INTERIM CONSOLIDATED FINANCIAL REPORT

as at 30 June 2021

Contents

I. Corporate Boards

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

II. Directors' Report

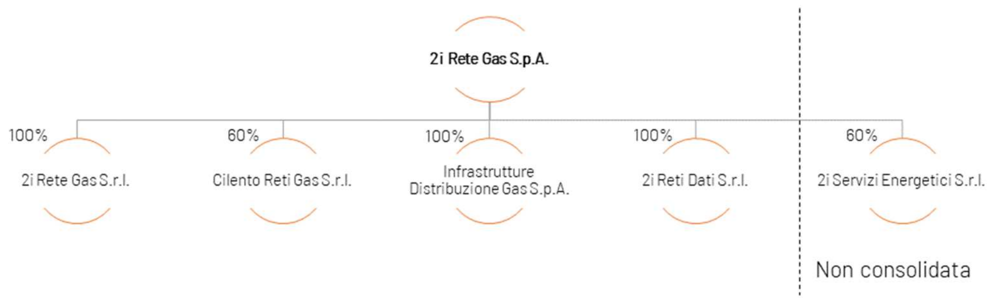
1 Background

According to the Bank of Italy's Economic Bulletin published in July 2021, in the first quarter of 2021 GDP rose by 0.1% compared to the previous period, gaining further momentum in spring, resulting in estimates standing at +1%.
The new increase in activity in the industrial landscape, which has returned to pre-pandemic levels, was complemented with a partial recovery in services, with household and business confidence indices showing a significant rise.

As far as 2i Rete Gas is concerned, in this first period of the year the Group significantly improved the management of the business compared to 30 June of last year, both from the point of view of revenues and margins, and from the point of view of the investments made, which show a positive trend of approximately +31% compared to the previous period.

2 Group structure and highlights

The following chart shows the situation of the Group as at 30 June 2021:



Regarding the Group's operating and financial highlights, the following table shows the key operating, economic and financial indicators of the Group as at 30 June 2021 compared to the entire previous year and to the first half of 2020:

	30.06.2021	31.12.2020	30.06.2020	2021 - 2020	
Active concessions:	2,210	2,148	2,137	62	*(1)*
Active redelivery points:	4,511,133	4,355,413	4,340,670	155,720	*(1)*
Distributed Gas (Natural gas and LPG) in millions of cut	3,778	5,771	3,276	502	*(2)*
EBITDA in millions of euro:	245.4	514.4	239.0	6	*(2)*
Net income in millions of euro:	96.5	183.8	79.4	17	*(2)*
Managed networks in kilometres:	69,596	66,772	66,259	2,824	*(1)*

	30.06.2021	31.12.2020	30.06.2020	2021 - 2020	
Net financial position in millions of euro:	2,809.3	2,650.2	2,617.1	159	*(1)*
Net invested capital in millions of euro:	3,831.0	3,691.0	3,558.8	140	*(1)*

(1) Delta vs 31/12/2020 *(2) Delta vs 30/06/2020*

3 Significant events during the reporting period

On 29 January 2021, the Parent Company issued a bonded loan tranche taking advantage of favourable market conditions. The € 500 million 10-year issue carries a coupon with an interest rate of 0.579%, the lowest coupon ever obtained by the Company.

On 30 April 2021, the Parent Company 2i Rete Gas S.p.A. acquired Infrastrutture Distribuzione Gas S.p.A., which manages approximately 152,000 redelivery points and a 2,700-km network in various concessions throughout Italy.

On 16 June 2021, the acquired entity was merged into the Parent Company effective as of 1 November 2021 for legal purposes and 30 April 2021 for accounting and tax purposes, so as to streamline the Group's structure and ensure cost effectiveness without any impact on the scope of consolidation.

4 Scope of consolidation

The scope of consolidation of the 2i Rete Gas Group underwent a further change in the first half of the year following the acquisition of Infrastrutture Distribuzione Gas S.p.A. (hereinafter also referred to as "IDG S.p.A."). The financial contribution to the Group resulting from this inclusion is affected in these interim financial statements by the short period of participation in the Group itself, as the acquired company contributes to the consolidated results as of the date of transfer of ownership, i.e. 30 April 2021.

5 Results of the 2i Rete Gas Group

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

Millions of euro	30.06.2021	30.06.2020
Revenue	**529.2**	**468.7**
Transport and sale of methane gas and LPG	328.8	320.1
Connection fees and accessory rights	7.3	6.9
Other sales and services	12.0	9.5
Revenue from intangible assets / assets under construc	164.5	120.6
Other revenue	16.5	11.6
Operating costs	**(283.8)**	**(229.7)**
Labour costs	(63.7)	(58.4)
Raw materials and inventories	(29.0)	(29.1)
Services	(170.2)	(125.4)
Other costs	(13.0)	(8.4)
Net allocations to provisions for risks and charges	(8.3)	(8.9)
Increase in fixed assets not subject to IFRIC 12	0.4	0.6
EBITDA	**245.4**	**239.0**
Amortisation, depreciation and write-downs	**(101.3)**	**(99.6)**
Amortisation, depreciation and impairment losses	(101.3)	(99.6)
EBIT	**144.1**	**139.4**
Net financial income (expenses) and income (expenses)	(27.8)	(27.3)
Pre-tax income	**116.3**	**112.2**
Income taxes for the year	(19.9)	(32.8)
Net income (expenses) from continuing operatio	**96.5**	**79.4**
Net income (expenses) from discontinued operat	**-**	**-**
Net income for the year	**96.5**	**79.4**

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

It should be noted that IFRIC 12, which represents the basis of presentation of the condensed consolidated interim financial statements, does not affect profitability, and only requires recognizing revenues and costs relating to the construction of distribution network infrastructure; for the sake of a better understanding of operating changes, here below is a summary table that shows consolidated revenues and costs excluding the impact of IFRIC 12.

Millions of euro	30.06.2021 without IFRIC 12	30.06.2020 without IFRIC 12
Revenue	**364.7**	**348.1**
Transport and sale of methane gas and LPG	328.8	320.1
Connection fees and accessory rights	7.3	6.9
Other sales and services	12.0	9.5
Other revenue	16.5	11.6
Operating costs	**(120.7)**	**(110.6)**
Labour costs	(31.4)	(33.4)
Raw materials and inventories	(2.6)	(4.5)
Services	(66.2)	(56.4)
Other costs	(12.6)	(8.0)
Allocations to provisions for risks and charges	(8.3)	(8.9)
Increase in fixed assets not subject to IFRIC 12	0.4	0.6
EBITDA	**244.0**	**237.4**
Amortisation, depreciation and write-downs	**(99.9)**	**(98.0)**
Amortisation, depreciation and impairment losses	(99.9)	(98.0)
EBIT	**144.1**	**139.4**

With reference to the tables above, it should be stressed that revenues, totalling 529.2 million euro before IFRIC 12, show an increase of 60.5 million euro, of which 43.9 million euro was due to an increase in revenues for intangible assets (accounting for investments in gas distribution concessions for the period), which in the first half of the previous year had suffered a significant slowdown due to the lockdown period related to the COVID-19 pandemic.
On the other hand, transportation revenues increased by 8.7 million euro, up compared to the previous year, partly due to the change in the scope of consolidation (approximately 3.8 million euro) and the growth in RAB thanks to the investment campaign deployed.
Connection fees and ancillary fees, which had been only partially affected by the lockdown in 2020, increased by 0.4 million euro, bringing the six-month final balance in line with the same period in 2019.

Revenues from "Other sales and services", totalling 12 million euro, increased significantly year-on-year largely due to the resumption of gas service disconnections following the moratorium applied as a result of the regulations introduced during the lockdown period in 2020.

Other revenues, other than the above, totaled 16.5 million euro, showed an increase due to the contingent asset arising from the successful settlement of a long-standing dispute with the Municipality of Anzio as well as a higher estimate of the recognition of revenues for technical quality.

Lastly, with reference only to the table showing values gross of IFRIC 12, the increased investments in the half year led to the recognition of income (in accordance with IFRIC 12) totalling 164.5 million euro under "Revenues from intangible assets/under construction" as a result of the recovery of all operating activities in the reporting period.

Operating costs, totalling 283.8 million euro in the version with IFRIC 12, increased by 54.1 million euro; it should be noted that the overall impact on the item from IFRIC 12 stood at 163.1 million euro for the current year. Net of this effect, therefore, operating costs showed an overall increase of 10.1 million euros, bringing this item back in line with the figure posted in the first half of 2019.

More specifically, gross labour costs, totalling 63.7 million euro, increased some 5.4 million euro over the previous period at a group-wide level. Considering, by contrast, the cost of labour net of the impact of IFRIC 12, this item fell by 2.0 million euro also thanks to the positive contribution of the greater investments made by the company's staff.

The cost of raw materials proved stable at 29.0 million euro. However, excluding the impact of IFRIC 12 and the relevant capitalisation, it would have decreased by about 1.9 million euro.

Overall, service costs at the consolidated level grew significantly by 44.7 million euro compared to the first half of the previous year, whereas the analysis carried out net of the effect of IFRIC 12 showed a smaller increase of 9.8 million euro, thanks to the effect of investment activities. This item showed an increase of 3.3 million euro due to the recognition of provisions for fees previously held under other costs. The negative impact caused by the new Single Property Tax to the extent of 1.3 million euro – such tax replacing the tax on the occupation of public space (Tosap) and the fee for temporary occupation of public space (Cosap) – must also be considered in the light of the discontinued costs for Tosap held under Other Costs (-0.8 million euro compared to the first half of 2020), causing the negative impact of the change in the half year to total 0.5 million euro. The increase in costs was also due to the resumption of commercial service activities, as they had slowed down in the previous period due to the pandemic.

Other costs increased by 4.6 million euros, primarily due to higher capital losses on asset disposals (+4.0 million euro). In the previous reporting period, this item had dropped significantly due to a slowdown in meter replacement operations;

Allocations to the provision for risks totalled 8.3 million euro in the first half of the year, down 0.6 million euro compared to 30 June 2020, and reflected the usual trend in provisions for the period.

EBITDA came in at 245.4 million euro, up by 6.4 million euro compared to the previous year (239.0 million euro) following the combined effect of higher transport revenues (8.7 million euro), Other sales and services (2.5 million euro) and Other revenues (4.9 million euro), and was offset by higher operating costs which, net of the impact of IFRIC 12, increased by 10.1 million euro.

Amortisation, depreciation and write-downs totalled 101.3 million euro, up by 1.7 million euro compared to the first half of 2020. It should be noted that this value includes amortisation of the rights of use relating to leased assets in accordance with IFRS 16, for a total of 3.2 million euro in the half year.

Therefore, EBIT totalled 144.1 million euro, compared to 139.4 million euro in the first six months of the previous year. The same considerations for EBIT apply also to EBITDA.

The balance of net financial income and expenses from equity investments down 27.8 million euro, was in line with the previous period despite the new 500-million euro worth issue that took place last January.

The Group reported 116.3 million euro in profit before tax, up 4.2 million euro on the first half of 2020.

The negative impact from income tax expense for the period on the Group's accounts totalled 19.9 million euro, down 12.9 million euro. In this connection, during the first half of the year the Group started an operation to adjust the values of fiscal items to the statutory values relating to the goodwill generated by the extraordinary operations of previous years. The overall benefit of the operation on the company's accounts for the first half of the year was approximately 13.7 million euro.

The result from continuing operations stood therefore at 96.5 million euros, up 17.1 million euro compared to the first half of 2020.
By converse, discontinued operations showed no result as at 30 June 2021.

As a result, the result for the period posted by the Group stood at 96.5 million euro.

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

Millions of euro	30.06.2021	31.12.2020
	A	B
Net fixed assets	**3,861.7**	**3,630.0**
Property, plant and equipment	36.9	35.7
IFRS 16 Rights of use	22.5	24.3
Intangible assets	4,090.4	3,880.1
Equity investments	3.7	3.6
Other non-current assets	56.2	56.1
Other non-current liabilities	(331.5)	(331.1)
Fair value of derivatives	(16.5)	(38.8)
Net working capital:	**(43.7)**	**54.0**
Inventories	21.9	18.3
Trade receivables from third parties	124.5	234.9
Net receivables/(payables) for income taxes	(1.3)	8.8
Other current assets	251.2	211.5
Trade payables to third parties	(208.4)	(216.0)
Other current liabilities	(231.6)	(203.5)
Gross invested capital	**3,818.0**	**3,684.0**
Other provisions	**(13.0)**	**(7.1)**
Post-employment and other employee benefit	39.3	40.3
Provisions for risks and charges	82.0	85.8
Net deferred taxes	(134.3)	(133.2)
Net invested capital	**3,831.0**	**3,691.0**
Assets held for sale	**8.6**	**-**
Liabilities held for sale	**1.1**	**-**
Equity	**1,029.2**	**1,040.8**
Net Financial Position	**2,809.3**	**2,650.2**

Net fixed assets, which mainly consist of intangible assets related to gas distribution concessions, totalled 3,861.7 million euro, up 231.7 million euro overall compared to 31 December 2020. This increase was due to the contribution on intangible assets – to the extent of 155.7 million euro – resulting from by the acquisition of Infrastrutture Distribuzione Gas S.p.A. (IDG S.p.A.) from the Edison Group on 30 April 2021, while the fair value of outstanding derivatives improved by 22.3 million euro compared to 31 December 2020.

