



Consolidated half-year financial report
as at 30 June 2022

OUR MISSION

We have guaranteed efficient, safe and excellent energy services to the community for over 180 years.

We favour the energy transition, creating the networks of the future and promoting innovative, sustainable solutions.

We take care of local communities. We fuel positive, productive relationships with all of our stakeholders: individuals, companies, suppliers and shareholders.

We enter new markets where we can apply our distinctive expertise.

We promote the growth of individuals and develop talent, creating inclusive, stimulating work environments.

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, as well as 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.

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Corporate bodies

BOARD OF DIRECTORS^(a)

Chairman

Benedetta Navarra

Chief Executive Officer and General Manager

Paolo Gallo

Directors

Qinjing Shen
 Maria Sferruzza
 Manuela Sabbatini
 Claudio De Marco
 Lorenzo Parola
 Fabiola Mascardi
 Gianmarco Montanari

CONTROL AND RISKS AND RELATED-PARTY TRANSACTIONS COMMITTEE^(b)

Gianmarco Montanari (Chairman)
 Claudio De Marco
 Manuela Sabbatini

INDEPENDENT AUDITORS^(g)

Deloitte & Touche S.p.A.

BOARD OF STATUTORY AUDITORS^(a)

Chairman

Giulia Pusterla

Standing auditors

Maurizio di Marcotullio
 Paola Maria Maiorana

Alternate auditors

Stefano Fiorini
 Barbara Cavalieri

APPOINTMENTS AND REMUNERATION COMMITTEE^(c)

Lorenzo Parola (Chairman)
 Claudio De Marco
 Manuela Sabbatini

SUSTAINABILITY COMMITTEE^(d)

Fabiola Mascardi (Chairman)
 Maria Sferruzza
 Qinjing Shen

SUPERVISORY BODY^(e)

Carlo Piergallini (Chairman)
 Romina Guglielmetti^(f)
 Francesco Profumo

^(a) Appointed by the Shareholders' Meeting of 26 April 2022. In office until the date of the Shareholders' Meeting called for the approval of the financial statements for the year ending 31 December 2024.

^(b) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022.

^(c) Committee established by the Board of Directors on 23 October 2017. Members appointed by the Board of Directors on 02 May 2022.

^(d) Committee established by the Board of Directors on 4 August 2016. Members appointed by the Board of Directors on 02 May 2022.

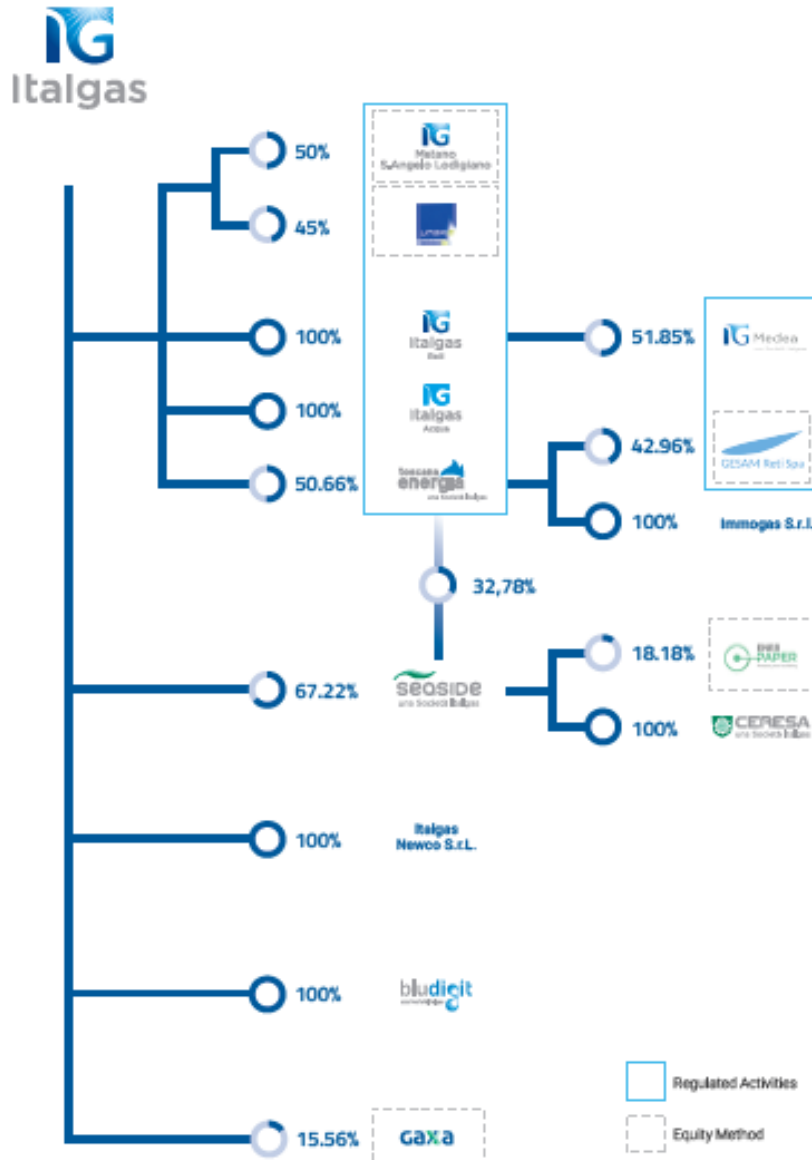
^(e) The Supervisory Body was appointed by the Board of Directors on 23 September 2019.

^(f) On 1 July 2021, the Board of Directors appointed Ms Romina Guglielmetti as a member of the Supervisory Body to replace Ms Marcella Caradonna (appointed on 23 September 2019), who had tendered her resignation from office on 03 May 2021.

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

Group structure as at 30 June 2022

Italgas Group structure as at 30 June 2022 changed compared to that as at 31 December 2021 due to the sale of a majority stake in Gaxa to Edison and the establishment of Immogas following the demerger of Valdarno in liquidation.



Summary figures and information

Main events

Extraordinary and M&A transactions

- In the context of the public tender called by the Greek government for privatisation of the gas distribution operator DEPA Infrastructure S.A, on 9 September 2021, Italgas was declared the 'preferred bidder' by the Greek privatisation fund (HRADF); on 10 December 2021 a preliminary purchase and sale contract was signed for a price of € 733 million. The conditions precedent for the effectiveness of the aforementioned contract have been almost fully met. The parties are implementing the preparatory activities for carrying out the operation.
- On 4 May 2022, the closing of the operation by which Edison acquired a majority stake in Gaxa, a company which markets and sells natural gas, LPG and propane air for civil use through networks in Sardinia, was finalised. The new shareholding structure of Gaxa is composed of Edison (70%), Italgas (15.56%) and Marguerite (14.44%). The partnership with a leading operator specialising in retail activities strengthens Gaxa's commercial presence and outlook for development, with positive impacts on the investment plan for Sardinia promoted by Italgas.

Innovation, digitisation of the corporate networks and processes

In the first half of 2022, the digitisation process undertaken by the Group continued, in line with what had been previously planned, and was further developed by the 2022-2028 Business Plan, presented to the financial community on 15 June 2022.

The evolution of cybersecurity tools focused on gradually extending them to the area of operation technology (OT) as well as the enhanced structuring of cybersecurity, protection and prevention processes and services, extended to all Group companies.

Innovation, driven by the Digital Factory, the innovation factory for the transformation and digitisation of business processes, now involves all areas of the company: by way of example, solutions have been developed aimed at simplifying, automating and speeding up the employees' journeys and experience (HR area processes) and related to end-to-end supplier management (Procurement area processes). Agile rooms were also set up dedicated to the development of an innovative command and control system for the digitised gas network (DANA) and the complete digitisation of processes related to the management of investments and delivery of related activities (CAPEXFORCE). In continuity with what was started in 2021, new machine learning solutions have been developed, capable of expanding predictive maintenance to other assets in the digitised network, as well as optimising the use and set-up of those assets.

Based on the priorities and opportunities highlighted in prioritising the works, all work sites aimed at evolving and automating business processes in the operations, commercial and corporate areas were launched.

Optimization of the debt structure

Despite the current context of extreme volatility of the financial markets, on 23 May 2022 Italgas took out a floating-rate bank loan with a leading bank, linked to the achievement of ESG targets. The loan was for a total amount of € 250 million and for a duration of three years.

Capital transactions

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earnings reserves.

Other events

- On 18 January 2022, Italgas signed an agreement with Buzzi Unicem, an international group focused on the production of cement, concrete and natural aggregates, for the conduct of a feasibility study relative to the development of Power-to-Gas plants in combination with CO₂ (carbon) capture systems at the production plants of Buzzi Unicem, with a view to assuring greater environmental sustainability and support for the energy transition.
- On 1 February 2022, Italgas was included for the third year running in the **Sustainability Yearbook 2022**, the annual S&P Global publication that brings together experiences, success stories and best practices from world leading companies on sustainability matters. Italgas was included following the Corporate Sustainability Assessment (CSA) carried out in 2021. Italgas has also obtained “Gold Class Distinction” for its excellent sustainability performance. The Italgas share has also been confirmed on the **FTSE4Good Index Series**, which includes the best companies that stand out for the attention paid to sustainable economic development.
- On 2 March 2022, with an outlay of \$ 15 million, Italgas strengthened its partnership with **Picarro Inc.** through the acquisition of a minority stake in the capital of the US technological start-up company and world leader in sensors applied to gas distribution network monitoring as well as technologies for sectors characterised by the need to have extremely sensitive detection, such as environmental measurements relating to the concentration of dangerous atmospheric pollutants, and the electronics industry for the identification of impurities in the environments dedicated to semiconductor production.
- On 15 April 2022, the company Immogas S.r.l. was established, 100%/owned by Toscana Energia S.p.A., as a result of the non-proportional and asymmetrical partial demerger of Valdarno S.r.l.

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Key figures

In order to allow for a better assessment of economic and financial performance, the Directors' Report 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

		30.06.2021	30.06.2022
Number of shares of share capital		809,768,354	810,245,718
Closing price at the end of period	(€)	5.51	5.55
Average closing price in the period (a)	(€)	5.323	5.825
Market capitalisation (b)	(€ million)	4,310	4,720
Exact market capitalisation (c)	(€ million)	4,463	4,501

(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 of the year	
	2021	2022
Total revenues (*)	665.4	707.4
EBITDA	489.1	513.3
Operating profit	279.4	296.0
Gross profit	248.7	272.9
Net profit	180.0	197.8
Net profit attributable to the Group	171.2	188.3
Earning per share (**)	0.211	0.232

(*) 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" (€ 343.3 and € 373.6 million respectively in the first half of 2022 and 2021), connection contributions (€ 9.5 and € 9.6 million respectively in the first half of 2022 and 2021) and other residual components (0.5 and 0.2 respectively in the first half of 2022 and 2021).

(**) The indicator is calculated as a ratio between the net profit attributable to the Group and the total number of shares, which is 810,245,718 at 30 June 2022 and 809,768,354 at 30 June 2021.

(€ million)	31.12.2021	30.06.2022
Net invested capital at the end of the end of period	7,122.5	7,215.7
Shareholders' equity	2,142.5	2,121.3
Net financial debt at end of period	4,980.0	5,094.4
Finance lease payables - IFRS 16	70.0	61.0
Net financial debt (excluding the effects pursuant to IFRS 16)	4,910.0	5,033.4

Italgas and the financial markets

The first half of 2022 saw a broad decline in global equities. After updating the all-time highs at the beginning of the year, the stock markets gradually felt the effects of fears of a strong economic slowdown brought about by expectations of monetary tightening to calm the ongoing inflationary process, further exacerbated by supply-side tensions resulting from the conflict in Ukraine and the sanctions adopted against Russia, including an embargo on coal and oil imports. The US CPI in May (+8.6% y/y) was at a 40-year high, with the equivalent estimated eurozone figure for June 2022 broadly in line. The rise in inflation was mainly driven by the food and energy components, with the FAO food price index (also due to the impact of the conflict on the supply of agricultural commodities from Ukraine) and the main energy commodities (including oil prices expressed in euros) at all-time highs. Even net of these factors, the less volatile core component still remained at values (6.0% in the US and 3.7% in the eurozone) well above the central banks' targets (2%). Reflecting the aforementioned inflationary tensions and the consequent necessary monetary tightening by central banks, the German and US 10-year sovereign yields advanced by about 150 bps, close to their highest levels since 2014 and 2011, respectively.

Overall, with share prices adjusted after the ex-dividend date, the Euro Stoxx share index contracted 18.0% compared to -20.0% for the S&P 500, which, however, considering the 8% EUR/USD drop, has largely outperformed the eurozone benchmark on a constant currency basis due to its lower exposure to the Russian economy and related commodity supplies. Even in terms of national indices, the performance reflected the degree of exposure to the Russian economy and related energy supplies, with the FTSE MIB and Frankfurt DAX (-19.6% and -19.5% respectively) most heavily penalised compared to a limited decline of 5.3% for Madrid's Ibex 35, with Spain mainly exposed to gas supplies from Algeria and through LNG. The Paris CAC 40 was in an intermediate position (-15.0%).

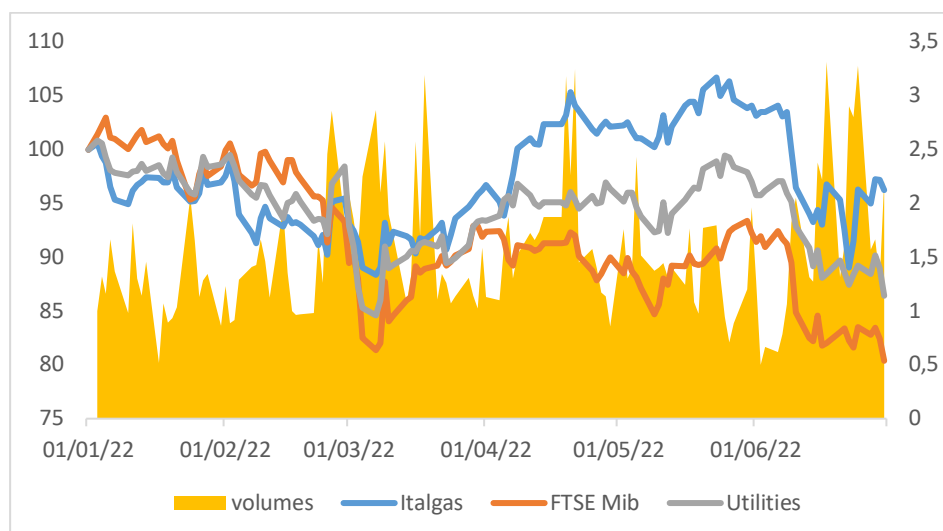
On a sector level, the Euro Stoxx Utilities fell by 13.6%, with German operators largely underperforming due to the deterioration of trade margins caused by the lack of hedging on the upstream side in an environment characterised by historically high gas prices, as well as a significant contraction in Russian supplies, with the consequent need to procure the missing volumes on the market at much higher costs.

The Italgas stock closed the first half of 2022 at € 5.555. From the date on which it was listed in November 2016 to 30 June 2022, the total shareholder return is 83.9%. On 20 May, the stock updated its all-time highs (€ 6.39) in the non-dividend-adjusted version, while on 23 May, the stock updated its all-time highs in the dividend-adjusted version (€ 6.16).

In the first half of the year, the average daily trading volume of the Italgas stock on the electronic market of the Italian Stock Exchange was around 1.5 million shares.

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Comparison of the quotes Italgas, FTSE MIB and EURO STOXX Utilities (1 January 2021 - 30 June 2022, figures adjusted for dividends)



Shareholders

The share capital of the Company as at 30 June 2022 consisted of 810,245,718 shares without par value, giving a share capital value of € 1,002,608,186.28.

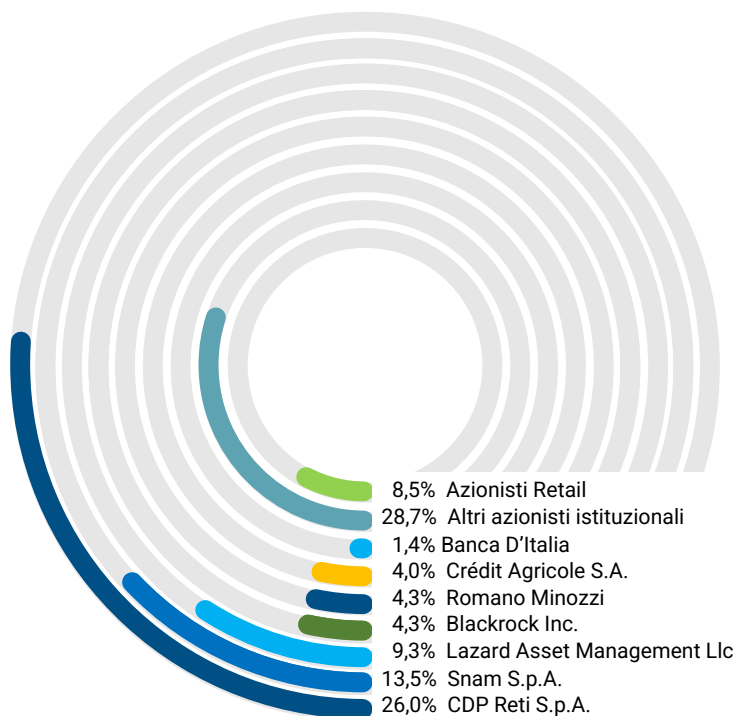
As at 30 June 2022, based on the shareholders' list, the information available and the notices received pursuant to Article 120 of the Consolidated Finance Act, the owners of significant equity investments (shares exceeding 3%) are represented below.

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.	4.3
	Romano Minozzi	4.3
	Crédit Agricole S.A.	4.0
	Banca D'Italia	1.4
	Other institutional shareholders	28.7
	Retail shareholders	8.5

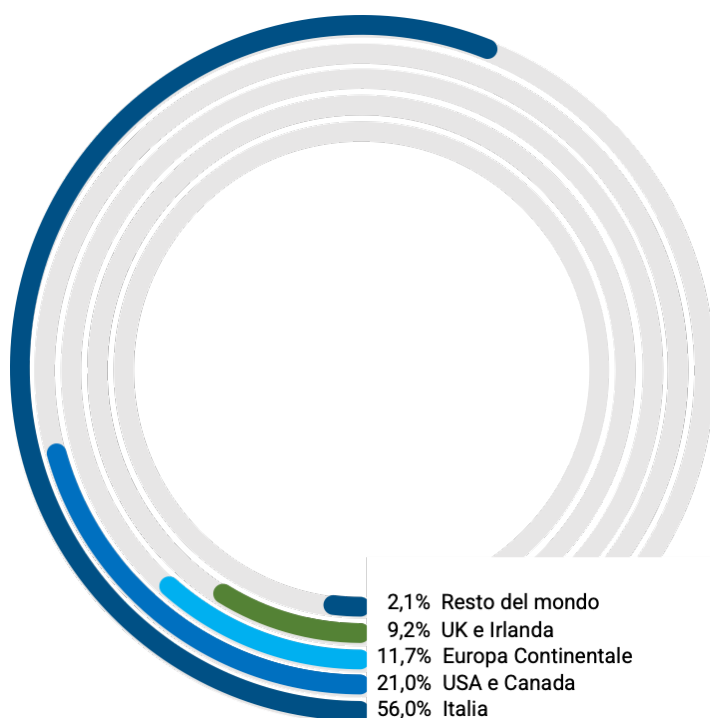
(*) On 1 August 2019 the Board of Directors of CDP S.p.A., also with a view to considering the control guidelines contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as de facto control pursuant to article 2359, subsection 1, no. 2) of the 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 to CDP Reti, inter alia, its equity investment in Italgas S.p.A., equal to 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was further updated to take account of the aforementioned re-qualification of the shareholding.

Italgas Shareholders by type of investor



Italgas Shareholders by geographical area



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

In the first half of 2022, technical investments amounting to € 374.4 million were made (of which € 6.2 million was due to the adoption of IFRS 16), down by 10.9% compared to the first half of 2021 (€ 420.4 million).

(€ million)

Financial Year 2021		First half of the year		Abs. change	Change %
		2021	2022		
718.3	Distribution	347.9	331.0	(16.9)	(4.9)
604.4	Network maintenance and development	301.6	307.8	6.2	2.1
146.7	- of which digitisation	67.8	88.3	20.5	30.2
113.9	New networks	46.3	23.2	(23.1)	(49.9)
95.0	- of which Sardinia	36.5	17.2	(19.3)	(52.9)
76.5	Metering	37.1	23.4	(13.7)	(36.9)
70.3	Other investments	35.4	20.0	(15.4)	(43.5)
24.0	- of which Real Estate	17.5	3.7	(13.8)	(78.9)
27.5	- of which ICT	14.2	10.1	(4.1)	(28.9)
14.9	- of which due to the effect of IFRS 16	3.7	6.2	2.5	67.6
865.1		420.4	374.4	(46.0)	(10.9)

Distribution investments (€ 331.0 million, -4.9% on the first half of 2021), which recorded the installation of an additional 230 km of pipeline, were driven by network development, maintenance and repurposing initiatives. The reduction on the same period of 2021 was due to lower development of new networks, mainly due to the gradual completion of the methanisation project in Sardinia. In this region, during the first six months

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of 2022, an additional 12 km of new network was constructed, bringing the total installed networks to 909 km. In addition, in the first half of 2022, 11 LNG storage plants were installed, for a total of 64 plants in service as at 30 June 2022.

Investments in digitisation (€ 88.3 million, +30.2% compared to the first half of 2021) 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 (€ 23.4 million, -36.9% compared to the first half of 2021) were impacted by the upcoming completion of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended. Specifically, in the first six months of 2022, the Company installed 275 thousand new meters, of which 62 thousand to replace traditional G4/G6 meters, 206 thousand for the repair of digital meters with anomalies and 7 thousand to replace large-calibre meters. At 30 June 2022¹, a total of 7.9 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (92.2% of the total number of meters and practically all active meters).

