicated to diversity and inclusion and to HR sustainability; _ Periodic survey on the corporate climate extended to all Group employees; _ System of services and welfare under constant expansion in order to intercept new requirements and expectations. _ Italgas Human Rights Policy _ Italgas Diversity and Inclusion Policy _ Mac@Italgas project to provide Italgas personnel already in possession of an iPhone or iPad with a MacBook to replace Windows PCs, guaranteeing an ecosystem capable of ensuring the simplicity of the approach to new digital solutions, driving exchange and collaboration and improving the daily experience. | <p>Corporate identity</p> <p>Responsible governance and risk management</p> <p>Development of human resources</p> <p>Innovation</p> |
| Operational | Risks associated with the quality and level of service | Risk of non-compliance of the commercial levels of service for services to sales companies and/or risk of delayed or partial compliance with the obligations assumed, such as execution of the investments plan related to concessions involving obligations borne by the concession holder | <ul style="list-style-type: none"> _ Continuous monitoring of Key Performance Indicators on commercial processes, alerts and communication to Territorial Hubs for activation/acceleration of territorial interventions _ Ad hoc analysis of all commercial processes and development of improvement measures _ Operating procedures and instructions for Commercial Management of the Service _ Acceleration in improvements to the level of service driven by the digitisation of assets and processes _ Surveys at sales companies _ New Italgas digital portal dedicated to Gas2Be sales companies, developed to strengthen the partnership, facilitate the accreditation process of the network and allow the sales companies direct and immediate access to information and news about Italgas, such as the most recent promotions launched in the territory, or about the upcoming webinars designed specifically to increase and improve the exchange of know-how between Italgas and the sales companies. _ Allocation to a specific business unit of the responsibility for mapping the existing concession obligations, monitoring and activating the network technical units for prompt interventions. _ Monitoring of the works progress on the basis of the obligations assumed _ Constant dialogue with contracting parties, including in order to understand and satisfy update requirements. _ Introduction of Salesforce (CRM) to support people working at the Italgas Contact Centre in carrying out front-end activities (Customer Service) | <p>Corporate identity</p> <p>Customer quality and satisfaction</p> <p>The commitment to the local area</p> <p>Economic performance and financial sustainability</p> <p>Innovation</p> |

| CATEGORY | RISK | DESCRIPTION | MAIN METHODS OF MANAGEMENT | CONNECTED MATERIAL TOPICS |
|--------------------------|--|---|---|--|
| Operational | Supply chain risks | Risks associated with the availability and cost of materials, services and supplies, the operating capacity and scalability and the reputational and compliance reliability (including respect for human rights) of the suppliers and contractors of the Group | <ul style="list-style-type: none"> _ Planning of procurement, analysis and monitoring of department KPIs. _ Supplier qualification process which provides for specific reputational checks, including in terms of ESG and anti-mafia _ Standardised tender processes and regulations _ Supplier performance evaluation, including in terms of sustainability, integrated into the vendor management module _ On-site checks for the qualification purposes of suppliers deemed critical/strategic _ Technical specifications being continuously updated including in consideration of the technological changes and contractual clauses that govern cases of goods and services exposed to cyber risk _ "Supplier Code of Ethics", which requires a commitment by the suppliers and is inspired, among other things, by the information set out internationally in the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organization (ILO) and in the Ten Principles of the UN Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. _ "Cybersecurity Awareness for third parties", with which the Italgas Group's suppliers must comply. _ Renewed logistics model with Warehouse Centralisation and management of Withdrawal Points in the territories (UT) and consequent digitisation of monitoring materials in stock/transit | <ul style="list-style-type: none"> Development of human resources Responsible supply chain management Economic performance and financial sustainability Innovation |
| Operational | COVID-19, pandemics and new diseases | Risks associated with the health crisis arising from COVID-19 and/or the spread of new pandemics or new diseases that have repercussions on health and safety, on the operating context and on the resulting economic and financial framework of reference of Italgas | <ul style="list-style-type: none"> _ Formation of a Crisis Committee for the analysis and decision-making associated with the management of the pandemic _ Continuous monitoring of the changes in the reference regulations and scientific solutions for the management of the COVID-19 emergency both nationally and internationally, maintaining constant connections with the authorities, research organisations and hospitals _ Adoption of the Italgas Group Protocol regulating measures to combat and contain the spread of the COVID-19 virus in the workplace _ Specific indemnity insurance policy for all employees who test positive for COVID-19 _ Campaigns open to all employees for carrying out PCR swab tests, serological tests and flu vaccinations _ Specific operating measures to minimise contact (smart working, review of operating procedures, suspension of transfers and visitor entry), specific safety measures such as the provision of specific routes, temperature scanners upon entry and hand sanitiser towers. _ Daily monitoring of positive cases and personnel in quarantine and process for the receipt and management of reports regarding positive COVID-19 cases, which provides for the identification of any personnel who have come into contact with them and activation of quarantine in coordination with health authorities and local doctors | <ul style="list-style-type: none"> Corporate identity Responsible governance and risk management Development of human resources The commitment to the local area Economic performance and financial sustainability |
| Legal and non-compliance | Risk of non-compliance and legislative changes | Risk of non-compliance with legislation at European, national, regional and local level with which Italgas must comply in relation to the activities that it carries out and/or risk of failure to intercept and transpose new regulations falling under the scope of application | <ul style="list-style-type: none"> _ Internal control and risk management system and areas of responsibility defined in terms of compliance _ Code of Ethics, Model 231, Policy for the prevention of and fight against corruption, ISO 37001 anti-bribery certification for Italgas and all Group companies _ Monitoring, analysis, distribution and implementation of legislative measures on topics of interest for the Italgas Group and verification of correct implementation _ Training for personnel on compliance issues; _ Analysis and monitoring of the reputational requirements of the Group's counterparties _ "Supplier Code of Ethics", with which the Italgas Group's suppliers must comply | <ul style="list-style-type: none"> Corporate identity Fight against corruption Compliance and transparency Responsible governance and risk management Development of human resources Environmental sustainability and the fight against climate change Responsible supply chain management Customer quality and satisfaction |

Significant events occurring after the end of the half-year

- On 13 July 2021, the acquisition by Conscoop of the entire share capital of Isgas33 - the company holding the concession for the management of the gas service in Basin 33 in Sardinia - was finalised. 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 enterprise value is € 25 million, equal to the estimated RAB for the company's assets, adjusted for the value of financial debt at closing. With completion of the transaction, the number of basins where Italgas operates in Sardinia rises to 18 (out of 38).
- On 15 July 2021, in compliance with the time frames set out in the rules of the transfer procedure, Italgas filed a binding offer for the acquisition of DEPA Infrastructure S.A., as part of the international public tender procedure for the sale of 100% of the company's shares by Hellenic Republic Asset Development Fund S.A. and Hellenic Petroleum S.A..
- On 16 July 2021, ARERA published the consultation document 308/2021/R/com relating to the criteria for determining and updating the rate of return on invested capital for the second regulation period, which starts on 1 January 2022.
- On July 16, 2021, ARERA published Determination no. 3/2021 relating to the methods of recognition of the residual costs of traditional meters of class less than or equal to G6 replaced with smart meters in application of the Directives for the commissioning of gas measuring units.







7.0 CORONAVIRUS EMERGENCY AND BUSINESS OUTLOOK

Coronavirus emergency and business Outlook

As we all know, the so-called Coronavirus Emergency unfolded in Italy in February 2020, with the spread of infection and the necessary emergency measures taken by the Health and Government Authorities to contain the spread.

Although this state of emergency continues into the current year, the Company has not noted any major adverse effects, to date, on the development and investment initiatives as a result of the deteriorating macroeconomic situation. By leveraging digitisation processes, measures have been implemented to ensure the continuity and effectiveness of worksite activities and interventions at customer premises, while operating in complete safety and in compliance with the terms set out in the company plans.

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. At present, the Company does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

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 € 685 million as of 30 June 2021; (ii) there are limited requirements to refinance debt (the first bond repayment is due in January 2022 for a total of around € 112 million), (iii) the bonds issued by Italgas as of 30 June 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.

Any downgrading of the rating of Italgas could result in a rise in the spreads applied. As of 30 June 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 the confirmation on 3 December 2020 of the rating by Fitch (BBB+, stable outlook) and Moody's (Baa2, stable outlook), bear witness to the Company's financial soundness and confirm its ability to access the capital market.

With reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the limitations imposed by the aforementioned health emergency, the Company has not found any evidence to date to suggest significant negative effects on the 2021 results.

However, the Company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook in the periods to come, should the health emergency situation persist or return to a critical state.

In this context, Italgas will therefore continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving service quality, streamlining processes and operating costs, whilst paying constant attention to development opportunities. With specific regard to investments, Italgas expects to continue to carry out its plan targeted primarily at the implementation of network digitisation projects natural gas distribution of Sardinia, plus the normal maintenance and development of the networks managed.

GLOSSARY

A glossary of financial, commercial and technical terms, as well as units of measurement, is available online at www.italgas.it.

ECONOMIC-FINANCIAL TERMS

| | |
|----------------------------------|--|
| Non-current assets | Balance sheet item which shows long-lasting assets, net of relative amortisation, depreciation and impairment losses. They are divided into the following categories: "Property, plant and equipment", "Compulsory inventories", "Intangible assets", "Equity investments", "Financial assets" and "Other non-current assets". |
| Cash flow | Net cash flow from operating activities is represented by the cash generated by a company over a certain period of time. Specifically, the difference between current inflows (mainly cash revenue) and current cash outflows (costs in the period that generated cash outflows). |
| Controllable fixed costs | Fixed operating costs of regulated activities, represented by the sum of "Total recurring personnel costs" and "Recurring external operating costs". |
| Covenants | <p>A covenant is an undertaking within a loan agreement whereby certain activities can or cannot be carried out by the borrower. Specifically, a covenant is defined as "financial" when it imposes a limit relating to the possibility of taking out a further loan, while in covenants relating to property, the clauses are aimed, inter alia, at limiting the use of financial leverage by the company, involving the obligation of maintaining a given ratio between balance sheet debt and capitalisation.</p> <p>These commitments are imposed by financial subjects to prevent the financial conditions of the borrower from deteriorating and, where this does happen, to be able to request the early repayment of the loan.</p> |
| Credit rating | Represents the opinion of the rating agency with respect to a debtor's general credit or the debtor's creditworthiness with specific reference to a particular debt instrument or another form of financial obligation, based on the relevant risk factors; the classification of various risk levels is made using letters of the alphabet and with essentially the same procedures by the various agencies. |
| Dividend payout | Ratio between the dividend and net profit for the period, and equal to the percentage of profits paid out to shareholders in the form of dividends. |
| Outlook | The outlook indicates the future rating prospects over a long period of time, usually two years. When it is "negative" it means that the rating is weak and that the rating agency has detected some critical elements. If the weakness factors persist or worsen, the rating may be downgraded. |
| Notch: | Risk level assigned by the rating agency, as part of the process of assigning the credit rating, which corresponds to a probability of default, i.e. of the issuer. |
| R.O.E. (Return on equity) | Ratio between the net profit and shareholders' equity at the end of the period, able to express the return on own capital. |

| | |
|---|--|
| R.O.I. Core (Return on investment) | Ratio of EBIT and net invested capital at period end, net of equity investments, capable of expressing operating profitability, indicating the company's capacity to remunerate invested capital from the results of its core business activities. |
| Consolidated Finance Act (TUF) | Legislative Decree No. 58 of 24 February 1998, as amended. |
| Comprehensive income | Includes both net income for the period and changes in shareholders' equity, which are recognised in shareholders' equity in accordance with international accounting standards (Other components of comprehensive income). |

COMMERCIAL AND TECHNICAL TERMS

| | |
|--|---|
| Thermal year | Time period into which the regulatory period is divided. Starting from the third regulatory period, the thermal year coincides with the calendar year. |
| ARERA: | The Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is an independent body set up by Law no. 481 of 14 November 1995 to protect the interests of consumers and promote competition, efficiency and dissemination of services with adequate levels of quality, through regulation and control activities. The Authority's action, initially limited to the electricity and natural gas sectors, was later extended through a number of regulatory measures, in particular through Law Decree 201/11, converted to Law 214/11, to assign responsibility also for water services. |
| ATEM: | Minimum Geographical Areas (ATEMs) for conducting tenders and assigning the gas distribution service, calculated as 177 pursuant to the definition of Article 1 of the Ministerial Decree of 19 January 2011. The Municipalities belonging to each area are listed in the Ministerial Decree of 18 October 2011. |
| Energy and Environmental Services Fund - CSEA | Public economic institution that operates in the fields of electricity, gas and water. Its primary mission is the collection of certain tariff components by operators; these components are collected in dedicated management accounts and subsequently disbursed to businesses according to the rules issued by the Authority. The CSEA is supervised by the Authority and the Ministry of Economy and Finance. The CSEA also, in relation to the entities administered, performs inspection activities aimed at administrative, technical, accounting and management assessments, consisting in hearing and comparing the entities involved, with recognition of locations and systems, research, testing and comparison of documents. |
| White certificates | White Certificates, or Energy Efficiency Certificates (TEE) are tradable securities that certify the energy savings achieved in the end uses of energy by taking action to increase energy efficiency. The White Certificate system is an incentive mechanism based on a mandatory primary energy saving regime for electric power and natural gas distributors. All entities eligible for the mechanism are entered in the Electronic Register of Energy Efficiency Certificates with the GME. |
| End user | The consumer who buys gas for their own use. |
| Network code | The document governing the rights and obligations of the parties involved in providing the gas distribution service. |
| Gas distribution concession | The deed by which a local authority entrusts to a company the management of a natural gas distribution service which falls within the remit of said authority, and for which said company assumes the operational risk. |

| | |
|--------------------------------------|--|
| Local tender | The local tender is the sole tender procedure for the provision of gas distribution services held in each of the 177 minimum geographical areas (ATEM) identified pursuant to Articles 1 and 2 of the Decree of the Ministry of Economic Development of 19 January 2011. |
| Gas distributed or circulated | Amount of gas delivered to users of the distribution network at the delivery points. |
| Italian Power Exchange (GME) | A joint stock company established by the GSE to which business management of the Electrical Energy Market was assigned according to criteria of transparency and objectiveness, with a view to promoting competition between producers and ensuring the availability of an adequate power reserve level. Previously known as the Italian Power Exchange, it changed its name on 19 November 2009. In particular, the GME manages the day-ahead energy market (MGP), the intraday market (MI), the daily product market (MPEG), the dispatching services market (MSD), the electric forward market (MTE) and the Platform for the physical delivery of financial contracts concluded on the Index (CDE). The GME also manages the Environment Markets (energy efficiency certificates market and the origin guarantees market) and the spot and futures markets for natural gas, as part of the natural gas market (MGAS). In the context of regasification, it organises and manages the PAR platform. |
| Energy Services Manager (GSE) | Public company limited by shares with wholly public capital, with a central role in the promotion, incentive and development of renewable sources in Italy. The sole shareholder of the GSE is the Ministry of Economy and Finance, which exercises shareholder rights with the Ministry of Economic Development. The GSE controls three companies: the Acquirente Unico (AU; Single Buyer), Gestore dei Mercati Energetici (GME; Energy Markets Operator) and Ricerca sul Sistema Energetico (RSE; Energy System Research). |
| Equalisation | Difference between revenues for the period (annual TRL) and those invoiced to retail companies. The net position with the CSEA is established at the end of the thermal year and settled over the course of the year on the basis of advance payments. |
| Regulatory period | This is the time period for which criteria are defined for setting tariffs for gas distribution services. The fifth regulatory period is now in progress, beginning on 1 January 2020 and ending on 31 December 2025. |
| Delivery point | This is the point of demarcation between the gas distribution plant and the plant owned or managed by the end user at which the distribution company redelivers gas transported for supply to the end user, and at which metering occurs. |
| Gas distribution service | Service of transporting natural gas through networks of local methane pipelines from one or more delivery points to redelivery points, generally at low pressure and in urban areas, for delivery to end users. |

| | |
|---|---|
| Retail Company or Relco (Retail Company) | Company which, by way of a contract giving it access to the networks managed by a distributor, sells the gas. |
| Regulatory Asset Base (RAB) | The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Regulatory Authority for Energy, Networks and Environment (ARERA), for determining the reference tariff. |
| Centralised RAB | The Centralised Regulatory Asset Base is made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote-control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses). |
| Local RAB | The Local Regulatory Asset Base for the distribution service consists of the following types of tangible fixed assets: land on which industrial buildings, manufacturing buildings, major and minor plants, road and pipeline installations (connections) are located. Local Regulatory Asset Base relating to the metering service is made up of the following types of tangible fixed assets: traditional metering equipment and electronic metering equipment. |
| Reimbursement value | The Reimbursement Value is the amount owed to outgoing operators on the termination of the service pursuant to Article 5 of the Decree of the Ministry of Economic Development No. 226 of 12 November 2011 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when Ministerial Decree No. 226/2011 came into force). |
| RIV or Residual Industrial Value | The residual industrial value of the part of the plant owned by the outgoing operator. It is equal to the cost that should be incurred for its reconstruction as new, reduced by the value of the physical degradation and also including non-current assets under construction as indicated from the accounting records (Article 5(5) of Ministerial Decree No. 226/2011). |
| TRL (Total Revenue Limit) | Total revenue allowed for distribution companies by the regulatory body to cover costs for providing distribution and metering services. |
| WACC | Weighted Average Cost of Capital. Rate of return on net invested capital. |