“Property, plant and equipment” (36.9 million euro) includes contributions from IDG S.p.A. (2.0 million euro), investments made during the year (2.2 million euro), disposals (0.5 million euro) and depreciation (2.5 million euro).

“Rights of use” include the rights of use of rented or hired assets which mirror the prerequisites established by IFRS 16. The resulting balance was 22.5 million euro, with additions of 1.4 million euros and disposals of 0.1 million euro. Depreciation in the 6-month period totalled 3.3 million euro.

“Intangible assets” (4,090.4 million euro) is the sum of a contribution from IDG S.p.A. (155.7 million euro), new investments (175.7 million euro) and decreases (17.4 million euro), plus 7.9 million euro relating to restatements to assets held for sale as well as amortisation for the year to the extent of 95.4 million euro.

Equity investments remained virtually unchanged, showing an increase of 0.1 million euro. “Other non-current assets” were also stable at 56.2 million euro, while “other non-current liabilities” showed a balance of 331.5 million euro, down slightly by 0.5 million euro compared with the previous year-end.

Bearing in mind that the comparison between the figure as at 31 December and that as at 30 June is most likely affected by the impact of seasonal factors on working capital, which is implicit in the gas distribution business, it should be noted that net working capital, which came in at (43.7) million euro, fell by 97.7 million euro compared to 31 December 2020. The items experiencing the biggest changes were trade receivables, which were affected by the seasonal trend and particularly mild temperatures and fell by around 110.5 million euro, and other current assets and liabilities, which saw an increase respectively in receivables and payables due from/to the Fund for Energy and Environmental Services (CSEA); trade payables showed a minor seasonal drop.

Due to the combined effect of the changes in net long-term fixed assets and net working capital, gross invested capital increased from 3,684.0 million euro in the previous year to 3,818.0 million euro as at 30 June 2021, showing a 134.0 million euro increase, the key driver being, obviously, the broader scope of consolidation following the acquisition of IDG S.p.A.

Other provisions, totalling 13.0 million euro, increased by 5.9 million euro overall due to changes in (i) provisions for net deferred taxes, which rose from 133.2 to 134.3 million euro in the period, (ii) provisions for risks and charges (down 3.8 million euro) and (iii) provisions for employee severance indemnities and other employee benefits, which decreased by 1 million euro.

Therefore, net invested capital increased by 140.0 million euro, from 3,691.0 million euro in the previous year to 3,831.0 million euro.

Lastly, the amounts relating to ATEM [operator] Milan 1, which is to be sold within the next 12 months, were restated under assets and liabilities held for sale.

Equity fell by 11.7 million euro, from 1,040.8 million euro as at 31 December 2020 to 1029.1 million euro as at 30 June 2021, chiefly due to the net impact of the following changes:

- 125.0 million euro decrease following the ordinary dividend payout;
- 16.4 million euro increase in the reserves for higher valuation of derivatives;
- 96.5 million euro increase following the recognition of the result as at 30 June 2021.

Non-controlling interest stood at 2.0 million euro.

The net financial position increased from 2,650.2 million euro in December 2020 to 2,809.3 million euro as at 30 June 2021, following the payment of the 2020 dividend, the acquisition of the 100% equity interest in Infrastrutture Distribuzione Gas S.p.A. and the positive result from operations in the first half of the year.

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

Millions of euro	Notes	**30.06.2021**	**31.12.2020**	**Changes**
Medium-/long-term bank loans	27	(479.5)	(488.6)	9.1
Medium/long-term debenture loans	27	(2,765.0)	(2,265.0)	(500.0)
Cash and cash equivalents with third parties	22	455.3	187.0	268.3
Short-term financial receivables	20	50.2	1.8	48.4
Other current financial assets	21	0.0	0.0	(0.0)
Short-term financial debt	33	(0.0)	(36.4)	36.4
Current portion of medium-/long-term loans	34	(18.2)	(18.2)	0.0
Current financial liabilities	38	(42.3)	(17.1)	(25.2)
Non-current IFRS 16 financial liabilities	31	(17.1)	(18.4)	1.3
Current IFRS 16 financial liabilities	39	(4.3)	(5.3)	1.0
ESMA Net Financial Position		**(2,820.9)**	**(2,660.2)**	(160.7)
Non-current financial assets	16	0.2	0.2	(0.0)
Adjusted Net Financial Position		**(2,820.7)**	**(2,660.0)**	(160.7)
Non-current financial assets - costs on loan	16	0.5	0.6	(0.1)
Adjustment of payables due to costs on ST loan (IAS 39)	38	0.0	0.0	0.0
Adjustment of payables due to costs on MLT loan (IAS 39)	27	10.9	9.2	1.7
Net Financial Position		**(2,809.3)**	**(2,650.2)**	(159.1)
Negative fair value of derivatives	38	(16.5)	(38.8)	22.3
Accounting net financial debt		**(2,825.8)**	**(2,689.0)**	(136.8)

6 Regulatory and tariff framework

6.1 Regulation

With regard to the activities the Group engages in, interventions by the Regulatory Authority for Energy Networks and Environment (ARERA) during the first half of 2021 took place based on courses of action/objectives mainly already outlined in 2020 and set out in the Authority's Strategic Framework for the 2019-2021 three-year period. The development of the corresponding activities was partly deferred compared to the expected timing, most notably due to the continuing effects of the COVID-19 emergency.
In March, upon approving (Resolution 130/2021/A) the usual periodic reporting of its own activities with reference to the period 2019-2020 and with respect to the information provided in the "Strategic Framework for the 2019-2021 three-year period", the Authority explained in fact the possible deviations from the courses of actions originally outlined due to the impact of the COVID-19 emergency and revised the timing and implementation methods planned for 2021 accordingly.
Slowing down the development of activities concerning the gas distribution sector was, presumably, also the need to handle the large number of disputes brought against Resolution 570/2019/R/gas (concerning tariff regulation for the 2020-2025 period), which obviously kept the offices very busy.

However, as part of the proceedings started in October 2020 with Resolution No. 380/2020/R/com to revise the criteria for determining and adjusting the rate of return on invested capital (WACC) in the electricity and gas sectors for the second regulatory period, which will start on 1 January 2022, the Authority was nonetheless able to develop its activities, resulting in the first consultation paper on the subject being published in July.

In June, the Authority launched a consultation on its final guidance regarding the performance of the metering service provided through gas smart meters, with a deadline for the submission of comments by interested parties set for 20 August 2021.

At the end of June, the Group also started a process for adopting rate regulation methods and criteria based on total expense (ROSS-base) to determine the cost recognised for regulated infrastructure services in the electricity and natural gas sectors. These criteria and methods should be gradually introduced in the coming years in the various sectors, starting with the transmission and distribution of electricity and the transmission of natural gas.

On the other hand, there was no evidence of the development of the proceedings initiated by the Authority at the beginning of November 2020 with Resolution 435/2020/R/gas for the application of the provisions of Article 114-*ter* of Decree Law 34/2020 regarding full tariff coverage of investments for new networks and plants in specific areas of the country, following concern raised on the subject with Parliament and the Government in October 2020.

However, during the period under review, the Authority issued several measures pertaining to the Group and concerning the gas sector, including, most notably, a number of measures on (i) tariffs and on incentive mechanisms for safety recoveries, (ii) setting energy efficiency objectives for obligated parties, (iii) gas smart metering, (iv) access to the gas distribution service and rules pursuant to the standard network code and gas settlement, (v) regulation governing the transportation service, (vi) the management of social bonuses (for electricity, gas and water), (vii) relief measures relating to the earthquakes of 2016 and 2017, (viii) application of the rules for the implementation of tenders for the award of the gas distribution service by Atem, (ix) innovative uses of gas capabilities and (x) controls on operators.

Tariffs for the gas distribution and metering service:

In March, the Authority established the final reference tariffs for distribution and metering services for 2020 (Resolution 117/2021/R/gas), while the reference tariffs for gas distribution and metering services for the years 2013-2019 were redetermined on the basis of requests for data adjustments received by 15 February 2021 (Resolution 107/2021/R/gas). In addition, again in March, Resolution 122/2021/R/gas approved the provisional reference tariffs for gas distribution and metering services for 2021 and for areas with isolated networks powered by LNG/gas tank trucks already in operation at 31 December 2019, in respect of which a complete request for aligning the tariff treatment to that of interconnected networks had not been submitted by 31 December 2020 (such areas also including the area of San Fratello managed by 2i Rete Gas S.p.A.). On 6 April 2021, in compliance with Council of State ruling No. 341/2021 ARERA started the procedure (Resolution 141/2021/R/gas) for establishing, in on a constant or decreasing basis, the productivity recovery rate (X-factor) to be applied to adjustments to the gas distribution tariffs effective until 2016.
During the first half of 2021, the Authority also made the usual periodic adjustments to certain tariff components (for general system charges applicable to the natural gas sector).

Incentives/penalties for service security levels:

At the beginning of June (Resolution 232/2021/R/gas), as had been the case in 2018, 2019 and 2020 regarding incentives for safety recoveries of the distribution service pertaining to the years 2015, 2016 and 2017, respectively, an advance payment was made on the incentives pertaining to 2018 (to the extent of 80% of the total net amount due and with disbursement by the CSEA on 29 July 2021).

Energy efficiency targets

In June (Resolution 6/2021 - DMRT), following the publication of Ministerial Decree of 21 May 2021 "*Determination of the national quantitative energy saving objectives*

that may be pursued by electricity and gas distribution companies for the years 2021-2024 (known as white certificates)" whereby – in relation to the considerable reduction in the duration of the 2020 mandatory year and the particular situation of the market for energy efficiency certificates (EECs) – the national primary energy saving objectives for 2020 were also revised, the Authority redefined – for that year – the objectives for the individual obligated parties previously established.
Still on the subject of EECs, at the beginning of January ARERA initiated (Resolution 1/2021/efr - DSAI) sanctioning proceedings against 2i Rete Gas S.p.A. for an alleged violation relating to the 2018 mandatory year. Following evidence submitted by the company and preliminary findings notified to the Authority at the end of such proceedings, the case was dismissed without any penalty being inflicted by the Authority (Resolution 309/2021/S/efr – cf. "*Measures and/or other events subsequent to 30 June, 2020*"), which acknowledged that there was no case to answer in respect of the subjective element pertaining to the unlawful conduct alleged against the Company.

Smart gas metering regulation

With a note published on 16 July 2021 (Consultation Paper 608/2021/R/com), the Authority launched a consultation regarding its final guidance regarding the output and performance of the metering service provided through smart meters in the natural gas sector (commissioning, frequency of collection and time-related granularity of metering data, frequency at which metering data is made available, compensation to end customers and sellers), as well as certain aspects relating to the testing of additional functions for gas smart metering.

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

With reference to credit rating guarantees, which represent one of the conditions for access to the network, at the beginning of March (Resolution 81/2020/R/com) the measures introduced in 2020 (Resolution 248/2020/R/com) were extended for the purpose of managing guarantees provided in the form of credit rating by users of the gas distribution and electricity transmission service in the event of downgrades related to the COVID-19 emergency situation.

On the subject of gas settlement, on the other hand, in January (Resolution 3/2021/R/gas) amendments were made to the rules governing variance fees applied to Balancing Users (BUs) for final balance allocations determined on the basis of withdrawals notified by distribution companies for each Distribution User (DU) linked to the respective BU.