Summary of the key operating figures

Key operating figures – Italgas Group

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.604	7.591	(0.013)	(0.2)
Installed meters (millions)	8.563	8.577	0.014	0.2
Municipalities with gas distribution concessions (no.)	1,837.0	1,838.0	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,761.0	1,776.0	15.0	0.9
Distribution network (kilometres)	72,503.1	72,889.0	385.9	0.5
Gas distributed (million cubic metres) **	5,087.1	4,973.0	(114.1)	(2.2)

* The figure for 2022 includes the effects of the sale of the re-delivery points in the Milan 1 ATEM to another operator, winner of the tender.

** The figure refers to the first half of the year.

Key operating figures – Italgas Group and affiliates

	2021	2022	Abs. change	Change %
Active meters (millions) *	7.757	7.745	(0.012)	(0.2)
Installed meters (millions)	8.733	8.747	0.014	0.2
Municipalities with gas distribution concessions (no.)	1,898.0	1,899.0	1.0	0.1
Municipalities with gas distribution concessions in operation (no.)	1,822.0	1,837.0	15.0	0.8
Distribution network (kilometres)	74,396.6	74,788.0	391.4	0.5
Gas distributed (million cubic metres) **	5,253.2	5,139.2	(114.0)	(2.2)

* The figure for 2022 includes the effects of the sale of the re-delivery points in the Milan 1 ATEM to another operator, winner of the tender.

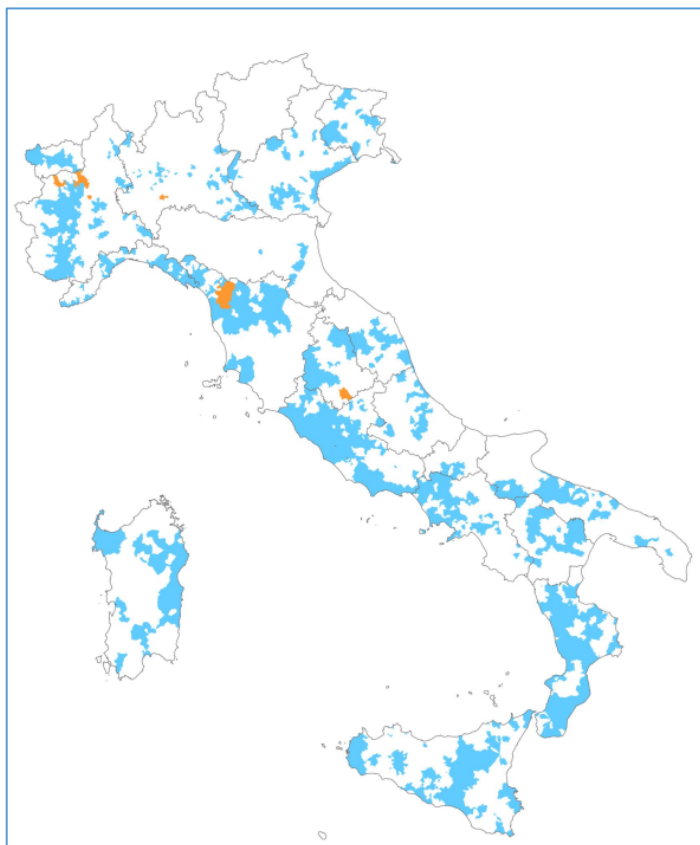
** The figure refers to the first half of the year.

¹ Also taking into account the affiliates, over which Italgas does not exercise control, 287 thousand new meters were installed during the period, bringing the total number of smart meters installed as a 30 June 2022 to approximately 8.0 million (91.4% 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 38 tender notices published to date:



- TURIN 3 – South West, MASSA CARRARA, CREMONA 2 – Centre and CREMONA 3 – South aggregates, COMO 1 – Lariano Triangle and Brianza Comasca, BERGAMO 3 – Suburbs West of Bergamo, BRESCIA 1 – North/West and BERGAMO 2 – North/East and MILANO 4 – North/East Province have been suspended by the Contracting Authorities;
- MONZA AND BRIANZA 2 – West, LUCCA and TRIESTE were revoked by the respective contracting authorities;
- NAPLES 1 – City of Naples and Coastal Plant has been awarded to another operator;
- TURIN 2 – Turin Plant, VALLE D'AOSTA, BELLUNO and TURIN 1 – City of Turin, were officially awarded to Italgas Reti.

Legal and regulatory events³

- The Authority appealed before the Council of State ruling no. 348/2022 of 14 February 2022, with which the Regional Administrative Court of Lombardy upheld the appeals brought by Italgas Reti to annul **Resolutions no. 163/2020/R/gas** and **no. 567/2020/R/gas** with which the Authority had annulled the premiums due by the company for safety recoveries concerning 21 distribution plants and for the reduction of natural gas leaks for the years 2016 and 2017. The hearing on the merits was held on 12 July 2022 and the ruling is currently pending.
- On 29 March 2022, the Council of State definitively rejected the appeal of the Municipality of Feltre and the other Municipalities which, after having revoked the delegation to the Contracting Authority, challenged the awarding of the Belluno tender to 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 the Note "Disputes and other measures" of the Notes to the Condensed Consolidated Financial Statements.

- On 6 April 2022, the Regional Administrative Court of Lombardy upheld the interlocutory application filed by Italgas Reti to suspend the enforceability of several provisions of **Resolution no. 603/2021/R/com** relating to the disclosure obligations imposed by the Authority on distribution companies regarding the biennial prescription on the consumption of electricity and gas. The hearing to discuss the merits has been set for 1 December 2022.
- On 22 April 2022, the Regional Administrative Court of Liguria upheld, with ruling no. 337/2022, the appeal brought by Italgas Reti against the Municipality of Chiavari to annul the tender notice for the concession of the gas distribution service in the territorial areas of GENOVA 2 – Province and its annexes, as well as all the tender documentation and all other deed preissued, resulting or connected therewith. Consequently, the tender was annulled. On July 15, 2022, the City of Chiavari appealed to the Council of State.
- On 26 April 2022, the Council of State rejected the Authority's appeal for the amendment of the first instance ruling with which the Regional Administrative Court of Lombardy annulled **Resolutions no. 195/2017/S/gas** and **no. 232/2017/S/gas**, with which the Authority 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 for the 2014-2019 period, concerning obligations to replace the cast iron pipelines with hemp and lead joints that make up the distribution network in the Municipality of Venice.
- On 6 June 2022, Italgas Reti appealed before the Regional Administrative Court of Lombardy, **Resolution No. 154/2022/R/gas**, with which ARERA determined the final reference tariffs for gas distribution and metering services for the year 2021. The setting of a date for the hearing is currently pending.

Sustainability – The path to decarbonisation

Sustainability Plan as a pivotal and fundamental element of the Strategic Plan

The net-zero 2050 target, set by the European Union as part of the Green Deal, and the additional boosts to the fight against climate change, the reduction of greenhouse gas emissions and the differentiation of energy sources – brought about by the European Commission's REPowerEU plan and, prior to this, the Fit-for-55 package of economic and social reforms and regulations – confront individual Member States with the urgency to act in this direction. On the path to energy transition, gas distribution networks play a key role due to their widespread nature, provided they are digital, smart and flexible. In this scenario, infrastructure digitisation is the enabler that allows the entire distribution network to receive and manage different, renewable gases, such as biomethane, green hydrogen and synthetic natural gases.

In this context, the Italgas Group has decided to play a leading role in the decarbonisation of the economy and consumption, through strategic decisions that have in fact anticipated the approach of national and EU institutions, embodied in Fit for 55 and REPowerEU. Confirming this vision, the new 2022-2028 Strategic Plan defines a series of investments to promote:

- the digital transformation of infrastructure, to enable the networks to effectively receive and manage gas mixes that increasingly feature renewable, zero-carbon gases, further increase the safety and resilience of infrastructure, also with a view to adapting it to climate risks, guarantee service quality and enable the large-scale introduction of predictive maintenance, more effective control of operating parameters and operations under any condition;
- boosting the circular economy and the biomethane sector in particular, considering Italy's potential production, and the growth process outlined by the REPowerEU targets, which identify biomethane and hydrogen as potential substitutes for 50% of Russian gas. In this sense, investments aim to facilitate biomethane production plant connections to the distribution network easier and less expensive, introducing reverse-flow technology to the transport network and developing hydrogen-ready plants and components;
- the diversification of the business portfolio, growing the energy efficiency and water sector businesses, extending digital management of networks to these.

Once again, the challenges set out in the Sustainability Plan and the ESG criteria adopted by the Group, which are not only an integral part of the development strategies, but also a founding element and linchpin of many actions, have led to a revision of the specific targets in the new 2022-2028 Strategic Plan, in terms of further emissions reduction and energy efficiency, in line with the short- and long-term climate targets established by the European Union.

The sustainability targets set for 2028 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 innovative technologies – from CRDS (Cavity Ring-Down Spectroscopy), a cutting-edge technology in the gas network monitoring field, designed and developed by US company Picarro Inc., of which Italgas has recently become a shareholder, to the know-how of its subsidiary Seaside– Italgas estimates that by 2028 it will have reduced its climate-altering emissions (Scope 1 and Scope 2) by 34%, and its energy consumption by 27%, both compared to 2020 levels⁴. Furthermore, the Italgas Group has set itself targets in line with the main timelines defined by the Green Deal: -42% in climate-altering emissions and -33% in energy consumption by 2030 (with the same baseline and scope as defined for the previous targets) and a “Net Zero Carbon Target” by 2050, based on the above initiatives and carbon removal activities.

Lastly, the Group defined a target also for Scope 3 (supply chain) greenhouse gas emissions, planning a 30% reduction by 2028 and a 33% reduction by 2030 compared to 2020^{4,5}, through increased engagement with its suppliers. Also for Scope 3 emissions, the Group set itself a 'Net Zero Carbon Target' to 2050.

The Italgas Group plans to make a significant contribution to the achievement of the sustainability targets, thanks to various initiatives developed with the company Seaside, aimed at industrial and civil energy

⁴ With the same scope, excluding any changes following M&As, including Depa Infrastructure and ATEM (Minimum Territorial Area) tenders.

⁵ 2020 baseline of 183,300 tCO₂eq updated following the methodological review to include the specific emission factors of Group suppliers.

efficiency, training activities on energy efficiency for its employees, and the fine-tuning of a predictive maintenance plan on the gas networks.

With regard to civil consumption, the restructuring of several important company offices already completed, already under way or planned by 2028, will help further reduce the energy demand and, as a result, related emissions. Lastly, net industrial electricity consumption is also expected to be cut significantly in as early as 2022, due to the commissioning of cogeneration plants and turbo-expanders that will be installed at the main city gates, which will enable the use of self-generated electricity.

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. For years, Italgas has monitored its consumption with the aim of reducing its environmental impact over time according to a continuous improvement process in line with the objectives identified in its 2022-2028 Strategic Plan.

Net energy consumption (TJ)	First half of the year		Change Abs.	Change %
	2021	2022		
Fuel energy consumption for industrial use	207.2	172.6	(34.6)	(16.7)
Fuel energy consumption for civil use	26.2	22.5	(3.7)	(14.1)
Fuel energy consumption for vehicles	71.3	62.9	(8.4)	(11.8)
Net electricity consumption for industrial use	28.5	26.8	(1.7)	(6.0)
Net electricity consumption for civil use	17.2	16.5	(0.7)	(4.1)
Thermal energy consumption for civil use	0.2	0.2	-	-
	350.5	301.5	(49.0)	(14.0)

The first half of 2022 was characterised by a decrease in net consumption of total energy, of 49.0 TJ (-14.0%) compared to the first half of 2021.

Fuel energy consumption for industrial use recorded a decrease for the first six months of 2022 (-16.7%, from 207.2 TJ to 172.6 TJ), against a slight decrease in the volume of gas distributed (-2.2%). That result was achieved due to the continuing efficiency measures, such as the replacement of boilers and the installation of optimisation systems at the reduction and measurement collection plants (IPRMs) equipped with pre-heating, as well as optimised regulation of the plants, also due to the digitisation of the monitoring and regulation processes, which allowed for operations under conditions of greater efficiency. In fact, the specific consumption of the preheating process (natural gas consumed per preheating/gas injected into the network per thousand) decreased across the entire Group⁶, from 1.26 to 1.12 or -11.1%.

⁶ Referring to Italgas Reti and Toscana Energia

In relation to fuel energy consumption for civil use, in the first six months of 2022, there was a decrease of 14.1% compared to the same period of the previous year (from 26.2 TJ to 22.5 TJ), concurrent with a decrease in electricity consumption (from 17.2 TJ to 16.5 TJ, -4.1%). Those decreases are correlated to the ongoing process of optimising and renewing the real estate assets, in addition their management based on the continuous monitoring of the main parameters of the offices and their consumption (also by digitising the monitoring and regulation processes), with the resulting improvement in energy performance.

The Group's industrial electricity consumption decreased by 6.0% (from 28.5 TJ to 26.8 TJ), mainly attributable to plant efficiency improvements in the management of water distribution.

Lastly, fuel energy consumption for vehicles decreased by 8.4 TJ (-11.8% compared to the same period of 2021), slightly more than the reduction in mileage of the Group's car fleet (-10.4%). Those changes are mainly the result of the optimisation of the car fleet and the introduction of high-tech solutions, such as online quotations, which resulted in a reduction in travel by operating personnel.

Greenhouse gas emissions

The Italgas Group's main greenhouse gas emission contribution is 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 ⁷ (thousand tCO ₂ eq)	First half of the year			
	2021	2022	Change Abs.	Change %
Fugitive gas emissions (Scope 1)	52.9	40.5	(12.4)	(23.4)
Emissions from gas consumption for industrial use (Scope 1)	11.7	9.8	(1.9)	(16.2)
Emissions from gas consumption for civil use (Scope 1)	1.5	1.3	(0.2)	(13.3)
Emissions from fuel consumption for vehicles (Scope 1)	3.3	3.0	(0.3)	(9.1)
Emissions from electricity consumption for industrial use (Scope 2)	-	-	-	-
Emissions from electricity consumption for civil use (Scope 2)	0.1	0.1	-	-
Emissions from thermal energy for civil use (Scope 2)	-	-	-	-
	69.5	54.7	(14.8)	(21.3)

The reduction of total emissions of 21.3% in the first half of 2022 compared to the first half of 2021 is mainly linked to the reduction in fugitive emissions⁸ of the Italgas Group (-23.4%). That reduction, also attributable to the emission detection approach which, in the first half of the year, focused on the analysis of areas with greater expected leaks, was driven by greater operational efficiency in the reduction of the shortest time required to locate and eliminate leaks. In addition to the above focus, compliance with the 2022 investigation

⁷ Scope 2 market-based.

⁸ Thanks to the collaboration with the Polytechnic University of Turin to estimate the fugitive emissions that cannot be quantified with the CRDS system, the values for the first half of 2022 already include the estimate of emissions from permeation, operational, due to maintenance on reduction units and for meter replacements (about 1.5% of total fugitive emissions).

plan has led to an increase in the amount of network inspected using CRDS technology, from 35,193 kilometres in the first six months of 2021 to 47,667 kilometres in the same period of 2022 (+35.4%).

In the first half of 2022, a 43.7% reduction was recorded in emissions per kilometre inspected, from 87.00 Sm³/km in the first six months of 2021 to 49.02 Sm³/km in the same period of 2022. More generally, fugitive emissions amount to 0.047% of total gas distributed (down from the first six months of 2021). Leveraging the experience of 2021, the Group is fine-tuning the development of a predictive network maintenance model which, by combining the physical characteristics of the networks (e.g. age, material and pressure) with the outcome of the processing of data obtained in the field via the intensive leak detection programme, 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/clean-up work on overhead connections, thereby optimising performance and related costs.

As regards emissions from fuel consumption for vehicles, the CO₂ emissions per km travelled stands at 154.9 gCO₂/km.

Lastly, emissions from gas consumption for civil and industrial use are in line with the described changes in consumption, while those from electricity consumption remain very low, as a result of reduced consumption and the supply of electricity from certified renewable sources for almost all volumes.

Legislative and regulatory framework

Tariff regulation

The distribution and metering 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 revenues 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.

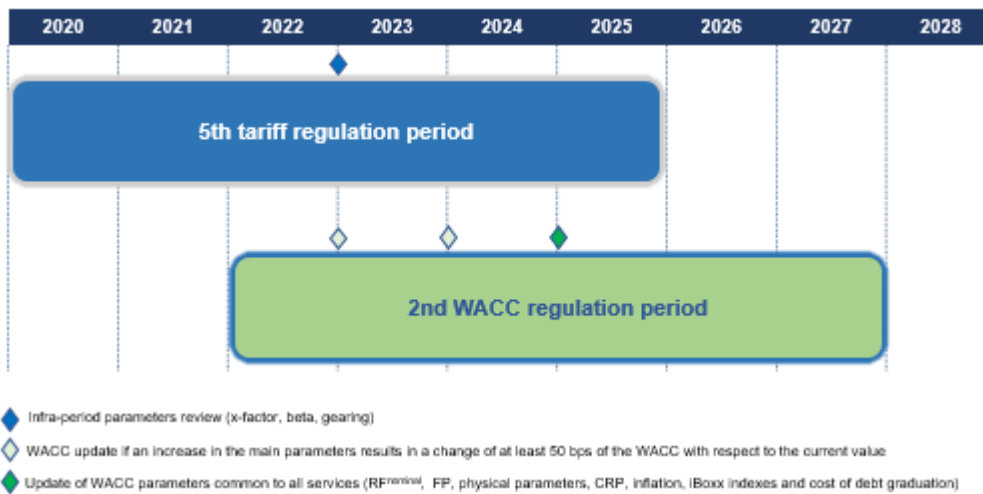
The main rate elements are reported below on the basis of the regulatory framework (Resolution no. 570/2019/R/gas as amended).

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 2013)
Efficiency Factor (<i>X-factor</i>)	Distribution operating costs: <ul style="list-style-type: none"> • 3.53% for large companies (RDP > 300.000) • 4.79% for medium companies (RDP > 50.000) • 6.59% for small companies (RDP < 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 2021, in the definition of the reference tariffs, is equal to € 8.2 billion.

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LEGISLATIVE AND REGULATORY FRAMEWORK



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. By order of 3 February 2021, the Regional Administrative Court prepared a verification intended to respond to a number of queries of particular technical complexity, which were relevant for the purposes of defining the judgement. As part of the verification activities, the expert witnesses were given the chance to examine, among other things, the data of the separate annual accounts

used by ARERA for the adoption of the disputed regulatory provisions. The verification operations were completed on 30 March 2022. The hearing on the merits was held on 21 April 2022 and the ruling is currently pending.

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. 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, calculated on the basis of the actual balance sheet figures for 2019.

Resolution no. 287/2021/R/gas amended Article 57, subsection 1 of the RTDG, in order to standardise the criteria for decommissioning, for regulatory purposes, the traditional meters replaced in accordance with the Directives for gas metering unit commissioning set out by Resolution no. 631/2013/R/gas, as amended and supplemented. The Resolution establishes that, regardless of the class of the traditional meter replaced, the decommissioning carried out in accordance with the smart meter directives be conventionally deducted from the stratification of the historical gross values using the values of the gross fixed assets related to the assets installed earliest (*so-called regulatory FIFO*).

Resolution no. 413/2021/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 year 2019.

Resolution no. 414/2021/R/gas granted the request to recognise the operating costs relating to smart metering/remote management systems and concentrators, incurred by the former Company Napoletana Gas for the year 2017, not approved by the previous Resolution no. 568/2020/R/gas, since it is subject to in-depth analysis by the Authority.

Resolution no. 559/2021/R/gas determined the amounts for the recovery of non-depreciation (so-called IRMA) for the G4 and G6 traditional metering units replaced with gas smart meters in accordance with the

smart meter directives. The Resolution redetermined the tariffs of reference for the tariff years 2015-2020, in accordance with the new provisions relating to the methods for declaring the decommissioning of G4 and G6 traditional metering units replaced with smart meters.

Resolution no. 575/2021/R/gas concluded the proceeding, initiated with Resolution no. 141/2021/R/gas, for the implementation of the ruling of the Council of State no. 341/2021 confirming the adoption of a constant productivity recovery rate (x-factor) (rather than decreasing with offsetting) in the first semi-period 2014-2016 of the fourth regulation period, therefore maintaining the formulation of Article 11, subsection 1, of the RTDG 2014-2019 in force until 31 December 2016, approved with resolution no. 367/2014/R/gas.

Resolution no. 614/2021/R/com, following the process initiated with the documents for consultation no. 308/2021/R/gas and 488/2020/R/gas, approved the criteria for determining and updating the rate of return on invested capital for the infrastructural services of the electricity and gas sectors for the 2022-2027 period (TIWACC 2022-2027) and, on the basis of the economic scenario, carried out the infra-period update of the WACC base parameters shared by all regulated infrastructural services of the electricity and gas sectors. The 2PWACC is split into two sub-periods, each lasting three years. Albeit maintaining a three-year update frequency of the parameters relating to the macroeconomic and fiscal context, the Authority introduced an annual update mechanism (at least for the first three-year period) for the macroeconomic variables, if the cumulative effect of the update of the parameters leads to a change in the WACC above a threshold of 50 bps. For gas distribution and metering service, the value of the WACC as at 2022 is set at 5.6%, in pre-tax real terms.

Resolution No. 620/2021/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 2022. The Resolution also determined the values expressed in euro/re-delivery points, valid for the year 2022, 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.

In addition, the Resolution:

- extends to 2022 the tariff regime relating to the natural gas distribution networks interconnected with the national transmission system for the isolated networks, pending the conclusion of the proceeding for the definition of a graduation mechanism to protect the end customers connected to such isolated natural gas networks, initiated with Resolution no. 634/2021/R/gas;
- requires the activation of the rate of change to cover unpredictable and exceptional events and changes in the regulatory framework, setting it at 0.9%, for the recognition of the higher costs deriving from the amendments to the tax framework following the entry into force from 1 January 2021 of the provisions on the single concession fee;
- requires that the costs relating to the single fee incurred by companies in 2021 be included in the calculations of the 2021 final reference tariffs and recognised through revenue equalisation mechanisms for the distribution service.

Resolution no. 634/2021/R/gas postponed until 30 April of year t the publication of the provisional reference tariffs relating to year t and until 31 March of year t+1 the publication of the final reference tariffs relating to year t.