B.
**CONDENSED
CONSOLIDATED
HALF-YEAR
FINANCIAL
STATEMENTS 2021**

Statement of Financial Position

| (€ THOUSANDS) | NOTES | 31.12.2020 RESTATED | | 30.06.2021 | |
|---|-------|---------------------|---------------------------|------------------|---------------------------|
| | | TOTAL | OF WHICH, RELATED PARTIES | TOTAL | OF WHICH, RELATED PARTIES |
| ASSETS | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | (5) | 664,026 | | 684,908 | |
| Current financial assets | (6) | 5,120 | | 5,120 | |
| Trade and other receivables | (7) | 635,028 | 253,182 | 377,070 | 99,526 |
| Inventories | (8) | 101,184 | | 114,622 | |
| Current income tax assets | (9) | 4,251 | | 5,409 | |
| Other current non-financial assets | (10) | 84,168 | 5 | 71,665 | 5 |
| | | 1,493,777 | | 1,258,794 | |
| Non-current assets | | | | | |
| Property, plant and equipment | (11) | 369,899 | | 374,562 | 2,332 |
| Intangible assets | (12) | 7,055,028 | | 7,246,302 | |
| Equity investments valued using the equity method | (13) | 29,301 | | 28,835 | |
| Non-current financial assets | (14) | 5,072 | | 5,079 | |
| Non-current income tax assets | (9) | 3,340 | | 4,635 | |
| Other non-current financial assets | (18) | | | 230 | |
| Other non-current non-financial assets | (10) | 167,441 | 674 | 174,212 | 668 |
| | | 7,630,081 | | 7,833,855 | |
| Non-current assets held for sale | (15) | 69 | | 1,911 | |
| TOTAL ASSETS | | 9,123,927 | | 9,094,560 | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Current liabilities | | | | | |
| Short-term financial liabilities | (16) | 698,406 | 536 | 195,799 | 536 |
| Trade and other payables | (17) | 767,555 | 25,963 | 772,104 | 42,510 |
| Current income tax liabilities | (9) | 34,471 | | 11,694 | |
| Other current financial liabilities | (18) | 299 | | 280 | |
| Other current non-financial liabilities | (19) | 9,118 | 175 | 4,743 | 175 |
| | | 1,509,849 | | 984,620 | |

| (€ THOUSANDS) | NOTES | 31.12.2020 RESTATED | | 30.06.2021 | |
|--|-------|---------------------|---------------------------------|------------------|---------------------------------|
| | | TOTAL | OF WHICH, RELATED PARTIES | TOTAL | OF WHICH, RELATED PARTIES |
| Non-current liabilities | | | | | |
| Long-term financial liabilities | (16) | 4,707,145 | 1.978 | 5,301,160 | 1.829 |
| Provisions for risks and charges | (20) | 202,617 | | 185,637 | |
| Provisions for employee benefits | (21) | 104,622 | | 100,024 | |
| Deferred tax liabilities | (22) | 55,215 | | 44,163 | |
| Other non-current financial liabilities | (18) | 21,002 | | 13,215 | |
| Other non-current non-financial liabilities | (19) | 546,054 | | 540,470 | |
| | | 5,636,655 | | 6,184,669 | |
| Liabilities directly associated with non-current assets held for sale | (23) | | | 6,544 | |
| TOTAL LIABILITIES | | 7,146,504 | | 7,175,833 | |
| SHAREHOLDERS' EQUITY | | | | | |
| | (24) | | | | |
| Share capital | | 1,001,232 | | 1,002,016 | |
| Reserves | | 139,821 | | 145,469 | |
| Profit (loss) carried forward | | 211,755 | | 372,075 | |
| Profit (loss) for the year | | 384,626 | | 171,174 | |
| Total Italgas shareholders' equity | | 1,737,434 | | 1,690,734 | |
| Minority interests | | 239,989 | | 227,993 | |
| TOTAL SHAREHOLDERS' EQUITY | | 1,977,423 | | 1,918,727 | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 9,123,927 | | 9,094,560 | |

Income Statement

| (€ THOUSANDS) | NOTES | FIRST HALF OF 2020 RESTATED | | FIRST HALF OF 2021 | |
|--|-------|--------------------------------|---------------------------------|--------------------|---------------------------------|
| | | TOTAL | OF WHICH, RELATED PARTIES | TOTAL | OF WHICH, RELATED PARTIES |
| REVENUE | (26) | | | | |
| Revenues | | 947,424 | 454,313 | 1,017,556 | 475,580 |
| Other revenue and income | | 29,645 | 3,586 | 31,284 | 2,511 |
| | | 977,069 | | 1,048,840 | |
| OPERATING COSTS | (27) | | | | |
| Costs for raw materials, consumables, supplies and goods | | (59,567) | (2,773) | (66,376) | (2,467) |
| Costs for services | | (264,584) | (1,541) | (297,997) | (977) |
| Costs for leased assets | | (44,114) | (514) | (49,488) | (436) |
| Personnel cost | | (123,789) | | (125,651) | |
| Allocations to/releases from provision for risks and charges | | (5,267) | | (3,095) | |
| Allocations to/releases from provisions for doubtful debt | | | | | |
| Other expenses | | (8,192) | (48,424) | (7,434) | (33,893) |
| | | (505,513) | | (550,041) | |
| AMORTISATION, DEPRECIATION AND IMPAIRMENT | (28) | (217,536) | | (219,389) | |
| EBIT | | 254,020 | | 279,410 | |
| FINANCIAL INCOME (EXPENSE) | (29) | | | | |
| Financial expense | | (26,753) | (149) | (34,040) | (147) |
| Financial income | | 345 | | 2,079 | |
| Derivative financial instruments | | | | 150 | |
| | | (26,408) | | (31,811) | |
| INCOME (EXPENSE) FROM EQUITY INVESTMENTS | (30) | | | | |
| Effect of valuation using the equity method | | 1,139 | 1,139 | 738 | 738 |
| Dividends | | 25 | 25 | 49 | 49 |
| Other income (expense) from equity investments | | (134) | | 307 | |
| | | 1,030 | | 1,094 | |

| (€ THOUSANDS) | NOTES | FIRST HALF OF 2020 RESTATED | | FIRST HALF OF 2021 | |
|--|-------|--------------------------------|---------------------------------|--------------------|---------------------------------|
| | | TOTAL | OF WHICH, RELATED PARTIES | TOTAL | OF WHICH, RELATED PARTIES |
| Gross profit | | 228,642 | | 248,693 | |
| Income taxes | (31) | 64,936 | | 68,659 | |
| Net profit (loss) for the year | | 163,706 | | 180,034 | |
| Attributable to Italgas | | 154,291 | | 171,174 | |
| Minority interests | | 9,415 | | 8,860 | |
| Net earnings (loss) per share attributable to Italgas (€ per share) | (32) | | | | |
| — basic and diluted | | 0.19 | | 0.21 | |

Consolidated Statement of Comprehensive Income: attributable to the parent company and to minority interests

| (€ THOUSANDS) | FIRST HALF OF 2020 RESTATED | | | FIRST HALF OF 2021 | | |
|--|---|--|----------------|--|--|----------------|
| | ATTRIBUTABLE TO THE PARENT COMPANY | ATTRIBUTABLE TO MINORITY INTERESTS | TOTAL | ATTRIBUTABLE TO THE PARENT COMPANY | ATTRIBUTABLE TO MINORITY INTERESTS | TOTAL |
| Net profit (loss) for the year | 154,291 | 9,415 | 163,706 | 171,174 | 8,860 | 180,034 |
| Other comprehensive income | | | | | | |
| <i>Components reclassifiable to the income statement:</i> | | | | | | |
| Change in fair value of cash flow hedge derivatives (Effective portion) | (8,261) | | (8,261) | 7,868 | | 7,868 |
| Tax effect | 1,983 | | 1,983 | (1,888) | | (1,888) |
| | (6,278) | | (6,278) | 5,980 | | 5,980 |
| <i>Components not reclassifiable to the income statement:</i> | | | | | | |
| Actuarial gains (losses) from remeasurement of defined benefit plans for employees | | | | 1,823 | 161 | 1,984 |
| Tax effect | | | | (462) | (41) | (503) |
| | | | | 1,361 | 120 | 1,481 |
| Total other components of comprehensive income, net of tax effect | (6,278) | | (6,278) | 7,341 | 120 | 7,461 |
| Total comprehensive income for the year | 148,013 | 9,415 | 157,428 | 178,515 | 8,980 | 187,495 |

Statement of changes in shareholders' equity

| (€ THOUSANDS) | SHAREHOLDERS' EQUITY PERTAINING TO OWNERS OF THE PARENT | | | | | | | | | | | | MINORITY INTERESTS | TOTAL SHAREHOLDERS' EQUITY |
|---|---|-----------------------|-----------------------|---------------|--|---|--|---------------------|----------------|-------------------|-------------------------|-----------|--------------------|----------------------------|
| | SHARE CAPITAL | CONSOLIDATION RESERVE | SHARE PREMIUM RESERVE | LEGAL RESERVE | RESERVE FOR DEFINED BENEFIT PLANS FOR EMPLOYEES, NET OF TAX EFFECT | FAIR VALUE RESERVE FOR CASH FLOW HEDGE DERIVATIVES, NET OF TAX EFFECT | RESERVE FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL | STOCK GRANT RESERVE | OTHER RESERVES | RETAINED EARNINGS | NET PROFIT FOR THE YEAR | TOTAL | | |
| Balance as at 31 December 2019 | 1,001,232 | (323,907) | 620,130 | 200,246 | (13,257) | (8,119) | (349,839) | 1,169 | 8,711 | 6,777 | 417,238 | 1,560,381 | 234,558 | 1,794,939 |
| Restatement effect | | | | | | | | | | (4,337) | (784) | (5,121) | (121) | (5,242) |
| Balance restated as at 31 December 2019 (a) (Note 24) | 1,001,232 | (323,907) | 620,130 | 200,246 | (13,257) | (8,119) | (349,839) | 1,169 | 8,711 | 2,440 | 416,454 | 1,555,260 | 234,437 | 1,789,697 |
| Net profit for the first half of 2020 | | | | | | | | | | | 153,363 | 153,363 | 9,433 | 162,796 |
| Net profit restatement effect | | | | | | | | | | | 929 | 929 | (18) | 911 |
| Net profit restated for the first half of 2020 | | | | | | | | | | | 154,292 | 154,292 | 9,415 | 163,707 |
| Other components of comprehensive income: | | | | | | | | | | | | | | |
| <i>Components reclassifiable to the income statement:</i> | | | | | | | | | | | | | | |
| — change in fair value of cash flow hedge derivatives | | | | | | (6,278) | | | | | | (6,278) | | (6,278) |
| Total comprehensive income first half of 2020 (b) | | | | | | (6,278) | | | | | 154,292 | 148,014 | 9,415 | 157,429 |
| Transactions with shareholders: | | | | | | | | | | | | | | |
| — Allocation of 2019 profit for the year | | | | | | | | | | 416,454 | (416,454) | | | |
| — Allocation of Italgas SpA dividend for 2019 (€ 0.256 per share) | | | | | | | | | | (207,139) | | (207,139) | | (207,139) |
| — Allocation of dividends to minority shareholders | | | | | | | | | | | | | (13,880) | (13,880) |
| — Stock grant reserve | | | | | | | | 643 | | | | 643 | | 643 |
| Total transactions with shareholders (c) | | | | | | | | 643 | | 209,315 | (416,454) | (206,496) | (13,880) | (220,376) |
| Other changes in shareholders' equity (d) | | | | | | | | | 10,631 | | | 10,631 | (10,162) | 469 |
| Balance as at 30 June 2020 (e=a+b+c+d) (Note 24) | 1,001,232 | (323,907) | 620,130 | 200,246 | (13,257) | (14,397) | (349,839) | 1,812 | 19,342 | 211,755 | 154,292 | 1,507,409 | 219,810 | 1,727,219 |
| Net profit for the second half of 2020 | | | | | | | | | | | 229,609 | 229,609 | 11,221 | 240,830 |

| (€ THOUSANDS) | SHAREHOLDERS' EQUITY PERTAINING TO OWNERS OF THE PARENT | | | | | | | | | | | | MINORITY INTERESTS | TOTAL SHAREHOLDERS' EQUITY | |
|---|---|-----------------------|-----------------------|----------------|--|---|--|---------------------|----------------|-------------------|-------------------------|----------------|--------------------|----------------------------|------------------|
| | SHARE CAPITAL | CONSOLIDATION RESERVE | SHARE PREMIUM RESERVE | LEGAL RESERVE | RESERVE FOR DEFINED BENEFIT PLANS FOR EMPLOYEES, NET OF TAX EFFECT | FAIR VALUE RESERVE FOR CASH FLOW HEDGE DERIVATIVES, NET OF TAX EFFECT | RESERVE FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL | STOCK GRANT RESERVE | OTHER RESERVES | RETAINED EARNINGS | NET PROFIT FOR THE YEAR | TOTAL | | | |
| Net profit restatement effect | | | | | | | | | | | 725 | 725 | (13) | 712 | |
| Net profit restated for the second half of 2020 | | | | | | | | | | | 230,334 | 230,334 | 11,208 | 241,542 | |
| Other components of comprehensive income: | | | | | | | | | | | | | | | |
| <i>Components reclassifiable to the income statement:</i> | | | | | | | | | | | | | | | |
| - change in fair value of cash flow hedge derivatives | | | | | | (1,565) | | | | | | (1,565) | | (1,565) | |
| <i>Components not reclassifiable to the income statement:</i> | | | | | | | | | | | | | | | |
| - Actuarial gains on remeasurement of defined-benefit plans for employees | | | | | (3,151) | | | | | | | (3,151) | (133) | (3,284) | |
| Total comprehensive income 2020 (b) | | | | | (3,151) | (1,565) | | | | | 230,334 | 225,618 | 11,075 | 236,693 | |
| Transactions with shareholders: | | | | | | | | | | | | | | | |
| - Payment of share capital by minority shareholders | | | | | | | | | | | | | 9,630 | 9,630 | |
| - Stock grant reserve | | | | | | | | 3,823 | | | | 3,823 | | 3,823 | |
| Total transactions with shareholders (c) | | | | | | | | 3,823 | | | | 3,823 | 9,630 | 13,453 | |
| Other changes in shareholders' equity (d) | | | | | | | | | 584 | | | 584 | (526) | 58 | |
| Balance as at 31 December 2020 (e=a+b+c+d) (Note 24) | 1,001,232 | (323,907) | 620,130 | 200,246 | (16,408) | (15,962) | | (349,839) | 5,635 | 19,926 | 211,755 | 384,626 | 1,737,434 | 239,989 | 1,977,423 |
| Net profit for the first half of 2021 | | | | | | | | | | | 171,174 | 171,174 | 8,860 | 180,034 | |
| Other components of comprehensive income: | | | | | | | | | | | | | | | |
| <i>Components reclassifiable to the income statement:</i> | | | | | | | | | | | | | | | |
| - change in fair value of cash flow hedge derivatives | | | | | | 5,980 | | | | | | 5,980 | | 5,980 | |

| (€ THOUSANDS) | SHAREHOLDERS' EQUITY PERTAINING TO OWNERS OF THE PARENT | | | | | | | | | | | | MINORITY INTERESTS | TOTAL SHAREHOLDERS' EQUITY |
|---|---|-----------------------|-----------------------|----------------|--|---|--|---------------------|----------------|-------------------|-------------------------|------------------|--------------------|----------------------------|
| | SHARE CAPITAL | CONSOLIDATION RESERVE | SHARE PREMIUM RESERVE | LEGAL RESERVE | RESERVE FOR DEFINED BENEFIT PLANS FOR EMPLOYEES, NET OF TAX EFFECT | FAIR VALUE RESERVE FOR CASH FLOW HEDGE DERIVATIVES, NET OF TAX EFFECT | RESERVE FOR BUSINESS COMBINATIONS UNDER COMMON CONTROL | STOCK GRANT RESERVE | OTHER RESERVES | RETAINED EARNINGS | NET PROFIT FOR THE YEAR | TOTAL | | |
| <i>Components not reclassifiable to the income statement:</i> | | | | | | | | | | | | | | |
| - Actuarial gains on remeasurement of defined-benefit plans for employees | | | | | 1,361 | | | | | | | 1,361 | 120 | 1,481 |
| Total comprehensive income first half of 2021 (b) | | | | | 1,361 | 5,980 | | | | | 171,174 | 178,515 | 8,980 | 187,495 |
| Transactions with shareholders: | | | | | | | | | | | | | | |
| - Allocation of 2020 profit for the year | | | | | | | | | 384,626 | (384,626) | | | | |
| - Allocation of Italgas SpA dividend for 2020 (€ 0.277 per share) | | | | | | | | | (224,306) | | | (224,306) | | (224,306) |
| - Allocation of dividends to minority shareholders | | | | | | | | | | | | | (19,500) | (19,500) |
| - Stock grant reserve | 785 | | 2,247 | | | | (2,715) | (785) | | | | (468) | | (468) |
| Total transactions with shareholders (c) | 785 | | 2,247 | | | | (2,715) | (785) | 160,320 | (384,626) | (224,774) | (19,500) | (244,274) | |
| Other changes in shareholders' equity (d) | | | | | | | | (441) | | | (441) | (1,476) | (1,917) | |
| Balance as at 30 June 2021 (e=a+b+c+d) (Note 24) | 1,002,017 | (323,907) | 622,377 | 200,246 | (15,047) | (9,982) | (349,839) | 2,920 | 18,700 | 372,075 | 171,174 | 1,690,734 | 227,993 | 1,918,727 |