Regulations governing transport service

With regard to the regulations governing the gas transmission service, in March (Resolution No. 134/2021/R/gas) the AEEG – partly responding to the requests submitted by several operators – postponed for an additional year (i.e., to 1 October 2022) the effective date of the reform of the process of allocating capacity to gas transmission network exit points that feed distribution networks (city gates). The Authority also defined an experimental phase starting on 1 October 2021, during which all of the information exchanges and procedures required to ensure the successful outcome of the capacity allocation process and the related verification of the coverage of the users' guarantees will be tested. In addition, between mid-April and mid-May, the Authority launched a consultation (Consultation Paper 167/2021/R/gas) on the final guidance regarding the reorganisation of metering activities at the entry and exit points of the gas transportation network as part of the objectives and general principles set out in Resolution 522/2019/R/gas and taking into account the Operational Guidelines for Intervention consulted by Snam Rete Gas in 2020 and the results of such consultation.

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

During the first half of 2021, ARERA (Resolutions 63/2021/R/com, 200/2021/R/gas and 223/2021/R/com) proceeded to regulate the application methods of the automatic recognition system for social bonuses (gas, electricity and water) as under Legislative Decree 124/19 and in force since 1 January 2021, setting out the application of the measures as of 1 June 2021 with regard to the activities for which the Single Buyer is responsible and as of 1 July 2021 with regard to the activities for which operators are responsible. The above Resolutions also require distribution companies to provide information to the Single Buyer (quarterly reporting of bonuses extended in the previous period) and, lastly, set out procedures for settlement at the end of June (Resolution 257/2021/R/com) of the 2021 bonus amounts already accrued, together with other aspects relating to bonus management (including the change in the timing for reporting bonuses paid, i.e. from quarterly to every two months).

Relief measures concerning the earthquakes occurred in 2016 and 2017

In March (Resolution 111/2021/R/com), the provisions of Decree Law 183/2020 (known as 'Milleproroghe 2020' decree) were implemented, extending until 31 December 2021 the tariff subsidies laid down by Resolutions 252/2017/R/com and 429/2020/R/com for the populations hit by the earthquake events occurred in 2016 and 2017.

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

With regard to activities related to ATEM tenders, during the first half of the year and insofar as they relate to its own area of responsibility, ARERA approved the observations regarding the reimbursement value for the municipalities of Ancona ATEM (Resolution 76/2021/R/gas), Como 3 ATEM - Cernobbio and North - Sondrio plant (Resolution 108/2021/R/gas) and Brindisi ATEM (Resolution 261/2021/R/gas). It also published the comments on tender documentation of Trieste ATEM (adopted in 2020 with Resolution 327/2020/R/gas).

Regulation on enhancement of operation and innovative uses of gas capabilities

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

Checks on operators

In March (Resolution 90/2021/R/gas), the Authority approved a programme of 5 audits regarding service safety improvements to be carried out by 31 March 2022 and with reference to the data for 2019. The Authority will audit natural gas distribution companies selected from among those who have not been audited for the purposes of awarding incentives in the last 5 years, considering also their distribution across Italy.

May (Resolution 176/2021/E/gas) saw the launch of the usual annual campaign of telephone checks and audits involving gas distributors to ensure compliance with the regulations governing gas emergency first response. As in previous years, checks will involve 50 gas distribution companies and will be implemented by 31 July 2022 with the help of the Guardia di Finanza (tax police) personnel, to establish the proper functioning of the emergency switchboard, with subsequent audits being conducted based on the results of telephone checks carried out.

Lastly, in June (Resolution 227/2021/E/gas) a programme was approved for two audits to be performed at gas distribution companies by 31 December 2021 regarding gas settlement issues.

Other significant events and/or aspects

As part of the significant measures directly affecting 2i Rete Gas or other group companies, in addition to the aforementioned measures on tariffs and on the subject of EECs, in May the Authority published its decision (Resolution 175/2021/E/gas) concerning a complaint filed by Omnia Energia S.p.A. against 2i Rete Gas S.p.A. (formerly 2i Rete Gas Impianti S.p.A.), such decision pertaining to complaints filed against an infrastructure operator (in accordance with the procedure under Resolution 188/2012/E/com). The above decision partly upheld the complaint filed by the sales company against 2i Rete Gas with regard to the methods used to reconstruct consumption of a specific redelivery point following the detection of a malfunction in the converter connected to the meter. As a result, the

Authority ordered 2i Rete Gas to reconstruct consumption in accordance with the provisions of Resolution 572/2013/R/gas instead of those of paragraph 11.3.3 of the Network Code, and the company proceeded accordingly.

Provisions and/or other events subsequent to 30 June 2021

After 30 June 2021, the Authority:

- Published further measures on the subject of relief to support the populations hit by the earthquakes that occurred in 2016 and 2017 (Resolution no. 277/2021/R/com published on 5 July 2021), in order to fully implement the provisions of Legislative Decree 183/20 (known as 'Milleproroghe 2020' decree) and taking into account the requests for clarification made by some operators after Resolution 111/2021/R/com had been published;
- Approved, by Resolution 287/2021/R/gas of 6 July 2021, the criteria for tariff management of the decommissioning of the traditional metering units replaced in implementation of the Directives for the commissioning of gas smart meters. It then specified, with a subsequent resolution (Resolution 3/2021 - DIEU of 16 July 2021), the relative application methods for recognition of the residual costs not yet amortised pertaining to traditional meters of a class lower than or equal to G6 replaced with smart meters;
- Issued Resolution 290/2020/R/gas of 6 July 2021 setting out the rules governing the procedures to identify the providers of last resort and the default distribution service for the period from 1 October 2021 to 30 September 2023, confirming the rules adopted for the 2020-2021 thermal year;
- Published a document on 16 July 2021 (Consultation Paper 608/2021/R/com) to launch consultation proceedings regarding initial guidance on how to set the criteria for determining and adjusting the rate of return on capital employed (WACC) for infrastructure regulation in the gas and electricity sectors in the second regulatory period;
- Dismissed, with Resolution 309/2021/S/efr published on 26 July 2021, the sanctioning procedure initiated against 2i Rete Gas S.p.A. with Resolution DSAI/1/2021/efr concerning EECs for mandatory year 2018;
- Approved, by Resolution 358/2021/R/efr of 3 August 2021, the amount of the tariff contribution to be paid to distributors under the EEC mechanism for mandatory year 2020 (establishing a tariff contribution of 250 €/EEC and an additional fee of 10 €/EEC, for a total amount due to obligated parties of 260 €/EEC);
- Published Consultation Paper 359/2021/R/efr dated 4 August 2021 to start consultation proceedings (lasting until 20 September 2021) regarding further reimbursement to obligated distributors of part of the extra costs incurred as part of the energy efficiency certificate mechanism for the 2020 mandatory year;
- Published Consultation Paper 357/2021/R/gas dated 4 August 2021 to start consultation proceedings (lasting until 10 October 2021) regarding its own guidelines on the subject of holding distribution companies accountable for managing the in-out delta of distribution networks;

- Published Resolution 350/2021/R/gas dated 4 August 2021 to approve the final reference tariffs for gas distribution and metering services for the years 2018-2020 and the provisional reference tariffs for the year 2021 for certain areas and certain distribution companies (including 2i Rete Gas S.p.A.), in light of the requests for tariff redetermination submitted by them;
- On 5 August 2021, published its comments on tender documentation of Genova 2 - Province ATEM (adopted with Resolution 327/2020/R/gas dated 28 June 2021).

6.2 Tariffs

With resolution 570/2019/R/gas, published on 27 December 2019, the tariff regulation for gas distribution and metering services was established for the fifth regulatory period 2020-2025, with a confirmed duration of six years, broken down into two three-year periods. Therefore, as in the previous regulatory period, distribution and metering tariffs will continue applying according to the basic principles for determining the components of revenues related to remuneration and depreciation based on the annual update to net invested capital (RAB), considering the (net) investments made in the year t-1.
The invested capital of the distribution companies continues to be broken down into localized invested capital and centralized invested capital. The evaluation criterion for localized invested capital in distribution and metering is based essentially on the revised historical cost method, except for new investments in smart meters, whose cost continues to be determined as the weighted average between actual cost and the standard cost set by the Authority, with variable weights over the years of 70% and 30%, respectively, for 2021 tariffs. Under the same Resolution, the Authority also completed the regulatory framework concerning the portion of public and private contributions as at 31 December 2011 started with Resolution No. 573/2013/R/gas, envisaging complete amortization thereof based on a 40-year useful life. The valuation criterion for centralized invested capital is based on a parametric method, except for assets regarding remote metering/remote management/concentrator systems, which are valued at effective cost. However, starting with the 2018 tariffs, with respect to these assets account will be taken of a cap per redelivery point where a smart meter is operational, such cap comprising the cost of capital, depreciation, and the recognition of operating costs.

The weighted average cost of capital (WACC) of natural gas distribution and metering operations—the bases for determining and updating said indicator from 1 January 2016 through 31 December 2021 were established with Resolution 583/2015/R/com—has been set for both services at 6.3% for the years 2020 and 2021 under Resolution 570/2020/R/gas. In this regard, as mentioned in the "Regulation" section, the AEEG published Consultation Paper 608/2021/R/com whereby it sets out its initial guidelines for defining the criteria for determining and adjusting the

rate of return on invested capital for infrastructural regulation in the electricity and natural gas sectors during the second regulatory period (II PWACC).
With Resolution 570/2019, the initial levels of operating costs and x-factors for the new regulatory period were also set. More specifically, as regards operating costs, the initial level was established on the basis of the separate annual accounts of the Unbundling Financial Statements of the operators, broken down by company size and customer density. For the year 2021, operating costs were adjusted for inflation and subject to an X-factor set out in the Rules on the tariffs of gas distribution and metering services (known as RTDG) for distribution, metering and marketing services.
Finally, with respect to the start-up localities concerned by Resolution 704/2016/R/gas, the Authority confirmed the cap on the recognition of investments starting with the 2018 tariffs, but this will apply only to the localities whose first year of service was after 2017. The measure includes audits to be performed in several stages, up to the sixth year, to establish whether such cap is exceeded, without prejudice to the correct interpretation and expectation of new Authority provisions regarding new methane gas supplies following the approval of the law converting the "Relaunch" Legislative Decree.

The annual "final" recognition of investments for the purposes of determining the net invested capital (RAB) for distribution and metering for 2021 will take place in November by taking into account the changes in the net investments of the previous year.

As referred to in the paragraph "Regulation", the Authority issued Resolution 117/2021/R/gas to determine the "final" reference tariffs for gas distribution and metering services for 2020 and Resolution 122/2021/R/gas to determine the "provisional" reference tariffs for gas distribution and metering services for 2021, such resolutions being later supplemented with Resolution 350/2021/R/gas and provisions being amended by Resolution 287/2021/R/gas.
In the same period, on the basis of the relevant resolutions, the tariff components destined to cover the system costs of the gas sector (RE, RS, GS, UG1, UG2, UG3) and the fees for arrears (CMOR) were updated.

7 Concession development and operation

The delay in the tendering process already flagged in previous editions of the report continued to build up.
During the first half of 2021, two ATEM tenders were launched. La Spezia and Trieste.
As at 30 June 2021, in relation to the 25 ATEM tenders on the ARERA dashboard, the instrument which sets out the information regarding the outcomes of the analysis of tender documentation sent by the Contracting Authorities as set out in article 9,

para. 2 of Ministerial Decree no. 226 of 12 November 2011, the situation was as follows:

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

7.1 Participation in non-ATEM tenders

Concerning "non-ATEM" tenders, in the first half of 2021 a tender was called for the concession to operate the natural gas distribution service in the municipality of Zuccarello (province of Savona), in which the Group did not take part.

7.2 Activities on "ATEM tenders"

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

- On 26 June 2020 for Naples 1;
- On 30 September 2019 for Udine 2;
- On 1 September 2017 for Belluno;
- On 16 January 2017 for the tender of Milan 1 - Milan City and Plant, through 2i Rete Gas S.r.l. (a company subject to management and coordination by 2i Rete Gas S.p.A.).

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

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

With regard to the appeal against the tender documents and the final award to Unareti S.p.A., the Regional Administrative Court of Milan, by Decision No. 2598 issued on 5 December 2019, partly upholding the appeals filed by both bidders excluded both Unareti S.p.A and 2i Rete Gas S.r.l., ordering that the tender be rescheduled. 2i Rete Gas S.r.l., the Municipality of Milan and Unareti S.p.A. filed an appeal with the Council of State against the aforesaid decision. Following the public hearing held on 9 July 2020, the Council of State, after joining the appeals, ruled that the tender called by the Municipality of Milan was legitimate (Decision No. 5370/2020 dated 7 September 2020). On 16 February 2021, 2i Rete Gas S.r.l. filed an appeal with the Court of Cassation against the decision of the Council of State seeking voidance of the tender documents of the Municipality of Milan.