Resolution no. 154/2022/R/gas determined the final reference tariffs for gas distribution and metering services for 2021, calculated on the basis of the actual balance sheet figures for 2020.

Resolution no. 194/2022/R/gas determined the provisional reference tariffs for gas distribution and metering services for 2022, based on the preliminary balance sheet data for 2021 pursuant to Art. 3, subsection 2, of the RTDG.

Resolution no. 282/2022/R/gas updated, valid for the three-year period 2019-2021 and the three-year period 2022-2025, the interest rate to be applied in determining the reimbursement for outgoing operators of the amounts to cover tender charges, equal to the cost of debt capital in nominal terms, after tax, determined in line with the provisions of TIWACC 2022-2027, equal to 3.59%;

Resolution no. 269/2022/R/gas defined, with effect from 1 April 2023, the expected outputs and performance of the metering service provided via gas smart meters (commissioning, reading frequency and granularity of the metering data over time, frequency of provision of metering data and compensation to end customers and sellers), as well as alignment with billing obligations. The compensation that distribution companies shall pay to sellers takes effect starting with the metering data made available in November 2022, with reference to the data pertaining to October 2022.

Energy efficiency

On 28 June 2022, the Authority approved **Resolution no. 292/2022/R/efr**, which determines, pursuant to **Resolution no. 270/2020/R/efr**, the contribution to tariffs to be paid to distributors that meet their energy saving targets as part of the EEC mechanism for the 2021 mandatory year, which began on 17 July 2021 and ended on 31 May 2022.

Taking into account the relevant parameters of quantity and price of EEC traded on the market and through bilateral transactions, and the amount of certificates available to operators in relation to the targets of obliged parties, the contribution to tariffs is set at € 253.44/EEC (equal to the sum of the cap of € 250/EEC and the additional unitary contribution of € 3.44/EEC).

Comment on the economic and financial results

Reclassified income statement

(€ million)

Financial Year	First half of the year				
	2021	2021	2022	Abs. change	Change %
1,294.5	Gas distribution regulated revenues	642.2	639.2	(3.0)	(0.5)
1,200.1	<i>of which distribution revenues</i>	595.5	591.4	(4.1)	(0.7)
94.4	<i>of which Other distribution revenues</i>	46.7	47.8	1.1	2.4
76.3	Other revenues	23.2	68.2	45.0	-
1,370.8	Total revenues (*)	665.4	707.4	42.0	6.3
(361.9)	Operating costs	(176.3)	(194.1)	(17.8)	10.1
1,008.9	EBITDA	489.1	513.3	24.2	4.9
(425.7)	Amortisation, depreciation and impairment	(209.7)	(217.3)	(7.6)	3.6
583.2	EBIT	279.4	296.0	16.6	5.9
(60.4)	Net financial expense	(31.8)	(26.3)	5.5	(17.3)
(6.4)	<i>of which special items</i>	(6.4)	-	6.4	-
(54.0)	Adjusted net financial expense	(25.4)	(26.3)	(0.9)	3.5
2.5	Net income from equity investments	1.1	3.2	2.1	-
525.3	Gross profit	248.7	272.9	24.2	9.7
531.7	Adjusted gross profit	255.1	272.9	17.8	7.0
(141.9)	Income taxes	(68.7)	(75.1)	(6.4)	9.3
1.5	<i>taxation related to special items</i>	1.5	-	(1.5)	-
(143.4)	Adjusted income taxes	(70.2)	(75.1)	(4.9)	7.0
383.4	Net profit	180.0	197.8	17.8	9.9
362.8	Net profit attributable to the Group	171.2	188.3	17.1	10.0
20.6	Net profit attributable to minority shareholders	8.8	9.5	0.7	7.5
388.3	Adjusted net profit	184.9	197.8	12.9	7.0
367.7	Adjusted net profit attributable to the Group	176.1	188.3	12.2	6.9
20.6	Adjusted net profit attributable to minority interests	8.8	9.5	0.7	7.5

(*) 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" (€ 343.3 and € 373.6 million respectively in the first half of 2022 and 2021), connection contributions (€ 9.5 and € 9.6 million respectively in the first half of 2022 and 2021) and other residual components (0.5 and 0.2 respectively in the first half of 2022 and 2021).

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

The first half of 2022 showed no income components classified under special items. As at 30 June 2021, that component regarded 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 of the first half 2021 was € 4.9 million in terms of lower expenses.

Analysis of the Reclassified Income Statement items

Total revenues

(€ million)

Financial Year		First half of the year			
		2021	2022	Abs. change	Change %
2021					
1,200.1	Distribution revenues	595.5	591.4	(4.1)	(0.7)
94.4	Other distribution revenues	46.7	47.8	1.1	2.4
1,294.5	Total gas distribution regulated revenues	642.2	639.2	(3.0)	(0.5)
76.3	Other revenues	23.2	68.2	45.0	-
1,370.8	Total revenues	665.4	707.4	42.0	6.3

The **total revenues** of the first half of 2022 amount to € 707.4 million, up by € 42.0 million compared to the corresponding period of 2021 (+6.3%), and refer to natural gas distribution regulated revenues (€ 639.2 million) and other revenues (€ 68.2 million).

Gas distribution regulated revenues decreased by € 3.0 million compared to the same period of 2021 due to a decrease in distribution revenues (€ -4.1 million) partially offset by an increase in other gas distribution regulated revenues (€ 1.1 million).

The decrease in **distribution revenues** (€ 4.1 million), mainly attributable to the effect of the reduction in the WACC set out in Resolution no. 614/2021/R/com (€ -27.2 million), as well as the change in the X-factor (€ -4.2 million) pursuant to Resolution no. 570/2019/R/gas, was partially offset by the increase in the reference RAB (€ 14.9 million), the effect of the deflator (€ 2.9 million) and the contribution of the new Sardinian networks (€ 5.9 million). There were also greater tariff adjustments than in the same period of 2021 (€ 2.3 million).

The increase in **other distribution revenues** (€ 1.1 million) is mainly linked to greater incentives for leak detection (€ 6.2 million) and revenues from gas supply interruption activities due to arrears (€ 0.7 million), offset by the effect of the lesser contribution pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, relating to the replacement of traditional meters with smart ones (€ 1.1 million as at 30 June 2022 and € 6.1 million as at 30 June 2021) and by lower customer services revenues (€ -0.9 million).

Other revenues amounted to € 68.2 million as at 30 June 2022. The increase of € 45.0 million on the same period of 2021 is mainly linked to the increased activities in energy efficiency (€ 39.1 million), in revenues deriving from the sale of natural gas and LPG in Sardinia (€ 1.9 million), and from capital gains on sales of assets (€ 2.7 million).

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COMMENT ON THE ECONOMIC AND FINANCIAL RESULTS

Operating costs

(€ million)

Financial Year	First half of the year				
	2021	2021	2022	Abs. change	Change %
237.2	Fixed gas distribution costs	119.9	108.4	(11.5)	(9.6)
137.9	- net personnel cost	67.7	66.7	(1.0)	(1.5)
99.3	- net external costs	52.2	41.7	(10.5)	(20.1)
53.5	Other assets	17.5	51.7	34.2	-
5.3	- net personnel cost	2.5	3.4	0.9	36.0
48.2	- net external costs	15.0	48.3	33.3	-
3.8	Other costs and provisions	1.2	(2.2)	(3.4)	-
(2.2)	EEC	3.0	1.8	(1.2)	(40.0)
69.6	Concession-related expenses	34.7	34.4	(0.3)	(0.9)
361.9	Operating costs	176.3	194.1	17.8	10.1

Operating costs as at 30 June 2022 amounted to € 194.1 million, up by € 17.8 million compared to the first half of 2021 mainly due to higher net external costs for i) other activities relating to energy efficiency (€ 31.4 million) and ii) the sale of natural gas and other gases in Sardinia (€ 1.5 million), partially offset by lower iii) net external gas distribution costs (€ -10.5 million), iv) concession charges (€ -0.3 million) and v) other costs and allocations to provisions for risks (€ -3.4 million).

Amortisation, depreciation and impairment

(€ million)

Financial Year	First half of the year				
	2021	2021	2022	Abs. change	Change %
424.8	Amortisation and depreciation	209.3	216.3	7.0	3.3
344.8	Intangible assets IFRIC 12	169.6	176.1	6.5	3.8
40.9	Other Intangible Assets	21	20.4	(0.6)	(2.9)
39.1	Property, plant and equipment	18.7	19.8	1.1	5.9
22.9	- of which amortisation of Right of Use	10.9	11.5	0.6	5.5
0.9	Impairment	0.4	1.0	0.6	-
425.7	Amortisation, depreciation and impairment	209.7	217.3	7.6	3.6

Amortisation, depreciation and impairment (€ 217.3 million) increased by € 7.6 million compared to the first half of 2021 (+3.6%), mainly due to the investments made.

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Net financial expense

(€ million)

Financial Year		First half of the year			
		2021	2022	Abs. change	Change %
2021					
56.1	Expense (income) on short-term and long-term financial debt	30.2	24.8	(5.4)	(17.9)
6.4	<i>of which special items</i>	6.4	-	(6.4)	-
6.3	Upfront fee	3.0	3.4	0.4	13.3
(0.1)	Other net financial expense (income)	(0.1)	(1.2)	(1.1)	-
1.1	<i>- Expenses (income) related to the discounting of environmental provisions and provisions for employee benefits</i>	1.0	0.6	(0.4)	(40.0)
(1.2)	<i>- Other net financial expense (income)</i>	(1.0)	(1.8)	(0.8)	80.0
(1.9)	Financial expense capitalised	(1.3)	(0.7)	0.6	(46.2)
54.0	Adjusted net financial expense	25.4	26.3	0.9	3.5
60.4	Net financial expense	31.8	26.3	(5.5)	(17.3)

Adjusted net financial expense as at 30 June 2022 amounted to € 26.3 million, up by € 0.9 million on the same period of the previous year. The increase is mainly attributable to the increase in average gross financial debt, partially offset by the lower average cost of debt.

The special items in the first half of 2021 included the accounting effects of the bond buyback (€ 6.4 million) finalised in February 2021.

Net income from equity investments

Net income from equity investments as at 30 June 2022 came to € 3.2 million, of which € 2.7 million refers to the capital gain on the sale of the controlling stake in Gaxa.

Income taxes

(€ million)

Financial Year		First half of the year			
		2021	2022	Abs. change	Change %
2021					
154.6	Current taxes	82.3	87.6	5.3	6.4
(12.7)	Net deferred taxes	(13.6)	(12.5)	1.1	(8.1)
141.9	Income taxes	68.7	75.1	6.4	9.3
1.5	<i>taxation related to special items</i>	1.5	-	(1.5)	-
143.4	Adjusted income taxes	70.2	75.1	4.9	7.0
27.0%	Effective tax rate (%)	27.6%	27.5%		
27.0%	Adjusted effective tax rate (%)	27.5%	27.5%		

Income taxes amounted to € 75.1 million for the first half of 2022, an increase of € 6.4 million compared to the corresponding figure for the previous year, mainly as a result of the higher taxable income for the period.

The effective tax rate was 27.5% (27.6% in the first half of 2021).

The **adjusted net profit attributable to the Group**, equal to 188.3, increased by 6.9% compared to the first half of 2021.

Reclassified Statement of Financial Position

The Reclassified Statement of Financial Position combines the assets and liabilities of the mandatory format included in the Half-year 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 at 30 June 2022, compared with that as at 31 December 2021, is summarised below:

(€ million)	31.12.2021	30.06.2022	Abs. change
Fixed capital (*)	7,106.2	7,004.8	(101.4)
Property, plant and equipment	372.1	366.1	(6.0)
Intangible assets	6,938.1	6,846.0	(92.1)
Equity investments	35.1	43.4	8.3
Financial receivables and securities instrumental to operations	2.8	2.3	(0.5)
Net payables related to investments	(241.9)	(253.0)	(11.1)
Net working capital	109.7	60.8	(48.9)
Provisions for employee benefits	(95.6)	(85.0)	10.6
Assets held for sale and directly related liabilities	2.2	235.1	232.9
NET INVESTED CAPITAL	7,122.5	7,215.7	93.2
Shareholders' equity	2,142.5	2,121.3	(21.2)
- attributable to the Italgas Group	1,891.4	1,874.7	(16.7)
- attributable to third party shareholders	251.1	246.6	(4.5)
Net financial debt (***)	4,980.0	5,094.4	114.4
HEDGING	7,122.5	7,215.7	93.2

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

The **net invested capital** at 30 June 2022 amounted to € 7,215.7 million and was made up of the items commented below.

The **fixed capital** (€ 7,004.8 million) decreased by € 101.4 million compared to 31 December 2021, primarily due to the reduction in tangible and intangible fixed assets, partially offset by the increase in equity investments and the reduction in net payables related to investments.

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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 2021	372.1	6,732.0	206.1	7,310.2
Investments	9.0	344.0	21.4	374.4
- of which IFRS 16	6.2	-	-	6.2
Amortisation, depreciation and impairment	(19.8)	(177.1)	(20.4)	(217.3)
- of which D&A pursuant to IFRS 16	(11.5)	-	-	(11.5)
Newly consolidated companies	6.0	-	-	6.0
Contributions received	-	(11.7)	-	(11.7)
Disposals and sales	(1.0)	(6.8)	(5.0)	(12.8)
Restated assets held for sale	(0.1)	(235.0)	-	(235.1)
Other changes	(0.1)	(2.2)	0.7	(1.6)
Balance at 30 June 2022	366.1	6,643.2	202.8	7,212.1

Intangible fixed assets (€ 6,846.0 million) mainly include assets for services in concession posted in the accounts pursuant to IFRIC 12. The decrease was mainly due to the effects of the deconsolidation of Gaxa and the reclassification to “assets held for sale” of the items relating to the concessions in the Municipalities of Naples 1 ATEM⁹.

Tangible fixed assets (€ 366.1 million), which mainly related to industrial and commercial buildings and equipment, recorded a decrease of € 6.0 million, mainly due to the effect of depreciation of € 19.8 million (of which € 11.5 million linked to the right of use pursuant to IFRS 16) as well as disposals and sales of € 1.1 million, partially offset by investments of € 9.0 million (of which € 6.2 million linked to the application of IFRS 16) and due to the first consolidation of Immogas for € 6.0 million.

Equity investments (€ 43.4 million) increased by € 8.3 million, mainly due to the acquisition of a minority share in the capital of Picarro Inc., net of the operation relating to Valdarno, valued at 31 December 2021 using the equity method.

Net working capital as at 30 June 2022 amounts to € 60.8 million and is broken down as follows:

(€ million)	31.12.2021	30.06.2022	Abs. change
Trade receivables	388.6	172.9	(215.7)
Inventories	105.3	116.0	10.7
Tax receivables	71.6	84.3	12.7
Accruals and deferrals from regulated activities	115.8	105.6	(10.2)
Other assets	186.4	261.8	75.4
Trade payables	(300.9)	(238.6)	62.3
Provisions for risks and charges	(159.5)	(142.2)	17.3
Deferred tax liabilities	(50.8)	(48.4)	2.4
Tax payables	(12.1)	(31.8)	(19.7)
Other liabilities	(234.7)	(218.8)	15.9
	109.7	60.8	(48.9)

⁹ On 11 April 2022, the Council of State rejected Italgas' appeal in relation to the concession of the distribution service in Naples 1 ATEM to another operator.

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Compared to 31 December 2021, net working capital fell by € 48.9 million due to: i) lower trade receivables (€ -215.7 million) mainly linked to the reduction of receivables due from the sales companies linked to the seasonality of the billing period, partially offset by higher receivables relating to the "Super/Ecobonus" (€ 18.1 million); ii) an increase in inventories (€ 10.7 million) predominantly in relation to gas meters; iii) an increase in net tax liabilities (€ -4.6 million) due to the change in taxation for the period, net of tax receivables accrued in relation to the "Super/Ecobonus"; iv) a decrease in accruals and deferrals from regulated activities (€ -10.2 million) due to collections relating to the contribution for meters pursuant to Article 57 of ARERA Resolution no. 367/14 as amended; v) an increase in other assets (€ 75.4 million) mainly relating to the accessory billing components of distribution¹⁰ and the fair value of the IRS derivative; vi) a decrease in trade payables (€ 62.3 million) relating to the reduction in payables to suppliers and the equalisation balance due to CSEA; vii) a decrease in provisions for risks and charges (€ 17.3 million), mainly linked to the reduction of the land remediation provision (€ 4.6 million), the provision for legal risks (€ 4.4 million) and the use of the provision for risks for operational restoration of metering instruments (€ 5.6 million); viii) a decrease in other liabilities for the period (€ 15.9 million), mainly due to the decrease in payables relating to ancillary components of distribution and payables to Municipalities.

The Company has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and its subsidiaries can be factored without recourse. Specifically, receivables were factored for a total of € 175.4 million for the sale of receivables relating to: i) trade receivables relating to distribution for € 45.6 million, falling due on 30 June 2022 and ii) receivables from CSEA for a total of € 129.8 million (of which € 68.5 million relating to the gas bonus accrued in the period March-April 2022). Moreover, VAT receivables were factored for a total of € 3.8 million, as well as public grants accrued for natural gas distribution in Sardinia for € 5.7 million.

Receivables were also sold pursuant to the tax bonus regulations, to a leading financial counterparty, linked to: i) ecobonus receivables of € 3.0 million and ii) superbonus receivables of € 11.0 million.

Net financial debt

(€ million)	31.12.2021	30.06.2022	Abs. change
Financial and bond debt	6,376.9	6,441.2	64.3
Short-term financial debt (*)	571.6	426.4	(145.2)
Long-term financial debt	5,735.3	5,953.8	218.5
Finance lease payables - IFRS 16	70.0	61.0	(9.0)
Financial receivables and cash and cash equivalents	(1,396.9)	(1,346.8)	50.1
Cash and cash equivalents	(1,391.8)	(1,341.7)	50.1
Financial receivables	(5.0)	(5.0)	-
Securities not instrumental to operations	(0.1)	(0.1)	-
Net financial debt (**)	4,980.0	5,094.4	114.4
Finance lease payables - IFRS 16	70.0	61.0	(9.0)
Net financial debt (excluding the effects pursuant to IFRS 16)	4,910.0	5,033.4	123.4

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

¹⁰ The change, in particular, concerns the "Bonus gas" component aimed at reducing the expenditure incurred for the supply of natural gas by households in economically disadvantaged conditions, which will be reimbursed by ARERA in accordance with the regulations in force.

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Net financial debt was € 5,094.4 million as at 30 June 2022, up € 114.4 million compared to 31 December 2021. Excluding the effects deriving from the application of IFRS 16, (€ 61.0 million), the net financial debt came to € 5,033.4 million (€ 4,910.0 million at the end of 2021).

Financial and bond debt as at 30 June 2022, amounting to € 6,441.2 million (€ 6,376.9 million as at 31 December 2021), relates to bonds (€ 4,464.9 million), loan agreements concerning European Investment Bank (EIB) funding (€ 807.5 million), liabilities pursuant to IFRS 16 (€ 61.0 million) and bank loans (€ 1,107.8 million).

Cash, amounting to € 1,341.7 million, down by € 50.1 million compared to 31 December 2021, is held in current accounts immediately available with leading banks.

The breakdown of debt by type of interest rate as at 30 June 2022 is as follows:

(€ million)	31.12.2021	%	30.06.2022	%
Fixed rate	5,910.9	92.7	5,727.6	88.9
Floating rate	466.0	7.3	713.6	11.1
Gross financial debt	6,376.9	100.0	6,441.2	100.0

Fixed-rate financial liabilities amounted to € 5,727.6 million and mainly refer to bonds (€ 4,464.9 million), EIB loans (€ 695.9 million), bank loans (€ 505.8 million) and financial liabilities pursuant to IFRS 16 (€ 61.0 million).

Fixed-rate financial liabilities decreased by € 183.3 million compared to 31 December 2021, mainly due to the redemption of bonds maturing in January 2022 in the amount of € 112.3 million and repayment of capital of EIB loans for € 20.6 million.

Floating-rate financial liabilities increased by € 247.6 million compared to 31 December 2021 following the signing in May 2022 of a new floating-rate term loan for a total of € 250 million.

As at 30 June 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan for nominal € 90 million taken out by Toscana Energia, which requires compliance with certain financial covenants.

Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 30 June 2022, these commitments were respected.

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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 flow¹¹, i.e. the cash surplus or deficit remaining after the financing of investments.

(€ million)	First half of the year	
	2021	2022
Net profit	180.0	197.7
<i>Correction:</i>		
- Amortisation and depreciation and other non-monetary components	208.3	218.8
- Net capital losses (capital gains) on asset sales and eliminations	0.8	2.4
- Interest and income taxes	100.5	104.5
Change in working capital due to operating activities	216.3	25.0
Dividends, interest and income taxes collected (paid)	(156.2)	(88.9)
Cash flow from operations (*)	549.7	459.5
Technical investments	(409.4)	(356.5)
Other changes related to investments activities	(12.2)	12.4
Divestments and other changes	11.5	24.7
Free cash flow before M&A transactions	139.6	140.1
Companies included in the scope of consolidation	(2.3)	-
<i>of which:</i>		
-price paid for equity	(2.3)	-
Acquisition of business units and plants	(1.7)	(22.5)
Free cash flow	135.6	117.6
Change in short- and long-term financial debt and financial receivables	113.6	82.5
Reimbursements of financial liabilities for leased assets	(8.8)	(16.1)
Capital contribution from third parties	-	0.3
Equity cash flow	(219.4)	(234.3)
Net cash flow for the year	21.0	(50.0)

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

Change in net financial debt

(€ million)	First half of the year	
	2021	2022
Free cash flow before M&A transactions	139.6	140.1
Change due to acquisitions of equity investments, business units and assets	(4.0)	(22.5)
Increase in finance lease payables	(2.2)	(7.1)
Equity cash flow	(219.4)	(234.3)
Capital contribution from third parties	-	0.3
Other changes (Difference between interest accounted for and paid)	15.7	9.1
Change in net financial debt	(70.3)	(114.4)

¹¹ 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).