Cash flow statement

| (€ THOUSANDS) | FIRST HALF OF 2020 | FIRST HALF OF 2021 |
|---|--------------------|--------------------|
| Profit (loss) for the year | 163,706 | 180,034 |
| Adjustments to reclassify net profit to cash flow from operating activities: | | |
| Amortisation and depreciation | 217,033 | 218,912 |
| Net impairment of assets | 503 | 477 |
| Effect of valuation using the equity method | 2,467 | 738 |
| Other income from equity investments | | 307 |
| Stock grant | 254 | (468) |
| Net capital losses (capital gains) on asset sales, cancellations and eliminations | 2,334 | 758 |
| Dividends | (25) | (49) |
| Financial income | (344) | (2,079) |
| Financial expense | 26,752 | 33,890 |
| Income taxes | 64,935 | 68,659 |
| Change in provisions for employee benefits | (2,585) | (4,598) |
| Changes in working capital: | | |
| – Inventories | (21,434) | (13,438) |
| – Trade receivables | 198,034 | 281,174 |
| – Trade payables | (92,081) | 5,827 |
| – Provisions for risks and charges | (2,547) | (17,155) |
| – Other assets and liabilities | (80,595) | (43,599) |
| <i>Cash flow from working capital</i> | <i>1,377</i> | <i>212,809</i> |
| Dividends collected | 3,811 | 143 |
| Financial income collected | 344 | 2,079 |
| Financial expense paid | (26,735) | (48,680) |
| Income taxes paid, net of tax credits reimbursed | (52,461) | (109,524) |
| Net cash flow from operating activities | 401,366 | 553,408 |
| <i>of which, related parties</i> | <i>550,202</i> | <i>610,527</i> |

| (€ THOUSANDS) | FIRST HALF OF 2020 | FIRST HALF OF 2021 |
|---|-----------------------|-----------------------|
| Investments: | | |
| – Property, plant and equipment | (16,596) | (18,496) |
| – Intangible assets | (339,850) | (394,799) |
| – Acquisition of assets and business units from third parties | (8,386) | (1,748) |
| – Equity investments | (4,382) | (2,250) |
| <i>of which deferred payments</i> | | (2,250) |
| – Change in payables and receivables for investments | (34,131) | (12,249) |
| Disinvestments: | | |
| – Property, plant and equipment | 303 | 334 |
| – Intangible assets | 2,078 | |
| – Change in receivables relating to disinvestment activities | | 11,244 |
| Net cash flow from investment activities | (400,964) | (417,964) |
| <i>of which, related parties</i> | | |
| Assumptions of long-term financial debt | 476,684 | 982,208 |
| Repayment of long-term financial debt | | (277,902) |
| Increase (decrease) in short-term financial debt | (179,764) | (590,672) |
| Dividends collected | (205,957) | (219,430) |
| Repayment of financial debt for leasing | (9,569) | (8,766) |
| Net cash flow from financing activities | 81,394 | (114,562) |
| <i>of which, related parties</i> | (81,456) | (88,772) |
| Net cash flow for the year | 81,796 | 20,882 |
| Opening cash and cash equivalents | 262,237 | 664,026 |
| Closing cash and cash equivalents | 344,033 | 684,908 |

NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR 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 an integrated group at the forefront of the regulated natural gas sector and a major player in terms of invested capital in its regulatory asset base (RAB⁸) in the 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 30 June 2021, CDP S.p.A. owns, via CDP Reti S.p.A., 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) Preparation and measurement criteria

The Condensed Consolidated Half-Year Financial Statements as at 30 June 2021, hereinafter the "Interim Financial Statement", was prepared in accordance with the provisions of IAS 34 "Interim financial reporting".

The Interim Financial Statement as at 30 June 2021 applies the principles of consolidation and the measurement criteria described when preparing the last Consolidated Financial Statements, to which reference is made, with the exception of the international accounting standards that came into force on 1 January 2021, illustrated in the section "Recently issued accounting standards" of that report.

The condensed consolidated half-year financial statements as at 30 June 2021, approved by the Board of Directors of Italgas S.p.A. at the meeting of 26 July 2021 were subjected to the review by Deloitte & Touche S.p.A. The limited review involves an amount of work significantly reduced compared to the full audit required by generally accepted auditing standards.

The Condensed Consolidated Half-Year Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro.

2) Changes in accounting criteria and financial statements

The condensed Consolidated Half-year Financial Statements as at 30 June 2021 apply the principles of consolidation and the measurement criteria described when preparing the last annual 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 IAS 8 (paragraphs 41 and 42), the Group, at 30 June 2021, reclassified the charges relating to periodic checks pursuant to the law of the volume conversion devices, where present in the installed meters, to operating costs at the redelivery points. These charges had previously been capitalized under intangible assets. The amendment was retrospectively incorporated into the financial statements, as shown in the following table.

Moreover, for improved presentation of financial reporting, also aimed at progressive alignment with the IFRS Taxonomy published by the IFRS Foundation, some Income Statement items have been restated, as already carried out in the financial statements as at 31 December 2020.

Changes made to the Balance Sheet as at 31 December 2020 and to the Income Statement as at 30 June 2020 are shown below:

⁸The term RAB (Regulatory Asset Base) refers to the value of net invested capital for regulatory purposes, calculated on the basis of the rules defined by the Authority for determining base revenues for the regulated businesses.

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 income tax assets | 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 |
| Intangible assets | 7,060,110 | (5,082) | 7,055,028 |
| Equity 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 income tax liabilities | 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 |

| (€ THOUSANDS) | 31.12.2020 | | |
|---|----------------------|--|------------------|
| | 2020 STATEMENT VALUE | ADJUSTMENTS FOR LEGALLY REQUIRED PERIODIC CHECKS | ADJUSTED VALUE |
| 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)

| STATEMENT ITEMS FIRST HALF 2020 | STATEMENT VALUE FIRST HALF 2020 | IFRS TAXONOMY RESTATEMENTS | ADJUSTMENTS FOR LEGALLY REQUIRED PERIODIC CHECKS | RESTATEMENT VALUE FIRST HALF 2020 | RESTATEMENT STATEMENT ITEMS |
|--|---------------------------------|----------------------------|--|-----------------------------------|--|
| REVENUE | | | | | REVENUE |
| Core business revenue | 948,278 | | (854) | 947,424 | Revenues |
| Other revenue and income | 29,544 | | | | |
| reclassified income from seconded personnel | | 101 | | | |
| | | | | 29,645 | Other revenue and income |
| | 977,822 | | (854) | 977,069 | |
| OPERATING COSTS | | | | | |
| Purchases, services and other costs | (381,552) | | | | |
| reclassified costs for raw materials, consumables, supplies and goods | | (80,999) | | | |
| reclassified changes to raw materials, consumables, supplies and goods | | 21,432 | | | |
| | | | | (59,567) | Costs for raw materials, consumables, supplies and goods |
| reclassified costs for services | | (264,412) | | | |
| reclassified costs from personnel received on loan | | (172) | | | |
| | | | | (264,584) | Costs for services |
| reclassified costs for leased assets | | (44,114) | | (44,114) | Costs for leased assets |
| Labour cost | (123,860) | | | | |
| reclassified income from seconded personnel | | (101) | | | |
| reclassified costs from personnel received on loan | | 172 | | | |
| | | | | (123,789) | Personnel cost |
| reclassified net provisions for risks and charges | | (5,267) | | (5,267) | Allocations to/releases from provision for risks and charges |
| Reclassified Net provisions for impairment | | | | | Allocations to/releases from provisions for doubtful debt |

| STATEMENT ITEMS FIRST HALF 2020 | STATEMENT VALUE FIRST HALF 2020 | IFRS TAXONOMY RESTATEMENTS | ADJUSTMENTS FOR LEGALLY REQUIRED PERIODIC CHECKS | RESTATED VALUE FIRST HALF 2020 | RESTATED STATEMENT ITEMS |
|--|---------------------------------|----------------------------|--|--------------------------------|--|
| Reclassified other expenses | | (8,192) | | (8,192) | Other expenses |
| | (505,412) | | | (505,513) | |
| AMORTISATION, DEPRECIATION AND IMPAIRMENT | (219,668) | | 2,132 | (217,536) | AMORTISATION, DEPRECIATION AND IMPAIRMENT |
| <i>— of which amortisation of Right of Use</i> | 9,793 | | | | |
| EBIT | 252,742 | | 1,278 | 254,020 | |
| FINANCIAL INCOME (EXPENSE) | | | | | FINANCIAL INCOME (EXPENSE) |
| Financial expense | (26,753) | | | (26,753) | Financial expense |
| Financial income | 345 | | | 345 | Financial income |
| Derivative financial instruments | | | | | Derivative financial instruments |
| | (26,408) | | | (26,408) | |
| INCOME (EXPENSE) FROM EQUITY INVESTMENTS | | | | | INCOME (EXPENSE) FROM EQUITY INVESTMENTS |
| Dividends | 25 | | | 25 | Dividends |
| Effect of valuation using the equity method | 1,139 | | | 1,139 | Effect of valuation using the equity method |
| Other income (expense) from equity investments | (134) | | | (134) | Other income (expense) from equity investments |
| | 1,030 | | | 1,030 | |
| Gross profit | 227,364 | | 1,278 | 228,642 | Gross profit |
| Income taxes | (64,568) | | (368) | (64,936) | Income taxes |
| Net profit (loss) for the year | 162,796 | | 910 | 163,706 | Net profit (loss) for the year |
| Attributable to Italgas | 153,363 | | 928 | 154,291 | Attributable to Italgas |
| Minority interests | 9,433 | | (18) | 9,415 | Minority interests |
| Net earnings (loss) per share attributable to Italgas (€ per share) | | | | | Net earnings (loss) per share attributable to Italgas (€ per share) |
| <i>— basic and diluted</i> | 0.19 | | | 0.19 | <i>— basic and diluted</i> |

(*) the "of which related to Right of Use" is analysed in detail in the subsequent note corresponding to the item in the financial statements.

3) Use of estimates

With reference to the description of the use of accounting estimates, please refer to the information in the 2020 Consolidated Annual Financial Statements.

4) Recently issued accounting standards

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 |
|--|-------------------|---------------------|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 (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 | 16 December 2020 |

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 condensed consolidated half-year financial statements as at 30 June 2021.

INTERNATIONAL ACCOUNTING STANDARDS AND/OR INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE IN 2021

The new Standards or Interpretations already issued, but that have not yet become effective or been standardised by the European Union as at 30 June 2021, and which therefore do not apply, are indicated below. They are not expected to have a material impact on the Group’s financial statements at the date of application.

- On 23 January 2020, the IASB issued the “Classification of Liabilities as Current or Non-current (Amendments to IAS 1)” document.
- On 14 May 2020, the IASB published the “Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)” document.

- On 14 May 2020, the IASB published the “Annual Improvements to IFRS Standards 2018–2020” document, containing amendments to IFRS 1, IFRS 9 and IFRS 16 standards;
- On 14 May 2020, the IASB published the “Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)” document.
- On 14 May 2020, the IASB published an amendment to IFRS 3, to update a reference to the Conceptual Framework;
- On 25 June 2020, the IASB issued the “Amendments to IFRS 17 - Insurance contracts” document. The main changes concerned the deferral of the date of application and scope exclusion for specific contracts.
- 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 31 March 2021, the IASB published the “Amendments to IFRS 16 - Leases: *Covid-19-Related Rent Concessions beyond 30 June 2021*” document;
- 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 7 May 2021, the IASB published the Amendments to IAS 12 - Income Taxes document: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*;
- 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.

Additionally, the following policies/amendments have not yet been approved:

- On 23 January 2020, the IASB issued the “Classification of Liabilities as Current or Non-current (Amendments to IAS 1)” document.
- On 14 May 2020, the IASB published the “Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)” document
- On 14 May 2020, the IASB published the “Annual Improvements to IFRS Standards 2018–2020” document, containing amendments to IFRS 1, IFRS 9 and IFRS 16 standards;
- On 14 May 2020, the IASB published the “Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)” document.
- On 14 May 2020, the IASB published an amendment to IFRS 3, to update a reference to the Conceptual Framework;
- On 25 June 2020, the IASB issued the “Amendments to IFRS 17 - Insurance contracts” document. The main changes concerned the deferral of the date of application and scope exclusion for specific contracts.

Once again, these amendments are not expected to have a material impact on the Group’s financial statements at the date of application.

5) Cash and cash equivalents

Cash and cash equivalents, equal to € 684,908 thousand (€ 664,026 thousand as at 31 December 2020), refer to current account deposits held at banks.

Compared to December 31, 2020, the closure of the deposit account of € 230 million, the contractual conditions of which provided for prompt disposal in the event of a request by the Company, should be noted.

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 Statement of Cash Flows.

6) 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 (€ 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).

7) Trade and other receivables

Trade and other receivables, which amount to € 377,070 thousand (€ 635,028 thousand as at 31 December 2020) comprise the following:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|---|----------------|----------------|
| Trade receivables | 462,174 | 181,183 |
| Receivables from investment/divestment activities | 16,522 | 5,278 |
| Other receivables | 156,332 | 190,609 |
| | 635,028 | 377,070 |

Trade receivables (€ 181,183 thousand as at 30 June 2021 and € 462,174 thousand as at 31 December 2020), mainly relate to the gas distribution service and ancillary services. These primarily concern receivables from sales companies, including from the Eni Group for € 78,570 thousand.

The reduction is mainly due to the different composition and timing of credit collection between the sales company and CSEA.

These are reported net of the provision for impairment losses (€ 14,584 thousand at 30 June 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 31.12.2020 | PROVISIONS | USES | PROVISION FOR IMPAIRMENT LOSSES AT 30.06.2021 |
|-------------------|---|------------|--------------|---|
| Trade receivables | 14,606 | | (910) | 13,696 |
| Other receivables | 888 | | | 888 |
| | 15,494 | | (910) | 14,584 |

Receivables for investment/disinvestment activities of € 5,278 thousand (€ 16,522 thousand as at 31 December 2020) relate to receivables for sales of property, plant and equipment and intangible assets and grants for capital expenditure.