As regards the Belluno tender, in May 2019 proceedings got underway as the Tender Committee started to assess the four bids submitted (in addition to 2i Rete Gas S.p.A., bids were also submitted by Italgas Reti S.p.A., Ascopiave S.p.A. and Erogasmet S.p.A.). The assessment proceedings ended on 4 December 2019 with a final public session, during which the final ranking was drawn up, with Italgas Reti S.p.A. being the successful bidder, while AP Reti Gas S.p.A. ranked second, 2i Reti Gas S.p.A. ranked third and Erogasmet S.p.A. finished last. Following the final award to Italgas Reti SpA, on 3 June 2020 AP Reti Gas S.p.A. (ranked second) filed an appeal against such final award with the Veneto Regional Administrative Court, which appeal was rejected with Decision No. 1208 Dated 7 December 2020.

As regards the Udine 2 tender, on the other hand, the first public session was held on 23 December 2019, during which the Contracting Authority established that both bidders, i.e. 2i Rete Gas S.p.A. and AcegasApsAmga S.p.A., had provided appropriate administrative documentation and both were admitted to the next phase. On 3 August 2020, a meeting was held to verify the technical proposal submitted by 2i Rete Gas S.p.A. The proposal was submitted on electronic media (CD-ROM) as it was too heavy to upload it to the portal. At the public session of 21 April 2021, during which the scores assigned to the two technical bids were disclosed and the envelopes containing the financial bids were opened, the final ranking was drawn up, with AcegasApsAmga S.p.A. ranking first. The Tender Committee therefore started proceedings to establish whether the bid submitted by the firm that ranked first contained any irregularities.

As regards the Naples 1 tender, the first public session was held on 2 July 2020, during which the Contracting Authority established that both bidders, i.e. 2i Rete Gas S.p.A. and Italgas S.p.A., had provided appropriate administrative documentation and both were admitted to the next phase. The second phase consisted of four different public sessions (22 September, 29 September, 6 October, and 13 October 2020). Following the assessment of the technical and financial bids submitted by the two competitors, during the public session held on 29 January 2021 2i Rete Gas S.p.A. ranked first. Thereafter, following bid irregularity clearance and statutory checks, Executive Resolution No. 20/E dated 21 June 2021 was received on 23 June 2021 ratifying contract award to 2i Rete Gas S.p.A.
Upon being awarded the contract, 2i Rete Gas S.p.A. discontinued appeal proceedings pending against the Municipality of Naples, since it had no longer any interest in pursuing it.

Also during the first half of this year, the Group has been preparing and transmitting to the Municipal Administrations and/or the Contracting Authorities that requested it all the necessary documentation pursuant to Article 4 (Disclosure obligations for operators) and Article 5 (Compensation to the outgoing operator) of Italian Ministerial Decree 226/2011 in order to draft and subsequently issue the call for tenders.

7.3 Concessions awarded

In 2021, no concessions were awarded through gas distribution tenders.

7.4 Concessions lost

In 2021, no disposals of concessions took place as a result of unfavorable outcomes of gas distribution tenders.

7.5 Acquisition of companies

On 30 April 2021, the transaction to acquire the entire share capital of Infrastrutture Distribuzione Gas S.p.A. (a company belonging to the Edison S.p.A. Group) was completed. The company engages in the distribution of natural gas in Italy, managing a network spanning approximately 2,678 km and serving approximately 152,000 end customers across 5 regions, 13 provinces and 58 municipalities.
The transaction was completed following authorisation from the AGCM, which was granted also based on measures designed to minimise the potential anti-competitive effects involved in the transaction, which 2i Rete Gas S.p.A. promptly implemented.

7.6 Significant events occurring after June 30

On 22 July 2021, Italgas Reti S.p.A., i.e. the bidder that ranked second in the Naples 1 ATEM tender, notified that an appeal had been filed against the contract awarded to 2i Rete Gas S.p.A. as part of the tender procedure. Arrangements are therefore being made for the necessary legal steps to be taken to respond to this appeal.

The procedure for the sale of a number of concessions in the Rome 4 area requested by the Italian Competition Authority following its favourable opinion on the acquisition of IDG S.p.A. was adjourned, setting 30 September as the deadline for the submission of binding offers.

On 30 July 2021, the last public session was held regarding Udine 2 ATEM tender, during which the Tender Committee, after establishing bid irregularity clearance, deemed the bid submitted by AcegasApsAmga S.p.A. to be adequate and proposed awarding the contract to the latter. 2i Rete Gas requested access to the tender documents.

8 Support for gas transport activities

8.1 Main regulatory changes

The main changes in the regulatory and legislative landscape have already been illustrated in the relevant sections covering Regulation.
It should be stressed, however, that the processes and related upgrading of corporate information systems pertaining to legislation coming into force in the first half of 2021 were successfully implemented.
Finally, the Group is upgrading its IT systems and processes in the light of the regulatory changes that will become effective on or after 1 July 2021.

8.2 Requirements of the Integrated Information System

In the first half of 2021, regulatory developments continued to expand and update the information and data in the Official Central Register (locally known as RCU) made available to the Integrated Information System (IIS).
In particular, 2i Rete Gas focused on identifying and remedying any misalignments between its database and the RCU, with the aim of minimising the number of misalignments with continuous improvements, in accordance with the recent regulations issued on settlement and measurement.

The legislative aim being pursued was to provide the IIS with a complete and accurate database to ensure the appropriate management of all commercial processes, with special reference to network access by selling companies, metering, settlement and social bonus, based on the principle of shared responsibilities between the IIS and the distribution company.
Effective 1 January 2020, the provisions of Resolution 148/2019/R/gas – which approves the new "Integrated text of provisions for the regulation of the physical and economic items of the natural gas balancing service (TISG)", replacing that approved with Resolution 72/2018/R/gas – were implemented, transposing the new regulations on the provisional balance and the management of the chain of commercial dealings in the Integrated Information System.
Therefore, as of 1 January 2020 the new regulatory system is in force, which gives the Single Buyer, instead of the distribution company, responsibility for the execution of settlement processes.
In December 2020, the new version of the technical specifications of the IIS was published. These specifications introduce two new types of contract transfer, effective 1 June 2021, and explicitly set out that the transferred redelivery point must be likewise reactivated if it had previously been suspended due to delinquency.
Consistent with the applicable legislation and further to the publication of Resolution 63/2021/R/com, the project to manage the gas bonus was launched, managing the requests directly on the Integrated Information System, changing case handling and eligibility criteria and applying the new regulations regarding settlement and reporting of social bonuses granted.

8.3 Relations with Traders and Customer Care

Major customers

In the first half of 2021, the Group continued in the management of the gas distribution business in undertaking normal commercial relations with its customers (gas sale companies or traders).
The Group's main customers are Italian companies which are leaders on the gas market.
In particular, customers whose contribution to turnover was over 5% of the total during the half year were:

Enel Energia S.p.A. with 34.3%
Edison Energie S.p.A. with 9.4%
Engie Italia S.p.A. with 8.7%
E.ON Energia S.p.A. with 6.9%

Commercial quality

The index of "non-standard" services, for the purposes of the service's quality parameters envisaged by ARERA with Resolution 569/2019/R/gas, achieved during the first half of 2021 by Group companies was 0.03% for specific quality levels, while for general quality levels the overall result was 0.99%.
These results do not take into account the services carried out by Infrastrutture Distribuzione Gas S.p.A. However, it should be noted that in the half-year under review the company only dealt with 1 non-standard service for specific quality levels and no non-standard service for general quality levels.

8.4 Front Office

The Group manages complaints received from end clients in accordance with the rules of ARERA and consistent within such timescales and procedures as set out in its own internal procedures and guidelines.
The main issues for which requests for information and/or complaints were received from end clients concern the verification of the meter reading and the reconstruction of consumption, with particular reference to the (i) replacement of traditional meters with smart meters as provided for by ARERA Resolution No. 631/2013/R/gas of 27 December 2013, and (ii) work required to replace faulty smart meters, sometimes in reference to the 'short statute of limitation'.
During the first half of 2021, the Group received and handled 2,920 written requests, including 2,126 complaints/requests for information subject to compliance with the general commercial quality standard set out for in Article 50 of ARERA Resolution No. 569/2019/R/gas, 521 miscellaneous requests and 273 requests from the Consumer Helpdesk.
The regulations require that a reply is provided within and no later than 30 days to a minimum annual percentage of 95% of cases, such percentage applying to each region.
During the first half of the year, the number of cases handled was lower than in the previous year. The percentage of complaints/requests for information subject to compliance with the ARERA standard (with reference to the publication of the Commercial Quality Report as at week 27/2021) was 99.85% of the total, thus higher than the minimum defined by ARERA, while the percentage of complaints/requests for information subject to compliance with the ARERA standard on redelivery points under management was 0.05%. In both cases the above figures proved in line with the internal targets set in relation to the maintenance of performance levels in this area, as an initiative to be monitored in relation to the objective of ensuring compliance with performance levels of customer satisfaction results concerning primary customers.
In the first half of 2021, the Group handled 302 settlements (407 in the first half of 2020), including 284 as technical support (indirect settlements), and 18 as party to the settlement (direct settlements).

The uptrend seen in recent years to use settlement as a tool to resolve disputes between end customers and energy and gas operators continued.
The complaints received from "ARERA - Sportello per il consumatore" are now exclusively related to the social bonus issue. During the first half of 2021, 273 applications were received.
Finally, the number of requests handled at the date of preparing this report totalled 993 regarding technical data that can be collected by reading the meter (known as M01, standing at 1,226 in the same period in 2020) and 5,416 regarding other technical data (known as M02, standing at 5,553 in 2020).

8.5 Commercial Call Centre

The Group makes available for free a call centre service on working days, through two toll-free numbers for the network end customers.
This service, which is an addition to what is envisaged by the law in force, is a benefit for the network end users and lets them ask for more information on:

- Commercial aspects, with a toll-free number dedicated to activation requests pursuant to Resolution 40/2014, commercial offers, reactivation of supply following suspension due to potential danger, last resort services and the portal for end customers;
- Smart meters, with a toll-free number dedicated to requests for information on the scheduled mass replacement plan and for setting a personal appointment for the replacement of the traditional meter with the smart meter if it has not been possible to make such a replacement during the scheduled intervention. A project was launched to send letters to end customers that own a traditional meter and having a reading older than 18 months, asking them to reach out to the call center to request replacement of their meter, with the goal of reducing as much as possible cases of potential 'short statute of limitations'.

During the first half of 2021, 2i Rete Gas commercial call centre received 159,211 calls (124,908 in the first half of 2020), of which 147,060 were actioned (118,774 in the first half of 2020), improving performance compared to the previous year.
The service standard requires compliance with a minimum monthly percentage of calls handled set at 92% for 2021 (as was the case in the same six-month period in 2020); during the first half of the year under review, this overall percentage was met, standing at 94%.

8.6 Gas Invoicing and Balancing

Invoicing of Transport and Services

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

Following the publication of ARERA Resolution 429/2020/com, which extended to 31 December 2020 the tariff-related relief to the populations hit by the earthquakes occurred in 2016 and 2017, invoicing was realigned with the recovery of this relief for the 2019-2020 period.
Moreover, processes and related IT tools were upgraded to allow for the application of Resolution 111/2021/R/com dated 18 March 2021, which implements the regulatory provisions pursuant to Article 17 of Legislative Decree No. 183 dated 31 December 2020, as written into law complete with amendments by Law No. 21 dated 26 February 2021, and sets out the extension, until 31 December 2021, of tariff-related reliefs, already envisaged under Resolutions 252/2017/R/com and 429/2020/R/com, to users located in the red zones, in emergency housing solutions (locally known as SAEs) and in emergency rural temporary housing modules (locally known as MAPREs) and to utility connections and supplies relating to uninhabitable properties located in Central Italy, affected by the earthquakes occurred in 2016 and 2017.
The Group defined the necessary adjustments to the provisions of Resolution 247/2020/R/gas, which redefines the scope of the UG2k component introduced under Resolution 32/2019/R/gas.
Compared with ARERA definitions in the previous resolution 89/2020/R/gas, effective 1 January 2021 the component UG2k will be applied to all end customers (including those with yearly consumptions [CApdr] above 200,000 Sm3) connected to the distribution network.
Its application involves:

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

Pursuant to Measure No. 99922/2020 dated 28 February 2020, the Italian Revenue Agency published the new technical specifications of the xml layout for electronic invoicing.
The new detail codes for specifying the nature of VAT became effective on 1 January 2021, and it is now possible to enter social security deductions in the invoice. New types of documents are also available.
Following publication of Resolution 11 2020 DACU Gas dated 29 December 2020 – governing the methods for managing the transitional period for granting social bonuses – disbursements made during the first half of 2021 using the previous methods gradually stopped: the amount invoiced therefore shows a downward trend, which will continue in the coming months.