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The cash flow from operations in the first half of 2022 amounted to € 459.5 million and made it possible to fully finance the flow from net investments, totalling € 319.4 million, generating a free cash flow before M&A transactions of € 140.1 million. As at 30 June 2022, the cash outflow from M&A transactions amounted to € 22.5 million, bringing the free cash flow to € 117.6 million.

Taking into account payment of the dividend for € 234.3 million, net financial debt increased by € 114.4 million.

Non - GAAP Measures

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 revenues	Operating performance indicator representing revenues 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 from net profit the income taxes, net income from equity investments, net financial expense, amortisation, depreciation and impairment.
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 from net profit the income taxes, net income from equity investments and net financial expense.
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.

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GAAP MEASURES

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.
<i>Free cash flow</i>	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, net of cash and cash equivalents and current financial assets, such as, for example, securities held for trading (note 18).

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, commented in the Directors' Report 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)	First half of the year						
	2021			2022			
	Reference to the explanatory notes of the condensed consolidated half-year financial statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements	Figures from mandatory statements	Partial figures from mandatory statements	Figures from reclassified statements
Revenues (from mandatory statements)		1,048.8			1,060.6		
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 27)		(373.6)			(343.3)	
- Release of connection contributions relating to the financial year	(note 27)		(9.6)			(9.5)	
- Net income from Energy Efficiency Certificates	(note 27)		0.5			-	
- Reimbursement of faulty meters	(note 27)		(0.7)			(0.5)	
Total revenue (from reclassified statements)				665.4			707.4
Operating costs (from mandatory statements)		(550.1)			(538.0)		
- Revenues for construction and upgrading of distribution infrastructures IFRIC 12	(note 27)		373.6			343.3	
- Net income from Energy Efficiency Certificates	(note 27)		(0.5)			-	
- Reimbursement of faulty meters	(note 27)		0.7			0.5	
Operating costs (from reclassified statements)				(176.3)			(194.1)
EBITDA				489.1			513.3
Amortisation, depreciation and impairment (from mandatory statements)		(219.3)			(226.7)		
- Release of connection contributions relating to the financial year	(note 27)		9.6			9.5	
Amortisation, depreciation and impairment (from reclassified statements)				(209.7)			(217.3)
EBIT		279.4		279.4		296.0	296.0
Net financial expense		(31.8)		(31.8)		(26.3)	(26.3)
Net income from equity investments		1.1		1.1		3.2	3.2
Gross profit		248.7		248.7		272.9	272.9
Income taxes		(68.7)		(68.7)		(75.1)	(75.1)
Net profit (loss)		180.0		180.0		197.8	197.8

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Reclassified Statement of Financial Position

(€ million)		31.12.2021		30.06.2022	
(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	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Fixed capital					
Property, plant and equipment			372.1		366.1
Intangible assets, of which:			6,938.1		6,846.0
- Intangible assets	(note 13)	7,469.8		7,360.9	
<i>from which to deduct Connection contributions</i>	(note 20)	(531.7)		(514.9)	
Equity investments, composed of:			35.1		43.4
- Equity investments measured using the equity method	(note 14)	30.1		23.9	
- Other investments	(note 15)	5.0		19.5	
Financial receivables and securities instrumental to operations			2.8		2.3
Net payables relating to investment activities, composed of:			(241.9)		(253.0)
- Payables for investment activities	(note 18)	(241.6)		(258.3)	
- Payables due to Conscoop shareholders	(note 17)	(5.6)			
- Receivables from investment/divestment activities	(note 8)	5.3		5.3	
Total fixed capital (from reclassified statements)			7,106.2		7,004.8
Net working capital					
Trade receivables			388.6		172.9
Inventories			105.3		116.0
Tax assets, composed of:			71.6		84.3
- Current income tax assets	(note 10)	21.7		8.6	
- Non-current income tax assets	(note 10)	22.9		33.0	
- Other current tax assets	(note 11)	10.7		26.4	
- IRES receivables for National Tax Consolidation Scheme	(note 8)	16.3		16.3	
Accruals and deferrals from regulated activities			115.8		105.6
Other assets, composed of:			186.4		261.8
- Other receivables	(note 8)	177.9		215.3	
- Other assets	(note 11)	7.9		16.2	
- Other financial assets	(note 19)	0.7		30.3	
Trade payables			(300.9)		(238.6)
Provisions for risks and charges			(159.5)		(142.2)
Deferred tax liabilities			(50.8)		(48.4)
Tax payables, composed of:			(12.1)		(31.8)
- Current income tax liabilities	(note 10)	(3.4)		(27.3)	
- Other tax liabilities	(note 20)	(8.7)		(4.5)	
- Parent company's payables for liquidation of Group VAT		-		-	
Other liabilities, composed of:			(234.7)		(218.8)
- Other payables	(note 18)	(220.9)		(214.3)	
- Other liabilities	(note 20)	(7.2)		(4.1)	
- Other financial liabilities	(note 19)	(6.7)		(0.4)	
Total net working capital (from reclassified statements)			109.7		60.8
Provisions for employee benefits			(95.6)		(85.0)
Assets held for sale and directly related liabilities, composed of:			2.2		235.1
- Assets held for sale	(note 16)	2.2		248.2	
- Liabilities directly associated with assets held for sale	(note 24)			13.1	
NET INVESTED CAPITAL			7,122.5		7,215.7
Shareholders' equity including minority interests			(2,142.5)		(2,121.3)
Net financial debt					
Financial and bond debt, composed of:			(6,376.9)		(6,441.2)
- Long-term financial liabilities	(note 17)	(5,735.3)		(5,953.8)	
Short-term financial liabilities, composed of:					
- Short-term portions of long-term financial debt	(note 17)	(208.0)		(90.3)	
Short-term financial liabilities:					
- Short-term financial liabilities	(note 17)	(363.6)		(336.1)	
<i>from which to deduct Factoring transactions in transit</i>		-		-	
- Financial liabilities pursuant to IFRS 16	(note 17)	(70.0)		(61.0)	
Financial receivables and cash and cash equivalents, composed of:			1,396.9		1,346.8
Cash:			1,391.8		1,341.7
- Cash and cash equivalents	(note 6)	1,391.8		1,341.7	
<i>from which to deduct Factoring transactions in transit</i>		-		-	
Current financial assets, composed of:			5.1		5.1

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Financial receivables non-instrumental to operations	(note 7)	5.0	5.0
- Other financial assets held for trading or available for sale	(note 7)	0.1	0.1
Total net financial debt (from reclassified statements)		(4,980.0)	(5,094.4)
HEDGING		(7,122.5)	(7,215.7)

Reclassified Statement of Cash Flows

(€ million)	First half of 2021		First half of 2022	
Reclassified Statement of Cash Flows items and intersection of legally-required statement items	Partial figures from mandatory statements	Figures from reclassified statements	Partial figures from mandatory statements	Figures from reclassified statements
Net profit		180.0		197.7
<i>Correction:</i>				
Amortisation, depreciation and other non-monetary components:		208.3		218.8
- Amortisation and depreciation	218.9		225.7	
- Net impairment of property, plant and equipment and intangible assets	0.5		1.0	
- Contributions for connections - uses	(9.6)		(9.5)	
- Effect of valuation using equity method	(1.0)		(0.5)	
- Non-monetary items (stock grants)	(0.5)		2.1	
Net capital losses (capital gains) on asset sales and eliminations		0.8		2.4
Interest, income taxes and other changes:		100.5		104.5
- Interest income	(2.1)		(1.6)	
- Interest expense	33.9		31.0	
- Income taxes	68.7		75.1	
Change in working capital due to operating activities:		216.1		25.0
- Inventories	(13.4)		(11.4)	
- Trade receivables	246.7		156.4	
- Trade payables	16.8		(53.0)	
- Change to provisions for risks and charges	(17.2)		(17.3)	
- Other assets and liabilities	(12.2)		(46.4)	
<i>from which to deduct Deferrals for connection contributions - increases</i>	3.9		5.7	
<i>from which to deduct Deferrals for connection contributions - uses</i>	(9.6)		(9.5)	
- Change in provisions for employee benefits	(4.6)		(3.3)	
Dividends, interest and income taxes collected (paid):		(156.2)		(88.9)
- Dividends collected	0.1		1.3	
- Interest income	2.1		1.6	
- Interest paid	(48.7)		(41.4)	
- Income taxes (paid) refunded	(109.7)		(50.4)	
Cash flow from operating activities		549.5		459.5
Technical investments:		(409.4)		(356.5)
- Property, plant and equipment	(18.5)		(2.8)	
- Intangible assets	(394.8)		(359.4)	
- Contributions for connections - increases	3.9		5.7	
Other changes relating to investment activities:		(12.2)		12.4
- Change in payables relating to investment activities	(12.2)		12.4	
Disinvestments:		11.5		24.7
- Property, plant and equipment	0.3		4.9	
- Intangible assets	-		-	
- Change in receivables relating to investment activities	11.2		19.8	
Free cash flow before M&A transactions		139.4		140.1
Newly consolidated companies		(2.3)		(22.5)
<i>of which:</i>				
<i>price paid for equity</i>	(2.3)		(22.5)	

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Business units and assets		(1.7)		-
Free cash flow		135.4		117.6
Change in financial debt:		113.6		82.5
- Change in short- and long-term financial debt	113.6		82.5	
Other changes relating to monetary items:		(8.8)		(15.8)
- Reimbursements of financial liabilities for leased assets	(8.8)		(16.1)	
- Third-party contribution	-		0.3	
Equity cash flow		(219.4)		(234.3)
Cash flow for the year		20.8		(50.0)
Other changes		-		-
Net cash flow for the year		20.8		(50.0)

Other information

Treasury shares

The company did not own any treasury shares as at 30 June 2022.

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 2022, 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.

Significant events occurring after the end of the half-year

- On 4 July 2022, the annual review of the **ESG rating** by **Moody's ESG Solutions** recognised the Company's strong commitment by assigning it an "Advanced" rating, triggered by an overall improvement of 10 points on the result assigned in September 2021.

Progress was mainly driven by the actions implemented and additional Environmental, Social and Governance commitments undertaken by the Group.

- The merger by incorporation of Ceresa into Seaside was completed on 20 July 2022, with effect for accounting and tax purposes as at 1 January 2022.

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

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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	<p>Risk of changes in the regulatory and institutional context in Europe or nationally affecting the natural gas sector.</p> <p>Risk of penalising update of the rate of return on net invested capital recognised by ARERA according to the update of some reference macroeconomic variables.</p>	<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 	Generation of sustainable economic value and ESG finance
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:¹²</p>	<ul style="list-style-type: none"> - Operational countermeasures as described in the “Service continuity: malfunctioning, accidents or extraordinary events” risk - Targets for reducing net greenhouse gas emissions: <ul style="list-style-type: none"> i) by 2030: reduction of Scope 1 & 2 emissions by 42% and reduction of Scope 3 emissions by 33%, compared to 2020 values ii) by 2050, the target of Net Carbon Zero - Target to reduce net energy consumption by 33% by 2030, compared to 2020 values 	<p>Energy transition and the fight against climate change</p> <p>Generation of sustainable economic value and ESG finance</p> <p>Safety of the networks, assets and people</p>

¹² Risk for which the potential effects for the company and/or sector refer to a medium to long-term time frame.

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Category	Risk	Description	Main methods of management	Connected material topics
		<p>Physical Risk: an increase in average temperatures in the areas where Italgas operates with a possible negative impact on the number of active re-delivery points served and, consequently, on revenues</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 evolution that may have a negative impact on the number of active re-delivery points served with a negative impact on revenues and the 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"> - 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) - Adoption of internal leakage repair SLAs stricter than those defined by ARERA - Process of converting the approximately 74,000 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 Italian and European sectors 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 renewable 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>Quality of service and customer satisfaction</p> <p>Innovation</p> <p>Corporate identity</p> <p>Environmental sustainability</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</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 	<p>Corporate identity</p> <p>Generation of sustainable economic value and ESG finance</p>

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Category	Risk	Description	Main methods of management	Connected material topics
		Areas) previously managed entirely or partially by other operators. 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. 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	<ul style="list-style-type: none"> - 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 	
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</p> <p>Energy transition and the fight against climate change</p> <p>Generation of sustainable economic value and ESG finance</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 2022 there were no significant credit risks. Note that on average 98% of trade receivables relating to gas distribution are settled on the due date and over 99.1% within the following 4 days, confirming the strong reliability of customers - Analysis and monitoring of the credit portfolio - Assessment of initiatives for outsourcing to external companies specialised in credit recovery. Monthly monitoring of the activities and performance of the appointed companies 	Generation of sustainable economic value and ESG finance

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Category	Risk	Description	Main methods of management	Connected material topics
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, 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 2022, 88.9% of the gross financial debt was at fixed rate and 11.1% at floating 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) 	Generation of sustainable economic value and ESG finance
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 € 2.0 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>Generation of sustainable economic value and ESG finance</p> <p>Sustainable supply chain management</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>Generation of sustainable economic value and ESG finance</p>

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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 2022, 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 2022, these commitments appear to have been respected) 	<p>Corporate identity</p> <p>Generation of sustainable economic value and ESG finance</p>
Operational	Anomalies in smart meter performance	Risk of increased levels of malfunctioning of smart 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 - Operative centres for the regeneration of smart meters with 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 - Project for the development of latest generation smart meters, also compatible with renewable gas like biomethane and hydrogen and patented by Italgas 	<p>Corporate identity</p> <p>Quality of service and customer satisfaction</p> <p>Environmental sustainability</p> <p>Generation of sustainable economic value and ESG finance</p> <p>Safety of the networks, assets and people</p> <p>Sustainable supply chain management</p> <p>Innovation</p>
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 	<p>Corporate identity</p> <p>Protection, inclusion, enhancement and well-being of the human resources</p> <p>Safety of the networks, assets and people</p>

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Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> 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; - Adoption of internal leakage repair SLAs stricter than those defined by ARERA - Continuous modernisation of the network (investments in maintenance, replacement of cast iron pipes with mechanical joints, plans for restoration of 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. 	<ul style="list-style-type: none"> Quality of service and customer satisfaction Sustainable supply chain management Environmental sustainability Dialogue and creation of value on the territory Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance
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 - Group Policy on Integrated Security, Resilience and Crisis Management - Models and procedures for business continuity, network and information security, and emergency and crisis management - Monitoring of the Group's Bitsight cyber risk rating, currently positioned in an advanced range that corresponds to a high level of maturity of the cyber security frameworks - Adoption of conditional access solutions on the basis of certain risk factors (illegitimate accesses, accesses from unusual locations, etc.) and Multi-Factor-Authentication for the Group's employees and most critical IT suppliers - Adoption of security measures to protect endpoints (anti-malware) and e-mail through the implementation of anti-spam solutions (protection from spam e-mails), anti-spoofing solutions (protection from attacks that impersonate the address of the sender of a communication), advanced hunting (advanced analysis to proactively verify possible threats), Safe Link/Safe Attachment (protection from harmful links and attachments present in e-mails through simulation in a test environment, sandbox) - Specific training for Group employees on cyber risks, common vulnerabilities, phishing and spam 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Sustainable supply chain management Quality of service and customer satisfaction Safety of the networks, assets and people Generation of sustainable economic value and ESG finance Innovation

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ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> - Possibility for all Group employees to report suspicious phishing e-mails (phishing alarm) to a specifically appointed team that will analyse the e-mail - Phishing simulations for Group employees intended to test and strengthen their ability to recognise malicious e-mails; - 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 - Security measures to protect the network infrastructure from unauthorised alteration, disservices, incorrect applications and unauthorised data disclosure through firewall solutions, intrusion prevention systems, web application firewalls, anti DDoS (Distributed Denial of Service) systems, protection of Internet browsing (proxy) and network segmentation. - Continuous real-time monitoring of IT and OT systems using Security Information and Event Management (SIEM) solutions to detect and correlate events on monitored devices and act accordingly when necessary - Performance of periodic IT and OT vulnerability assessments and penetration tests conducted by third parties - Definition and periodic updating of technical contractual specifications, including those related 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 	
Operational	Risks associated with the health and safety of people and environmental protection	Risk of incidents and/or injuries involving employees and partner companies. 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 and the possible occurrence of disputes.	<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 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 	<p>Corporate identity</p> <p>Protection, inclusion, enhancement and well-being of the human resources</p> <p>Safety of the networks, assets and people</p> <p>Environmental sustainability</p>

ITALGAS 2022 CONSOLIDATED HALF-YEAR FINANCIAL REPORT -
ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<ul style="list-style-type: none"> 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 operational structures in terms of health and safety - Conventions with suppliers/contractors intended to raise awareness/create alignment on HSE issues - Internal procedures that involve specific measures with regard to suppliers/contractors in case of HSE 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 the qualification phase and during 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"> Sustainable supply chain management Dialogue and creation of value on the territory Compliance, transparency and fight against corruption Generation of sustainable economic value and ESG finance
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 operational 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 - I-Grow programme, Italgas' graduate programme aimed at strengthening internal know-how in accordance with the principles of meritocracy and transparency, which provides for the acceleration of the 	<ul style="list-style-type: none"> Corporate identity Protection, inclusion, enhancement and well-being of the human resources Respect for human rights Generation of sustainable economic value and ESG finance Innovation

ITALGAS 2022 CONSOLIDATED HALF-YEAR FINANCIAL REPORT -
ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<p>development of transversal skills through induction paths, training programmes and structured job rotation paths</p> <ul style="list-style-type: none"> - Succession plans for senior roles - Collaborations with Italian universities intended to anticipate talent acquisition - 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 - Smart Rotation project, the internal Italgas job posting, to foster the exchange of skills within the Group, enhancing its people and facilitating upskilling and reskilling 	
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 - 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, 	<p>Corporate identity</p> <p>Quality of service and customer satisfaction</p> <p>Dialogue and creation of value on the territory</p> <p>Generation of sustainable economic value and ESG finance</p> <p>Innovation</p>

ITALGAS 2022 CONSOLIDATED HALF-YEAR FINANCIAL REPORT -
ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			including in order to understand and satisfy update requirements - Salesforce (CRM) to support people working at the Italgas Contact Centre in carrying out front-end activities (Customer Service)	
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 - Anti-mafia audits in tender procedures relating to special sectors pursuant to Article 80 of Legislative Decree 50/2016, to the Reclamation sector and to works under Title IV of Legislative Decree 81/2008 - New digital IT4Buy platform, which improves i) the speed and simplicity of the supplier registration and qualification process; ii) the tender process; iii) contract management - ESG reward criteria during the tender phase on Legality Index topics, possession of specific ISO certifications, environmental impact (e.g. CO2 emissions) - Verification of sustainability and economic-financial requirements through recognised external providers during supplier registration - Standardised tender processes and regulations - Supplier performance evaluation, including in terms of sustainability, integrated into the vendor management module - Management of unforeseeable events: risk assessment to Suppliers; procurement diversification; scouting of alternative raw materials - On-site technical and ESG audits for qualification purposes for Suppliers deemed Critical/Strategic - Scouting activities for innovative assets, produced with alternative materials and/or different technologies, functional to the management/maintenance of assets - 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 	<ul style="list-style-type: none"> Corporate identity Compliance, transparency and fight against corruption Protection, inclusion, enhancement and well-being of the human resources Sustainable supply chain management Environmental sustainability Respect for human rights Energy transition and the fight against climate change Generation of sustainable economic value and ESG finance Innovation

ITALGAS 2022 CONSOLIDATED HALF-YEAR FINANCIAL REPORT -
ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
			<p>Global Compact, in addition to the contents of the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises</p> <ul style="list-style-type: none"> - Anti-corruption Awareness Policy for third parties – request for declaration to suppliers regarding anti-corruption and/or ISO 37001 - “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 	
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 monitoring and management of the various phases of the pandemic - Continuous monitoring of the changes in the reference regulations and 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 (e.g. smart working, starting from home for operative staff) and controls (e.g. temperature scanners upon entry, hand sanitiser towers, anti-gathering rules) - Daily monitoring of positive cases and personnel in quarantine including through the Appointed Physicians and process for the receipt and management of reports of positive COVID-19 cases, which provides for the identification, contact tracing and quarantine activation in coordination with health authorities - Periodic distribution of the rules of conduct in relation to changes in the pandemic and the provisions of the Health Authorities 	<p>Corporate identity</p> <p>Protection, inclusion, enhancement and well-being of the human resources</p> <p>Safety of the networks, assets and people</p> <p>Dialogue and creation of value on the territory</p> <p>Generation of sustainable economic value and ESG finance</p>
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 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 	<p>Corporate identity</p> <p>Compliance, transparency and fight against corruption</p> <p>Protection, inclusion, enhancement and well-being of the human resources</p> <p>Environmental sustainability</p>

ITALGAS 2022 CONSOLIDATED HALF-YEAR FINANCIAL REPORT -
ELEMENTS OF RISK AND UNCERTAINTY

Category	Risk	Description	Main methods of management	Connected material topics
				<p>Energy transition and the fight against climate change</p> <p>Sustainable supply chain management</p> <p>Quality of service and customer satisfaction</p> <p>Generation of sustainable economic value and ESG finance</p>

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. The state of emergency declared at the time by the Italian government formally came to an end on 31 March 2022.

To date, the Company saw no significant negative impacts on its development or investment plans. By leveraging digitisation processes, during the emergency period, measures were 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 customers/sales companies 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 has not noted and 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 reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the limitations imposed during the period by the aforementioned health emergency, the Company has not found any evidence to date to suggest significant negative effects on FY 2022.

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 return to a critical state.

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 projects for network digitisation and repurposing and the methanisation of Sardinia, plus the normal maintenance and development of the networks managed.

Russia - Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the

procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

Specifically, in March Italgas completed the first survey of a significant portion of its suppliers (which will be periodically updated). It was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent effects of any cyber attacks.

It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability.

With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) about 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 30 June 2022, of € 1,341.7 million, which, including in light of the existing investment plans and the operations planned over the next 12 months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which also defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Glossary

For the glossary of financial, business and technical terms and units of measurement, please refer to the specific chapter of the 2021 Integrated Annual Report, available at www.italgas.it (<https://integratedreport2021.italgas.it/en/glossary/>).