Other receivables, amounting to € 190,609 (€ 156,332 thousand as at 31 December 2020) comprise:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|---|----------------|----------------|
| IRES receivables for the national tax consolidation scheme | 15,996 | 15,996 |
| Group VAT receivables | | 89 |
| Receivables from the Cassa per i Servizi Energetici e Ambientali (CSEA) | 102,769 | 121,048 |
| Receivables from the Public administration | 10,292 | 11,407 |
| Advances to suppliers | 19,737 | 26,336 |
| Receivables from personnel | 2,975 | 3,016 |
| Other receivables | 4,563 | 12,717 |
| | 156,332 | 190,609 |

IRES receivables for the national tax consolidation scheme (€ 15,996 thousand as at 30 June 2021) 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 (€ 121,048 thousand as at 30 June 2021) mainly relate to the additional regulation components of the gas distribution tariffs for € 51,130 thousand (Safety incentives, UG2⁹ and the Gas Bonus¹⁰) and to safety incentives for € 69,918 thousand.

Receivables from public administrations (€ 11,407 thousand at 30 June 2021) relate to receivables from

Municipalities.

Other receivables, of € 12,717 thousand, increased by € 8,154 thousand due to the increased receivables from the GME for the acquisition of EECs.

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 | | | 30.06.2021 | | |
|-------------------------|-------------------|-----------------------|----------------|-------------------|-----------------------|----------------|
| | TRADE RECEIVABLES | OTHER RECEIVABLES (*) | TOTAL | TRADE RECEIVABLES | OTHER RECEIVABLES (*) | TOTAL |
| Receivables not overdue | 417,520 | 172,854 | 590,374 | 150,272 | 195,887 | 346,159 |
| Receivables overdue: | 44,654 | | 44,654 | 30,911 | | 30,911 |
| - from 0 to 3 months | 15,929 | | 15,929 | 5,241 | | 5,241 |
| - from 3 to 6 months | 1,430 | | 1,430 | 1,656 | | 1,656 |
| - from 6 to 12 months | 4,596 | | 4,596 | 2,034 | | 2,034 |
| - over 12 months | 22,699 | | 22,699 | 21,980 | | 21,980 |
| | 462,174 | 172,854 | 635,028 | 181,183 | 195,887 | 377,070 |

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

⁹ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

¹⁰ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

The receivables overdue, which total € 30,911 thousand mainly regard receivables from Public administrations.

It should be noted that the Company has finalised factoring agreements with financial counterparties on the basis of which the Company's receivables can be factored without recourse. In particular, transactions were completed for the sale of receivables related to: i) trade receivables for distribution due on 30 June 2021 for a collection equal to a total of € 119.9 million, (ii) receivables from CSEA for a collection equal to € 1.8 million, (iii) credits related to Energy Efficiency Certificates for a collection equal to € 39.7 million and (iv) tax receivables for a collection equal to € 22.4 million.

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".

8) Inventories

Inventories, which amount to € 114,622 thousand (€ 101,184 thousand as at 31 December 2020), are analysed in the table below:

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|---|----------------|---------------------------------|----------------|----------------|---------------------------------|----------------|
| | GROSS VALUE | PROVISION FOR IMPAIRMENT LOSSES | NET VALUE | GROSS VALUE | PROVISION FOR IMPAIRMENT LOSSES | NET VALUE |
| Inventories | | | | | | |
| – Raw materials, consumables and supplies | 102,138 | (954) | 101,184 | 115,576 | (954) | 114,622 |
| | 102,138 | (954) | 101,184 | 115,576 | (954) | 114,622 |

Inventories of raw materials, consumables and supplies (€ 114,622 thousand at 30 June 2021) mainly consisted of gas meters in connection with the replacement plan. The provision for impairment losses is € 954 thousand, unchanged compared to 31 December 2020.

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

9) Current income tax assets/liabilities and other current tax assets/liabilities

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

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|-------------------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | CURRENT | NON-CURRENT | TOTAL | CURRENT | NON-CURRENT | TOTAL |
| Income tax assets | 4,251 | 3,340 | 7,591 | 5,409 | 4,635 | 10,044 |
| – IRES | 4,248 | 3,340 | 7,588 | 5,355 | 4,635 | 9,990 |
| – IRAP | 3 | | 3 | 54 | | 54 |
| Income tax liabilities | 35,934 | | 35,934 | 11,694 | | 11,694 |
| – IRES | 34,022 | | 34,022 | 11,694 | | 11,694 |
| – IRAP | 1,912 | | 1,912 | | | |

Taxes pertaining to the year under review are shown in the note "Income taxes", to which reference is made.

10) Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 71,665 thousand, and *other non-current non-financial assets*, amounting to € 174,212 thousand, break down as follows:

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|----------------------------|---------------|----------------|----------------|---------------|----------------|----------------|
| | CURRENT | NON-CURRENT | TOTAL | CURRENT | NON-CURRENT | TOTAL |
| Other regulated activities | 38,618 | 164,148 | 202,766 | 38,619 | 170,266 | 208,885 |
| Other assets | 45,550 | 3,293 | 48,843 | 33,046 | 3,946 | 36,992 |
| – Other taxes | 40,818 | | 40,818 | 20,318 | 883 | 21,201 |
| – Prepayments | 4,729 | 164 | 4,893 | 12,728 | 163 | 12,891 |
| – Security deposits | | 2,767 | 2,767 | | 2,836 | 2,836 |
| – Other | 3 | 362 | 365 | | 64 | 64 |
| | 84,168 | 167,441 | 251,609 | 71,665 | 174,212 | 245,877 |

Other regulated activities (€ 208,885 thousand as at 30 June 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, Resolution no. 570/2019/R/gas and Determination n. 3/2021.

The *other current tax assets*, amounting to € 21,201 thousand (€ 40,818 thousand as at 31 December 2020) refer to VAT receivables for € 14,941 thousand (€ 36,138 thousand as at 31 December 2020) and to other taxes for € 6,260 thousand (€ 4,680 thousand as at 31 December 2020).

Prepayments, amounting to € 12,891 thousand (€ 4,893 as at 31 December 2020) relate mainly to prepaid expenses for TOSAP [Italian tax on the occupation of public spaces and areas] and insurance policies.

11) Property, plant and equipment

Property, plant and equipment, which amount to € 374,562 thousand (€ 369,899 thousand as at 31 December 2020), break down and changed as follows:

| (€ THOUSANDS) | 30.06.2021 | | | | | | |
|--|---------------|------------------|---------------------|-------------------------------------|-----------------|--|------------------|
| | 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 31.12.2020 | | 45,627 | | 44,709 | 25,717 | | 116,053 |
| Investments | 2 | 1,007 | 1,117 | 1,777 | 1 | 14,592 | 18,496 |
| Right of Use investments | | 951 | | 2,581 | 130 | | 3,662 |
| Restated assets held for sale | (3) | (2,935) | | | | | (2,938) |
| Divestments | (83) | (401) | (18) | (12,723) | (873) | | (14,098) |
| Disposals of Right of Use | | (862) | | (267) | (17) | | (1,146) |
| Other changes | 9 | 500 | 201 | (27) | 432 | 3,287 | 4,402 |
| Other change in rights of use | | (65) | | (38) | (86) | | (189) |
| Cost at 30.06.2021 | 12,940 | 459,117 | 35,470 | 153,389 | 37,459 | 36,823 | 735,198 |
| Accumulated depreciation at 31.12.2020 | | (210,377) | (14,846) | (112,903) | (18,296) | | (356,422) |
| Depreciation of right of use 31.12.2020 | | (10,010) | | (18,063) | (6,657) | | (34,730) |
| Amortisation and depreciation | | (3,724) | (688) | (3,180) | (157) | | (7,749) |
| Amortisation of Right of Use | | (3,437) | | (4,985) | (2,512) | | (10,934) |
| Restated assets held for sale | | 1,096 | | | | | 1,096 |
| Divestments | | 311 | 2 | 12,146 | 862 | | 13,321 |
| Disposals of Right of Use | | 408 | | 79 | 6 | | 493 |
| Other change in rights of use | | 64 | | 72 | 53 | | 189 |
| Other changes | | | (364) | 181 | (191) | | (374) |
| Accumulated depreciation at 30.06.2021 | | (215,659) | (15,896) | (108,590) | (20,235) | | (360,380) |
| Provision for impairment losses at 31.12.2020 | | | | (657) | | (31) | (688) |
| (Write-down)/Value restorations | | | | | | 31 | 31 |
| Divestments | | | | 508 | | | 508 |
| Other changes | | | | 4 | | (111) | (107) |
| Provision for impairment losses at 30.06.2021 | | | | (145) | | (111) | (256) |
| Net balance at 31.12.2020 | 13,015 | 250,545 | 19,324 | 48,526 | 19,576 | 18,913 | 369,899 |
| Net balance at 30.06.2021 | 12,940 | 243,458 | 19,574 | 44,654 | 17,224 | 36,712 | 374,562 |
| <i>_of which Right of Use</i> | | <i>32,676</i> | | <i>24,088</i> | <i>16,634</i> | | <i>73,398</i> |

Investments (€ 22,158 thousand) mainly refer to assets under construction (mainly real estate) and assets relative to right of use, of € 18,496 and € 3,662 thousand respectively.

Details on rights of use are set out below:

RIGHT OF USE (*)

| (€ THOUSANDS) | 1.1.2021 | AMORTISATION AND DEPRECIATION | INCREASES | DECREASES | OTHER CHANGES | 30.06.2021 |
|---|---------------|-------------------------------|--------------|--------------|---------------|---------------|
| Buildings | 35,617 | (3,437) | 951 | (454) | (1) | 32,676 |
| – operating properties | 35,617 | (3,437) | 951 | (454) | (1) | 32,676 |
| Industrial and commercial equipment | 26,646 | (4,985) | 2,581 | (188) | 34 | 24,088 |
| – ICT | 3,511 | (1,156) | 2,264 | | | 4,619 |
| – motor vehicles | 23,135 | (3,829) | 317 | (188) | 34 | 19,469 |
| Other assets | 19,060 | (2,512) | 130 | (11) | (33) | 16,634 |
| | 81,323 | (10,934) | 3,662 | (653) | | 73,398 |
| Interest expense (included in financial expense) | | | | | | 153 |

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

The item Operating properties includes rental expenses for Rights of use to Valdarno S.r.l. in liquidation, of € 2,332 thousand.

Amortisation and depreciation (€ 18,683 thousand) refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company. Amortisation related to right of use amounted to € 10,934 thousand.

The provision for impairment losses (€ 256 thousand) mainly relates to a cogeneration plant.

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

The considerations reported in the 2020 Consolidated Annual Financial Statements, to which reference is made, have therefore been confirmed.

12) Intangible assets

Intangible assets, which amount to € 7,246,302 thousand (€ 7,055,028 thousand as at 31 December 2020), break down and changed as follows:

| (€ THOUSANDS) | 30.06.2021 | | | | | | |
|---|-------------------------------|---|--|--|-------------------------|------------------------|--------------------|
| | 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 | 100,986 | 67,438 | 12,286,102 |
| Restatement effect | | | | | (25,408) | | (25,408) |
| Cost at 31.12.2020 adjusted | 11,320,032 | 470,779 | 315,206 | 11,661 | 75,578 | 67,438 | 12,260,694 |
| Investments | 201,056 | 11,841 | 173,834 | 10,251 | 1,264 | | 398,246 |
| Government grants | | | (3,447) | | | | (3,447) |
| Acquisition of assets and business units | 1,748 | | | | | | 1,748 |
| Divestments | (20,935) | (19) | (3) | (2,096) | (282) | | (23,335) |
| Other changes | 77,968 | 5,605 | (81,967) | (5,682) | 7 | 567 | (3,502) |
| Cost at 30.06.2021 | 11,579,869 | 488,206 | 403,623 | 14,134 | 76,567 | 68,005 | 12,630,404 |
| Accumulated amortisation at 31.12.2020 | (4,749,781) | (381,823) | | | (82,965) | | (5,214,569) |
| Restatement effect | | | | | 20,326 | | 20,326 |
| Accumulated amortisation as at 31.12.2020 adjusted | (4,749,781) | (381,823) | | | (62,639) | | (5,194,243) |
| Amortisation and depreciation | (178,652) | (18,687) | | | (2,890) | | (200,229) |
| Divestments | 19,616 | | | | 282 | | 19,898 |
| Other changes | (3,327) | 9 | | | 3,626 | | 308 |
| Accumulated amortisation at 30.06.2021 | (4,912,144) | (400,501) | | | (61,621) | | (5,374,266) |
| Provision for impairment losses at 31.12.2020 | (9,276) | | | (2,147) | | | (11,423) |
| (Write-down)/Value restorations | (508) | | | | | | (508) |
| Divestments | | | | 2,095 | | | 2,095 |
| Provision for impairment losses at 30.06.2021 | (9,784) | | | (52) | | | (9,836) |
| Net balance at 31.12.2020 | 6,560,975 | 88,956 | 315,206 | 9,514 | 18,021 | 67,438 | 7,060,110 |
| Net balance at 30.06.2021 | 6,657,941 | 87,705 | 403,623 | 14,082 | 14,946 | 68,005 | 7,246,302 |

As of 30 June 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 as at 31 December 2020 and the income statement items as at 30 June 2020, these statements have been adjusted.

Service concession agreements including the related work in progress, amounting to € 7,061,564 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 the 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 (€ 87,705 thousand; € 88,956 thousand as at 31 December 2020) mainly concern information systems and applications in support of operating activities.

Intangible assets with an undefined useful life of € 68,005 thousand refer to goodwill arising in relation to the process of allocation of prices paid for the acquired companies.

Investments for the year, equal to € 398,246 thousand, mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- distribution investments (€ 347.9 million) refer to initiatives for the development and maintenance of the network as well as for the construction of new gas distribution networks, which involved the installation of a total of 389 km of pipeline. Over the half-year, a further 52 km of new network was constructed in Sardinia, bringing the total installed networks to 858 km.
- investments in digitisation (€ 67.8 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 (€ 37.1 million) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended.

Amortisation refers to economic and technical amortisation determined on the basis of the useful life of the intangible assets with defined useful life, that is to say the residual possible use by the company.

No impairment indicators were recorded during the half-year, nor were there any significant changes in the measurement of Goodwill.

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

13) Equity investments valued using the equity method

Equity investments valued using the equity method, which amount to € 28,835 thousand (€ 29,301 thousand at 31 December 2020) break down as follows:

| (€ THOUSANDS) | 31.12.2020 | INCOME (EXPENSE) FROM SHAREHOLDERS' EQUITY | DECREASE FOR DIVIDENDS | 30.06.2021 |
|-------------------------------------|---------------|--|------------------------|---------------|
| Umbria Distribuzione Gas S.p.A. | 1,547 | 60 | | 1,607 |
| Metano Sant'Angelo Lodigiano S.p.A. | 1,102 | 67 | (142) | 1,027 |
| Gesam Reti S.p.A. | 20,716 | 547 | (1,062) | 20,201 |
| Valdarno S.r.l. in liquidation | 5,562 | 52 | | 5,614 |
| Enerpaper S.r.l. | 374 | 12 | | 386 |
| | 29,301 | 738 | (1,204) | 28,835 |

Income from valuation using the equity method, of € 738 thousand, refers mainly to the company Gesam Reti (€ 547 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.

No impairment indicators were observed during the half-year, nor were there any significant variations with regard to measurement of the recoverability of the value recognised in the financial statements for Equity investments.

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 30 June 2021", which is an integral part of this note.

14) Non-current financial assets

Non-current financial assets, amounting to € 5,079 thousand (€ 5,072 thousand as at 31 December 2020), are broken down as follows:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|--|--------------|--------------|
| Financial receivables instrumental to operations | 156 | 156 |
| Other equity investments | 4,916 | 4,923 |
| | 5,072 | 5,079 |

The item Other equity investments primarily concerns the Fair Value measurement with effects posted to the income statement of Reti Distribuzione.

15) Assets held for sale

Assets held for sale, amounting to € 1,911 thousand (€ 69 thousand as at 31 December 2020), are broken down as follows.

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|---|------------|--------------|
| Non-current assets held for sale | | |
| Land | | 3 |
| Buildings | 11 | 1,850 |
| Industrial and commercial equipment | 58 | 58 |
| | 69 | 1,911 |

The increase of € 1,842 thousand compared to 31 December 2020 is due to the future sale of a building complex in the municipality of Chiavari, which, under IFRS 5, meets the requirements for classification as an asset held for sale. With reference to Fair Value, there were no impairment losses to be recorded.

16) Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 195,799 thousand (€ 698,406 thousand as at 31 December 2020) and long-term financial liabilities, totalling € 5,301,160 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 |

| (MIGLIAIA DI €) | 30.06.2021 | | | | | |
|--|------------------------|---|------------------------------|--------------------------------------|--------------------------------------|-----------------------------|
| | 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 | 667 | 42,838 | 43,505 | 263,591 | 545,547 | 809,138 |
| Bonds | | 129,190 | 129,190 | 875,936 | 3,566,739 | 4,442,675 |
| Financial payables for leased assets (IFRS 16) | | 20,406 | 20,406 | 43,832 | 5,515 | 49,347 |
| Other shareholders | 2,698 | | 2,698 | | | |
| | 3,365 | 192,434 | 195,799 | 1,183,359 | 4,117,801 | 5,301,160 |

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 approximately € 256.0 million.

As required by IAS 7 (§44A), the table below is presented containing the reconciliation of changes in liabilities deriving from financing activities, distinguishing between changes deriving from financial flows and other non-monetary changes.

| (€ THOUSANDS) | VALUES AS OF 01.01.2021 | CASH FLOW | OTHER NON-MONETARY VARIATIONS | | | | VALUES AS OF 30.06.2021 |
|--|-------------------------|----------------|-------------------------------|------------------|-----------------------|------------------|-------------------------|
| | | | CONVERSION DIFFERENCES | OTHER VARIATIONS | BUSINESS COMBINATIONS | TOTAL VARIATIONS | |
| Bank loans | 1,474,211 | (621,173) | | (395) | | (395) | 852,643 |
| Bonds | 3,854,535 | 739,098 | | (21,768) | | (21,768) | 4,571,865 |
| Financial payables for leased assets (IFRS 16) | 76,297 | (6,631) | 87 | | | 87 | 69,753 |
| Other shareholders | 508 | 2,190 | | | | | 2,698 |
| | 5,405,551 | 113,484 | 87 | (22,163) | | (22,076) | 5,496,959 |

SHORT-TERM FINANCIAL LIABILITIES

Short-term financial liabilities, of € 195,799 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 € 502,607 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 € 5,301,160 thousand overall (€ 4,707,145 thousand as at 31 December 2020).

Net of financial payables for leased assets (€ 49,347 thousand), the increase compared to 31 December 2020, of € 600,715 thousand, is primarily due to the new "dual-tranche" bond issues maturing in February 2028 and February 2033 for an overall total of € 1,000 million, partially offset by the redemption of bond units relating to securities maturing in January 2022 and March 2024 for a total of € 255.7 million. In view of the financing 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, amounting to € 4,571,865 thousand, with the issuing company, year of issue, currency, average interest rate and maturity date, is set out below.

(€ THOUSANDS)

| ISSUING COMPANY | ISSUE (YEAR) | CURRENCY | NOMINAL VALUE | ADJUSTMENTS (A) | BALANCE AS AT 30.06.2021 | RATE (%) | DUE DATE (YEAR) |
|-------------------------------|--------------|----------|------------------|-----------------|--------------------------|----------|-----------------|
| Euro Medium Term Notes | | | | | | | |
| ITALGAS S.p.A. | 2017 | € | 750,000 | 282 | 750,282 | 1.625% | 2027 |
| ITALGAS S.p.A. | 2017 | € | 112,307 | 106 | 112,413 | 0.500% | 2022 |
| ITALGAS S.p.A. | 2017 | € | 381,326 | 154 | 381,480 | 1.125% | 2024 |
| ITALGAS S.p.A. | 2017 | € | 750,000 | 2,059 | 752,059 | 1.625% | 2029 |
| ITALGAS S.p.A. | 2019 | € | 600,000 | (6,116) | 593,884 | 0.875% | 2030 |
| ITALGAS S.p.A. | 2019 | € | 500,000 | (1,679) | 498,321 | 1.000% | 2031 |
| ITALGAS S.p.A. | 2020 | € | 500,000 | (4,255) | 495,745 | 0.250% | 2025 |
| ITALGAS S.p.A. | 2021 | € | 500,000 | (6,852) | 493,148 | 0.000% | 2028 |
| ITALGAS S.p.A. | 2021 | € | 500,000 | (5,467) | 494,533 | 0.500% | 2033 |
| | | | 4,593,633 | (21,768) | 4,571,865 | | |

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

The breakdown of bank loans, amounting to € 852,643 thousand is provided in the table below.

(€ THOUSANDS)

| TIPOLOGIA | ISSUE (YEAR) | CURRENCY | NOMINAL VALUE | ADJUSTMENTS (A) | BALANCE AS AT 30.06.2021 | RATE (%) | DUE DATE (YEAR) |
|-----------------------------|--------------|----------|----------------|-----------------|--------------------------|-----------------|-----------------|
| ITALGAS S.p.A. - BEI | 2017 | € | 360,000 | (181) | 359,819 | 0.35+Euribor 6M | 15.12.2037 |
| ITALGAS S.p.A. - BEI | 2015 | € | 119,867 | | 119,867 | 0.14+Euribor 6M | 22.10.2035 |
| ITALGAS S.p.A. - BEI | 2016 | € | 287,500 | (179) | 287,321 | 0.47+Euribor 6M | 30.11.2032 |
| TOSCANA ENERGIA S.p.A - BEI | 2016 | € | 81,818 | (35) | 81,783 | 1.049% | 30.06.2031 |
| Bank loans | | | | | 3,853 | | |
| | | | 849.185 | (395) | 852.643 | | |

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

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 30 June 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 | % | 30.06.2021 | % |
|--------------------------------------|----------------|------------|----------------|------------|
| Fixed rate | 4,676.3 | 86.5% | 5,377.0 | 97.8 % |
| Floating rate | 728.8 | 13.5% | 119.8 | 2.2 % |
| Total financial and bond debt | 5,405.1 | 100 | 5,496.8 | 100 |

FINANCIAL COVENANTS AND NEGATIVE PLEDGE CONTRACTUAL CLAUSES

As at 30 June 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 covenants¹¹. 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 30 June 2021.

The option for the lender to request additional guarantees if Italgas' credit rating is downgraded to BBB- (Standard & Poor's/Fitch Ratings Limited) or Baa3 (Moody's) for at least two of the three ratings agencies is envisaged only for EIB funds. These criteria have been met as at 30 June 2021. See the "Rating risk" paragraph.

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.

¹¹ 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.

BREAKDOWN OF NET FINANCIAL DEBT

In line with CONSOB communication no. DEM/6064293 of 28 July 2006, the breakdown of net financial debt, showing related-party transactions, is provided in the following table:

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|---|----------------|------------------|------------------|------------------|------------------|------------------|
| | CURRENT | NON-CURRENT | TOTAL | CURRENT | NON-CURRENT | TOTAL |
| A. Cash and cash equivalents | 664,026 | | 664,026 | 684,908 | | 684,908 |
| B. Securities held for sale and to be held to maturity | 119 | | 119 | 119 | | 119 |
| C. Liquidity (A+B) | 664,145 | | 664,145 | 685,027 | | 685,027 |
| D. Financial receivables not held for operations | 5,001 | | 5,001 | 5,001 | | 5,001 |
| E. Short-term financial liabilities to banks | 644,877 | | 644,877 | 46,203 | | 46,203 |
| F. Long-term financial liabilities to banks | | 829,842 | 829,842 | | 809,138 | 809,138 |
| G. Bonds | 33,279 | 3,821,256 | 3,854,535 | 129,190 | 4,442,675 | 4,571,865 |
| H. Short-term financial liabilities to related entities | | | | | | |
| I. Long-term financial liabilities to related entities | | | | | | |
| L. Other short-term financial liabilities (*) | 20,250 | | 20,250 | 20,406 | | 20,406 |
| M. Other long-term financial liabilities (*) | | 56,047 | 56,047 | | 49,347 | 49,347 |
| N. Gross financial debt (E+F+G+H+I+L+M) | 698,406 | 4,707,145 | 5,405,551 | 195,799 | 5,301,160 | 5,496,959 |
| O. Net financial debt (N-C-D) | 29,260 | 4,707,145 | 4,736,405 | (494,229) | 5,301,160 | 4,806,931 |

(*) The values relate to finance lease payables - IFRS 16.

Net financial debt does not include payables for dividends approved yet to be distributed for € 24,828 thousand.

With reference to the new forecasts set out in paragraphs 175 et seq. of the ESMA guidelines on disclosure requirements under Regulation (EU) 2017/1129, the Group did not identify any impacts on the prospectus in terms of indebtedness.

17) Trade and other payables

Trade payables and other payables, which amount to € 772,104 thousand (€ 767,555 thousand as at 31 December 2020), comprise the following:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|-------------------------------------|----------------|----------------|
| Trade payables | 303,021 | 308,848 |
| Payments on account and prepayments | 2,402 | 2,337 |
| Payables for investment activities | 225,109 | 212,859 |
| Other payables | 237,023 | 248,060 |
| | 767,555 | 772,104 |

Trade payables of € 308,848 thousand (€ 303,021 thousand as at 31 December 2020) relate to payables to suppliers and to Cassa per i Servizi Energetici e Ambientali (CSEA) relating to equalisation¹² (€ 5,744 thousand).

Payables for investment activities equal to € 212,859 thousand (€ 225,109 thousand as at 31 December 2020) mainly relate to payables to suppliers for technical activities.

Other payables (€ 248,060 thousand; € 237,023 thousand as at 31 December 2020) break down as follows:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|--|----------------|----------------|
| Payables - parent company for liquidation of Group VAT | 56 | |
| Payables to the public administration | 46,043 | 53,697 |
| Payables to the Cassa per i Servizi Energetici e Ambientali (CSEA) | 139,316 | 137,579 |
| Payables to consultants and professionals | 4,877 | 4,829 |
| Payables to social security institutions | 14,934 | 16,339 |
| Payables to personnel and other payables | 31,797 | 35,616 |
| | 237,023 | 248,060 |

Payables to the public administration (€ 53,697 thousand; € 46,043 thousand as at 31 December 2020) primarily involve payables to municipalities for concession fees for the distribution business.

Payables to the CSEA (€ 137,579 thousand; € 139,316 as at 31 December 2020) relate to safety penalties for € 12,179 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 CSEA (RE, RS, UG1 and GS)¹³ for the remaining amount.

The item Payables to personnel and other payables includes payables for dividends approved and still to be distributed for €24,828 thousand.

¹²The 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.

¹³These 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.

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.

18) Other current and non-current financial assets/liabilities

The market value of the derivative financial instruments as at 30 June 2021 is analysed below:

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|--|------------|-------------|-----------------|------------|-------------|-----------------|
| | CURRENT | NON-CURRENT | TOTAL | CURRENT | NON-CURRENT | TOTAL |
| Other assets | | | | | 230 | 230 |
| Derivative financial instruments for foreign exchange risk | | | | | | |
| – Fair value instruments for foreign exchange risk | | | | | 230 | 230 |
| Other liabilities | (299) | (21,002) | (21,301) | (280) | (13,215) | (13,495) |
| Derivative financial instruments Cash flow hedge | | | | | | |
| – Fair value interest rate hedging instruments | (299) | (21,002) | (21,301) | (280) | (13,215) | (13,495) |

The value of other non-current assets, amounting to € 230 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 30.06.2021 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 | 13,520,000.00 | 1.2131 | from 1.2143 to 1.2517 | 31.10.2024 |

(*) based on future instalments.

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 |

These derivative contracts are accounted for using hedge accounting rules. The effectiveness testing carried out as at 30 June 2021 did not show any impacts on the income statement in terms of ineffectiveness.

19) Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 4,743 thousand (€ 9,118 thousand as at 31 December 2020) and *other non-current non-financial liabilities*, amounting to € 540,470 thousand (€ 546,054 thousand as at 31 December 2020), are broken down as follows:

| (€ THOUSANDS) | 31.12.2020 | | | 30.06.2021 | | |
|---|--------------|----------------|----------------|--------------|----------------|----------------|
| | CURRENT | NON-CURRENT | TOTAL | CURRENT | NON-CURRENT | TOTAL |
| Other tax liabilities | 9,011 | | 9,011 | 4,642 | | 4,642 |
| Accruals and deferrals connection contributions | | 543,484 | 543,484 | | 537,722 | 537,722 |
| Liabilities for security deposits | | 2,570 | 2,570 | | 2,748 | 2,748 |
| Other liabilities | 107 | | 107 | 101 | | 101 |
| | 9,118 | 546,054 | 555,172 | 4,743 | 540,470 | 545,213 |

Other non-current liabilities, totalling € 540,470 thousand, mainly regard connection contributions totalling € 537,722 thousand.

Other current tax liabilities of € 4,642 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees (€ 3,951 thousand).

20) Provisions for risks and charges

Provisions for risks and charges, which amount to € 185,637 thousand (€ 202,617 thousand as at 31 December 2020) are analysed in the following table:

| (€ THOUSAND) | 30.06.2021 | | | | | | |
|---|-----------------|--------------|-------------|----------------------|--------------|----------------|-----------------|
| | OPENING BALANCE | PROVISIONS | DISCOUNTING | USES AGAINST CHARGES | RELEASES | OTHER CHANGES | CLOSING BALANCE |
| Provisions for environmental risks and charges | 108,482 | | 757 | (6,305) | | (6,544) | 96,390 |
| Provisions for site decommissioning risks and charges | 5,677 | | (388) | | | 4 | 5,293 |
| Risk provision for litigation | 12,799 | 1,053 | | (258) | (876) | | 12,718 |
| Provisions for other risks - energy efficiency certificates | 8,239 | 2,920 | | (1,589) | | (1) | 9,569 |
| Provision for retirement risks | 12,782 | | | (237) | | | 12,545 |
| Provision for operational restoration of metering instruments | 44,550 | | | (5,084) | | | 39,466 |
| Other personnel risk provisions | 3,035 | 267 | | (122) | (79) | (12) | 3,089 |
| Risk provision for tax disputes | 171 | | | | | | 171 |
| Other provisions | 6,882 | 39 | | (414) | | (111) | 6,396 |
| | 202,617 | 4,279 | 369 | (14,009) | (955) | (6,664) | 185,637 |

The provision for environmental risks and charges of € 96,390 thousand (€ 108,482 thousand as at 31 December 2020) mainly included costs for environmental soil reclamation, pursuant to Law 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the distribution business. The decrease of € 12,092 thousand is due to accounting uses in the half-year (€ 6,305 thousand) and to the reclassification to liabilities held for sale of the reclamation provision relating to the property located in the municipality of Chiavari for € 6,544 thousand.

The provision for litigation of € 12,718 thousand (€ 12,799 thousand as at 31 December 2020) included costs which the Group has estimated it will incur for existing lawsuits.

The Energy Efficiency Certificates risk provision (EEC) of € 9,569 thousand (€ 8,239 thousand as at 31 December 2020) is connected with reaching the energy efficiency targets set by the Authority.

The risk provision for early retirement of € 12,545 thousand (€ 12,782 thousand as at 31 December 2020) involves personnel incentive and mobility schemes.

The provision for operational restoration of metering, totalling € 39,466 thousand (€ 44,550 thousand as at 31 December 2020) comprises the costs estimated for replacing/restoring operations of the G4 and G6 smart meters having operational problems.

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on the provisions for risks and charges resulting from a reasonably possible change to the discounting rates used at 30 June 2021 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 | |
|--|-----------------------------|------------------|
| | REDUCTION OF -10% | INCREASE OF +10% |
| EFFECT ON NET OBLIGATION AT 30.06.2021 | | |
| Provisions for environmental risks and charges | 762 | (757) |

21) Provisions for employee benefits

Provisions for employee benefits, amounting to € 100,024 thousand (€ 104,622 thousand as at 31 December 2020) break down as follows:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|--|----------------|----------------|
| Employee severance pay (TFR) | 67,644 | 64,611 |
| Supplementary healthcare provision for company executives of Eni (FISDE) | 8,621 | 7,909 |
| Gas Fund | 24,257 | 22,409 |
| Other provisions for employee benefits | 4,100 | 5,095 |
| | 104,622 | 100,024 |

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.

FISDE, amounting to € 7,909 thousand, includes the estimate of costs determined on an actuarial basis related to contributions benefiting current¹⁴ and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group¹⁵ 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 (€ 22,409 thousand) 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 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 2020¹⁶; 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.

¹⁴For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

¹⁵The fund provides the same benefits for Italgas Group executives.

¹⁶ 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".

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 (€ 5,095 thousand) relate to seniority bonuses and the deferred cash incentive plan.