Finally, following publication of Resolution 596/2020/R/gas dated 29 December 2020, whereby tariffs for gas distribution and measurement services were updated, in 2021, for the first time, the components of the mandatory tariff VR and ST were valued, albeit for the North-West Area only.

Gas Balances

28 February 2020 saw completion of the production and delivery to national/regional transporters and interconnected distributors of the data relating to the so-called "Multi-year Adjustment Session" for 2016-2019.
Under the new regulatory framework – whereby effective 1 January 2020 the Single Buyer, with the Integrated Information System, is responsible for calculating balancing sessions, as there was no parallel run during the handover between the distribution company and the Single Buyer, for the purpose of assessing the results of said sessions, reporting any inconsistencies, and preventing any complaints from network users – 2i Rete Gas continued the calculation in accordance with regulatory deadlines also in the period under review.
This allowed to highlight the issues emerged during the various sessions conducted by the Single Buyer and to have fruitful and constructive discussions, which involved also the Head of Balancing for Snam Rete Gas.
While showing a partial improvement compared to the balancing sessions carried out by the Single Buyer in 2020, the technical and operational issues that emerged in 2020 persisted in the first half of 2021.
With the aim of resolving the critical issues that have emerged thus far and in an attempt to strengthen the new process for calculating Monthly Balancing, endeavours continued as part of the "Technical discussions between operators and the IIS Operator for the purpose of addressing settlement activities in the gas sector", which discussions started in 2020.
In June 2021, the Single Buyer published the results of the first Annual Adjustment session for the 2020 calendar year and the operating procedures for handling any concerns/inconsistencies.
A first, quick look at the aggregate data shows that the difficulties already seen in the monthly balancing sessions remain in the adjustment sessions, too. At the time of writing, the data calculated by the Single Buyer is considered inconsistent.
During the first half of 2021, including as part of the Company's sustainability plan, work got underway regarding the "In-Out Δ pilot project", continuing the monitoring and analysis efforts started in 2020 regarding the "In-Out Δ", with special reference to cases of high discrepancies between the volume fed into the network and the volume withdrawn. The goal of this activity is to define a shared, traceable and replicable methodology that makes it possible – by analysing the data available – to gain insights into studies carried out in the field, define/complete work on plants, undertake support initiatives as required, identify the origin of the In-Out Δ and develop appropriate mitigation actions.

8.7 Metering

As the roll-out of the new electronic meters continues, pursuant to Resolution 631/2013/R/gas (which replaced the previous Resolution ARG/gas 155 of 22 October 2008), manual meter readings at the redelivery points that still feature traditional meters have significantly declined. As at 30 June 2021, over 80% of the redelivery points operated by the Group transmitted data by smart metering. This decline, however, has caused contractors to request changes to the prices for reading meters, since field operations have become more difficult and costly.
By Resolution 185/2020/R/gas, which follows Resolution 271/2019/R/gas and subsequent Resolution 493/2019/R/gas, effective 1 January 2021 the procedure whereby all measurement flows and technical data pertaining to redelivery points are sent to the Integrated Information System came fully on stream. In this connection, measurements taken following delivery of technical services and periodic measurements concerning off-takes as of January 2021 will be shared.
Lastly, reference is made to the publication of the decision issued by the Milan Regional Administrative Court annulling ARERA Resolution 184/2020/com dated 26 May 2020, which set out the regulations governing the two-year statute of limitations. The provisions reflected in the regulations, in force since 1 January 2020, included the repeal of Art. 1, paragraph 5 of the previous 2018 Budget Law, which ruled out the possibility of objecting to statute of limitations in the event that failure to measure consumption or inaccurate consumption reading was found to lie with the end customer.
In-house studies are still being carried out to bring affected company processes into line with the new provision.
With regard to end customers for whom it had not been possible to gain access to their meters for more than 12/18 months in order to collect reading data, because they owned a traditional meter that could not be accessed, efforts started in November 2020 in this respect continued in the period under review. A further 75,000 written communications were sent out, with the aim of establishing contact and arranging an appointment to replace the existing traditional meter with a new electronic one and take the reading at the same time. Once it is installed and activated, the new electronic meter will allow remote readings, so that it will no longer be necessary to go onto premises to read meters. This continuous acquisition of meter readings will obviate the possibility of the end customer having to pay large amounts should estimates be incorrect over long periods of time. It will also eliminate the possibility of users being able to object to payments referring to periods too far back in time.

8.8 Commercial development

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

In 2021, 2i Rete Gas S.p.A. continued pursuing commercial initiatives to promote the use of natural gas in the areas with the highest potential in terms of unserved users and of redelivery points created but never activated. These initiatives involved 846 Municipalities throughout the country, mostly concentrated in Southern Italy: South 66% (560 municipalities), Centre 20% (167 municipalities) and North 14% (119 municipalities).
The company is offering the following incentives:

- "Activation Zero", launched in 122 Municipalities and dedicated to areas with higher potential in terms of redelivery points created but never activated; this initiative involves incentive campaigns on activation grants and document checks have been introduced by cancelling these fees for users of the distribution and consequently the end customers;
- "Subsidised connection", launched in 417 Municipalities and dedicated to areas with higher potential in terms of unserved users, with the introduction of subsidies on the connection deployment contribution, in relation to the consideration due under the municipal concession for the delivery of the natural gas distribution service;
- Both of the above mentioned initiatives were launched in 300 Municipalities.

In addition, after building new natural gas networks, 2i Rete Gas S.p.A. launched 7 initiatives to subsidise connection fees, followed by a communication campaign intended for the citizenry by distributing promotional material.
Due to the COVID-19 emergency, four natural gas promotion events were held virtually, involving the Southeast (April), Southwest and North (May) and Central (June) Departments, respectively, with a total of 21 sales companies participating.
In April, a mixed-mode (online and in-person) event was organised with the Municipality of Camaiore to present promotion efforts recently launched in areas reached by natural gas supplies in the Municipality.
Given the high number of municipalities involved in incentive schemes, with a view to driving a more widespread diffusion across the territories an advertising campaign was developed to identify the people who, in the municipalities included in the scope of the campaign, visited sites and/or ran searches related to the topics of interest for the business of 2i Rete Gas, making it possible to reach out to a greater number of users who were potentially more interested in the offer.
Following a first phase held in April-June, a second campaign has already been planned for the second half of 2021.

Cilento Project

Cilento Reti Gas S.r.l., a company which is 60% owned by 2i Rete Gas S.p.A., is engaged in the realisation of the natural gas distribution network in 31 municipalities which adhere to the agreement signed in 2010 in the areas of Bussento, Lambro and Mingardo, Gelbison and Cervati, Alento and Monte Stella.

Municipalities currently reached by gas supplies include: Sapri, Camerota and Vibonati, with the municipalities of Torraca, Tortorella, Morigerati, Ispani, Caselle in Pittari and Casaletto Spartano joining the list at the end of 2020.
In the first half of 2021, work continued to complete the networks of municipalities activated in late 2020. Work also began in the municipality of Torre Orsaia. Finally, the executive project for the Municipality of San Giovanni a Piro was presented and approved and preparatory operations for the construction site got underway.
In all the territories recently activated, a communication plan was prepared and implemented with the aim of raising awareness among the citizens and accelerating operations of connection to the distribution network. To this end, subsidies relating to free service activation and documentary review (Resolution 40/2014 ARERA) – resulting in further savings for the citizens – were added to the existing subsidies, such as subsidised connection fee, building a housing for the meter and providing a pressure reducer free of charge.

9 Plant construction, environment and safety

9.1 Gas distribution plants

Overall, during the period the Group's companies laid little less than 140 km of pipes, of which 60% were Low-Pressure pipes and the remaining were High/Medium-Pressure pipes.

Only a minority of these extensions featured coated steel pipes. In line with the Company's technical guidelines, the remaining networks (approximately 96% of the pipes laid) were built with pipes made of HDPE (high-density polyethylene), a more recent technologically advanced material that is widely used also at the international level and the Group has been using for some time now: among other things, it has lower operating costs compared to traditional coated steel pipes.
These interventions refer to the need for upgrading to maintain service levels, for the acquisition of new customers in new expansion areas and for concession obligations assumed under the agreements with the competent entities, as well as for the interconnection of plants in order to rationalize their operation.
The overall size of the network managed by the companies of the 2i Rete Gas Group as at 30 June 2021 was around 69,600 km.
In addition, over 1,280 primary substations are active which, upstream of the distribution networks that the Group manages, reduce, measure and odorise the gas from the national transport networks. On the network there are also over 17,200 secondary reduction groups with a capacity of at least 120 sm3/h used to reduce pressure between the medium- and low-pressure networks, direct supply to large

customers and intermediate pressure reductions between medium pressure networks.

9.2 Service continuity and safety

By April 2021, the Group published the data on the 2020 service safety and continuity technical standards for all its companies. This work was done by extracting data from the corporate IT systems recorded by the local units during the year.
As in previous years, the Group's performance has exceeded the minimum requirements of the competent authority.
Overall, for the companies of the Group, in terms of constant attention to the safety of plants and end customers, campaigns were undertaken regarding the preventative search for leaks: relating to the planned inspection on the distribution network, equal to over 78% of the high and medium pressure (HP/MP) piping and over 65% of the low pressure (LP) piping.
The percentage of network subject to preventative leak detection remained in line with the Group's historical data.
With regard to gas odorisation in-field tests carried out in order to thoroughly monitor the actual level, the reported values were considerably higher than the minimum requirements (around 16,933 chromatography tests) compared to the minimum value required by ARERA (around 3,600 tests).
In the first half of the year, in line with applicable regulations and corporate procedural guidelines, the Group started monitoring the data related to service Safety and Continuity processes pursuant to the new Resolution 569/2019/R/gas (which will govern service continuity and safety for the 2020 – 2025 period), with no substantial changes compared to the previous Resolution 574/2013.
The main parameters concerning these activities relate to services showing the distributor's ability to promptly intervene in potentially dangerous situations (emergency interventions, intervention time), or to organise and carry out preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odorisation, percentage of network with cathodic protection).

9.3 Resolution 155/08 – (Smart meters)

As at 30 June 2021, smart meters installed totalled approximately 4.1 million.
Work continued on the pilot project for the integrated remote handling of non-payment with remote valve shut-off. This activity had been temporarily suspended due to the health emergency.
At the beginning of the year, the network equipment ensuring connectivity with the electronic meters in the 169 MHz band was transferred to a Group company (2i Rete

Dati S.r.l.) that deals with the management of such meters and is wholly owned by 2i Rete Gas S.p.A..
Work continued to standardise the new meter models and the specific tests at the laboratory in Cremona.

9.4 Planning activities

The Group continued to prepare, check and update detailed technical elements, especially regarding the plants already managed by the Group, so as to be ready to prepare technical proposals to be submitted during tender proceedings.
In addition, the usual design work was undertaken to support internal requests for the development and extension of existing networks, as well as a fluid dynamic check of plants.

9.5 Regulatory oversight

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

10 Water Sector

As at 30 June 2021, the Group no longer managed water concessions.

11 Quality, Safety and Environment

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

During the month of May, activities necessary for the three-year renewal of the certified systems for Quality, Health and Safety and Environment were carried out. The service contract was awarded to Certiquality S.r.l.
The audit findings allowed an opinion of full compliance to be formed, checking and confirming compliance of the IMS (Integrated Management System) of the parent company, 2i Rete Gas S.p.A., in accordance with Standards UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and UNI ISO 45001:2018;
Therefore, 2i Rete Gas S.p.A. currently operates with a Certified Management System which conforms to:

- UNI EN ISO 9001:2015 for Quality Management;
- UNI EN ISO 14001:2015 for Environmental Management;

- UNI ISO 45001:2018 for Health and Safety Management.

Following the three-year renewal, validity was confirmed through 3 June 2024. Surveillance audits are planned for 2022 and 2023 to confirm that the Management Systems are being properly maintained.

The Quality, Safety and Environment Function of the Operations Department scheduled 58 checks for 2021. These internal audits are designed to monitor alignment of the Quality, Safety and Environment management system with applicable laws and system documents and ensure appropriate implementation of the actions to be deployed in order monitor significant risks.
In the first half of the year, the first 20 scheduled audits were carried out, conducting checks on headquarters facilities, two departments and a number of Area offices and branch offices falling within the Surveillance scope;

By performing test checks on all the processes being managed, the audit visits carried out showed that no Serious Non-Compliance situation existed and that corrective actions required to keep management aligned with the IMS had been appropriately identified and implemented.