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Statement of Financial Position

(€ thousands)	Notes	31.12.2021		30.06.2022	
		Total	of which, related parties	Total	of which, related parties
ASSETS					
Current assets					
Cash and cash equivalents	(6)	1,391,763		1,341,738	
Current financial assets	(7)	5,120		5,120	
Trade and other receivables	(8)	588,098	225,831	409,719	62,287
Inventories	(9)	105,294		116,029	
Current income tax assets	(10)	21,625		8,673	
Other current financial assets	(19)			28,986	
Other current non-financial assets	(11)	54,079	4	78,050	14
		2,165,979		1,988,315	
Non-current assets					
Property, plant and equipment	(12)	372,108		366,072	
Intangible assets	(13)	7,469,805		7,360,850	
Investments valued using the equity method	(14)	30,108		23,935	
Non-current financial assets	(15)	7,855		21,774	
Non-current income tax assets	(10)	22,936		33,001	
Other non-current financial assets	(19)	670		1,443	
Other non-current non-financial assets	(11)	80,366	668	70,164	668
		7,983,848		7,877,239	
Non-current assets held for sale	(16)	2,180		248,209	
TOTAL ASSETS		10,152,007		10,113,763	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term financial liabilities	(17)	591,188	464	445,758	464
Trade and other payables	(18)	769,137	36,683	711,221	42,043
Current income tax liabilities	(10)	3,430		27,261	
Other current financial liabilities	(19)	290		371	
Other current non-financial liabilities	(20)	13,111	175	7,403	301
		1,377,156		1,192,014	
Non-current liabilities					
Long-term financial liabilities	(17)	5,785,707	1,351	5,995,570	
Provisions for risks and charges	(21)	159,506		142,188	
Provisions for employee benefits	(22)	95,648		85,044	
Deferred tax liabilities	(23)	50,791		48,420	
Other non-current financial liabilities	(19)	6,283		34	
Other non-current non-financial liabilities	(20)	534,425		516,123	
		6,632,360		6,787,379	
Liabilities directly associated with non-current assets held for sale	(24)			13,071	
TOTAL LIABILITIES		8,009,516		7,992,464	
SHAREHOLDERS' EQUITY (25)					
Share capital		1,002,016		1,002,608	
Reserves		154,510		187,781	
Profit (loss) carried forward		372,075		496,006	
Profit (loss) for the year		362,813		188,264	
Treasury shares					
Total Italgas shareholders' equity		1,891,414		1,874,659	
Minority interests		251,077		246,640	
TOTAL SHAREHOLDERS' EQUITY		2,142,491		2,121,299	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,152,007		10,113,763	

Income Statement

(€ thousands)	Note s	First half of 2021		First half of 2022	
		Total	of which, related parties	Total	of which, related parties
REVENUE	(27)				
Revenue		1,017,556	475,580	1,021,100	265,268
Other revenues and income		31,284	2,511	39,548	2,689
		1,048,840		1,060,648	
OPERATING COSTS	(28)				
Costs for raw materials, consumables, supplies and goods		(66,376)	(2,497)	(68,580)	(2,749)
Costs for services		(297,997)	(977)	(288,791)	(3,361)
Costs for leased assets		(49,488)	(436)	(48,328)	(385)
Personnel cost		(125,651)		(121,607)	
Allocations to/releases from provision for risks and charges		(3,095)		1,543	
Allocations to/releases from provisions for doubtful debt					
Other expenses		(7,434)	(33,893)	(12,215)	(73,303)
		(550,041)		(537,978)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(29)	(219,389)		(226,720)	
EBIT		279,410		295,950	
FINANCIAL INCOME (EXPENSE)	(30)				
Financial expense		(34,040)	(147)	(29,496)	(468)
Financial income		2,079		1,622	
Derivative financial instruments		150		1,548	
		(31,811)		(26,326)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(31)				
Effect of valuation using the equity method		738	738	456	456
Dividends		49	49	47	47
Other income (expense) from equity investments		307		2,729	2,729
		1,094		3,232	
Gross profit		248,693		272,856	
Income taxes	(32)	68,659		75,132	
Net profit (loss) for the year		180,034		197,724	
Attributable to Italgas		171,174		188,264	
Minority interests		8,860		9,460	
Net profit (loss) per share attributable to Italgas (€ per share)	(33)				
- basic and diluted		0.21		0.23	

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

(€ thousands)	First half of 2021			First half of 2022		
	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	171,174	8,860	180,034	188,264	9,460	197,724
Other comprehensive income						
Components reclassifiable to the income statement:						
Change in fair value of cash flow hedge derivatives (Effective portion)	7,868		7,868	34,461		34,461
Tax effect	(1,888)		(1,888)	(8,271)		(8,271)
	5,980		5,980	26,190		26,190
Components not reclassifiable to the income statement:						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	1,823	161	1,984	7,392	467	7,859
Change in fair value of investments measured at fair value with effects on OCI				1,150		1,150
Tax effect	(462)	(41)	(503)	(2,346)	(131)	(2,477)
	1,361	120	1,481	6,196	336	5,382
Total other components of comprehensive income, net of tax effect	7,341	120	7,461	32,386	336	31,572
Total comprehensive income for the year	178,515	8,980	187,495	220,650	9,796	229,296

Statement of changes in shareholders' equity

Shareholders' equity pertaining to owners of the parent

	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	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(€ thousands)															
Balance as at 31 December 2020 (e=a+b+c+d) (Note 25)	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 in the first half of 2021												171,174	171,174	8,860	180,034
Other components of comprehensive income:															
Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives						5,980							5,980		5,980
Components not reclassifiable to the income statement:															
- 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								(468)					(468)		(468)
Total transactions with shareholders (c)								(468)			160,320	(384,626)	(224,774)	(19,500)	(244,274)
Other changes in shareholders' equity (d)	784		2,247					(2,247)		(1,225)			(441)	(1,476)	(1,917)
Balance as at 30 June 2021 (e=a+b+c+d) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,047)	(9,982)	(349,839)	2,920		18,701	372,075	171,174	1,690,734	227,993	1,918,727
Net profit in the second half of 2021												191,639	191,639	11,747	203,386
Other components of comprehensive income:															
Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives						5,232							5,232		5,232
Components not reclassifiable to the income statement:															
- Actuarial gains on remeasurement of defined-benefit plans for employees					(93)								(93)	1	(92)
Total comprehensive income first half of 2021 (b)					(93)	5,232						191,639	196,778	11,748	208,526
Transactions with shareholders:															
- Payment of share capital by minority shareholders														11,267	11,267
- Stock grant reserve								2,682					2,682		2,682
Total transactions with shareholders (c)								2,682					2,682	11,267	13,949
Other changes in shareholders' equity (d)										1,220			1,220	69	1,289
Balance as at 31 December 2021 (e=a+b+c+d) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)	(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491
Net profit in the first half of 2022												188,264	188,264	9,460	197,724
Other components of comprehensive income:															

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Components reclassifiable to the income statement:															
- change in fair value of cash flow hedge derivatives															
						26,190					26,190	26,190			
Components not reclassifiable to the income statement:															
- Actuarial gains on remeasurement of defined-benefit plans for employees															
						5,322					5,322	336	5,658		
Change in fair value of investments measured at fair value with effects on OCI															
									874		874		874		
Total comprehensive income first half of 2022 (b)															
						5,322	26,190		874		188,264	220,650	9,796	230,446	
Transactions with shareholders:															
- Allocation of 2021 profit for the year															
									362,813	(362,813)					
- Allocation of Italgas SpA dividend for 2021 (€ 0.295 per share)															
									(238,882)		(238,882)		(238,882)		
- Allocation of dividends to minority shareholders															
												(14,244)	(14,244)		
- Stock grant reserve															
								1,568				1,568	1,568		
Total transactions with shareholders (c)															
								1,568	123,931	(362,813)	(237,314)	(14,244)	(251,558)		
Other changes in shareholders' equity (d)															
	592		2,072			(763)		(1,992)			(91)	11	(80)		
Balance as at 30 June 2022 (e=a+b+c+d)															
	1,002,608	(323,907)	624,449	200,246	(9,818)	21,440	(349,839)	6,407	874	17,929	496,006	188,264	1,874,659	246,640	2,121,299

Cash flow statement

(€ thousands)	First half of 2021	First half of 2022
Profit (loss) for the year	180,034	197,724
Adjustments to reclassify net profit to cash flow from operating activities:		
Amortisation and depreciation	218,912	225,722
Net impairment of assets	477	998
Effect of valuation using the equity method	738	(456)
Other income from equity investments	307	
Stock grant	(468)	2,149
Net capital losses (capital gains) on asset sales, cancellations and eliminations	758	2,377
Dividends	(49)	(47)
Financial income	(2,079)	(1,622)
Financial expense	33,890	31,044
Income taxes	68,659	75,132
Change in provisions for employee benefits	(4,598)	(3,274)
Changes in working capital:		
- Inventories	(13,438)	(11,414)
- Trade receivables	281,174	196,029
- Trade payables	5,827	(44,835)
- Provisions for risks and charges	(17,155)	(17,313)
- Other assets and liabilities	(43,599)	(98,226)
Cash flow from working capital	212,809	24,241
Dividends collected	143	1,311
Financial income collected	2,079	1,622
Financial expense paid	(48,680)	(41,360)
Income taxes paid, net of tax credits reimbursed	(109,524)	(50,437)
Net cash flow from operating activities	553,408	465,184
<i>of which, related parties</i>	<i>605,708</i>	<i>357,179</i>
Investments:		
- Property, plant and equipment	(18,496)	(2,826)
- Intangible assets	(394,799)	(359,418)
- Acquisition of assets and business units	(1,748)	
- Equity investments	(2,250)	(22,501)
- Change in payables and receivables for investments	(12,249)	12,557
Disinvestments:		
- Property, plant and equipment	334	
- Assets available for sale		4,911
- Companies outside the consolidation area		19,754
- Change in receivables relating to disinvestment activities	11,244	
Net cash flow from investment activities	(417,964)	(347,523)
<i>of which, related parties</i>		
Assumptions of long-term financial debt	982,208	249,897
Repayment of long-term financial debt	(277,902)	(133,438)
Increase (decrease) in short-term financial debt	(590,672)	(34,082)
Capital contributions from third parties		289

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Dividends collected	(219,430)	(234,271)
Reimbursements of financial liabilities for leased assets	(8,766)	(16,081)
Net cash flow from financing activities	(114,562)	(167,686)
<i>of which, related parties</i>	(88,772)	(95,733)
Net cash flow for the year	20,882	(50,025)
Opening cash and cash equivalents	664,026	1,391,763
Closing cash and cash equivalents	684,908	1,341,738

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 at the forefront of the regulated natural gas sector.

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

CDP S.p.A. has “de facto” control over Italgas S.p.A. pursuant to the accounting principle IFRS 10 “Consolidated Financial Statements”.

As at 30 June 2022, CDP S.p.A. owns, via CDP Reti S.p.A.¹³, 26.01% 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 2022, hereinafter also the “Interim Financial Statement”, was prepared in accordance with the provisions of IAS 34 “Interim financial reporting”. As permitted by this standard, the Interim Financial Statements do not include all the information required in annual consolidated financial statements and, therefore, must be read together with Italgas Group's Consolidated Financial Statements for the year ending 31 December 2021.

The financial statements are the same as those adopted in the Integrated Annual Report. The Interim Financial Statements as at 30 June 2022 apply the same principles of consolidation and 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 2022, illustrated in the section “New Accounting Standards, Amendments and Interpretations already Issued and Approved by the European Union but not yet in force” of the aforementioned report. No impacts resulting from the application of these new provisions have been identified.

The notes to the financial statements are presented in summary form.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the appendix “Subsidiaries, associates and equity investments of Italgas S.p.A. as at 30 June 2022”, which is an integral part of these notes.

The Condensed Consolidated Half-Year Financial Statements as at 30 June 2022, approved by the Board of Directors of Italgas S.p.A. at the meeting of 25 July 2022, were subject to a limited audit by Deloitte & Touche S.p.A. The limited audit 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) Change in accounting values

The condensed Consolidated Interim Financial Statements as at 30 June 2022 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 2022 and that have already been illustrated in the section “New accounting standards, amendments and interpretations already issued and approved by the European Union but not yet in force” of the same Integrated Annual Report.

No changes have been made to the accounting statements.

¹³ CDP S.p.A. holds 59.10%.

3) Use of estimates

With reference to the description of the use of accounting estimates, please refer to Note 5 to the 2021 Consolidated 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 2022:

	EU effective date	Date of endorsement	Date of publication in the Official Journal
IASB AND IFRS IC DOCUMENTS			
Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	1 January 2022	28 June 2021	2 July 2021

On 14 May 2020, the IASB published the document "**Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)**", with which a very special case was regulated concerning the possibility of deducting, from the costs of assets under construction or not fully operational, the revenues from the sale of products obtained in the meantime from the same assets. The IASB has specified that sales revenues must be recognised in the income statement and must not be deducted from the costs of these assets.

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

- paragraph 16 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which essentially allows a subsidiary, which adopts IFRS for the first time after its parent company, to measure its assets and liabilities at the carrying amounts recorded in the consolidated financial statements of the parent company at the date of transition to IFRS by said parent company. In such a case, the permissible change consists in allowing the subsidiary in the transition phase to IFRS to assume the values defined by its parent company on a cumulative basis;
- paragraph B3.3.6 of IFRS 9 "Financial instruments", which indicates which paid or received fees are to be considered in the "10 per cent" test carried out to establish whether an issuer reacquiring its own financial instrument, for example for the purposes of re-issuing it later on, can consider that instrument derecognised; In this regard, the fees to be considered are only those paid or received between the borrowing company and the lending company;
- illustrative Example 13 accompanying IFRS 16 "Leasing", from which references to repayments made by the lessor to the lessee have been removed, in the event that the latter has made improvements to third-party assets, as such repayments are not to be considered incentives for leasing pursuant to IFRS 16.

On 14 May 2020, the IASB published the "**Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)**" document, amending the standard by detailing which contractual costs a company has to consider for the purposes of provisions under IAS 37, which governs Provisions for risks and charges. In the case of termination of a contract with charges to be borne by the company, the provision to be made must include "costs that relate directly to the contract" such as direct costs (e.g., labour, materials) or an allocation of other costs that nonetheless relate to the performance of contracts (an example might be the allocation of depreciation for an item of property, plant and equipment used in the performance of the contract).

The changes made did not significantly impact the Group's condensed consolidated half-year financial statements as at 30 June 2022.

International accounting standards and/or interpretations issued but not yet effective in 2022

Listed below are the new standards and interpretations that have already been issued and approved, but not yet entered into force and therefore not applicable for the preparation of the financial statements as at 30 June 2022.

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.

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.

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

- **Classification of Liabilities as Current or Non-current (Amendments to IAS 1, issued on 23 January 2020 and 15 July 2020)**, by which a more general approach to the classification of liabilities under IAS 1 was provided. The objective is to clarify whether a liability is classified as non-current if an entity expects, or has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms. The IASB has specified that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period and only those rights should influence the classification of a liability. Classification is therefore not influenced by the faculty to defer settlement of a liability.
- **Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)**, published on 7 May 2021 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.

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

5) Business combinations transactions

There were no business combinations during the half year.

6) Cash and cash equivalents

Cash and cash equivalents, equal to € 1,341,738 thousand (€ 1,391,763 thousand as at 31 December 2021), refer to current account deposits held at banks.

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

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Statement of Cash Flows.

7) Current financial assets

Current financial assets, amounting to € 5,120 thousand, unchanged compared to 31 December 2021, 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 thousand).

8) Trade and other receivables

Trade and other receivables, which amount to € 409,719 thousand (€ 588,098 thousand as at 31 December 2021) comprise the following:

(€ thousands)	31.12.2021	30.06.2022
Trade receivables	388,614	172,892
Receivables from investment/divestment activities	5,278	5,278
Other receivables	194,206	231,549
	588,098	409,719

Trade receivables (€ 172,892 thousand as at 30 June 2022 and € 388,614 thousand as at 31 December 2021), mainly relate to the gas distribution service and ancillary services. These primarily concern receivables from sales companies, including € 49,979 thousand from the Eni Group and receivables from the CSEA related to equalisation (€ 170 thousand)¹⁴.

The decrease is mainly attributable to the seasonality of the billing.

These are reported net of the provision for impairment losses (€ 14,296 thousand at 30 June 2022 and € 15,643 thousand at 31 December 2021).

Receivables for investment/divestment activities amounting to € 5,278 thousand involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables, amounting to € 231,549 (€ 194,206 thousand as at 31 December 2021) comprise:

(€ thousands)	31.12.2021	30.06.2022
IRES receivables for the national tax consolidation scheme	16,285	16,284
VAT receivables for liquidation of Group VAT	2	1
Receivables due from CSEA	130,575	173,502
Receivables from GSE Gestore Servizi	1,471	1,148
Receivables from the Public administration	5,979	7,466
Advances to suppliers	32,805	24,624

¹⁴ The mechanism based on which the differences between what is invoiced to sales companies and the revenue restrictions defined by the Authority are recorded as debits/credits from the CSEA.

Receivables from personnel	2,258	2,190
Other receivables	4,831	6,334
	194,206	231,549

IRES receivables for the national tax consolidation scheme (€ 16,284 thousand as at 30 June 2022) 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 (€ 173,502 thousand as at 30 June 2022) mainly relate to the additional regulation components of the gas distribution tariffs for € 87,571 thousand (UG2¹⁵ and the Gas Bonus¹⁶) and to safety incentives for € 85,931 thousand.

Receivables from public administrations (€ 7,466 thousand at 30 June 2022) relate to receivables from Municipalities.

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 Company has finalised factoring agreements with financial counterparties, on the basis of which receivables owed to the Company and to its subsidiaries can be factored without recourse. Specifically, receivables were factored for a total of € 175.4 million relating to: i) trade receivables relating to distribution for € 45.6 million, falling due on 30 June 2022 and ii) receivables from CSEA for a total of € 129.8 million. In addition, VAT receivables in the amount of € 3.8 million and public grants accrued for the methanisation of Sardinia in the amount of € 5.7 million were transferred. Receivables were also assigned pursuant to the tax bonus regulations, to a leading financial counterparty, linked to: i) ecobonus receivables of € 3.0 million and ii) superbonus receivables of € 11.0 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”.

9) Inventories

Inventories, which amount to € 116,029 thousand (€ 105,294 thousand as at 31 December 2021), are analysed in the table below:

(€ thousands)	31.12.2021			30.06.2022		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
- Raw materials, consumables and supplies	106,013	(719)	105,294	116,789	(760)	116,029
	106,013	(719)	105,294	116,789	(760)	116,029

Inventories of raw materials, consumables and supplies (€ 116,029 thousand at 30 June 2022) mainly consisted of gas meters in connection with the replacement plan (€ 68,962 thousand). The provision for impairment losses is € 760 thousand (€ 719 thousand as at 31 December 2021).

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

¹⁵ Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

¹⁶ Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

10) Current income tax assets/liabilities current and non-current

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

(€ thousands)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	21,625	22,936	44,561	8,673	33,001	41,674
- IRES	18,153	22,936	41,089	8,410	33,001	41,411
- IRAP	3,472		3,472	263		263
Income tax liabilities	3,430		3,430	27,261		27,261
- IRES	3,162		3,162	21,795		21,795
- IRAP	268		268	5,466		5,466

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

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

Other current non-financial assets, amounting to € 78,050 thousand, and other non-current non-financial assets, amounting to € 70,164 thousand, break down as follows:

(€ thousands)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,664	77,175	115,839	38,758	66,877	105,635
Other assets	15,415	3,191	18,606	39,292	3,287	42,579
- Other current taxes	10,710		10,710	26,363		26,363
- Prepayments	4,701	163	4,864	12,927	163	13,090
- Security deposits		2,970	2,970		3,053	3,053
- Other	4	58	62	2	71	73
	54,079	80,366	134,445	78,050	70,164	148,214

Other regulated activities (€ 105,635 thousand as at 30 June 2022) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas and Determination no. 3/2021.

Other current tax assets, which amount to € 26,363 thousand (€ 10,710 thousand as at 31 December 2021) mainly refer to VAT receivables of € 25,651 thousand.

Prepayments, amounting to € 13,090 thousand (€ 4,864 as at 31 December 2021) relate mainly to prepaid expenses for TOSAP [Italian tax on the occupation of public spaces and areas] and insurance policies.

12) Property, plant and equipment

Property, plant and equipment, which amount to € 366,072 thousand (€ 372,108 thousand as at 31 December 2021), break down and changed as follows:

	30.06.2022						Total
(€ thousands)	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Right of Use as at 31.12.2021		45,403		45,284	35,442		126,129
Investments		748	217	554		1,307	2,826
Right of Use investments		1,968		528	3,688		6,184
Divestments		(29)		(492)		(6)	(527)
Disposals of Right of Use		(502)		(168)			(670)
Change in scope of consolidation	1,195	8,565		(100)			9,660
Change in scope of consolidation rights of use		(530)		(43)			(573)
Other changes	(76)	697	(675)	480		(1,293)	(867)
Other change in rights of use	1,929	(1,475)		6			460
Cost at 30.06.2022	15,786	496,661	35,844	156,447	50,809	7,486	763,033
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Amortisation of right of use 31.12.2021		(16,070)		(24,994)	(12,834)		(53,898)
Depreciation		(4,209)	(870)	(3,166)	(116)		(8,361)
Amortisation of Right of Use		(3,241)		(4,751)	(3,479)		(11,471)
Divestments				477			477
Disposals of Right of Use		248		118			366
Change in scope of consolidation		(3,783)		58			(3,725)
Change in scope of consolidation right of use		175		14			189
Other change in rights of use		2		(4)	1		(1)
Other changes		(2)	1	(3)	1		(3)
Accumulated depreciation at 30.06.2022		(230,506)	(17,433)	(121,334)	(27,577)		(396,850)
Provision for impairment losses at 31.12.2021						(111)	(111)
Provision for impairment losses at 30.06.2022						(111)	(111)
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
Net balance at 30.06.2022	15,786	266,155	18,411	35,113	23,232	7,375	366,072
- of which Right of Use	1,929	25,978		15,990	22,818		66,715

Investments (€ 9,010 thousand) mainly refer to assets under construction (mainly real estate) and assets relative to right of use, of € 1,307 and € 6,184 thousand respectively.