22) Deferred tax liabilities

Deferred tax liabilities of € 44,163 thousand (€ 55,215 thousand as at 31 December 2020) are stated net of offsettable prepaid tax assets of € 269,577 thousand (€ 268,637 thousand as at 31 December 2020) and are analysed in the tables below:

| (€ THOUSANDS) | 31.12.2020 | PROVISIONS | USES | OTHER CHANGES | 30.06.2021 |
|--------------------------|---------------|-----------------|----------------|---------------|---------------|
| Deferred tax liabilities | 323,852 | 594 | (10,685) | (21) | 313,740 |
| Deferred tax assets | (268,637) | (12,943) | 9,504 | 2,499 | (269,577) |
| | 55,215 | (12,349) | (1,181) | 2,478 | 44,163 |

There are no prepaid income taxes which cannot be offset.

23) Liabilities directly associated with non-current assets held for sale

Liabilities directly associated with non-current assets held for sale, for € 6,544 thousand, concern the portion of the provision for risks and charges for environmental reclamation relating to the future sale of the property located in the municipality of Chiavari.

24) Shareholders' equity

Shareholders' equity, which amounts to € 1,918,727 thousand as at 30 June 2021 (€ 1,977,423 thousand as at 31 December 2020) breaks down as follows:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|--|------------------|------------------|
| Shareholders' equity attributable to Italgas | 1,737,434 | 1,690,734 |
| Share capital | 1,001,232 | 1,002,017 |
| Legal reserve | 200,246 | 200,246 |
| Share premium reserve | 620,130 | 622,377 |
| Cash flow hedge on derivative contracts reserve | (15,962) | (9,982) |
| Consolidation reserve | (323,907) | (323,907) |
| Reserve for business combinations under common control | (349,839) | (349,839) |
| Stock grant reserve | 5,635 | 2,920 |
| Other reserves | 19,926 | 18,700 |
| Profits relating to previous years | 211,755 | 372,075 |
| Reserve for recalculation of defined-benefit plans for employees | (16,408) | (15,047) |
| Net profit (loss) | 384,626 | 171,174 |
| <i>to be deducted</i> | | |
| – Treasury shares | | |
| Shareholders' equity attributable to minority interests | 239,989 | 227,993 |
| | 1,977,423 | 1,918,727 |

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 nominal maximum 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 30 June 2021, unchanged compared to the previous year.

SHARE PREMIUM RESERVE

The share premium reserve stood at € 622,377 thousand as at 30 June 2021 (€ 620,130 thousand as at 31 December 2020).

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.

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 RECALCULATION OF DEFINED-BENEFIT PLANS FOR EMPLOYEES

As at 31 December 2020, the reserve for recalculation of employee benefit plans (-€ 15,047 thousand) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19.

TREASURY SHARES

As at 30 June 2021 Italgas did not have any treasury shares in its portfolio.

25) Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,224,724 thousand (€ 1,693,067 thousand as at 31 December 2020), break down as follows:

| (€ THOUSANDS) | 31.12.2020 | 30.06.2021 |
|--|------------------|------------------|
| Guarantees given in the interest: | 366,575 | 370,659 |
| – of subsidiaries | 366,575 | 370,659 |
| Financial commitments and risks: | 1,326,492 | 1,854,065 |
| Commitments | 1,028,356 | 1,549,990 |
| Commitments for the purchase of goods and services | 1,024,084 | 1,509,303 |
| Other | 4,272 | 40,687 |
| Risks | 298,136 | 304,075 |
| – for compensation and litigation | 298,136 | 304,075 |
| | 1,693,067 | 2,224,724 |

GUARANTEES

Guarantees of € 370,659 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

COMMITMENTS

At 30 June 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 € 1,509,303 thousand.

Other commitments (€ 40,687 thousand) refer to the agreements for the purchase of companies, assets and business units for gas distribution, in particular for the purchase of gas distribution business units in the municipality of Terzigno for € 2.5 million, of the company Isgastrentatrè for € 16 million (for financing purposes) and of the company Ceresa S.p.A. for € 22 million.

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 (€ 304,075 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 Finance and Service General Manager 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 30 June 2021 the financial debt at floating rate was 2.2% and at fixed rate was 97.8%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

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 30 June 2021.

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, "Coronavirus Emergency".

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 around € 685 million as of 30 June 2021, (ii) there are limited requirements to refinance debt (the first bond repayment is due in 2022), (iii) the bonds issued by Italgas as of 30 June 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 03 December 2020, 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 30 June 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 covenants¹⁷. 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 30 June 2021.

The bonds issued by Italgas as at 30 June 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.

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.

As described in the Report on Operations, 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

¹⁷ 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 30 June 2021 have been respected.

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 2020-2026 Strategic Plan, which highlights and considers factors such as i) the role of gas in the decarbonisation process and ii) the digital transformation and technological innovation that enable Italgas to play a key role in the energy transition, too, etc..

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.

FUTURE PAYMENTS FOR FINANCIAL LIABILITIES

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments:

| € THOUSANDS | | | | | DUE DATE | | | | |
|------------------------------|--------------------------|--------------------------|--|--|----------------|----------------|----------------|----------------|------------------|
| | BALANCE AS AT 31.12.2020 | BALANCE AS AT 30.06.2021 | 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 | 851,976 | 42,838 | 809,138 | 67,247 | 65,448 | 65,448 | 65,448 | 545,547 |
| Bonds | 3,854,535 | 4,571,865 | 129,190 | 4,442,675 | | 380,211 | 495,725 | | 3,566,739 |
| Short-term liabilities | 600,717 | 3,365 | 3,365 | | | | | | |
| Interest on loans | | | 44,063 | 281,753 | 43,416 | 43,332 | 38,955 | 37,619 | 118,432 |
| Liabilities Right of Use | 76,297 | 69,753 | 20,406 | 49,347 | 25,204 | 10,188 | 5,666 | 2,774 | 5,515 |
| Interest Right of Use | | | 229 | 504 | 170 | 118 | 79 | 55 | 82 |
| | 5,405,550 | 5,496,959 | 240,091 | 5,583,417 | 136,037 | 499,297 | 605,873 | 105,896 | 4,236,315 |

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 – Lazio Regional Administrative 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-fulfilments 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. Italgas therefore resumed the proceedings before the Court of Rome on 11 February 2021. The next hearing, originally scheduled for 1 July 2021, has now been postponed to 29 September 2021.

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.

In any event, the parties remain in discussion with a view to resolving the dispute. Pending the required investigations and based on an external legal opinion, the Company does not consider it necessary to set aside a provision for risks and charges in the financial statements.

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.

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. Following 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 ruling no. 588/2019 of 24 January 2019, the Council of State ruled on a similar matter relating to the free acquisition of a portion of the network relating to the concession in place 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). In this case, too, also with respect to a fee request from the Municipality of Cavallino-Treporti 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.

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 8 September 2021 for examination of the documentation.

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. At the outcome of the hearing, the Judge deferred the decision, which is now currently pending.

Publiservizi S.p.A. / Italgas S.p.A. – Court of Florence

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 an 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 the share capital of 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, otherwise, 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 17 January 2023.

ITALIAN COMPETITION AUTHORITY (AGCM)

A540 Preliminary investigation procedure - UNLAWFUL CONDUCT OF ITALGAS/ATEM VENEZIA 1, order no. 28249 of 27 May 2020

With the order of 27 May 2020, served on Italgas Reti on 3 June 2020, the AGCM - pursuant to Article 14 of Law 287/90 and on the recommendation of the Municipality of Venice - initiated the A540 preliminary investigation procedure against Italgas Reti for the establishment of an alleged abuse of dominant position in breach of Article 102 of the TFEU for “refusing to provide the information requested, considered essential for the purposes of preparing the documents required for the contracting authority to call for tenders for the ATEM [Venice 1]”, where Italgas Reti is responsible for gas distribution in 6 municipalities out of 8, comprising 97% of the redelivery points in the ATEM.

Specifically, Italgas Reti was accused of refusing to provide or unjustifiably delaying provision of the tariff evidence for the assets of “Block A” (which the Council of State found to be the property of the Municipality of Venice with ruling no. 4104 of 4 July 2018) as at 31 December 2018, as specified in Article 4, paragraph 1, letter f) of Italian Ministerial Decree no. 226/2011, as well as the historical costs of the block’s assets, further broken down by city area (old city centre and islands, Lido and Mestre), updated as at 31 December 2017 and 31 December 2018, in accordance with the details given in Annex B of the standard tender notice and point 19 of the Guidelines on criteria and application methods for assessment of the reimbursement value of natural gas distribution plants, approved by the Ministry of Economic Development (MISE) on 22 May 2014.

Italgas submitted a commitment proposal on 1 October 2020. The AGCM then admitted the commitments for the market test, setting the deadline for submitting comments at 20 November. Italgas Reti then had the opportunity to examine the comments received and to submit an integrated commitment proposal on 21 December 2020 in the light of the feedback received. On 3 March 2021, the AGCM accepted Italgas’ undertakings and consequently closed the investigations without establishing any wrongdoing by the company. On 30 June, the Company submitted a report on compliance with the commitments, as required by the order closing the investigation. In addition, once again in order to assess compliance with the commitments, the AGCM sent Italgas a request for information on 21 June 2021 aimed at reconstructing the discussions held, following closure of the investigation, with the Municipality of Venice, to which the Company provided the data required for publication of the tender notice. Italgas shall reply to this request within the first ten days of July.

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 investigations 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.

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 reasons will be announced within 60 days of the ruling.

Italgas Reti and its convicted employee intend to appeal.

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.

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.

Actions promoted by Italgas Reti following the Judicial Administration phase

Following the appeal brought by Italgas Reti, on 25 July 2016 the Palermo Court of Appeal issued a Decree revoking the Judicial Control measure, declaring the implementation of the consequent provisions terminated. The Public Prosecutor did not propose an appeal under the terms of the law at the Court of Cassation; therefore, the ruling became definitive.

Italgas Reti, through an appeal filed on 24 October 2016, opposed the settlement order of the expert witnesses of the Court of Palermo, challenging its non-involvement and, alternatively, the excess compensation paid. With its Order of 23 January 2018, the Court of Palermo acknowledged that Italgas Reti is not required to pay the costs of the Public Prosecutor's Office consultants as they are not connected with the prevention measures. The consultants have filed an appeal to the Court of Cassation. Italgas Reti has not submitted a counterclaim for prudential reasons, in order to confirm the non-involvement of the company to the proceedings for lack of interest. The date of the hearing is still to be set.

On 16 January 2017 Italgas Reti filed at the Court of Palermo:

- a note challenging the statement submitted by the Judicial Administrators, highlighting the irregularities and incompleteness of the documentation;
- a motion requesting the repayment of all costs incurred for payments and refunds with regard to the Judicial Administrators and their assistants and consultants.

In the proceedings concerning the contesting of the report of the Judicial Administrators, following the hearing for discussion on 28 September 2017, the Court set aside the ruling. In the subsequent judgement, the Palermo Court filed an Order on 25 March 2019 with which it approved the statement and rejected the application to refund the costs sustained put forward by Italgas Reti. Italgas Reti filed an appeal with the Court of Cassation on 5 April 2019, requesting the annulment of the above Order for infringement of the law and incorrect interpretation of Legislative Decree 159/2011 (so-called "Anti-mafia Code")

and for failure to include in the statement of the Judicial Administrators the reports of the services rendered and suitable supporting documents proving the expenses reported in the statement.

In the Chamber proceedings of 14 January 2020, the Court of Cassation, Section II, issued a final ruling rejecting the appeal filed by Italgas Reti, despite the unfavourable opinion of the Public Prosecutor at the Court of Cassation.

CORONAVIRUS EMERGENCY

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 a series of 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.

In this context, in 2020 the ESMA published two public statements on the pandemic, the first entitled "Implication of the COVID-19 outbreak on the half-yearly financial reports" of 20 May 2020 and the second "European common enforcement priorities for 2020 annual financial reports" of 28 October 2020.

In particular, the objective of the latter document was to guide the management team in the preparation of the 2020 annual financial statements, placing particular attention on the need to provide adequate information about the effects of the pandemic on the various areas of the financial statements.

With regard to the 2021 financial statements, the "Report on Enforcement of Corporate Disclosure" of April 2021, published by ESMA, states that "ESMA and the European enforcers will focus on ensuring that adequate transparency is provided regarding the consequences of the COVID-19 pandemic for the application of IAS 1 Presentation of Financial Statements, IAS 36 Impairment of Assets, IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases".

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.

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.

In view of the particular nature of Italgas' activities and the consequences for the company of the spread of COVID-19, there are not believed to be any elements requiring in-depth analysis of the validity of the assumption of the company's ability to continue as a going concern.

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 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 from the start of May 2020 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 can, within reason, confirm its investment plans, having already proven in 2020 that it was able to overcome most 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 its strategic priorities, also included in its 2021-2027 Strategic Plan, with reference to both participation in area tenders for awarding of the natural gas distribution service, and potential operations for growth externally, which will strengthen territorial presence and enable development of the scope of business.

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/sales company base and their solvency, the rules for access of users to the gas distribution service are established by ARERA and 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 30 June 2021 there were no significant credit risks. Note that on average 98% of trade receivables relating to gas distribution are settled by the due date and over 99% 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 € 687 million as of 30 June 2021; (ii) there are limited requirements to refinance debt (the first bond repayment is due in January 2022 for a total of around € 112 million), (iii) the bonds issued by Italgas as of 30 June 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.

Any downgrading of the rating of Italgas or of any guarantors in excess of pre-established thresholds, could lead to the issuance of guarantees for certain lenders or a rise in the spreads applied. As of 30 June 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 the confirmation on 3 December 2020 of the rating by Fitch (BBB+, stable outlook) and Moody's (Baa2, stable outlook), 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, 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 definite 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 light of the foregoing, no impairment indicators emerged at 30 June 2021 requiring Italgas to test 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.

With reference to the item Rights of use of leased assets, leasing contracts have been renegotiated with the counterparties in 2021 due to COVID-19, with an overall impact of € 1.3 million.

REVENUE RECOGNITION (IFRS 15)

Under IFRS 15, it must be checked 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' core business 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 shall pay the portion of the benefit used that is 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.

Employee benefits (IAS 19) and share-based payments (IFRS 2)

There were no changes to the approach used, to date, to determine the actuarial assumptions required to calculate the various liabilities of the employee benefits according to IAS 19. Therefore, there were no methodological amendments or specific changes to the economic, demographic, financial or behavioural assumptions (e.g. turnover).

No changes occurred to the share-based payment plans with reference to the objectives assigned and the methods of recognising the benefits obtained in the income statement.

There are no legal obligations to employees linked to COVID-19 for which a liability should be recognised on the basis of IAS 19.

From the very start of the COVID-19 emergency, the Italgas Group adopted prevention and protection measures in regard to all its workers, identified to prevent the spread of the virus in the workplace, by implementing the measures defined by the reference Authorities that envisage, among other things, the supply of specific personal protective equipment (e.g. FFP2/3 masks, surgical masks and disposable gloves) and the adoption of organisational measures aimed at minimising people's travel and facilitating social distancing (smart working, revision of operating procedures, suspension of transfers and visitor entry, etc.).

The utmost attention was paid to protecting employees. The company took out an indemnity insurance policy for all employees who test positive for COVID-19, provided free prevention measures (voluntary serological, antigen and molecular tests) and arranged paid leave for vulnerable people who are therefore at greater risk of infection from COVID (based on an assessment by the medical officer). It has also set up a series of services to support families (free vouchers for school tutoring, babysitting services, personalised social and healthcare advice plus assistance for elderly family members).

Attention to the work-life balance has been further reinforced thanks to the introduction of the new Welfare Portal (Wellgas), with new services dedicated to employee well-being (e.g. online workouts, live sessions, nutritionist, etc.).

Employees are also continually updated by means of regular memos on the regulatory measures stemming from the Government Decrees and any repercussions on work

activities which, where not strictly necessary, were, and still are to this day, carried out remotely in smart working mode.

Insurance compensation

No types of damage or loss, subject to insurance cover, were suffered by the Italgas Group as a result of the COVID-19 pandemic.

Suspension of the dividend distribution

There were no changes to the dividend distribution policy.

Organisational impacts

There were no specific impacts resulting from the role of the Group's companies in the implementation of the government measures aimed at supporting the economy, issued to mitigate the effects of COVID-19.

MAIN ECONOMIC IMPACTS DIRECTLY ATTRIBUTABLE TO COVID-19

As recommended by ESMA, the amount recognised in the income statement as at June 2021 as the main impact directly attributable to COVID-19 is € 1.1 million, primarily related to the purchase of consumables (disinfectant, gloves, masks, etc.).