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

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

To date, 2i Rete Gas S.r.l. holds its UNI EN ISO 9001:2015 certification, which is valid through 13 May 2024.

Certification of Infrastrutture Distribuzione Gas S.p.A.'s Quality System

In June, the CSQ Certification Body performed a surveillance audit in mixed mode – i.e. OFF-SITE and partially in-presence with regard to in-field operations – by relying on the support of the units located in Taglio di PO and Piovene Rocchetta. Through a joined effort with the central HSE Unit based in Selvazzano Dentro, they provided the evidence required and necessary to show compliance with the relevant standards.
The audit exercise included an inspection visit for the renewal of ISO 9001 and ISO 45001 and maintenance of ISO 14001 certifications. The audit was performed on site

in early June 2021, ending successfully and substantiating the validity of certifications through July 2024.

11.1 Prevention and Protection Service

As the COVID-19 emergency continued, the Group updated/implemented the supporting documentation included in Attachment #12 to the "Biological Agents" file of the Risk Assessment Document for all Business Units.
During the first half of the year, the Risk Assessment Document was also updated for the following reasons:

- "Noise risk" assessment update
- "Chemical risk" assessment update
- "Electromagnetic field risk" update
- "Vibration risk" assessment update

Chapter 7 – Introducing risk assessment for 'Work performed unaided' was also updated.

Workplace injuries:

With regard to accidents involving employees, the first half of the year saw an uptrend as compared with the previous year, following a full resumption of gas network installation and maintenance activities.

In the first half of 2020, 3 'non-serious' (i.e. with initial diagnosis of less than 30 days) injuries occurred, 2 involving blue collar staff and 1 involving white collar staff.
In the first half of 2021, 9 'non-serious' injuries occurred, 8 involving blue collar staff (only one while driving a vehicle on duty) and 1 involving white collar staff. Figures also include accidents concerning IDG S.p.A.'s staff and are in line with disclosures pertaining to the first half of 2019, which is comparable to 2021 in terms of operations.
Commuting accidents occurred in the first half of 2021 also need to be added to the above figures as follows: 2 involving blue collar staff (0 in 2020) and 1 involving white collar staff (3 in 2020).
The total number of injuries recorded in the first half of 2021 was 11, compared to 6 in the first half of 2020.

In order to achieve 'zero injuries', the QS&E function, in collaboration with the Head of the Prevention and Protection Service, continued auditing workplace safety at the local facilities as well as at work sites, performing checks while work was underway.

Health Surveillance Situation:

Effective 1 January, the Prevention and Protection Service, in close collaboration with the supplier dealing with health surveillance for 2i Rete Gas personnel, rescheduled examinations that had been carried out by telephone triage during 2020 due to the pandemic.
In the first half of the year, 430 white collars and 405 blue collars underwent examinations in accordance with the healthcare protocol.
The telephone triage service – provided by the Company to allow workers to be in contact with the designated physician – continued to be delivered during the year to personnel returning from sickness leaves of less than 60 days.
Efforts continued regarding the campaign designed to identify individuals who, due to their comorbidities, qualified as 'Fragile' and were particularly exposed during the emergency period. In respect of any such individuals, the Employer is required to activate workplace protections in order to reduce their exposure to potential situations of contagion, implementing Smart Working or allowing them to refrain from working in the field.

11.2 Environmental issues

The QSE structure constantly monitors material environmental aspects and ensures the Company is aligned with changes in environmental regulations.
Regarding environmental system indicators, previously set goals were broken down into parameters to monitor regulatory compliance and targets geared towards continuous improvement.
As far as the 2i Rete Gas Group is concerned, the prerequisites, i.e. the aspects considered to be essential to sound business operations, include:

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

The goals that the Management System sets for itself in the near future are defined through a strategy intended to ensure the monitoring of the prerequisites within its scope.
The primary indicators for measuring the effectiveness of our management system include:

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

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

- Ensuring that work site operations and special waste produced by contractors during plant construction and maintenance activities are managed properly from an environmental perspective.
- Monitoring the amount of waste generated, maximising the recovery of materials, resulting from plant operation and maintenance, sent for treatment.
- Streamlining production processes to curb the consumption of primary energy required for technological purposes (gas preheating and cathodic protection of steel pipes).
- Keeping the vehicle fleet efficient and optimising work trips to curb fuel consumption and the relevant CO2 emissions.

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

The Company handles the non-hazardous and hazardous special waste it generates in compliance with the law, tracking it by keeping waste acceptance and deposit records as well as digitally using a dedicated application.

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

The audit is intended to assess the quality and consistency of the documents certifying the safety and continuity of the service (management of the Emergency Response Service, management of leaks, management of checks on the level of odorisation of the gas distributed) and the compliance of the service's commercial quality performance records, carried out on samples selected with criteria similar to those used by ARERA for its controls.
To ensure the performance of the audits scheduled for 2021, the QSE/IMS unit has implemented a specific procedure for the OFF-SITE audit of performance and events based on the documents made available by the Areas concerned.
As at 30 June 2021, two plants were audited for technical quality aspects and 2 Provinces were audited for commercial quality aspects; the audits will continue also in the second half of the year, until the planned plants and Provinces are covered.
The proposed corrective or preventative actions, once implemented by the structures concerned, allow to further improve the confidence on compliance of the audited data where necessary.

11.4 Control over worksite safety

During the first half of 2021, efforts continued to guarantee alignment with relevant laws in force and compliance with corporate provisions regarding the management of safety aspects for activities which fall under Article 26 and Chapter IV of Legislative Decree 81/08, which involve company representatives in their capacity as Employer commissioning the work and Works Manager, respectively.
Worksite activities and their safety coordination were carried out seamlessly despite the continuing state of emergency imposed by the COVID-19 pandemic situation.
The documents produced in the course of 2020, such as the 2i Rete Gas Worksite Anti-Contagious Safety Protocol and the Guidelines for CSEs (safety coordinators in the execution phase), helped work to continue to be carried out safely, ensuring, among other things, a much-desired consistent approach to safety issues at 2i Rete Gas worksites.
Company documents relevant to the definition of roles and responsibilities of the profiles involved in the application of Chapter IV of Legislative Decree 81/08 were reviewed and updated.
As for the management of safety coordination at worksites, monitoring and periodic reporting efforts continued with respect to the activities performed by external and internal safety coordinators in the design stage (locally known as CSPs) and safety coordinators during execution (locally known as CSEs) involved across the Company.
All the CSEs adopt the same format for reporting site visits, so that a uniform method is adopted by them in carrying out the controls, limiting as far as possible a subjective approach.
During the first half of 2021, CSC-related cross-checks resumed, i.e. site checks carried out by in-house CSEs with the assistance of the QS&E/CSC head-office Unit, with a total of 6 site checks being conducted.
During the first half of 2021, the CSEs produced a total of 3,233 reports (444 reports more as compared to the first half of 2020), highlighting 574 cases of non-compliance (NC), which were all managed by verifying the measures adopted by the companies at the instructions of the CSEs.

11.5 Checks on Cilento Reti Gas operations

With reference to the commitments undertaken pursuant to agreements and regulations governing activities underpinning technical, planning and works management operations, the QS&E Function of the Operations Department of 2i Rete Gas S.p.A. performs tasks pertaining to quality control and to the coordination of material testing activities carried out by the contractors selected by shareholder Bonatti.

During the first half of 2021, the Function conducted a four-day audit exercise on construction sites during the testing phase of finished works, performing surveys and test-checks. A total of 17 audits were carried out, the results of which confirmed as a whole compliance of the works with the technical specifications and the quantities accounted for.
In relation to the materials supplied, 2i Rete Gas assured that checks were performed on the supplies required by Bonatti, such checks consisting of production visits or documentary audits on quality certifications and test outcome declarations. All materials that were test-checked were found to comply with the expected standards.

12 Human resources

12.1 Corporate organisation

During the first half of 2021, activities focused on completing the third and final phase of the Job Evaluation Project. The project was launched in the previous year and allowed the list of company professional profiles to be finalised in the first few months of the current year, including Staff Functions in the scope of Units involved. This classification will make it possible to set up a system to match the position held by the individuals and the technical skills they must have in order to ensure effective performance. This further development is expected to be completed by the end of this year.
In addition, with a view to gaining a deeper insight into the impact of the new working methods driven by the health emergency, a study was carried out by relying on interviews and specific reports involving both Staff and Local Organisational Units. The purpose of involving Functions with different characteristics and operational needs was to gain a picture of the main organisational aspects that will have to be taken into account when the state of emergency is over.
With regard to the Group's overall boundary, following the acquisition of Infrastrutture Distribuzione Gas S.p.A. a new organisational structure was defined to govern the coordination of the new subsidiary by the Functions of the Parent Company. The new solid-line and dotted-line reporting was made official by issuing two Organisational Measures that became effective upon the new company joining the Group.

12.2 Industrial relations

In the first half of the year, all the operations required to proceed with the merging of Infrastrutture Distribuzione Gas S.p.A. were started, as part of the overall integration process within parent company 2i Rete Gas, which should reach completion in 2021. Following the aforesaid acquisition, a tender procedure was launched in order to comply with the measure adopted by the Italian Competition Authority to identify the new concession operator in the municipalities of Anzio and Nettuno, which are part of the Rome 4 - South Coast and Castelli Romani area, with the national trade union secretariats being informed thereof.

In furtherance of the implementation of the Government-Social Partners Protocols of 14 March and 24 April 2020, and consistent with the shared Protocol for updating the measures to combat and contain the spread of the SARS-CoV-2/COVID-19 virus in the workplace signed on 6 April, Local Committees continued to meet at the level of individual Departments and Headquarters, such Committees having a mixed composition as well as consisting of representatives from trade unions (Worker's Safety Representative/Work Council) and from the Company (Employer Representative, Head of Prevention and Protection Function, Human Resources). Through periodic information and discussion, and given that the state of emergency remained, actions designed to make all the measures taken by the Company to contain the spread of COVID-19 effective were further reiterated and promoted (fixing quotas for in-presence attendance and extending smart working, flexible working hours, management of fragile individuals, etc.).

The results relating to indicators for the 2020 performance bonus were finalised in a report signed by the parties concerned. The bonus benefited from de-taxation criteria, and employees were given the opportunity to elect to convert the monetary component into benefits/services using a new and innovative company application. With specific reference to the family, health, assistance and welfare area, the possibility of accessing Welfare Services through a mixed credit, i.e. performance bonus credit and "2insieme a Te" credit, was introduced. Pursuant to the performance bonus settlement agreement, the percentages (up to 100% of the accrued bonus) and the reasons for converting the performance bonus were expanded to include additional measures, benefits and services. At the same time, the welfare system was strengthened by deploying a new unilateral company initiative relating to the "2insieme a Te" credit, with the possibility of increasing spending for the use of services and goods related to 4 Welfare areas (education, health, assistance and well-being).

A specific trade union agreement was also signed for the overall closure of head-offices on holiday eves (24 and 31 December) and in the two central weeks of August (from 9 to 20). In this regard, a plan to have employees use up annual leave was scheduled again for 2021.

Discussions got underway and are still in progress with national trade unions on technical and organisational matters relating to the updating and regulation of smart working and the 'solidarity working time accounts'.

Following up on the scheme previously launched, local negotiations continued on the logistical management of branch offices and head-offices, as a means of improving and increasing the efficiency of work spaces.

As part of the procedure for the renewal of the National Collective Labour Agreement, formal termination of the collective agreement was submitted ahead of the forthcoming presentation of the new platforms, the purpose being to start the related trade union negotiations.

12.3 Recruitment

As at 30 June 2021, the number of staff belonging to the Group reached 2076, including the 74 resources from Infrastrutture Distribuzione Gas.
As part of a personnel advancement effort deemed as necessary to develop the company's strategy, the 2i Rete Gas Group has embarked on a major long-term selection plan. In the first half of 2021, it resulted in 47 new hires, 38 of whom were recruited through new external selection schemes.
The hiring process pertained to white collar as well as blue collar staff profiles and was designed to meet the need to replace resources that had left the company, primarily for retirement reasons. It was also necessary to fill positions that had become vacant as a result of the job posting process or internal job rotation. The new positions were also partly intended to address staffing requirements.

As regards the internal job posting process, 10 recruiting procedures were started in 2021 for as many positions, with 12 applications being received and 3 selection processes being completed.
As the Covid-19 emergency did not let up, almost all selection processes were completed, without delay, thanks to videoconferencing platforms for the various interviews with applicants.

12.4 Training and development

On the training front, a number of training efforts were designed in 2021, focusing both on management and specialist themes (including language and IT skills), as well as on technical and safety themes.