The item Rights of Use includes rental expenses payable to Valdarno S.r.l. in liquidation amounting to € 1,496 thousand.

Depreciation (€ 19,832 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 € 11,471 thousand.

The provision for impairment losses (€ 111 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 2021 Consolidated Annual Financial Statements, to which reference is made, have therefore been confirmed.

13) Intangible assets

Intangible assets, which amount to € 7,360,850 thousand (€ 7,469,805 thousand as at 31 December 2021), break down and changed as follows:

	30.06.2022						Goodwill	Total
	Finite useful life					Indefinite useful life		
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRIC 12	Work in progress and payments on account	Other Intangible Assets			
(€ thousands)								
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667	
Investments	229,508	7,033	114,521	13,925	424		365,411	
Government grants			(5,993)				(5,993)	
Acquisition of assets and business units						169	169	
Change in the scope of consolidation		(2,129)		(598)	(5,725)		(8,452)	
Divestments	(22,322)	(16)	(64)	(91)	(287)		(22,780)	
Reclassifications	(473,369)		(2,440)				(475,809)	
Other changes	108,330	6,015	(110,573)	(5,681)	226		(1,683)	
Cost at 30.06.2022	11,786,723	522,553	313,724	19,549	164,306	74,675	12,881,530	
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)			(141,864)		(5,550,208)	
Amortisation	(185,526)	(18,422)			(1,943)		(205,891)	
Change in the scope of consolidation		455			3,072		3,527	
Divestments	15,441	16			287		15,744	
Reclassifications	227,350						227,350	
Other changes	(37)	(3)			1		(39)	
Accumulated depreciation at 30.06.2022	(4,931,787)	(437,283)			(140,447)		(5,509,517)	
Provision for impairment losses at 31.12.2021	(10,154)	(10)		(52)	(438)		(10,654)	
(Write-down)/Value restorations	(998)						(998)	
Reclassifications	489						489	
Provision for impairment losses at 30.06.2022	(10,663)	(10)		(52)	(438)		(11,163)	
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805	
Net balance at 30.06.2022	6,844,273	85,260	313,724	19,497	23,421	74,675	7,360,850	

Service concession agreements including the related work in progress, amounting to € 7,157,997 thousand (€ 7,263,680 thousand as at 31 December 2021), 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 (€ 85,260 thousand; € 92,311 thousand as at 31 December 2021) mainly concern information systems and applications in support of operating activities.

Intangible assets with an undefined useful life of € 74,675 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 € 365,411 thousand, mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks.

In particular, investments in distribution (€ 331.0 million) refer to initiatives for the development, maintenance and repurposing of the network, as well as the construction of new networks related to the methanisation project in Sardinia, where, during the first six months of 2022, an additional 12 km of new network was built, bringing the total of networks laid to 909 km.

The item includes investments in digitisation (€ 88.3 million), which 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 (€ 23.4 million) refer to the final stage of the plan to replace traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended.

Net value amounting to € 247,970 thousand of the reclassification item essentially refers to the future sale of the gas distribution plants of some municipalities of Naples 1 ATEM to another operator awarded the related area tender.

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".

14) Investments valued using the equity method

Equity investments valued using the equity method, which amount to € 23,935 thousand (€ 30,108 thousand at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	Increases for investments	Income (expense) from shareholders' equity	Decrease for dividends	Other changes	30.06.2022
Umbria Distribuzione Gas S.p.A.	1,515		(41)			1,474
Metano Sant'Angelo Lodigiano S.p.A.	1,103		33	(113)		1,023
Gaxa S.p.A.			15		93	108
Gesam Reti S.p.A.	21,633		420	(1,211)		20,842
Valdarno S.r.l. in liquidation	5,461		(24)		(5,437)	
Enerpaper S.r.l.	396	63	29			488
	30,108	63	432	(1,324)	(5,344)	23,935

Income from valuation using the equity method, of € 432 thousand, refers mainly to the company Gesam Reti (€ 420 thousand).

The decrease for dividends, of € 1,324 thousand concerns the company Gesam Reti (€ 1,211 thousand) and Metano Sant'Angelo Lodigiano (€ 113 thousand).

On 4 May 2022, the closing of the operation by which Edison acquired a majority stake in Gaxa, a company which markets and sells natural gas, LPG and propane air for civil use through networks in Sardinia, was finalised. The new shareholding structure of Gaxa is composed of Edison (70%), Italgas (15.56%) and Marguerite (14.44%). The partnership with a leading operator specialising in retail activities strengthens Gaxa's commercial presence and outlook for development, with positive impacts on the investment plan for Sardinia promoted by Italgas.

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 2022”, which is an integral part of this note.

15) Non-current financial assets

Non-current financial assets, amounting to € 21,774 thousand (€ 7,855 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021	30.06.2022
Financial receivables instrumental to operations	2,848	2,332
Other equity investments	5,007	19,442
	7,855	21,774

The item Other equity investments primarily concerns the fair value valuation of the investments in Picarro Inc. (€ 14.4 million), a minority share acquired on 2 March 2022, and Reti Distribuzione S.r.l. (€ 5 million).

16) Assets held for sale

Assets held for sale amounting to € 248,209 thousand (€ 2,180 thousand as at 31 December 2021) essentially refer to the future sale of the gas distribution plants of municipalities of Naples 1 ATEM to another operator awarded the related area tender.

17) Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 445,758 thousand (€ 591,188 thousand as at 31 December 2021) and long-term financial liabilities, totalling € 5,995,570 thousand (€ 5,785,707 thousand as at 31 December 2021), break down as follows:

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

(€ thousands)	30.06.2022					
	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	352,870	54,401	407,271	698,294	807,400	1,505,694
Bonds		16,763	16,763	1,616,284	2,831,861	4,448,145
Financial payables for leased assets (IFRS 16)	51	19,228	19,279	41,731		41,731
Other shareholders	2,445		2,445			
	355,366	90,392	445,758	2,356,309	3,639,261	5,995,570

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.

Short-term financial liabilities

Short-term financial liabilities, of € 445,758 thousand (€ 591,188 thousand as at 31 December 2021), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The reduction of € 145,430 thousand is mainly due to the redemption of bonds maturing in January 2022.

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

Long-term financial liabilities

Long-term financial liabilities amount to € 5,995,570 thousand overall (€ 5,785,707 thousand as at 31 December 2021).

Net of the financial payables for leased assets (€ 41,731 thousand), the increase of € 218,505 thousand compared to 31 December 2021 is mainly attributable to the signing of a new floating-rate term loan in May 2022 for a total of € 250 million.

The breakdown of the bonds, amounting to € 4,464,908 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 30.06.2022	Rate (%)	Due date (year)
Euro Medium Term Notes							
ITALGAS S.p.A.	2017	€	750,000	(4,471)	745,529	1.625%	2027
ITALGAS S.p.A.	2017	€	381,326	(1,724)	379,602	1.125%	2024
ITALGAS S.p.A.	2017	€	750,000	(2,150)	747,850	1.625%	2029
ITALGAS S.p.A.	2019	€	600,000	(2,407)	597,593	0.875%	2030
ITALGAS S.p.A.	2019	€	500,000	(1,167)	498,833	1.000%	2031
ITALGAS S.p.A.	2020	€	500,000	(2,161)	497,839	0.250%	2025
ITALGAS S.p.A.	2021	€	500,000	(1,498)	498,502	0.000%	2028
ITALGAS S.p.A.	2021	€	500,000	(840)	499,160	0.500%	2033
			4,481,326	(16,418)	4,464,908		

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

The breakdown of bank loans, amounting to € 1,912,965 thousand is provided in the table below.

(€ thousands)

Type	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 30.06.2022	Rate (%)	Due date (year)
ITALGAS S.p.A. - EIB	2017	€	360,000	(163)	359,837	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - EIB	2015	€	111,600	(111)	111,489	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - EIB	2016	€	262,500	(151)	262,349	0.47+Euribor 6M	30.11.2032
TOSCANA ENERGIA S.p.A - EIB	2016	€	73,636	(23)	73,613	1.049%	30.06.2031
ITALGAS S.p.A. - TL MEDIOBANCA	2021	€	200,000		200,000	0.000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANOPAOLLO	2021	€	300,000		300,000	0.000%	27.10.2024
ITALGAS S.p.A. - TL INTESA SANOPAOLLO	2022	€	250,000	95	250,095	0.6+Euribor 3M	20.05.2025
ITALGAS S.p.A. - HM BNL	2022	€	350,000		350,000	-0.050%	25.07.2022
Financial payables due to other banks		€	5,581		5,581		
			1,913,317	(353)	1,912,965		

(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. See the “Financial covenants and negative pledge contractual clauses” paragraph.

Breakdown of total financial liabilities by interest rate type

As at 30 June 2022, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2021	%	30.06.2022	%
Fixed rate	5,910.9	92.7	5,727.6	88.9
Floating rate	466.0	7.3	713.6	11.1
Gross financial debt	6,376.9	100.0	6,441.2	100.0

Financial covenants and negative pledge contractual clauses

As at 30 June 2022 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 commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 30 June 2022, these commitments were respected.

¹⁷The 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 2022 have been respected.

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 2022. 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.

Breakdown of net financial debt

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

(€ thousands)	31.12.2021	30.06.2022
A. Cash	1,390,711	1,340,686
B. Cash equivalents	1,052	1,052
C. Other current financial assets	5,120	5,120
D. Liquidity (A+B+C)	1,396,883	1,346,858
E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	383,266	355,366
F. Current portion of non-current financial debt (*)	207,922	90,392
G. Current financial debt (E+F)	591,188	445,758
<i>of which, related parties</i>	<i>464</i>	<i>464</i>
H. Net current financial debt (G-D)	(805,695)	(901,100)
I. Non-current financial debt (excluding the current portion and debt instruments) (*)	1,340,297	1,547,425
J. Debt instruments	4,445,410	4,448,145
K. Trade and other non-current payables		
L. Non-current financial debt (I+L+K)	5,785,707	5,995,570
<i>of which, related parties</i>	<i>1,351</i>	
M. Total financial debt as per ESMA guideline (H+L)	4,980,012	5,094,470

(*) Includes financial payables for leased assets recognised in accordance with IFRS 16 "Leases", of which € 41,731 thousand are long-term (€ 50,373 thousand at 31.12.2021) and € 19,279 thousand are short-term portions of long-term financial debts (€ 19,625 thousand at 31.12.2021).

Net financial debt as at 30 June 2022, including the effects of the application of IFRS 16, of € 61,010 thousand, amounted to € 5,094,470 thousand, up by € 114,458 thousand (€ 4,980,012 thousand as at 31 December 2021). Net of that effect, the net financial debt amounted to € 5,033,460 thousand (€ 4,910,014 thousand as at 31 December 2021, € +123,446 thousand).

Financial and bond debt as at 30 June 2022 totalled € 6,441,328 thousand (€ 6,376,895 thousand as at 31 December 2021) and mainly refer to: bonds (€ 4,464,908 thousand), loan agreements with the European Investment Bank (EIB) (€ 807,289 thousand), (iii) payables to banks (€ 1,105,676 thousand) and financial liabilities pursuant to IFRS 16 (€ 61,010 thousand).

Cash, amounting to € 1,340,686 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

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

18) Trade and other payables

Trade payables and other payables, which amount to € 711,221 thousand (€ 769,137 thousand as at 31 December 2021), comprise the following:

(€ thousands)	31.12.2021	30.06.2022
Trade payables	300,906	238,646
Payments on account and prepayments	2,269	2,408
Payables for investment activities	247,055	258,312
Other payables	218,907	211,855
	769,137	711,221

Trade payables of € 238,646 thousand (€ 300,906 thousand as at 31 December 2021) relate mainly to payables to suppliers.

Payables for investment activities equal to € 258,312 thousand (€ 247,055 thousand as at 31 December 2021) mainly relate to payables to suppliers for technical activities.

Other payables (€ 211,855 thousand; € 218,907 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	30.06.2022
Consolidated tax payables	265	
Payables to the public administration	75,816	68,974
Payables to CSEA	71,578	79,091
Payables to personnel	29,523	22,008
Payables to social security institutions	15,045	15,848
Payables to consultants and professionals	6,628	7,233
Other payables	20,052	18,701
	218,907	211,855

Payables to the public administration (€ 68,974 thousand; € 75,816 thousand as at 31 December 2021) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 79,091 thousand; € 71,578 thousand as at 31 December 2021) relate to several ancillary components of tariffs for the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)¹⁸ and to safety penalties for € 11,697 thousand (€ 11,694 thousand as at 31 December 2021) for the remaining amount.

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

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

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

The market value of the derivative financial instruments as at 30 June 2022 is analysed below:

(€ thousands)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total

¹⁸ These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

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Other assets	670	670	28,986	1,443	30,429
Derivative financial instruments for foreign exchange risk					
- Fair value instruments for foreign exchange risk	670	670		1,443	1,443
Derivative financial instruments Cash flow hedge					
- Fair value interest rate hedging instruments			28,986		28,986
Other liabilities	(290)	(6,283)	(6,573)	(371)	(34)
Derivative financial instruments Cash flow hedge					
- Fair value interest rate hedging instruments	(290)	(6,283)	(6,573)	(371)	(34)

The value of other non-current assets, amounting to € 1,443 thousand, concerns the foreign exchange rate risk derivatives hedging future payment flows in USD on Picarro invoices. The total amount hedged is \$ 26,7 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 of USD hedge	Residual value as at 30.06.2022 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,280,000.00	8,700,000.00	1.2131	from 1.2143 to 1.2517	31.10.2024
Foreign exchange risk derivative	26.11.2021	3,520,000.00	3,520,000.00	1.1260	from 1.2143 to 1.2517	07.05.2025
Foreign exchange risk derivative	11.04.2022	6,900,000.00	6,120,000.00	1.0870	from 1.2143 to 1.2517	31.07.2026
		26,700,000.00	18,340,000.00			

(*) 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
Loan agreement EIB "Italgas Gas Network Upgrade"	28.12.2017	360,000,000.00	var. EUR 6M + spread 0.355%	var EUR	half-yearly	15.12.2037
IRS derivative	15.01.2018	360,000,000.00	0.6195%	6m	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	300,000,000.00	var. EUR 6M + spread 0.47%	var EUR	half-yearly	30.11.2032
IRS derivative	24.07.2019	300,000,000.00	-0.056%	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 2022 did not show any impacts on the income statement in terms of ineffectiveness.

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

Other current non-financial liabilities, amounting to € 7,403 thousand (€ 13,111 thousand as at 31 December 2021) and *other non-current non-financial liabilities*, amounting to € 516,123 thousand (€ 534,425 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021			30.06.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	8,686		8,686	4,542		4,542
Accruals and deferrals connection contributions		531,678	531,678		514,870	514,870
Liabilities for security deposits		2,747	2,747		1,253	1,253
Other	4,425		4,425	2,861		2,861
	13,111	534,425	547,536	7,403	516,123	523,526

Other non-current liabilities, totalling € 516,123 thousand, mainly regard connection contributions totalling € 514,870 thousand.

Other current tax liabilities of € 4,542 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees (€ 3,944 thousand).

21) Provisions for risks and charges

Provisions for risks and charges, which amount to € 142,188 thousand (€ 159,506 thousand as at 31 December 2021) are analysed in the following table:

(€ thousand)	30.06.2022						Closing balance
	Opening balance	Provisions	Discounting	Uses against charges	Releases	Other changes	
Provisions for environmental risks and charges	83,809		(121)	(4,447)	(60)		79,181
Provisions for site decommissioning risks and charges	4,857		84	(24)		(1,468)	3,449
Risk provision for litigation	13,366	700		(1,161)	(3,980)		8,925
Provisions for other risks - energy efficiency certificates	5,886	2,620		(2,511)	(822)		5,173
Provision for retirement risks	11,658			(636)			11,022
Provision for operational restoration of metering instruments	30,420			(5,589)			24,831
Other personnel risk provisions	2,734	246		(143)		163	3,000
Risk provision for tax disputes for indirect tax	283						283
Other provisions	6,493	119		(282)		(6)	6,324
	159,506	3,685	(37)	(14,793)	(4,862)	(1,311)	142,188

The provision for environmental risks and charges of € 79,181 thousand (€ 83,809 thousand as at 31 December 2021) 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 reduction of € 4,628 thousand is mainly due to the utilisation of the interim period for charges (€ 4,447 thousand).

The provision for litigation of € 8,925 thousand (€ 13,366 thousand as at 31 December 2021) included costs which the Group has estimated it will incur for existing lawsuits.

The Energy Efficiency Certificates risk provision (EEC) of € 5,173 thousand (€ 5,886 thousand as at 31 December 2021) is connected with reaching the energy efficiency targets set by the Authority.

The risk provision for early retirement of € 11,022 thousand (€ 11,658 thousand as at 31 December 2021) involves personnel incentive and mobility schemes.

The provision for operational restoration of metering, totalling € 24,831 thousand (€ 30,420 thousand as at 31 December 2021) comprises the costs estimated for replacing/restoring operations of the G4 and G6 smart meters having operational problems.

22) Provisions for employee benefits

Provisions for employee benefits, amounting to € 85,044 thousand (€ 95,648 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	30.06.2022
Employee severance pay (TFR)	62,445	55,183
Supplementary Healthcare Provision for Company Executives - FISDE	8,868	7,228
Gas Fund	20,479	18,236
Other provisions for employee benefits	3,856	4,397
	95,648	85,044

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 € 7,228 thousand, includes the estimate of costs determined on an actuarial basis related to contributions benefiting current¹⁹ and retired executives.

FISDE provides financial supplementary healthcare benefits to Group executives and retired executives whose most recent contract of employment was as an executive with the 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 (€ 18,236 thousand) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as at 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 2020²⁰; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme.

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

¹⁹ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

²⁰ 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".

The other provisions for employee benefits (€ 4,397 thousand) relate to seniority bonuses and the deferred cash incentive plan.

23) Deferred tax liabilities

Deferred tax liabilities of € 48,420 thousand (€ 50,791 thousand as at 31 December 2021) are stated net of offsettable prepaid tax assets of € 264,427 thousand (€ 262,526 thousand as at 31 December 2021) and are analysed in the tables below:

(€ thousands)	31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	30.06.2022
Deferred tax liabilities	313,317	425	692	(8,576)	6,989	312,847
Deferred tax assets	(262,526)	741	(12,647)	8,001	2,004	(264,427)
	50,791	1,166	(11,955)	(575)	8,993	48,420

There are no prepaid income taxes which cannot be offset.

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

Liabilities directly associated with non-current assets held for sale, amounting to € 13,071 thousand, refer to deferrals for connection contributions related to the future sale of the gas distribution plants of some municipalities of Naples 1 ATEM to another operator awarded the related area tender.

25) Shareholders' equity

Shareholders' equity, which amounts to € 2,121,299 thousand as at 30 June 2022 (€ 2,142,491 thousand as at 31 December 2021) breaks down as follows:

(€ thousands)	31.12.2021	30.06.2022
Shareholders' equity attributable to Italgas	1,891,414	1,874,659
Share capital	1,002,016	1,002,608
Legal reserve	200,246	200,246
Share premium reserve	622,377	624,449
Cash flow hedge on derivative contracts reserve	(4,750)	21,440
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	5,602	6,407
Fair value valuation reserve for equity investments		874
Other reserves	19,921	17,929
Profits relating to previous years	372,075	496,006
Reserve for remeasurement of defined-benefit plans for employees	(15,140)	(9,818)
Net profit (loss)	362,813	188,264
<i>to be deducted</i>		
- Treasury shares		
Shareholders' equity attributable to minority interests	251,077	246,640
	2,142,491	2,121,299

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 other reserves.

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earning reserves.

As a result of the aforementioned capital increase, the share capital of the Company amounts to € 1,002,608,186.28, made up of 810,245,718 shares.

Moreover, on 20 April 2021, the Italgas Shareholders' Meeting approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal reserve

The legal reserve stood at € 200,246 thousand as at 30 June 2022, unchanged compared to the previous year.

Share premium reserve

The share premium reserve stood at € 624,449 thousand as at 30 June 2022 (€ 622,377 thousand as at 31 December 2021).

Reserve Cash Flow Hedge on derivative contracts

The reserve includes the 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 combination under common control, negative for € 349,839 thousand relates to the purchase from Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggregation of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

Stock grant reserve

The reserve includes the assessment pursuant to IFRS 2 of the co-investment plans approved on 19 April 2018 and 20 April 2021 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.

Moreover, Italgas' Shareholders' Meeting held on 20 April 2021 approved the 2021-2023 Incentive Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Incentive Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares to be assigned free of charge, by means of assignment pursuant to 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. In connection with this plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2021 Remuneration Policy, rights to receive 254,765 Italgas shares for the 2021-2023 co-investment plan. The unitary fair value per share is € 5.55.

Fair value valuation reserve for equity investments

The fair value valuation reserve (€ 874 thousand) includes the change in fair value, net of tax effects, of minority interests which on initial recognition were designated as valued at FVTOCI (fair value recognised through other comprehensive income). For more details, see the note "Non-current financial assets".

Other reserves

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

Reserve for remeasurement of defined-benefit plans for employees

As at 30 June 2022, the reserve for remeasurement of employee benefit plans (€ -9,818 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 2022 Italgas did not have any treasury shares in its portfolio.

26) Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 3,455,707 thousand (€ 2,191,477 thousand as at 31 December 2021), break down as follows:

(€ thousands)	31.12.2021	30.06.2022
Bank guarantees given in the interest of Group companies	460,618	550,053

Financial commitments and risks:	1,730,859	2,905,654
Commitments	1,430,705	2,600,993
Commitments for the purchase of goods and services	1,430,705	1,862,993
Commitments to purchase financial assets		738,000
Risks	300,154	304,661
- for compensation and litigation	300,154	304,661
	2,191,477	3,455,707

Guarantees

Guarantees of € 550,053 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

Commitments

At 30 June 2022, 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 € 1,862,993 thousand.