26) Revenues

The breakdown of revenue for the first half of 2021, which totalled € 1,048,840 thousand (€ 977,069 thousand for the first half of 2020) is shown in the following table.

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|--------------------------|------------------------|------------------|
| | 2020 | 2021 |
| Revenues | 947,424 | 1,017,556 |
| Other revenue and income | 29,645 | 31,284 |
| | 977,069 | 1,048,840 |

Group revenue is earned exclusively in Italy.

REVENUES

Revenues, which amounted to € 1,017,556 thousand (€ 947,424 thousand for the first half of 2020), are analysed in the table below:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|--|------------------------|------------------|
| | 2020 | 2021 |
| Natural gas distribution | 595,284 | 601,555 |
| Revenues for infrastructure construction and improvements (IFRIC 12) | 321,757 | 373,620 |
| Technical assistance, engineering, IT and various services | 18,746 | 29,859 |
| Water distribution and sale | 3,908 | 3,798 |
| Gas sales | 7,729 | 8,724 |
| | 947,424 | 1,017,556 |

Revenue (€ 1,017,556 thousand) refers primarily to the consideration for the natural gas distribution service (€ 601,555 thousand) and revenue deriving from the construction and upgrading of natural gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 373,620 thousand).

Revenue is reported net of the following items involving tariff 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 Cassa per i Servizi Energetici e Ambientali (CSEA).

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|-----------------------|------------------------|----------------|
| | 2020 | 2021 |
| RE-RS-UG1 fees | 82,907 | 82,827 |
| UG3 fees | 11,108 | 12,002 |
| Gas Bonus and GS fees | (6,834) | (5,270) |
| UG2 fees | 4,544 | 13,704 |
| | 91,725 | 103,263 |

The fees in addition to the distribution service (€ 103,263 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 (€ 601,555 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 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. Resolution no. 570/2019/R/gas and Determine n. 3/2021, for a total of € 6.1 million.

Revenue from the sale of gas (€ 8,724 thousand) relates to gases sold by the subsidiary Gaxa S.p.A.

Revenue from the sale of water (€ 3,798 thousand) relates to the water distributed by Italgas Acqua.

OTHER REVENUE AND INCOME

Other revenue and income, which amounted to € 31,284 thousand (€ 29,645 thousand in the first half of 2020), can be broken down as follows:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|---------------|
| | 2020 | 2021 |
| Income from gas distribution service safety recovery incentives | 10,506 | 11,611 |
| Income from property investments | 753 | 417 |
| Plant safety assessment pursuant to ARERA Resolution no. 40/04 | 974 | 1,276 |
| Capital gains from sale of assets | 194 | 195 |
| Sundry management refunds and chargebacks | 275 | 336 |
| Contractual penalties receivable | 901 | 162 |
| Revenue from regulated activities | 4,666 | 3,734 |
| Connection contribution uses | 9,766 | 9,660 |
| Revenue from seconded personnel | 101 | 119 |
| Other revenue | 1,509 | 3,774 |
| | 29,645 | 31,284 |

Income from safety recovery incentives, equal to € 11,611 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

27) Operating costs

The breakdown of operating costs for the period, which totalled € 550,041 thousand (€ 505,513 thousand as at 30 June 2020), is shown in the following table:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|----------------|
| | 2020 | 2021 |
| Purchase costs for raw materials, consumables, supplies and goods | 59,567 | 66,376 |
| Costs for services | 264,955 | 298,369 |
| Costs for the use of third-party assets | 44,114 | 49,488 |
| Personnel cost | 124,720 | 126,474 |
| Allocations to/releases from provision for risks and charges | 5,267 | 3,095 |
| Allocations to/releases from provisions for doubtful debt | | |
| Other expenses | 8,192 | 7,434 |
| <i>To be deducted:</i> | | |
| Increases for own work | (1,302) | (1,195) |
| _of which costs for services | (371) | (372) |
| _of which labour costs | (931) | (823) |
| | 505,513 | 550,041 |

Operating costs relating to the construction and upgrading of natural gas distribution infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amounted to € 373,620 thousand (€ 321,757 thousand for the first half of 2020) and are broken down as follows:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|----------------|
| | 2020 | 2021 |
| Purchase costs for raw materials, consumables, supplies and goods | 39,090 | 51,549 |
| Costs for services | 228,178 | 256,328 |
| Costs for the use of third-party assets | 4,346 | 8,777 |
| Personnel cost | 49,447 | 56,209 |
| Other expenses | 696 | 757 |
| | 321,757 | 373,620 |

Purchase costs for raw materials, consumables, supplies and goods are analysed below:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|-------------------|------------------------|---------------|
| | 2020 | 2021 |
| Inventories | 56,442 | 63,165 |
| Purchase of water | 1,311 | 1,187 |
| Motive power | 536 | 648 |
| Purchase of fuel | 1,278 | 1,376 |
| | 59,567 | 66,376 |

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 infrastructure (€ 51,549 thousand).

Costs for services of € 297,997 thousand (€ 264,584 thousand for the first half of 2020) relate to:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|-----------------|
| | 2020 | 2021 |
| Project management and plant maintenance | 203,525 | 236,464 |
| Consultancy and professional services | 21,389 | 24,971 |
| Costs for personnel services | 5,935 | 5,508 |
| IT and telecommunications services | 19,730 | 18,449 |
| Electricity, water and other (utility) services | 2,924 | 2,718 |
| Insurance | 2,758 | 2,659 |
| Cleaning, security service and guard services | 885 | 2,297 |
| Advertising and entertainment | 892 | 1,491 |
| Other services | 11,096 | 14,751 |
| Use of risk provision | (4,179) | (10,939) |
| | 264,955 | 298,369 |
| <i>To be deducted:</i> | | |
| Increases for own work | (371) | (372) |
| | 264,584 | 297,997 |

Costs for services include costs relating to the construction and upgrading of gas distribution infrastructure (€ 256,328 thousand).

Costs for project management and plant maintenance planning (€ 236,464 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 49,488 thousand (€ 44,114 thousand for the first half of 2020), are analysed below:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|-------------------------------------|------------------------|---------------|
| | 2020 | 2021 |
| Patent, license and concession fees | 39,129 | 40,659 |
| Leases and rentals | 4,985 | 8,913 |
| Use of risk provision | | (84) |
| | 44,114 | 49,488 |

Fees, patents and licences (€ 40,659 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 (€ 8,777 thousand) recognised in accordance with IFRIC 12.

Allocations to/releases from provision for risks and charges, amounting to € 3,095 thousand net of utilisations, refer mainly to the TEE risk provision (€ 2,920 thousand). For more details on the changes in the provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 125,651 thousand (€ 123,789 thousand in the first half of 2020), breaks down as follows:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|------------------------|------------------------|----------------|
| | 2020 | 2021 |
| Wages and salaries | 88,496 | 89,703 |
| Social charges | 27,109 | 27,130 |
| Employee benefits | 7,409 | 8,152 |
| Other expenses | 1,706 | 1,489 |
| | 124,720 | 126,474 |
| <i>To be deducted:</i> | | |
| Increases for own work | (931) | (823) |
| | 123,789 | 125,651 |

The item includes costs relating to the construction and upgrading of gas distribution infrastructure (€ 56,209 thousand).

Costs for employee benefits (€ 8,152 thousand) mainly regard expenses connected to the elimination of the Gas Fund, pursuant to Law no. 125 of 6 August 2015¹⁸. More details are provided in the "Provisions for employee benefits" note.

Other expenses of € 1,489 thousand, in particular refer to charges for the incentive plan for senior executives (co-investment 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.

¹⁸As of 1 December 2015, Law no. 125 of 6 August 2015 eliminated the General compulsory disability, old age and survivors' insurance supplementary fund for employees of private gas companies (the "Gas Fund") in which roughly 3,500 people in the Group participated, particularly in the distribution sector. The Law set a series of additional contributions that the employer must cover. These expenses, estimated on the basis of actuarial assumptions, were to date assessed at € 40 million (€ 28 million net of the tax effect).

AVERAGE NUMBER OF EMPLOYEES

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

| PROFESSIONAL QUALIFICATION | 30.6.2020 | 31.12.2020 | 30.6.2021 |
|----------------------------|--------------|--------------|--------------|
| Executives | 61 | 60 | 59 |
| Managers | 300 | 302 | 309 |
| Office workers | 2,260 | 2,239 | 2,184 |
| Manual workers | 1,446 | 1,430 | 1,397 |
| | 4,067 | 4,031 | 3,949 |

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

At 30 June 2021, there were 3,930 employees.

Other expenses, of € 7,434 thousand, are analysed below:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|--|------------------------|--------------|
| | 2020 | 2021 |
| Gas distribution service safety improvement penalties | 65 | 56 |
| Other penalties and compensation | 488 | 1,608 |
| Indirect taxes, local taxes | 3,496 | 3,192 |
| Capital losses from disposal/recovery of property, plant and equipment and intangible assets | 2,528 | 953 |
| Membership fees | 824 | 852 |
| Costs for transactions, compensation and penalties | 83 | 106 |
| Use of risk provision | (3,758) | (1,903) |
| Net expense attributable to Energy Efficiency Certificates | 1,156 | 1,144 |
| Other expenses | 3,310 | 1,426 |
| | 8,192 | 7,434 |

The net charges from TEE includes the negative margin of the purchase transaction (€38,775 thousand) and the cancellation of the same TEE (€37,631 thousand).

The other expenses include costs relating to the construction and upgrading of gas distribution infrastructure (€ 757 thousand) recognised pursuant to IFRIC 12.

28) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 219,389 thousand (€ 217,536 thousand in the first half of 2020), breaks down as follows:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|--------------------------------------|------------------------|----------------|
| | 2020 | 2021 |
| Amortisation and depreciation | 217,033 | 218,912 |
| – Property, plant and equipment | 7,910 | 7,749 |
| – Right of use pursuant to IFRS 16 | 9,793 | 10,934 |
| – Intangible assets | 199,330 | 200,229 |
| Impairment | 503 | 477 |
| – Impairment of tangible assets | | (31) |
| – Impairment of intangible assets | 503 | 508 |
| | 217,536 | 219,389 |

For more details refer to the “Property, plant and equipment” and “Intangible assets” notes.

29) Financial Income (expense)

Net financial expense, amounting to € 31,811 thousand (€ 26,408 thousand in the first half of 2020) comprises:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|-----------------|
| | 2020 | 2021 |
| Financial Income (expense) | (25,573) | (33,293) |
| Financial expense | (25,624) | (34,111) |
| Financial income | 51 | 818 |
| Other financial income (expense) | (835) | 1,332 |
| Other financial expenses | (1,128) | 71 |
| Other financial income | 293 | 1,261 |
| Derivatives | | 150 |
| | (26,408) | (31,811) |

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|--|------------------------|-----------------|
| | 2020 | 2021 |
| Financial Income (expense) | (26,355) | (33,293) |
| Borrowing costs: | (26,406) | (34,111) |
| – Interest expense on bonds | (22,238) | (30,040) |
| <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 | (929) | (908) |
| – Interest expense on credit line and loan expense due to banks and other lenders | (3,239) | (3,163) |
| Financial expense capitalised | | |
| Income on financial receivables: | 51 | 818 |
| – Interest income and other income on financial receivables non-held for operations | 8 | 784 |
| – Exchange gains | 43 | 34 |
| Other financial income (expense): | (53) | 1,332 |
| – Capitalised financial expense | 782 | 1,333 |
| – Financial income (expense) connected with the passing of time (accretion discount) (*) | (627) | (794) |
| – Uses of risk provisions and financial expense | | |
| – Expense for right of use pursuant to IFRS 16 | (150) | (153) |
| – Other expenses | (351) | (315) |
| – Other income | 293 | 1,261 |
| Derivatives | | 150 |
| – Change in fair value on derivative contracts - financial income | | 230 |
| – Change in fair value on derivative contracts - financial expense | | (80) |
| | (26,408) | (31,811) |

(*) 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".

30) Income (expense) from equity investments

Financial income and expenses on equity investments, amounting to € 1,094 thousand (€ 1,030 thousand in the first half of 2020) comprise:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | |
|---|------------------------|--------------|
| | 2020 | 2021 |
| Effect of valuation using the equity method | 1,139 | 738 |
| Capital gains from valuation using the equity method | 1,139 | 738 |
| Other income (expense) from equity investments | (109) | 356 |
| Dividends | 25 | 49 |
| Other income from equity investments | (134) | 307 |
| | 1,030 | 1,094 |

The analysis of income from the valuation of investments using the equity method is provided in the note "Equity investments valued using the equity method".

31) Income taxes

Income taxes for the year, amounting to € 68,659 thousand (€ 64,936 thousand as at 30 June 2020) comprise:

| (€ THOUSANDS) | FIRST HALF OF THE YEAR | | | | | |
|--|------------------------|----------------|-----------------|-----------------|---------------|-----------------|
| | 2020 | | | 2021 | | |
| | IRES | IRAP | TOTAL | IRES | IRAP | TOTAL |
| Current taxes | 65,926 | 13,083 | 79,009 | 68,565 | 13,840 | 82,405 |
| Current taxes for the year | 62,604 | 12,018 | 74,622 | 67,448 | 13,852 | 81,300 |
| Adjustments for current taxes pertaining to previous years | 3,322 | 1,065 | 4,387 | 1,117 | (12) | 1.105 |
| Deferred and prepaid taxes | (12,302) | (1,771) | (14,073) | (13,567) | (179) | (13,746) |
| Deferred taxes | (12,282) | (1,599) | (13,881) | (9,099) | (1,020) | (10,119) |
| Prepaid taxes | (20) | (172) | (192) | (4,468) | 841 | (3,627) |
| | 53,624 | 11,312 | 64,936 | 54,998 | 13,661 | 68,659 |

The incidence of current taxes on the pre-tax result (tax rate) was 27.6%, compared to the theoretical rate of 28.2%.

32) Profit (loss) per share

The earnings per basic share, equal to € 0.21, was calculated by dividing the net profit attributable to Italgas (€ 171,174 thousand) by the weighted average number of Italgas shares outstanding during the year (809,768,354 shares).

The diluted earnings per share was calculated by dividing the net profit 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 option plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.21 per share.

33) 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 Group 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.

Mr Antonio Paccioretti, 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 abovementioned related parties for the first half of 2020 and 2021 are shown below. The nature of the most significant transactions is also stated.

COMMERCIAL AND OTHER TRANSACTIONS

Commercial and other transactions are analysed in the following tables:

| (€ THOUSANDS) | 30.06.2020 | | | FIRST HALF OF 2020 | | | | |
|---|----------------|---------------|----------------------------------|--------------------|--------------|---------------|----------------|--------------|
| | RECEIVABLES | PAYABLES | GUARANTEES AND COMMITMENTS | COSTS (A) | | | REVENUE (B) | |
| | | | | ASSETS | SERVICES | OTHER | SERVICES | OTHER |
| Parent company | | | | | | | | |
| _ Cassa Depositi e Prestiti | | 82 | | | 103 | | | |
| | | 82 | | | 103 | | | |
| Companies under joint control and associates | | | | | | | | |
| _ Umbria Distribuzione Gas S.p.A. | 284 | | | | | | 290 | 17 |
| _ Metano Sant'Angelo Lodigiano S.p.A. | 143 | | | | (1) | | 150 | 34 |
| _ Gesam Reti S.p.A. | 33 | | | | | | | |
| _ Valdarno S.r.l. (in liquidation) | | 254 | | | 246 | 134 | | |
| _ Reti Distribuzione S.r.l. | | 187 | | | | | | |
| | 460 | 441 | | | 245 | 134 | 440 | 51 |
| Companies owned or controlled by the State | | | | | | | | |
| _ Eni Group | 114,121 | 11,027 | | 2,772 | 342 | 183 | 367,814 | 3,033 |
| _ Snam Group | 3,311 | 4,667 | | | 134 | 2 | 45 | (240) |
| _ Enel Group | 14,379 | 933 | | 1 | 3 | 73 | 86,009 | 722 |
| _ Anas Group | 22 | 453 | | | | 152 | | |
| _ Ferrovie dello Stato Group | 90 | (34) | | | 2 | 226 | | |
| _ GSE Gestore Servizi Group | 3,002 | (32) | | | 1 | 48,166 | | 4 |
| _ Poste italiane Group | 57 | 602 | | | 357 | | 5 | |
| _ Terna Group | | | | | | | | 16 |
| _ Saipem Group | | 739 | | | 354 | | | |
| | 134,982 | 18,355 | | 2,773 | 1,193 | 48,802 | 453,873 | 3,535 |
| Other related parties | | | | | | | | |
| _ Other | 2 | 50 | | | | 2 | | |
| | 2 | 50 | | | | 2 | | |
| Total | 135,444 | 18,928 | | 2,773 | 1,541 | 48,938 | 454,313 | 3,586 |

(A) Include costs for goods and services for investment.