The most relevant management courses delivered included:

- A training course on Performance Evaluation delivered in the early months of the year. Its aim was to support User Management and Plant Maintenance representatives – as new evaluators – in the management of motivational talks and performance assessment.

- A training course on Problem Solving & Time Management dedicated to about 50 participants. Its aim was to improve self-organisation – proposing methods that help define priorities – and the ability to make decisions consistent with the skills demanded of the position held.
- A course on Team Working called 'Working together to network' with the aim of developing the skills for managing and negotiating conflicts and encourage teamwork through various meetings that included face-to-face training and experiential role play sessions.
- Specialist courses for the Human Resources team on the Single Certification and Tax Exemptions. These courses were intended for local HR representatives and for the personnel management and development team to improve their understanding of the payslip and ensure appropriate support when receiving any requests on the subject from all colleagues.
- Internal training courses were also launched – thanks to the collaboration of some managers acting as trainees – on the Single Fee theme. They were organised by the Legal Function and offered to approximately 90 colleagues, together with the recurring advance course on tariffs and fees delivered by the Tariff Function.
- In addition, the ICT Team Leader project continued, with three colleagues attending the Future IT Leaders Master's Degree, a course to develop management skills designed for middle managers of the Information Systems Function.

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

- Electronic Meter Operational Training courses started, with a 4-hour training session being delivered to about 120 colleagues including technicians and area operators.
- Following developments in local information systems and digitalisation processes, training was delivered to some pilot areas in the first half of the year. Training for the other areas will be completed by October 2021 and will involve a total of approximately 360 area and department technicians.
- The First Response and Leakage training course was delivered to operators and area technicians, involving about 190 colleagues as well as external personnel belonging to contractors working on our plants.
- Training on the SIR (cartographical system) application continued most successfully to gain further insights into topics such as editing, exporting and printing network master data, as a first stage of a set of courses that will end with a course on assisted design at different levels to be delivered in the second half of 2021.
- As it happens annually for the personnel in charge of surveillance activities of the distribution plants, a 30-hour refresher course was delivered on UNI 11633:2016 - UNI PdR 39:2018 in order to maintain the knowledge skill and

competence requirement qualifications of about 240 qualified technicians and workers.

In partnership with QS&E and the Prevention and Protection Function, a number of internal training courses were organised and delivered concerning safety at work, including:

- For the Central Department, a training course was held on Chapter IX of Legislative Decree 81/08 to gain further insights into invariably current topics such as of protection from explosive atmospheres.
- For the South West Department, a training session was held on the role of the Safety Manager, which was attended by about 110 colleagues.
- For the South West Department, a training session was held on the use of Individual Hearing Protection Devices, which was attended by more than 130 colleagues.

Efforts got underway to cause the historical training register of IDG S.P.A. colleagues to be included in the Group's own systems, with a view to providing them with specific training when a skill gap is identified.

12.5 Staff administration

Consistent with its goals to improve administrative and organisational processes, in the first half of 2021 planned projects continued to be carried out as scheduled.

The solidarity working time bank

During the first half of the year, an analysis for establishing the administrative feasibility of the project to set up a solidarity working time bank was completed. The project will make it possible to donate holidays and former holidays, in compliance with the legal requirements set out in Legislative Decree 66/2003, to employees who need to assist children and/or spouses and/or domestic partners and whose particular health conditions require constant care.

Document Dematerialisation - Expense reimbursements when in mission

Following the conclusion of the project, the procedure was revised and some points were implemented in order to consolidate the objectives set in terms of environmental sustainability, business efficiency and transparency, such as:

- ✓ Dematerialisation of evidence needed to certify use of personal cars;
- ✓ Extensive reporting. A management tool was devised to allow individual travel/expense items to be analysed;
- ✓ Automatic calculation of travel if allowance or lump sum only are applicable.

Gas Fund extraordinary contribution

In June, The National Social Security Institute (INPS) notified the basic criteria whereby it will calculate the extraordinary contribution to cover expenses relating

to supplementary pension benefits for the years 2015 to 2020 due following cancellation of the Gas Fund pursuant to Legislative Decree No. 78/2015.
The Group collected the required data in order to provide them to INPS within the set dates.

Infrastrutture Distribuzione Gas S.p.A.
Following the acquisition of IDG S.p.A., staff administrative activities performed under a service agreement were coordinated, while initial analyses of administrative data and the deployment of corporate IT systems for data migration got underway.

12.6 Corporate climate

As the COVID-19 emergency persisted, the first half of 2021 saw 2i Rete Gas continue to strive to coordinate an effective internal network of information flows, not only to make corporate objectives clearer and shared on a larger scale, but also to communicate news and decisions related to the COVID-19 emergency to its employees in a timely manner. It was possible to plan a gradual return of staff to company premises, while keeping part of the staff on smart working in compliance with the COVID-19 emergency guidelines.
A significant innovation in the area of welfare services is to be found in a new expanded and revamped Welfare Plan introduced in 2021 with the aim of offering even more tangible benefits, with additional initiatives in which the company has decided to invest also playing a role to this end. Starting this year, people will indeed be able to access Welfare services through a mixed credit deriving not only from the conversion of up to 100% of their performance bonus and an additional percentage covered by the Company, but also by benefitting from the initiative extended by the Company called '2insieme a Te', which consists of 4 types of services and credit that can be combined with each other, relating to education, health, assistance and welfare.
With reference to any family needs, further innovations were introduced. Staff will be able to access forms of microcredit capable of supporting the family/individual financial budget, with the possibility therefore of deferring certain expenses linked to child education, family assistance services and medical expenses. Finally, a telemedicine service was introduced and an extensive network of special agreements was consolidated, ensuring discounted prices on a whole range of services and goods.

13 IT systems

The first half of 2021 saw a prevailing focus on activities concerning (i) the Group's corporate development, (ii) amendments to ensure regulatory compliance, (iii) support for the improvement of electronic meter management and finalisation of the asset management programme, (iv) operational efficiency, with special reference to work execution processes, (v) cybersecurity and technological upgrading; and (vi) the improvement of tools to support digitalisation and remote working for technical and administrative staff.

In the first quarter, configuration tasks were completed regarding the systems for the management of the processes of subsidiary 2i Rete Dati S.r.l, which became operational at the beginning of the year and to which the assets of the RF WM-Bus 169 MHz network were transferred for the end-to-end management of the Data Concentrators that allow Point-to-Multipoint Electronic Meters to exchange data with the central systems of 2i Rete Gas.
Upgrading operations also got underway for information systems managing processes that underwent changes following the introduction of Biomethane supplies.
A project was launched to upgrade the systems to allow the assets of Infrastrutture Distribuzione Gas, acquired on 30 April, to be included in the 2i Rete Gas IT system, with the aim of integrating them into the Company by the end of October.

With reference to regulatory compliance activities, a significant impact was caused by adjustments to processes mainly in the areas of metering, balancing and relations with sales companies in the light of the changes brought about by the standardisation and regulation and, in particular, support for the structured and integrated management of the metering checks required for meters with a gauge greater than G6.

In the Electronic Metering area, activities focused on ensuring the control, monitoring and efficiency of processes relating to the remote reading and remote management of electronic meters, including both residential and industrial meters, with particular reference to the process to increase the accuracy of the coordinates of the Redelivery Points by relying on algorithms for the validation and review of data in the archives and in data management processes.

In the first half of the year, the asset management programme saw the implementation of the functions necessary to allow contractors to acquire interoperability technical specifications in electronic format, enabling contractors to be better integrated into the work execution process. This will be achieved not only by providing easy-to-use graphic and technical information for the execution of work, but also by streamlining the process for collecting, validating and loading data into the Company's network systems.

Operational efficiency endeavours concerned the roll-out of a specific programme aimed at identifying and implementing a range of initiatives designed to improve the (i) reliability and quality of information systems mainly supporting the execution and monitoring of processes relating to services and works and (ii) interaction with the outside world with a view to reducing anomalies and indemnities, and improving performance to underpin business operations.

During the first half of the year, a feasibility study was completed for the renewal of the Network Sales Front Office system (locally known as FOUR), with the simultaneous revision of the related processes, whose implementation roadmap is scheduled to start in September. At the same time, the Technological Renewal project was launched with a view to upgrading the central infrastructure and distributed systems.

In the area of cybersecurity, risk assessment activities carried out as part of the programme launched in the last quarter of 2020 reached virtual completion. They fulfilled the purpose of having a comprehensive audit performed with respect to the level of resilience to cyber attacks against both central and distributed systems and the IoT infrastructure, and identifying areas of action where further hardening was required, with a focus on in-field systems. The programme also covered the classification of all sensitive business information of 2i Rete Gas with a view to Data Loss Prevention, with the launch of a pilot test to be extended to all business processes and functions. The Business Impact Analysis (BIA) was also reviewed as part of the programme. The purpose of the BIA is to identify the impact and repercussions on the business of potential events that may cause disruption in production or service supply. The outcome of this activity will then result in an upgrading of processes and capabilities for Disaster Recovery purposes.

Finally, to ensure a smoother management of in-person attendance at the workplace in light of the smart working regime, further initiatives were put in place with a view to adapting spaces and workstations. This allowed spaces and offices to be used more efficiently and all workstations to be fully interchangeable. In this connection, work tools were enabled to ensure a smooth discharge of staff activities both in-person and remotely, providing adequate support for collaboration.

14 Research and development

Following the three-year scientific cooperation agreement entered into between the Milan Polytechnic and the parent company 2i Rete Gas in the second half of

2020, initial research endeavours focusing on the management, development and exploitation of gas distribution technologies and procedures continued, with special reference to energy transition.
Ongoing activities include studies that involve several Departments of the Polytechnic concerning the efficiency of cathodic protection and gas pre-heating processes, with in-depth studies of the medium- and long-term compatibility of methane and hydrogen mixtures with current materials used for existing gas distribution plants.

Following the positive feedback on the effectiveness of a new method of preventive search for leaks (experimentation carried out during 2019 - 2020) that allows minor leaks to be detected even in areas in the vicinity of the leak detector and single out leaks even in the first stretches of distribution lines, this technology was extended to a further approximately 6,000 km that will be inspected during 2021.
This methodology, by correlating the signals collected during the search with other climate and environment parameters, enables quicker undertaking of inspections and a wider scope of action compared to the coverage of the leak detector, with an increase in the areas subject to control.
At the end of the current year, approximately 9,000 km will be inspected (approximately 3,000 km were already inspected in 2020) using this technology, which can therefore be considered as one of the methods that have now become standard practice across the 2i Rete Gas Group.

15 Risk management

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

15.1 Operational risks

Operating natural gas distribution networks involves the risks of malfunction or unforeseen service disruption due to factors that are beyond the Group's control, such as accidents, breakdowns or malfunctions of equipment or control systems, plant underperformance and extraordinary events such as explosions, fires, earthquakes, landslides, and other natural disasters. These events can result in service disruption, significant damage to people or property as well as the environment, and/or economic and social turmoil.
Any service disruptions, underperformance, or inadequacy of the Group structures and/or the consequent obligations to provide compensation could result in a reduction in revenue, an increase in costs, and/or regulatory actions.
To prevent these risks, and specifically the risk of natural events damaging the networks, the Group has entered into insurance policies that are considered adequate for the damage that could be incurred or caused.

15.2 Regulatory risks

The Group may be exposed to risks related to changes in the tariffs for regulated natural gas distribution activities. For example, a change in the regulatory variables or in the method used for regulation – including, but not limited to, in how the contributions received to develop the network and infrastructure are included in the tariff in each regulated period – will impact the tariffs applicable to the Group's business, with negative repercussions on revenue and margin.
The regulatory period has a six-year duration, and the WACC (weighted average cost of capital) is reviewed every three years.

15.3 Risks deriving from future changes in natural gas consumption

Although the regulated income of the Group's operating companies does not directly depend on distribution volumes, and therefore the Group is not exposed to

any risks concerning natural gas demand volumes, a prolonged economic crisis or other external event that may cause a decrease in gas consumption could result in more government involvement and changes to the legal framework, which could negatively affect the Group. In relation to the climate change objectives set out in 2015 at the Paris Conference between the Parties to the United Nations Framework Convention (UNFCCC) and to the further targets set at the EU level for a progressive decarbonisation of energy, the energy industry could, in the medium/long term, evolve towards new scenarios and arrangements where the role of gas in end uses could change as compared to today. In such scenarios, the number of customers served and the demand for gas could decrease, which could result in a lower use of the underlying infrastructures, with the risk of ending up with "stranded assets", i.e. capabilities that are not fully used during their entire amortisation period. On the other hand, the prospect of using existing infrastructures for the injection and transport of renewable gas (e.g. biomethane, synthetic methane from renewable sources or hydrogen) can contribute to the achievement of decarbonisation objectives, facilitating integration between different energy sectors (sector coupling), in particular between the electricity and gas sectors, while mitigating the risk of stranded assets.
With a view to interdependence between the gas and electricity sectors, gas infrastructures could indeed prove to play a major role in helping to produce greater quantities of energy from renewable electrical sources, offsetting their intermittence and variability by relying on storage mechanisms, thereby making a significant contribution to system flexibility.