Following the participation in the Corporate Partner I Fund, a Corporate Venture Capital ("CVC") fund managed by Cassa Depositi e Prestiti Venture Capital SGR ("CDP VC"), an investment of € 5 million is planned in a sub-fund called EnergyTech, a sub-fund that aims to invest in innovative start-ups that develop innovative products/technologies for the energy sector.

On 10 December 2021, the purchase contract was signed with Hellenic Republic Asset Development Fund S.A (HRDAF) and Hellenic Petroleum SA (HELPE) for the equity investment in the company DEPA Infrastructure S.A., for a price of € 733 million, increased, as envisaged therein, by interest applying from 01 January 2021, the locked box date, until the closing date. Upon signing the contract, as envisaged therein, the sellers were provided with a bank guarantee for € 50 million to back the contractual commitments made. Completion of the purchase is subject to the satisfaction of various conditions, namely approval of the operation by the Greek regulatory authority RAE and clearing by the Greek antitrust authority, HCC. DEPA Infrastructure currently holds 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DEDA), the three lead players in gas distribution in Greece.

There is also a commitment by DEPA Infrastructure S.A., subsequent to the acquisition of the same by Italgas, to acquire the remaining 49% of the capital of EDA Thess S.A., owned by Eni Plenitude S.p.A., in accordance with the terms and conditions defined previously by and between HRDAF, HELPE and Eni Plenitude S.p.A.

Other unvalued commitments

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

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

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

Risks

Risks concerning compensation and litigation (€ 304,661 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

FINANCIAL RISK MANAGEMENT

Foreword

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

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

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

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

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

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

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

Interest rate risk

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

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

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 30 June 2022 the financial debt at floating rate was 11.1% and at fixed rate was 88.9%. 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 commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out. As at 30 June 2022, these commitments were respected.

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, climate change issues and the Russian-Ukrainian conflict, as well as the related accounting implications related to the valuation of assets and liabilities, see the below note “Information on ESMA 2022 priorities”.

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 € 1,342 million as at 30 June 2022, (ii) there are limited requirements to refinance debt (the next repayment is due in 2024), (iii) the bonds issued by Italgas as at 30 June 2022, as part of the Euro Medium Term Notes Programme, do not require the observance of covenants relating to the data in the financial statements.

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

Rating risk

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

On 4 July 2022, the annual review of the ESG rating conducted by Moody’s Esg Solutions recognised the Company’s strong commitment by assigning it an “Advanced” rating, triggered by an overall improvement of 10 points on the result assigned in September 2021.

Progress was mainly driven by the actions implemented and further commitments made by the Group in the environmental, social and governance spheres.

Debt covenant and default risk

As at 30 June 2022 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 covenants²¹. Some of these contracts require, inter alia, compliance with: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain 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 2022.

The bonds issued by Italgas as at 30 June 2022 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.

²¹The 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 2022 have been respected.

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.

Future payments for financial liabilities

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

(€ thousands)	Balance as at 31.12.2021	Balance as at 30.06.2022	Portion with due date within 12 months	Portion with due date beyond 12 months	Due date				
					2024	2025	2026	2027	Beyond
Financial liabilities									
Bank loans	1,332,110	1,560,095	54,401	1,505,694	565,589	316,804	65,589	65,589	492,123
Bonds	4,591,521	4,464,908	16,763	4,448,145	378,345	497,818		740,121	2,831,861
Short-term liabilities	383,266	355,315	355,315						
Interest on loans			24,559	256,558	46,517	41,834	39,719	39,425	89,063
Liabilities Right of Use	69,998	61,010	19,228	41,731	16,718	10,502	5,857	3,093	5,561
Interest Right of Use			104	367	132	90	62	40	43
	6,376,895	6,441,328	470,370	6,252,495	1,007,301	867,048	111,227	848,268	3,418,651

Disputes and other measures

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

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

Civil dispute

Italgas Reti S.p.A. / Municipality of Rome – Rome Civil Court

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, which is an integral part of the above-mentioned Contract, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties and supplemented it on 30 August 2019 due to reasons added following further notices of the Municipality of Rome. On 19 December, the Municipality of Rome served the Managerial Resolution dated 6 September 2019 that i) set € 91,853,392.79 as the alleged amount owed by Italgas Reti by way of penalties for the supposed delay in implementing the business plan covered by the gas concession contract, ii) levied the bank guarantee issued to guarantee the proper execution of the above Service Contract, in the case in which the penalties should not be paid within the deadline of 90 days from notification of the resolution. With its appeal of 20 January 2020, Italgas contested the above-mentioned Managerial Resolution at the Lazio Regional Administrative Court and submitted, as a precautionary measure, a petition to suspend the effect of the measure in so far as it is illegitimate from different perspectives, including i) invalidity due to

vagueness of the penalty clause, ii) non-existence and/or in any case non-chargeability of the company for the non-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. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Court of Rome.

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

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

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

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

Italgas Reti S.p.A. / Municipality of Andria – Trani Court

With Ruling no. 1862/2019 of 5 August 2019, published on 7 August 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of the sum of € 1,521,402.00, in addition to legal interest and inflation adjustment, as an increase in concession fees for the gas distribution service in the municipal area, from 1 January 2006 to 31 December 2011. With a subsequent ruling, no. 2562/2019, of 25 November 2019, published on 29 November 2019, the court of first instance of Trani, Civil Division, rejected the application with which the Municipality of Andria had requested verification of its right to obtain from Italgas payment of a sum, in addition to legal interest and inflation adjustment, as reimbursement of the constraint on distribution revenues owed by the company to the Municipality, as the owner of the gas distribution plant in the relative area, from 1 January 2006 to 31 December 2011. Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

Municipality of Venice / Italgas Reti S.p.A. – Court of Venice

Italgas Reti appealed against the acts through which the Municipality of Venice had deducted from the residual industrial value due to Italgas Reti as the outgoing operator, the value of a portion of the distribution network (Block A), which as at 31 December 2014 had a residual industrial value of about € 31 million. The Municipality

of Venice claims to have acquired - through a free transfer - ownership of Block A at the end of the original concession deed (2010).

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

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

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

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

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

With 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). Note - in this case, too - that, also against a claim for fees from the Municipality of Cavallino-Treporti equivalent to remuneration of the Block A assets, in the absence of specific reference regulations, to date it is not possible to reliably determine the extent of the liability.

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

Lastly, on 24 April 2019, the Municipality of Venice notified a writ of summons against Italgas Reti to the Court of Venice, for the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 01/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti filed an appearance challenging the quantification of the fee and asking for repayment of the amount wrongfully paid to the Municipality after the free transfer of Block A. At the first hearing on 12 September 2019, after having heard the defence of the parties, the Judge postponed the case for the admission of preliminary evidence, initially to 1 April 2020, then to 23 December 2020, due to the health emergency and, most recently, to 29 December 2020. By order of 26 April 2021, the Judge ordered Italgas Reti to produce relevant documentation and consequently scheduled the hearing for 31 May 2022 for examination of the documentation. On 31 May 2022, the aforesaid hearing was held, during which the Municipality (i) requested that Italgas Reti be ordered to supplement the documentation produced (requesting, where deemed necessary, the granting of a time limit for the filing of notes explaining what was represented at the hearing in support of its request) and (ii) insisted on further preliminary enquiries. For its part, Italgas Reti opposed the request for supplementation formulated by the Municipality and requested, principally, the postponement of the case for the clarification of the conclusions or, alternatively, the granting of a time limit to possibly counter-respond to (a) the notes that the Municipality should be authorised to file and (b) the requests for supplementation of the documentation made by the Municipality during the hearing. The judge deferred the ruling at the outcome of the hearing.

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

Municipality of Cavallino Treporti / Italgas Reti S.p.A. – Court of Venice

Following the rulings of the Council of State on the free transfer of Block A, the Municipality of Cavallino-Treporti served a writ on Italgas Reti, summoning it before the Court of Venice, requesting that it be ordered to pay € 4,669,129.00 or a different amount as payment due under the current tariff regulation for the use of the plants comprising the so-called “Block A”, which became the property of the Municipality of Cavallino-Treporti as a result of the Concession no. 19309/1970 from 1 June 2010 until 31 December 2018, and of the assets in Block A. With an appearance and response filed on 25 November 2020, Italgas Reti appeared in court. In the same appearance, a counterclaim was made for the Municipality of Cavallino to be ordered to repay the total amount of € 37,313.69 paid in fees for the occupation of public spaces and areas (COSAP) for Block A in the period from 1 January 2013 to 31 December 2018. The first appearance hearing was held on 17 December 2020, following which the judge granted the parties the time limits for the preliminary statements and adjourned the case to the hearing of 1 April 2021 for the admission of evidence. Later, that hearing was postponed to 13 January 2022, when the terms were assigned for depositing the replies. By decision dated 25 June 2022, the Court of Venice, notwithstanding the acknowledgement of the right of ownership of the plants in block A in favour of the Municipality of Cavallino Treporti with effect from the date of expiry pursuant to the concession (1 January 2013), ordered the Municipality of Cavallino Treporti to pay Italgas € 37,313.69 plus interest for the COSAP unduly paid by Italgas for the period between 1 January 2013 and 31 December 2018 and € 40,000 for legal expenses.

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

On 25 July 2019, a writ of summons was served on Italgas by Publiservizi and other Municipalities with stakes in Toscana Energia which, claiming the alleged violation of a shareholders' agreement signed between said parties and Italgas on 28 June 2018, demanded that Italgas be ordered to acquire a 3% stake in Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned shareholders' agreement and, in the alternative, to pay Publiservizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. The first hearing, held on 14 January 2020 before the Court of Florence, was adjourned first to 6 May 2020, then, due to the health emergency, to 25 November 2020 and, most recently, to 28 April 2021. Italgas, which entered an appearance within the legal term, raised all the objections required to prove that the counterparty's claims were groundless. After being postponed a number of times, the hearing for the discussion of the preliminary requests was held on 28 April 2021, by means of the exchange of written notes, with which the parties emphasised their respective preliminary statements, even though Italgas had stressed that the case could be heard without carrying out any preliminary activity. Following this hearing, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 28 June 2023. Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

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

Italgas Reti S.p.A. – Rome/Via Parlatore Event

The public prosecutor at the Court of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome. The incident caused a fire that involved three people. Two of them, workers for an Italgas Reti contractor, suffered mild injuries. The third person – an employee of Italgas Reti – died after a few weeks of 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 health emergency. The judge set aside the ruling at that hearing. On 17 November 2020, the Judge for Preliminary Investigations, dissolving the reservation made at that hearing, did not accept the Public

Prosecutor's second request for dismissal and ordered the Public Prosecutor to formulate the charge against the persons under investigation. The Judge for Preliminary Investigations made no findings of liability against Italgas Reti pursuant to Legislative Decree 231/2001 for safety violations. Pursuant to the order by the Judge for Preliminary Investigations, the prosecutor formulated the request for committal for trial of the three Italgas Reti persons under investigation. 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 January 2022. At the hearing, the wife, son and sister of the deceased employee and the two employees who suffered injuries appeared as civil claimants. The hearing was postponed to 6 April 2022 for the admission of evidence. The next hearing, at which the public prosecutor's investigation is scheduled to begin, is set for 6 September 2022.

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 accident was caused by a gas leak due to remote-controlled horizontal drilling work for laying fibre optic cable carried out by a third-party company, whose employees were also investigated.

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, against whom it was alleged that they had failed to adopt preventive measures in the field of safety at work pursuant to Legislative Decree 231/2001. On 30 April 2018, Italgas Reti received the request for dismissal formulated against an employee (employer), subsequently granted by the Judge for Preliminary Investigations, and the request for indictment formulated against the other employees. The contents of the request for indictment resume those of the notice of conclusion of the preliminary investigations. 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 was postponed to 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, it was acknowledged that damages had been awarded to the heirs of the deceased lady and the other injured persons, 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 verdict was passed against some employees of the third-party contractor for the laying of fibre optics who had requested the abbreviated trial procedure, rejecting the claim for compensation of the civil party, the Municipality of Cerro Maggiore. On the hearing of 9 December 2019 the Judge called for the indictment of Italgas Reti and its three employees, in addition to the defendants of the company contracting the laying of the fibre optic cable. On 9 December 2019, the first hearing was held in which the exclusion of the civil party, the Municipality of Cerro, was requested.

At the hearing of 13 January 2020, the judge rejected the request for exclusion of the civil party, considering that the Municipality of Cerro Maggiore may have suffered damage to its image, the demonstration of which is left to the continuation of the proceedings. The Public Prosecutor also requested the admission, as witnesses, of the two Italgas Reti employees acquitted by the Judge for the Preliminary Hearing and of the employees of the subcontractor company for the fibre optics sentenced in the abbreviated trial procedure. However, the judge rejected the request, deeming it belated, reserving the right to re-evaluate it if absolutely necessary at the outcome of the investigation. 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. Defence witnesses were heard at the hearings of 9 and 23 November 2020. At the hearing of 8 February 2021, the defendants, including two of the defendants who were employees of Italgas Reti were subject to examination, and at the hearing of 8 March 2021, the technical advisors of Italgas Reti were heard. At the hearing of 19 April 2021, the expert of two defendants of the contracting company was heard, and at the hearing on 7 May 2021, the discussion of the parties took place.

The Public Prosecutor 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 minimum fine be imposed on Italgas Reti, considering the small amount of the profit involved.

On 4 June 2021, the judge acquitted one of the last two Italgas Reti defendants, the other was sentenced to one year and six months' imprisonment with suspended and unremitted sentence. A minimum fine was imposed on Italgas Reti.

Italgas Reti and its sentenced employee lodged an appeal against the judgement, deposited on 14 October 2021. On 13 September 2021, the Public Prosecutor also appealed against the other Italgas Reti employee acquitted at first instance. The setting of the first appeal hearing is pending.

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 Prosecutor's office of Velletri carried out preliminary investigations against persons unrelated to Italgas Reti. Italgas Reti, co-operated in the investigation as an injured party to the crime having suffered damage to its conduct. The Prosecutor ordered expert investigations on the area affected by the accident and Italgas Reti appointed its own Technical Consultants. 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. The expert opinion ordered by the Judge for Preliminary Investigations was filed on 10 September 2020. The hearing before the Judge for Preliminary Investigations, initially scheduled for 23 July 2020, was postponed to 1 October 2020 and subsequently to 16 October 2020, during which the evidentiary hearing took place, with discussion of the expert witness report. The Public Prosecutor's investigation concluded with the filing, on 28 April 2021, of the notice of conclusion of the preliminary investigation to the suspects: the geologist appointed by the Municipality, the geologist appointed by the drilling contractor, the owner of the drilling contractor and their Technical Director, and the Project Manager of the Municipality of Rocca di Papa (the latter was subsequently removed).

On 9 November 2021, the preliminary hearing before the Judge for the Preliminary Hearing began. Due to insufficient notification, the hearing was postponed to 8 March 2022. On that date, Italgas Reti formalised its incorporation as a civil party.

At the hearing on 15 March 2022, a defence lawyer assisting four injured parties requested that Italgas be summoned as civilly liable. On 28 March 2022, the Judge for the Preliminary Hearing rejected the request to summon Italgas as civilly liable, while he admitted the summons of the excavation company, the geotechnical company and the Municipality of Rocca di Papa as civilly liable. At present, Italgas Reti remains in the proceedings only as a damaged civil party. At the hearing of 12 July 2022, some of the offended parties renewed their requests for summonses of civil defendants, on which the Judge reserved his position, postponing the hearing to 16 September 2022.

Other events

Italgas Reti S.p.A. – Ravanusa event

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

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

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

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

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

The whole of the Ravanusa network – including that installed in the area involved by the event – had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021 and no critical issues had arisen.

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

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

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. This breakage was the subject of further metallurgical investigation, the results of which have not yet been filed. In addition, further laboratory investigations were carried out on odouring gas and soil samples taken near the site of the event in the days following the explosion and the presence of the odouring molecule was confirmed. Note that following the incident, a precautionary claim has been promptly opened with the insurance companies with which the “third party liability” and “property” policies had been stipulated, in order to assure the orderly management of any claims for compensation. It is important to note that during the first half of 2022 there was initial contact between the legal representatives of the injured parties and the insurance companies for compensation of damages, but no specific quantification of the damage suffered was provided. In June 2022, the Public Prosecutor’s Office in Agrigento requested the Court of Agrigento to extend the time limit for the closure of investigations for a further 6 months, i.e. until 30/12/2022, pursuant to Article 406, subsection 3 of the Italian Code of Criminal Procedure.

On the basis of the information available and supported by legal and technical opinions, it is currently not possible to predict the duration or the outcome of the investigations conducted by the Public Prosecutor’s Office in Agrigento, investigations which are ongoing and therefore covered by investigative secrecy.

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

As part of the constant dialogue with the municipal authorities of Ravanusa, Italgas Reti has confirmed its willingness to prepare a project for the removal of the rubble resulting from the explosion, as well as the restoration of the site, which is currently still at a preliminary stage.

Information on ESMA 2022 priorities

From the 2021 financial statements, the Regulators issue specific recommendations in order to draw attention to the main priorities of the current environment.

With the publication of the 2021 Recommendation, ESMA, in fact, reinforcing the message disseminated in previous 2020 publications regarding the impacts of the COVID-19 pandemic on financial statements (with particular reference to assumptions regarding going concern, significant judgements, estimation uncertainties, financial statement presentation and asset impairment), called for a careful assessment of the long-term impacts of the COVID-19 pandemic on companies' assets, financial performance, financial position and cash flows.

The same recommendation introduced the need for specific focus on further issues such as those related to climate change, including them among the priorities for the 2021 financial statements.

Furthermore, in 2022, ESMA extended the need to comply with the priorities highlighted for the 2021 financial statements (pandemic effects from COVID-19 and issues relating to climate risk) to subsequent periods as well.

Also in 2022, as a consequence of Russia's invasion of Ukraine, the regulators (ESMA, CONSOB) expanded the areas on which specific disclosure is required.

In this regard, specific recommendations were published²² drawing attention to the possible effects of the conflict and the consequent impact on the preparation of the Interim Financial Report as at 30 June 2022.

In light of the requirements set forth by the regulators 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 2022 to the information already presented in the 2021 Integrated Annual 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.

²² The ESMA Public Statement of 13 May 2022 “Implications of Russia's invasion of Ukraine on interim financial reports” concerning the effects of Russia's invasion of Ukraine on interim financial reports 2022 prepared in accordance with IAS 34 “Interim Financial Reporting”; CONSOB's Warning Notice no. 3/22 of 19 May 2022 on financial reporting and compliance with the restrictive measures adopted by the European Union against Russia.

Update information on COVID-19

Business continuity (IAS 1)

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

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

From the start of the pandemic, the company took action with measures and means that allowed it to ensure the continuity of its services, also thanks to the innovative digital tools developed also by its Digital Factory. In compliance with the measures issued by the Authorities, during the lockdown period, activities considered essential (e.g. emergency services, interventions related to plant safety and efficiency, etc.) were guaranteed, 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.

Except for unforeseeable future recurrences of the health emergency, which should reasonably be countered by the vaccination plans in place, the Company believes it can confirm its investment plans, having already proven in the years 2020 and 2021 that it will in any case be able to make up for any delays with respect to the original plans for the execution of the works. In particular, investment commitments were confirmed for the implementation of 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 under management. Similarly, Italgas confirmed the strategic priorities included in its 2022-2028 Strategic Plan, with reference to both participation in area tenders to award the natural gas distribution service, and potential acquisitions, which will strengthen territorial presence and enable the scope of activities to grow.

Financial instruments (IFRS 9, IFRS 7 and IFRS 13)

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

With reference to the customer/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 2022 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 99.1% 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 an amount of approximately € 1,341.7 million at 30 June 2022; (ii) there are limited requirements to refinance debt in the short term considering that the next repayment is expected in 2024, (iii) the bonds issued by Italgas on 30 June 2022 as part of the Euro Medium Term Notes Programme do not require compliance with covenants relating to the data in the financial statements.

As at 30 June 2022, the only loan agreement providing for financial covenants, which have been complied with, is the EIB loan for nominal € 90 million taken out by Toscana Energia.

Classification and measurement

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

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

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

Hedge accounting

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

Fair value

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

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

Financial risk management

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

Financial instruments impairment test

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

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

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

Impairment of non-financial assets and equity investments (IAS 36)

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

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

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

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

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

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

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

Considering the temporary interruption of some operating activities mainly regarding worksites or user services, the stability of the regulatory framework meant the effects on business profitability and on the expected cash flows could be significantly limited. In the light of the foregoing, no impairment losses emerged as at 30 June 2022 relating to the recoverability of the asset and goodwill values.

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

Leases (IFRS 16)

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

In the first half of 2022, there were no significant changes to the lease agreements entered into by Italgas (either as lessor or lessee).

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' revenues 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.

Given the uncertainty in the interpretation and application of these provisions, the legislature has intervened several times to postpone the due date of these payments, allowing them to be made without the application of penalties and interest.

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

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

Other liabilities

Provisions for risks and onerous contracts (IAS 37)

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

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

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

Main economic impacts directly attributable to COVID-19

As recommended by ESMA, the amounts recognised in the income statement as at 30 June 2022 for the main impacts directly attributable to COVID-19 are set out below.

(€ thousands)

30 June 2022

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

977

Topics related to climate change

In accordance with what was envisaged for the preparation of the Integrated Annual Report at 31 December 2021, taking into account what was requested by ESMA in its recommendation of October 2021, the assessments related to climate change risks in the medium-long term on Italgas' operations and values are presented below.

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

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

For more details, in addition to the following, please refer to the chapters “Risk Factors and Uncertainty” and “Sustainability – the Path to Decarbonisation” in the Interim Report on Operations as at 30 June 2022, as well as the chapters “Strategy and Future Orientation” and “Information on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)” in the Integrated Annual Report 2021.

Impairment testing of assets

In reference to the impact of climate risks in determining the expected useful life of non-current assets and the estimated residual life of property, there are no (i) indicators suggesting that non-financial assets have reduced in value, (ii) assumptions that entail or reflect climate risks and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

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

Potential liabilities

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

Information on Article 8 of the Taxonomy Regulation

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

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

For more details, see the chapter on “Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments” of the 2021 Integrated annual report.