(B) Gross of the tariff components having contra entry in costs.

| (€ THOUSANDS) | 30.06.2021 | | | FIRST HALF OF 2021 | | | | |
|---|----------------|---------------|----------------------------|--------------------|------------|---------------|----------------|--------------|
| | RECEIVABLES | PAYABLES | GUARANTEES AND COMMITMENTS | COSTS (A) | | | REVENUE (B) | |
| | | | | ASSETS | SERVICES | OTHER | SERVICES | OTHER |
| Parent company | | | | | | | | |
| _ Cassa Depositi e Prestiti | | 105 | | | 39 | | | |
| | | 105 | | | 39 | | | |
| Companies under joint control and associates | | | | | | | | |
| _ Umbria Distribuzione Gas S.p.A. | 340 | | | | (1) | | 307 | 34 |
| _ Metano Sant'Angelo Lodigiano S.p.A. | 194 | | | | | | 167 | 34 |
| _ Gesam Reti S.p.A. | 1,093 | | | | | | | 32 |
| _ Valdarno S.r.l. (in liquidation) | 50 | 201 | | | | 1 | 50 | |
| | 1,677 | 201 | | | (1) | 1 | 524 | 100 |
| Companies owned or controlled by the State | | | | | | | | |
| _ Eni Group | 78,570 | 23,621 | | 2,467 | 445 | 1,911 | 371,001 | 1,730 |
| _ Snam Group | 733 | 701 | | | 239 | | 120 | 112 |
| _ Enel Group | 17,484 | 3,653 | | | 1 | 544 | 102,630 | 531 |
| _ Anas Group | 25 | 1,062 | | | | 260 | | 37 |
| _ Ferrovie dello Stato Group | 235 | 142 | | | (3) | 176 | | |
| _ GSE Gestore Servizi Group | 1,471 | 12,742 | | | 1 | 31,431 | 1,305 | |
| _ Poste italiane Group | 4 | 249 | | | 126 | | | |
| _ Saipem Group | | 205 | | | 130 | | | |
| _ Zecca dello Stato [Italian State Mint] | | | | | | | | 1 |
| | 98,522 | 42,375 | | 2,467 | 939 | 34,322 | 475,056 | 2,411 |
| Other related parties | | | | | | | | |
| _ Other | | 4 | | | | 6 | | |
| | | 4 | | | | 6 | | |
| Total | 100,199 | 42,685 | | 2,467 | 977 | 34,329 | 475,580 | 2,511 |

(A) Include costs for goods and services for investment.

(B) Gross of the tariff components having contra entry in costs.

COMPANIES UNDER JOINT CONTROL AND ASSOCIATES

The main receivable commercial transactions mostly regarded IT supplies 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 and personnel loans 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;

FINANCIAL TRANSACTIONS

Financial transactions with related parties are analysed in the following tables:

| (€ THOUSANDS) | 30.06.2020 | | FIRST HALF OF 2020 | |
|---|-------------|--------------|--------------------|------------|
| | RECEIVABLES | PAYABLES | INCOME | EXPENSE |
| Parent company | | | | |
| _ Cassa Depositi e Prestiti | | 149 | | 149 |
| | | 149 | | 149 |
| Companies under joint control and associates | | | | |
| _ Valdarno S.r.l. (in liquidation) | | 2,365 | | |
| | | 2,365 | | |
| Total | | 2,514 | | 149 |

| (€ THOUSANDS) | 30.06.2021 | | FIRST HALF OF 2021 | |
|---|-------------|--------------|--------------------|------------|
| | RECEIVABLES | PAYABLES | INCOME | EXPENSE |
| Parent company | | | | |
| _ Cassa Depositi e Prestiti | | | | 147 |
| | | | | 147 |
| Companies under joint control and associates | | | | |
| _ Valdarno S.r.l. (in liquidation) | | 2,365 | | |
| | | 2,365 | | |
| Total | | 2,365 | | 147 |

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).

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 | | | 30.06.2021 | | |
|---|------------|------------------|-------------|------------|------------------|-------------|
| | TOTAL | RELATED ENTITIES | INCIDENCE % | TOTAL | RELATED ENTITIES | INCIDENCE % |
| Statement of financial position | | | | | | |
| Trade and other receivables | 635,028 | 253,182 | 39.9% | 377,070 | 99,526 | 26.4% |
| Other current non-financial assets | 84,168 | 5 | 0.0% | 71,665 | 5 | 0.0% |
| Other non-current non-financial assets | 167,441 | 674 | 0.4% | 174,212 | 668 | 0.4% |
| Short-term financial liabilities | 698,406 | 536 | 0.1% | 195,799 | 536 | 0.3% |
| Trade and other payables | 767,555 | 25,963 | 3.4% | 772,104 | 42,510 | 5.5% |
| Other current non-financial liabilities | 9,118 | 175 | 1.9% | 4,743 | 175 | 3.7% |
| Long-term financial liabilities | 4,707,145 | 1,978 | 0.0% | 5,301,160 | 1,829 | 0.0% |
| Other non-current non-financial liabilities | 546,054 | | | 540,470 | | |

The impact of related-party transactions on the income statement is summarised in the following table:

| (€ THOUSANDS) | FIRST HALF OF 2020 | | | FIRST HALF OF 2021 | | |
|--|--------------------|------------------|-------------|--------------------|------------------|-------------|
| | TOTAL | RELATED ENTITIES | INCIDENCE % | TOTAL | RELATED ENTITIES | INCIDENCE % |
| Income Statement | | | | | | |
| Revenues | 947,424 | 454,313 | 48.0% | 1,017,556 | 475,580 | 46.7% |
| Other revenue and income | 29,645 | 3,586 | 12.1% | 31,284 | 2,511 | 8.0% |
| Costs for raw materials, consumables, supplies and goods | 59,567 | 2,773 | 4.7% | 66,376 | 2,467 | 3.7% |
| Costs for services | 264,584 | 1,541 | 0.6% | 297,997 | 977 | 0.3% |
| Costs for leased assets | 44,114 | 514 | 1.2% | 49,488 | 436 | 0.9% |
| Personnel cost | 123,789 | | | 125,651 | | |
| Other expenses | 8,192 | 48,424 | | 7,434 | 33,893 | |
| Financial expense | 26,753 | 149 | 0.6% | 34,040 | 147 | 0.4% |
| Financial income | 345 | | | 2,079 | | |

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) | FIRST HALF OF 2020 | FIRST HALF OF 2021 |
|---|--------------------|--------------------|
| Revenue and income | 457,899 | 478,091 |
| Costs and charges | (53,252) | (37,773) |
| Change in trade and other current receivables | 97,549 | 153,656 |
| Change in other assets | (128) | 6 |
| Change in trade and other payables | 3,694 | 16,547 |
| Net cash flow from operating activities | 505,762 | 610,527 |
| Net cash flow from investment activities | | |
| Dividends distributed to minority shareholders | (81,456) | (88,623) |
| Increase (decrease) in financial debt | | (149) |
| Net cash flow from financing activities | (81,456) | (88,772) |
| Total cash flows to related entities | 424,306 | 521,755 |

The incidence of cash flows with related parties are shown in the following table:

| (€ THOUSANDS) | FIRST HALF OF 2020 | | | FIRST HALF OF 2021 | | |
|--------------------------------------|--------------------|------------------|-------------|--------------------|------------------|-------------|
| | TOTAL | RELATED ENTITIES | INCIDENCE % | TOTAL | RELATED ENTITIES | INCIDENCE % |
| Cash flow from operating activities | 401,366 | 505,762 | 126.0% | 553,408 | 610,527 | 110.3% |
| Cash flow from investment activities | (400,964) | | | (417,964) | | |
| Cash flow from financing activities | 81,394 | (81,456) | (100.1%) | (114,562) | (88,772) | 77.5 % |

34) Significant events occurring after the end of the half-year

On July 16, 2021, ARERA published Resolution no. 3/2021 relating to the methods of recognizing the residual costs of traditional meters of class lower than or equal to G6 replaced with smart meters in application of the Directives for the commissioning of gas metering units.

Post-balance sheet events are described in the section "Other information" contained in the Directors' Report to which reference is made.

CERTIFICATION OF THE CONDENSED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS, PARAGRAPH 5 OF LEGISLATIVE DECREE 58/1998 (CONSOLIDATED FINANCE ACT)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Giovanni Mercante, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify:

- _ the adequacy, considering the Company's characteristics, and
- _ the effective implementation

of the administrative and accounting procedures for the preparation of the condensed half-year financial statement as at 30 June 2021 in the first half of 2021.

2. The administrative and accounting procedures for the preparation of the condensed half-year financial statement at 30 June 2021 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which represents a benchmark framework for the internal control system generally accepted at international level.

3. It is also certified that:

3.1 The condensed half-year financial statements as at 30 June 2021:

- a. were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- b. are consistent with the accounting books and records;
- c. are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.

3.2 The Interim Directors' Report includes a reliable analysis of the references to important events which occurred in the first six months of the year and their incidence on the Condensed Consolidated Half-Year Financial Statement, together with a description of the main risks and uncertainties for the remaining six months of the financial year. The Interim Directors' Report also includes a reliable analysis of the information on relevant transactions with related parties.

26 July 2021

Chief Executive Officer

Paolo Gallo

Director in charge of preparing
company accounting documents

Giovanni Mercante



INDEPENDENT AUDITORS' REPORT



Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: + 39 02 83322111
Fax: + 39 02 83322112
www.deloitte.it

REPORT ON REVIEW OF THE HALF-YEARLY CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
Italgas S.p.A.

Introduction

We have reviewed the accompanying half-yearly condensed consolidated financial statements of Italgas S.p.A. and subsidiaries (the "Italgas Group") as of June 30, 2021, which comprise the statement of financial position, the income statement, the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the six-month period then ended, and the explanatory notes. The Directors of Italgas S.p.A. are responsible for the preparation of the half-yearly condensed consolidated financial statements in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on the condensed consolidated half-year financial statements based on our review.

Scope of Review

We conducted our review in accordance with the criteria recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("Consob") for the review of the half-yearly financial statements under Resolution n° 10867 of July 31, 1997. A review of half-yearly condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly condensed consolidated financial statements of the Italgas Group as of June 30, 2021 are not prepared, in all material respects, in accordance with the International Accounting Standard applicable to the interim financial reporting (IAS 34) as adopted by the European Union.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
August 3, 2021


This report has been translated into the English language solely for the convenience of international readers.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

© Deloitte & Touche S.p.A.



D.
**ANNEXES TO
THE NOTES TO
THE CONDENSED
CONSOLIDATED
FINANCIAL
STATEMENTS**

COMPANIES AND EQUITY INVESTMENTS OF ITALGAS S.P.A. AS AT 30 JUNE 2021

In compliance with the provisions of Consob communication DEM/6064293 of 28 July 2006 and articles 38 and 39 of Italian Legislative Decree 127/1991, the list of subsidiary and related companies of Italgas S.p.A as at 30 June 2021, as well as other relevant shareholdings, are reported below.

The companies are broken down by area of activity and are listed in alphabetical order. The name, registered office, share capital, shareholders and respective percentages of ownership are reported for each company. For fully consolidated companies, the consolidated percentage pertaining to Italgas is indicated. The measurement criterion is indicated for non-fully-consolidated subsidiaries of consolidated companies.

CONSOLIDATING COMPANY

| DESIGNATION | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | SHAREHOLDERS | % OWNERSHIP | % CONSOLIDATED PERTAINING TO ITALGAS | CONSOLIDATION METHOD OR MEASUREMENT CRITERION |
|----------------|-------------------|----------|---------------|-----------------------|-------------|--------------------------------------|---|
| Italgas S.p.A. | Milan | EUR | 1,002,016,255 | CDP Reti S.p.A. | 26.02 % | 100.00% | full consolidation |
| | | | | Snam S.p.A. | 13.49 % | | |
| | | | | Minority shareholders | 60.49 % | | |

SUBSIDIARY COMPANIES

| DESIGNATION | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | SHAREHOLDERS | % OWNERSHIP | % CONSOLIDATED PERTAINING TO ITALGAS | CONSOLIDATION METHOD OR MEASUREMENT CRITERION |
|------------------------|--------------------------|----------|---------------|--|--------------------|--------------------------------------|---|
| Italgas Reti S.p.A. | Turin | EUR | 252,263,314 | Italgas S.p.A. | 100.00% | 100.00% | full consolidation |
| Italgas Acqua S.p.A. | Milan | EUR | 50,000 | Italgas S.p.A. | 100.00% | 100.00% | full consolidation |
| Seaside S.r.l. | Casalecchio di Reno (BO) | EUR | 89,254 | Italgas S.p.A. Toscana Energia S.p.A. | 67.22 % 32.78 % | 83.82% | full consolidation |
| Medea S.p.A. | Sassari | EUR | 95,500,000 | Italgas Reti S.p.A. Minority shareholders | 51.85% 48.15% | 51.85% | full consolidation |
| Gaxa S.p.A. | Milan | EUR | 50,000 | Italgas S.p.A. Minority shareholders | 51.85% 48.15% | 51.85% | full consolidation |
| Toscana Energia S.p.A. | Florence | EUR | 146,214,387 | Italgas S.p.A. Minority shareholders | 50.66% 49.34% | 50.66% | full consolidation |
| Italgas Newco S.r.l. | Milan | EUR | 10,000 | Italgas S.p.A. | 100.00% | 100.00% | full consolidation |
| Bludigit S.p.A. | Milan | EUR | 11,000,000 | Italgas S.p.A. | 100.00% | 100.00% | full consolidation |

ASSOCIATED AND JOINT CONTROL COMPANIES

| DESIGNATION | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | SHAREHOLDERS | % OWNERSHIP | CONSOLIDATION METHOD OR MEASUREMENT CRITERION |
|---|----------------------------|----------|---------------|------------------------|-------------|---|
| Metano Sant'Angelo Lodigiano S.p.A. (a) | Sant'Angelo Lodigiano (LO) | EUR | 200,000 | Italgas S.p.A. | 50.00% | shareholders' equity measurement |
| | | | | Minority shareholders | 50.00% | |
| Umbria Distribuzione Gas S.p.A. (a) | Terni | EUR | 2,120,000 | Italgas S.p.A. | 45.00 % | shareholders' equity measurement |
| | | | | Minority shareholders | 55.00% | |
| Gesam Reti S.p.A. | Lucca | EUR | 28,546,672 | Toscana Energia S.p.A. | 42.96 % | shareholders' equity measurement |
| | | | | Minority shareholders | 57.04% | |
| Valdarno S.r.l. in liquidazione | Ospedaletto (PI) | EUR | 5,720,000 | Toscana Energia S.p.A. | 30.05 % | shareholders' equity measurement |
| | | | | Minority shareholders | 69.95% | |
| Enerpaper S.r.l. (a) | Turin | EUR | 10,000 | Seaside S.r.l. | 10.00% | shareholders' equity measurement |
| | | | | Minority shareholders | 90.00% | |

(a) company subject to joint control

OTHER COMPANIES

| DESIGNATION | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | SHAREHOLDERS | % OWNERSHIP | CONSOLIDATION METHOD OR MEASUREMENT CRITERION |
|---------------------------|-------------------|----------|---------------|-----------------------|-------------|---|
| Reti Distribuzione S.r.l. | Ivrea (TO) | EUR | 40,100,000 | Italgas Reti S.p.A. | 15.00% | fair value measurement |
| | | | | Minority shareholders | 85.00% | |

CHANGE IN SCOPE OF CONSOLIDATION

| DESIGNATION | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | SHAREHOLDERS | % OWNERSHIP | CONSOLIDATION METHOD OR MEASUREMENT CRITERION |
|----------------------------------|-------------------|----------|---------------|------------------------|-------------|---|
| Bludigit S.p.A. | Milan | EUR | 11,000,000 | Italgas S.p.A. | 100.00% | full consolidation |
| Toscana Energia Green S.p.A. (*) | Pistoia | EUR | 6,330,804 | Toscana Energia S.p.A. | 100.00% | 50.66% |
| Isgastrentatrè S.p.A. | Cagliari | EUR | 3,000,000 | Minority shareholders | 100.00% | |

(*) this company left the scope of consolidation due to the incorporation into Seaside S.r.l.