Effects of the climate risk on measuring expected credit loss

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

Russia-Ukraine conflict

As we know, in February 2022 the Russian-Ukrainian military conflict exploded following the invasion by the Russian army into Ukraine sovereign territory. The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slowdowns in the procurement chain, especially in relation to components, we cannot rule out that the political and economic

tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

Specifically, during the month of March Italgas completed the first survey of a significant portion of its suppliers (which will be periodically updated). At that time, it emerged that none of the suppliers surveyed reported any impacts with the Russian market, while only one supplier found sub-supplies of Ukrainian origin for which it has implemented initiatives aimed at seeking alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber attacks.

It is also noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability.

With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) over 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing and/or liquidity requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 March 2022, of € 1,341.7 million, which, including in light of the existing investment plans and the operations planned over the next 12 months, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the raw material that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system for existing financial guarantees to protect the distributor.

Lastly, with reference to the risk of lower volumes of gas injected into the national infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

In light of the above, with reference to the impacts, including potential ones, on revenues, costs, investments and cash flows expected as a result of the Russian-Ukrainian conflict, the Company has not found any evidence to date to suggest significant effects on the 2022 results.

The company is currently unable to estimate the potential material negative effects on the economic, financial and equity outlook of the years to follow, should the situation last significantly longer.

In light of the above, no significant impacts are reported in the following areas:

- Business continuity (IAS 1);
- Impairment test of non-financial assets (IAS 36);
- Impairment of financial assets (IFRS 9 – IFRS 15 – IFRS 7);
- Impacts on governance exercised on investee companies (IFRS 10 – IAS 28 – IFRS 11);
- Assets or groups of assets held for sale (IFRS 5);
- Recognition of deferred tax assets (IAS 12);
- Fair value measurement (IFRS 13);
- Remeasurement of foreign currency transactions and translation of financial statements in foreign currencies (IAS 21);
- Provisions for contingent liabilities (IAS 37);
- Liabilities arising from insurance contracts (IFRS 17).

27) Revenues

The breakdown of revenue for the first half of 2022, which totalled € 1,060,648 thousand (€ 1,048,840 thousand for the first half of 2021) is shown in the following table.

(€ thousands)	First half of the year	
	2021	2022
Revenues	1,017,556	1,021,100
Other revenues and income	31,284	39,548
	1,048,840	1,060,648

Group revenue is earned exclusively in Italy.

Revenues

Revenues, which amounted to € 1,021,100 thousand (€ 1,017,556 thousand for the first half of 2021), are analysed in the table below:

(€ thousands)	First half of the year	
	2021	2022
Natural gas distribution	595,439	591,259
Revenues from tariff recovery from meter losses	6,116	1,096
Revenues for infrastructure construction and improvements (IFRIC 12)	373,620	343,290
Technical assistance, engineering, IT and various services	27,624	36,487
Energy efficiency interventions	2,235	33,832
Water distribution and sale	3,798	4,319
Gas sales	8,724	10,817
	1,017,556	1,021,100

Revenue (€ 1,021,100 thousand) refers primarily to the consideration for the natural gas distribution service (€ 592,355 thousand) and revenue deriving from the construction and upgrading of natural gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 343,290 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. The amounts collected or paid by Italgas are collected or paid, for the same amount, to CSEA.

(€ thousands)	First half of the year	
	2021	2022
RE-RS-UG1-UG3 fees	94,829	8,041
Gas bonus Gas-GS-UG2	8,434	(188,607)
	103,263	(180,566)

The fees in addition to the distribution service (€ -180,565 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 (€ 591,259 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.

Revenues from tariff recovery from meter losses (€ 1,096 thousand) relate to the contribution under Article 57 of ARERA Resolution no. 570/2019/R/gas concerning the replacement of traditional meters with electronic ones (smart meters) as a result of the change in methodology in previous years and the recovery of non-depreciation (so-called IRMA) pursuant to DCO 545/2020/R/gas, Resolution no. 570/2019/R/gas and Determination no. 3/2021.

Revenue for energy efficiency measures (€ 33,832 thousand) mainly relate to work carried out during the year, generally referred to as “superbonus”, as envisaged by the “Relaunch Decree” (Decree Law 34/2020), which introduced the “Superbonus 110”, an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the “sismabonus” that makes it possible to receive 110% of the expense generated and admissible in 5 years.

Revenues from gas sales (€ 10,817 thousand) refer to the sale of gas by the subsidiary Gaxa S.p.A. until 30 April 2022.

Other revenue and income

Other revenue and income, which amounted to € 39,548 thousand (€ 31,284 thousand in the first half of 2021), can be broken down as follows:

(€ thousands)	First half of the year	
	2021	2022
Income from gas distribution service safety recovery incentives	11,611	17,867
Income from property investments	417	89
Plant safety assessment pursuant to ARERA Resolution no. 40/14	1,276	1,094
Capital gains from sale of assets	195	2,923
Sundry management refunds and chargebacks	336	858
Contractual penalties receivable	162	974
Revenue from regulated activities	3,734	4,141
Connection contribution uses	9,660	9,490
Revenue from seconded personnel	119	114
Other revenue	3,774	1,998
	31,284	39,548

Income from safety recovery incentives, equal to € 17,867 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

28) Operating costs

The breakdown of operating costs for the period, which totalled € 537,978 thousand (€ 550,041 thousand as at 30 June 2021), is shown in the following table:

(€ thousands)	First half of the year	
	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	66,376	68,580
Costs for services	298,369	289,648
Costs for the use of third-party assets	49,488	48,328
Personnel cost	126,474	123,256
Allocations to/releases from provision for risks and charges	3,095	(1,543)
Allocations to/releases from provisions for doubtful debt		

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Other expenses	7,434	12,215
<i>To be deducted:</i>		
Increases for own work	(1,195)	(2,506)
- of which costs for services	(372)	(857)
- of which labour costs	(823)	(1,649)
	550,041	537,978

Operating costs relating to the construction and upgrading of gas and water distribution infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amounted to € 343,290 thousand (€ 373,620 thousand for the first half of 2021) and are broken down as follows:

(€ thousands)	First half of the year	
	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	51,549	48,688
Costs for services	256,328	230,183
Costs for the use of third-party assets	8,777	7,985
Personnel cost	56,209	53,225
Other expenses	757	3,209
	373,620	343,290

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

(€ thousands)	First half of the year	
	2021	2022
Inventories	63,165	63,716
Purchase of water	1,187	1,294
Motive power	648	964
Purchase of fuel	1,376	2,606
	66,376	68,580

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 and water distribution infrastructure (€ 48,688 thousand).

Costs for services of € 288,791 thousand (€ 297,997 thousand for the first half of 2021) relate to:

(€ thousands)	First half of the year	
	2021	2022
Project management and plant maintenance	236,464	221,001
Consultancy and professional services	24,971	26,917
Costs for personnel services	5,508	693
IT and telecommunications services	18,449	9,481
Electricity, water and other (utility) services	2,718	7,825
Insurance	2,659	2,827
Cleaning, security service and guard services	2,297	2,336

Advertising and entertainment	1,491	1,474
Other services	14,751	26,905
Use of risk provision	(10,939)	(9,811)
	298,369	289,648
<i>To be deducted:</i>		
Increases for own work	(372)	(857)
	297,997	288,791

Costs for services include costs relating to the construction and upgrading of gas and water distribution infrastructure (€ 230,183 thousand).

Costs for project management and plant maintenance planning (€ 221,001 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 48,328 thousand (€ 49,488 thousand for the first half of 2021), are analysed below:

(€ thousands)	First half of the year	
	2021	2022
Patent, license and concession fees	40,659	41,070
Leases and rentals	8,913	7,350
Use of risk provision	(84)	(92)
	49,488	48,328

Fees, patents and licences (€ 41,070 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 and water distribution infrastructure (€ 7,985 thousand) recognised in accordance with IFRIC 12.

Allocations to/releases from provision for risks and charges, amounting to € -1,543 thousand net of provisions, mainly refer to the provision for EEC risks and the provision for litigations. For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 121,607 thousand (€ 125,651 thousand in the first half of 2021), breaks down as follows:

(€ thousands)	First half of the year	
	2021	2022
Wages and salaries	89,703	86,358
Social charges	27,130	26,335
Employee benefits	8,152	8,147
Other expenses	1,489	2,416
	126,474	123,256
<i>To be deducted:</i>		
Increases for own work	(823)	(1,649)
	125,651	121,607

The item includes costs relating to the construction and upgrading of gas and water distribution infrastructure (€ 53,225 thousand).

Employee benefits (€ 8,147 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 2,416 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.

Average number of employees

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

Professional qualification	30.6.2021	31.12.2021	30.6.2022
Executives	59	61	61
Managers	309	312	313
Office workers	2,184	2,175	2,129
Manual workers	1,397	1,389	1,331
	3,949	3,937	3,834

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

The number of staff in service as at 30 June 2022 was 3,785 (3,930 as at 30 June 2021).

Other expenses, of € 12,215 thousand, are analysed below:

(€ thousands)	First half of the year	
	2021	2022
Gas distribution service safety improvement penalties	56	4
Other penalties and compensation	1,608	688
Indirect taxes, local taxes	3,192	3,171
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	953	3,845
Membership fees	852	1,008
Costs for transactions, compensation and penalties	106	
Use of risk provision	(1,903)	(3,634)
Net expense attributable to Energy Efficiency Certificates	1,144	2,453
Other expenses	1,426	4,680
	7,434	12,215

The item net expense attributable to Energy Efficiency Certificates includes the negative margin of the purchase transaction (€ 17,775 thousand) and the cancellation of the same EECs (€ 15,322 thousand).

The other expenses include costs relating to the construction and upgrading of gas distribution infrastructure (€ 3,209 thousand) recognised pursuant to IFRIC 12.

29) Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 226,720 thousand (€ 219,389 thousand in the first half of 2021), breaks down as follows:

(€ thousands)	First half of the year	
	2021	2022
Amortisation and depreciation	218,912	225,722
- Property, plant and equipment	7,749	8,361
- Right of use pursuant to IFRS 16	10,934	11,471
- Intangible assets	200,229	205,890
Impairment	477	998
- Impairment of tangible assets	(31)	
- Impairment of intangible assets	508	998
	219,389	226,720

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

30) Financial Income (Expense)

Net financial expense, amounting to € 28,326 thousand (€ 31,811 thousand in the first half of 2021) comprises:

(€ thousands)	First half of the year	
	2021	2022
Financial Income (Expense)	(33,293)	(28,184)
Financial expense	(34,111)	(28,328)
Financial income	818	144
Other financial income (expense)	1,332	310
Other financial expenses	71	(1,168)
Other financial income	1,261	1,478
Derivatives	150	1,548
	(31,811)	(26,326)

(€ thousands)	First half of the year	
	2021	2022
Financial Income (Expense)	(33,293)	(28,184)
Borrowing costs:	(34,111)	(28,328)
- Interest expense on bonds	(30,040)	(23,721)
<i>of which the effect of the bond buyback transaction of 5 February 2021</i>	<i>(6,433)</i>	
- Commission expense on bank loans and credit lines	(908)	(3,769)
- Interest expense on credit line and loan expense due to banks and other lenders	(3,163)	(838)
Financial expense capitalised		
Income on financial receivables:	818	144
- Interest income and other income on financial receivables non-held for operations	784	19
- Exchange gains	34	125
Other financial income (expense):	1,332	310
- Capitalised financial expense	1,333	735

- Financial income (expense) connected with the passing of time (accretion discount) (*)	(794)	(138)
- Uses of risk provisions and financial expense		
- Expense for right of use pursuant to IFRS 16	(153)	(104)
- Other expenses	(315)	(1,256)
- Other income	1,261	1,073
Derivatives	150	1,548
- Change in fair value on derivative contracts - financial income	230	1,548
- Change in fair value on derivative contracts - financial expense	(80)	
	(31,811)	(26,326)

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

31) Income (expense) from equity investments

Financial income and expenses on equity investments, amounting to € 3,232 thousand (€ 1,094 thousand in the first half of 2021) comprise:

(€ thousands)	First half of the year	
	2021	2022
Effect of valuation using the equity method	738	456
Capital gains from valuation using the equity method	738	456
Dividends	49	47
Other income (expense) from equity investments	307	2,729
Income (expenses) from sale of equity investments		2,670
Other income from equity investments	307	59
	1,094	3,232

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".

Net proceeds from the sale of investments relate to the sale of control of the company Gaxa (36.29% of the shares) and of the entire shareholding in Valdarno in liquidation.

32) Income taxes

Income taxes for the year, amounting to € 75,132 thousand (€ 68,659 thousand as at 30 June 2021) comprise:

(€ thousands)	first half of the year					
	2021			2022		
	IRES	IRAP	Total	IRES	IRAP	Total
Current taxes	68,565	13,840	82,405	73,672	13,977	87,649
Current taxes for the year	67,448	13,852	81,300	73,684	13,846	87,530
Adjustments for current taxes pertaining to previous years	1,117	(12)	1,105	(12)	131	119
Deferred and prepaid taxes	(13,567)	(179)	(13,746)	(12,566)	49	(12,517)
Deferred taxes	(9,099)	(1,020)	(10,119)	(6,751)	(799)	(7,550)
Prepaid taxes	(4,468)	841	(3,627)	(5,815)	848	(4,967)
	54,998	13,661	68,659	61,106	14,026	75,132

The incidence of taxes for the period of the result before tax (tax rate) was 27.5%, compared to a theoretical rate of 28.2%.

33) Profit (loss) per share

The earnings per basic share, equal to € 0.23, was calculated by dividing the net profit attributable to Italgas (€ 188,264 thousand) by the weighted average number of Italgas shares outstanding during the period (810,245,718 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 plans, was € 0.23 per share.

34) Related party transactions

Considering the “de facto” control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas' related parties, based on the current 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.

The amounts involved in commercial, financial and other transactions with the abovementioned related parties for the first half of 2021 and 2022 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)	30.06.2021			first half of 2021				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other

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Parent company								
- Cassa Depositi e Prestiti								
		105				39		
		105				39		
Companies under joint control and associates								
- Umbria Distribuzione Gas		340				(1)	307	34
- Metano Sant'Angelo Lodigiano		194					167	34
- Gesam Reti		1,093						32
- Valdarno (in liquidation)		50	201			1	50	
		1,677	201			(1)	1	524
							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 regulation components having contra entry in costs.

(€ thousands)	30.06.2022			first half of 2022				
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenue (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		95			24			
		95			24			
Companies under joint control and associates								
- Umbria Distribuzione Gas	1,161				(5)		415	53
- Metano Sant'Angelo Lodigiano	884				(3)		262	26
- Gesam Reti	1,242						29	3
- Gaxa	352	8		12			435	12

- Enerpaper		1,099		2,046				
	3,639	1,107	12	2,038		1,141	94	
Companies owned or controlled by the State								
- Eni Group	49,979	32,416	1,826	441	175	213,572	2,013	
- Snam Group	251	625		137	1	120	18	
- Enel Group	7,110	6,058		73	80	47,383	547	
- Anas Group	13	630		8	252			
- Ferrovie dello Stato Group	238	149		6				
- GSE Gestore Servizi Group	1,789			14	73,167	3,052		
- Poste italiane Group	4	138		16				
- Terna Group	(66)							17
- Saipem Group		53						
	59,318	40,069	1,826	695	73,675	264,127	2,595	
Other related parties								
- Eur Group		4						
- Valdarno in liquidation		260		291	2			
- Gruppo Valvitalia		673	910		2			
- Unicredito	10							
- Personal protective equipment PPE		7	1	6	2			
- Toledo Scarl		27		15				
- M.T. Manifattura Tabacchi		19		89				
- Open Fiber	1							
- Ferroviennord							6	
- E-distribuzione	1			62	1			
- Lt s.r.l		83		141				
	12	1,073	911	604	13			
Total	62,969	42,344	2,749	3,361	73,688	265,268	2,689	

Companies under joint control and associates

The main receivable commercial transactions mostly relate to IT supplies to Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A., and those of an IT, administrative and commercial nature to Gaxa S.p.A.

Companies owned or controlled by the State

The main receivable commercial transactions refer to:

- the distribution of natural gas to the Eni Group;
- the distribution of natural gas to the Enel Group.

The main commercial transactions refer to the supply of electricity and methane gas for internal consumption by the Eni Group.

The main business transactions with the GSE relate to the purchase of Energy Efficiency Certificates.

Financial transactions

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

(€ 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 (in liquidation)		2,365		
		2,365		
Total		2,365		147

(€ thousands)	30.06.2022		first half of 2022	
	Receivables	Payables	Income	Expense
Other companies				
- Sace Fct				487
				487
Total				487

Relations with the parent company CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

Other companies

The main financial transactions entertained with Sace Fct relate to financial commission following the transfer of receivables.

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)	31.12.2021			30.06.2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Trade and other receivables	588,098	225,831	38.4%	409,719	62,287	15.2%
Other current non-financial assets	54,079	4	0.0%	78,050	14	0.0%
Other non-current non-financial assets	80,366	668	0.8%	70,164	668	1.0%
Short-term financial liabilities	591,188	464	0.1%	445,758	464	0.1%
Trade and other payables	769,137	36,683	4.8%	711,221	42,043	5.9%
Other current non-financial liabilities	13,111	175	1.3%	7,403	301	4.1%

ITALGAS CONSOLIDATED HALF-YEAR FINANCIAL REPORT AS AT 30 JUNE 2022 - NOTES TO THE CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS

Long-term financial liabilities	5,785,707	1,351	0.0%	5,995,570
Other non-current non-financial liabilities	534,425			516,123

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

(€ thousands)	first half of 2021			first half of 2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenue	1,017,556	475,580	46.7%	1,021,100	265,268	26.0%
Other revenue and income	31,284	2,511	8.0%	39,548	2,689	6.8%
Costs for raw materials, consumables, supplies and goods	66,376	2,467	3.7%	68,580	2,749	4.0%
Costs for services	297,997	977	0.3%	288,791	3,361	1.2%
Costs for leased assets	49,488	436	0.9%	48,328	385	0.8%
Personnel cost	125,651			121,607		
Other expenses	3,095	33,893		12,215	73,303	
Financial expense	34,040	147	0.4%	29,496	468	1.6%
Financial income	2,079			1,622		

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 2021	first half of 2022
Revenue and income	478,091	267,957
Costs and charges	(37,733)	(79,798)
Change in trade and other current receivables	153,656	163,544
Change in other assets	6	(10)
Change in trade and other payables	16,547	5,360
Change in other current liabilities		126
Net cash flow from operating activities	610,527	357,179
Net cash flow from investment activities		
Dividends distributed to minority shareholders	(88,623)	(94,382)
Increase (decrease) in financial debt	(149)	(1,351)
Net cash flow from financing activities	(88,772)	(95,733)
Total cash flows to related entities	521,755	261,446

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

(€ thousands)	first half of 2021			first half of 2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	553,408	610,527	110.3%	465,184	357,179	76.8%

Cash flow from investment activities	(417,964)			(347,523)		
Cash flow from financing activities	(114,562)	(88,772)	77.5%	(167,686)	(95,733)	57.1%

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

The main 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 2022 in the first half of 2022.

2. The administrative and accounting procedures for the preparation of the condensed half-year financial statement at 30 June 2022 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 2022:

- 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.

25 July 2022

Chief Executive Officer

Paolo Gallo

Director in charge of preparing
company accounting documents

Giovanni Mercante

Independent Auditors' Report

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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, 2022, 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.

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 di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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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, 2022 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 2, 2022

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



ATTACHMENTS

ANNEXES TO THE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Annexes to the Notes to the condensed consolidated financial statements

Companies and equity investments of Italgas S.p.A. as at 30 June 2022

In compliance with the provisions of Consob communication DEM/6064293 of 28 July 2006 and of 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 2022, 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
				CDP Reti S.p.A.	26.01%		
Italgas S.p.A.	Milan	EUR	1,002,608,186.28	Snam S.p.A.	13.48%	100.00%	full consolidation
				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.p.A.	Casalecchio di Reno (BO)	EUR	89,254	Italgas S.p.A.	67.22%	83.82%	full consolidation
				Toscana Energia S.p.A.	32.78%		
Medea S.p.A.	Sassari	EUR	95,500,000	Italgas Reti S.p.A.	51.85%	51.85%	full consolidation
				Minority shareholders	48.15%		
Toscana Energia S.p.A.	Florence	EUR	146,214,387	Italgas S.p.A.	50.66%	50.66%	full consolidation
				Minority shareholders	49.34%		
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
Fratelli Ceresa S.p.A.	Turin	EUR	260,000	Seaside S.p.A.	100.00%	83.82%	full consolidation
Immogas S.r.l.	Florence	EUR	1,718,600	Toscana Energia S.p.A.	100.00%	50.66%	full consolidation

ANNEXES TO THE NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	20,626,657	Toscana Energia S.p.A.	42.96%	shareholders' equity measurement
				Minority shareholders	57.04%	
Gaxa S.p.A.	Cagliari	EUR	50,000	Italgas S.p.A.	15.56%	shareholders' equity measurement
				Minority shareholders	84.44%	
Enerpaper S.r.l.	Turin	EUR	20,156	Seaside S.p.A.	18.18%	shareholders' equity measurement
				Minority shareholders	81.82%	

(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%	
Picarro Inc	Santa Clara (USA)	Dollar		Italgas S.p.A.	6.00%	fair value measurement
				Minority shareholders	84.00%	

CHANGE IN SCOPE OF CONSOLIDATION

Designation	Registered office	Currency	Share capital	Shareholders	% ownership	% consolidated pertaining to Italgas	Consolidation method or measurement criterion
Immogas S.r.l.	Florence	EUR	1,718,600	Toscana Energia S.p.A.	100.00%	50.66%	full consolidation
Gaxa S.p.A (*)	Cagliari	EUR	50,000	Italgas S.p.A.	15.56%	15.56%	shareholders' equity measurement
				Minority shareholders	84.44%		
Valdarno S.r.l. in liquidation (**)	Ospedaletto (PI)	EUR	5,720,000	Toscana Energia S.p.A. Minority shareholders			

(*) reduction of ownership shares (from 51.85% to 15.56%) due to the partial sale of the company and consequent valuation at shareholders' equity

(**) company removed from the scope of consolidation due to the sale of ownership shares