15.4 Environmental, safety and climate change operational risks

Operating and maintaining gas distribution networks involves potentially dangerous activities that may cause damage to the general public and/or Group employees.
The Group is subject to Italian and European Union laws and regulations that govern health and safety to protect the general public and employees.
As part of its operations, the Group uses potentially hazardous products and sub-products, and the work sites in which it operates are subject to laws and regulations (including zoning laws) regarding pollution, environmental protection, and the use and disposal of hazardous substances and waste.
These laws and regulations expose the Group to costs and liabilities associated with its operations and plants, including in relation to waste disposal.
The costs for any future environmental restoration obligations involve uncertainty as to the extent of the possible contamination, the appropriate corrective actions, and the Group's responsibility – which are often hard to estimate.
To mitigate this risk, the Group has adopted check and management systems that carefully monitor the processes and the related environmental issues, as well as taken out specific insurance policies covering both the cost of containing a potential contamination as well as of the relevant restoration and damage caused.

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

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

16 Outlook

In 2021, the Group will continue to invest in its network and metering systems and look for potential entities to acquire, while extraordinary transactions will be deployed with a view to incorporating into the parent company the companies acquired in the meantime.
With respect to HR management, 2i Rete Gas will strive to turn the smart working model – which was introduced as a matter of urgency in accordance with emergency regulations – into a tool that allows new forms of remote work to be handled in the medium term.
Profitability for 2021 is expected to be in line with the first half of the year.
The 2021 action plan includes the following objectives:

- Continue reducing the number of workplace injuries by improving work quality and safety across its operations;
- Finalise the integration of the acquired company IDG S.p.A. into the Group;
- Continue the extraordinary maintenance programme for the gas network;
- Concentrate resources on the highest value-added network operations through increasingly focused and specialised operational structures;
- Continue monitoring ATEM tenders in order to promptly seize the best market opportunities;
- Further improve the IT tools currently used in order to boost efficiency;
- Leverage the functionalities made available by innovation to pursue and improve corporate processes and systems as well as open up new opportunities.
- Continue to implement the sustainability plan by pursuing the objectives of the approved four-year plan.

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

IV. Consolidated Interim Report

V. Financial Statements

VI. Income Statement

Thousands of euro	Notes	30.06.2021	of which from related parties	30.06.2020	of which from related parties
Revenue					
Revenue from sales and services	5.a	348,207	-	336,512	-
Other revenue	5.b	16,491	32	11,561	4
Revenue from intangible assets / assets under construction	5.c	164,490	-	120,638	-
Running total		**529,188**	-	**468,711**	
Costs			-		
Raw materials and consumables	6.a	28,981	-	29,125	-
Services	6.b	170,174	1,733	125,445	3,354
Personnel costs	6.c	63,746	1,170	58,369	1,121
Amortisation, depreciation and impairment losses	6.d	101,250	-	99,562	-
Other operating costs	6.e	21,328	172	17,329	174
Capitalised costs for internal work	6.f	(429)	-	(561)	-
Running total		**385,049**	-	**329,269**	
EBIT		**144,139**	-	**139,442**	
Income (expenses) from equity investments	7	90	90	82	82
Financial income	8	151	27	45	-
Financial expenses	8	(28,074)	-	(27,418)	-
Running total		**(27,833)**	-	**(27,291)**	
Pre-tax income		**116,306**	-	**112,151**	
			-		
Taxes for the period	9	19,850	-	32,784	-
			-		
Net income from continuing operations		**96,456**	-	**79,367**	
Net income from discontinued operations	10	**-**	-	**-**	
NET INCOME FOR THE YEAR		**96,456**		**79,367**	

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

VII. Statement of Comprehensive Income

Thousands of euro	30.06.2021	31.12.2020
Net income recognised through profit or loss	**96,456**	**183,848**
- Net income attributable to owners of the Parent	96,361	183,476
- Net income attributable to non-controlling interests	95	372
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities / assets for defined benefits - owners of the Parent	503	(278)
Deferred tax assets and liabilities on items which will never be classified through profit/(loss) - owners of the Parent	(61)	47
	442	(231)
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives - non-controlling interests	22,257	(34,752)
Change in fair value of hedging derivatives reclassified in profit for the period - non-controlling interests	(612)	(1,238)
Change in fair value of hedging derivatives (tax effect) - non-controlling interests	(5,342)	8,340
Change in fair value of hedging derivatives reclassified in profit for the period (tax effect) - non-controlling interests	147	297
	16,450	(27,352)
Total other comprehensive income	**16,892**	**(27,584)**
Total comprehensive income	**113,347**	**156,264**
Total comprehensive income attributable to:		
- Owners of the Parent	113,252	155,892
- Non controlling interests	95	372

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

VIII. Statement of Financial Position

Thousands of euro	Notes	30.06.2021	of which from related parties	31.12.2020	of which from related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	36,934	-	35,699	-
IFRS 16 Rights of use	12	22,505	-	24,258	-
Intangible assets	13	4,090,355	-	3,880,135	-
Net deferred tax assets	14	134,338	-	133,205	-
Equity investments	15	3,698	3,575	3,608	3,485
Non-current financial assets	16	680	-	735	-
Other non-current assets	17	56,249	-	56,092	-
	Total	**4,344,758**	-	**4,133,731**	
Current assets			-		
Inventories	18	21,892	-	18,309	-
Trade receivables	19	124,461	55	234,913	77
Short-term financial receivables	20	50,232	780	1,816	499
Other current financial assets	21	19	16	20	19
Cash and cash equivalents	22	455,301	-	186,991	-
Income tax receivables	23	3,433	-	9,012	-
Other current assets	24	251,191	-	211,540	-
	Total	**906,529**	-	**662,601**	
Non-current assets (or assets included in disposal groups) held for sale			-		
Non-current assets (or assets included in disposal groups) held for sale	25	8,575	-	-	-
	Total	**8,575**	-	**-**	
TOTAL ASSETS		**5,259,862**		**4,796,332**	

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

Thousands of euro	Notes	30.06.2021	of which to related parties	31.12.2020	of which to related parties
EQUITY AND LIABILITIES					
Equity - Owners of the Parent	26				
Share capital		3,639	-	3,639	-
Treasury Shares		-	-	-	-
Other Reserves		515,324	-	498,425	-
Retained earnings/(accumulated losses)		411,830	-	353,381	-
Net income for the year		96,361	-	183,476	-
Total equity - Owners of the Parent		**1,027,154**	-	**1,038,921**	
Equity - non-controlling interests			-		
Non-controlling interests		1,905	-	1,533	-
Net income for the year - non-controlling interests		95	-	372	-
Total equity - non-controlling interests		**2,000**	-	**1,905**	
TOTAL EQUITY		**1,029,153**	-	**1,040,825**	
Non-current liabilities			-		
Long-term loans	27	3,233,630	-	2,744,422	-
Post-employment and other employee benefits	28	39,321	-	40,286	-
Provision for risks and charges	29	6,778	-	7,355	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	16,496	-	38,753	-
Non-current IFRS 16 financial liabilities	31	17,082	-	18,395	-
Other non-current liabilities	32	331,536	-	331,077	-
	Total	**3,644,845**	-	**3,180,288**	
Current liabilities			-		
Short-term loans	33	15	-	36,427	-
Current portion of long-term loans	34	18,182	-	18,182	-
Short-term portion of long-term and short-term provisions	35	75,224	-	78,492	-
Trade payables	36	208,425	4,086	215,963	6,630
Income tax payables	37	4,726	-	258	-
Current financial liabilities	38	42,308	-	17,066	-
Current IFRS 16 financial liabilities	39	4,300	-	5,281	-
Other current liabilities	40	231,559	7	203,550	1
	Total	**584,738**	-	**575,218**	
Non-current liabilities (or liabilities included in disposal groups) held for sale			-		
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	1,125	-	-	-
	Total	**1,125**	-	**-**	
TOTAL LIABILITIES		**4,230,708**		**3,755,507**	
TOTAL EQUITY AND LIABILITIES		**5,259,862**		**4,796,332**	

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

IX. Statement of Cash Flows

Thousands of euro		30.06.2021	30.06.2020
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**186,991**	**353,308**
Cash flow from operating activities			
Pre-tax income		116,306	112,151
Taxes for the period	9	(19,850)	(32,784)
1. Net income for the period		**96,456**	**79,367**
Adjustments for:			
Depreciation	6.d	101,176	99,124
Impairment/(Reversals)/(Releases)	6.d	74	438
Capital (gains)/losses	5.b/6.e	7,018	3,483
Allocations to provisions for risks and charges and post-employment benefits		11,293	11,828
Financial (income)/expenses	7 and 8	27,833	27,291
Badwill from acquisition		-	(79)
2. Total adjustments		**147,394**	**142,085**
Change in net working capital			
Inventories	18	(3,006)	(795)
Trade receivables	19	117,134	131,796
Trade payables	36	(12,682)	4,561
Other current assets	24	(34,684)	(53,118)
Other current liabilities	40	20,422	(22,629)
Net tax receivables/(payables)	23 e 37	9,232	(6,750)
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(8,075)	(13,879)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	(13,510)	(618)
Deferred income for connection fees	17	249	(1,516)
Other non-current liabilities	32	829	4,176
Financial income/(expenses) other than for financing	8	51	(234)
3. Total change in net working capital		**75,962**	**40,994**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**319,812**	**262,446**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(177,236)	(119,952)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	(104,914)	(2,551)
Loan settlement for purchase of equity investment	33 and IFRS 3	(45,733)	
Cash acquired through company acquisition		4,106	140
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(323,777)**	**(122,363)**
D) FREE CASH FLOW (B+C)		**(3,965)**	**140,083**
Cash flow from financing activities			
Dividend payout		(125,019)	(50,030)
Change in amortised cost	16, 27 and 34	(1,649)	1,119
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(612)	(616)
Financial income for financing activities	8	4	21
Financial (expenses) for financing activities	8	(27,978)	(27,161)
Receipts from debenture loan issues	27	500,000	
Debenture loan settlements	27 and 33		(267,100)
Change in short-term and long-term financial debt	27 and 33	(45,503)	(49,091)
Change in other non-current financial assets	16	3	494
Change in other financial receivables	20 and 21	(48,415)	(6,634)
Change in financial leases IFRS 16	31, 39 and 11	(3,798)	(3,293)
Change in other financial payables	38	25,242	21,057
E) CASH FLOW FROM FINANCING ACTIVITIES		**272,275**	**(381,233)**
F) CASH FLOW FOR THE PERIOD (D+E)		**268,310**	**(241,150)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**455,301**	**112,158**

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

X. Statement of Changes in Equity

	Share capital and reserves									
Thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)	Net income for the year	**Total - Group**	**Total - Non-controlling interests**	**Total consolidated equity**
Total 31 December 2019	**3,639**	**286,546**	**728**	**5,385**	**233,350**	**197,028**	**206,383**	**933,058**	**1,533**	**934,591**
Allocation of income for 2019:										
Distribution of income	-	-	-	-	-	156,353	(156,353)	-	-	**-**
- Dividend payout	-	-	-	-	-	-	(50,030)	**(50,030)**	-	**(50,030)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(50,030)***	-	***(50,030)***
- Other changes	-	-	-	-	-	(0)	-	**(0)**	-	**(0)**
- Change in IAS reserves	-	-	-	(27,352)	(231)	-	-	**(27,584)**	-	**(27,584)**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	183,476	**183,476**	372	**183,848**
Total 31 December 2020	**3,639**	**286,546**	**728**	**(21,967)**	**233,118**	**353,381**	**183,476**	**1,038,921**	**1,905**	**1,040,825**
Allocation of income for 2020:										
Distribution of income	-	-	-	-	-	58,457	(58,457)	-	-	**-**
- Dividend payout	-	-	-	-	-	-	(125,019)	**(125,019)**	-	**(125,019)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(125,019)***	-	***(125,019)***
- Other changes	-	-	-	-	7	(7)	-	**-**	-	**-**
- Change in IAS reserves	-	-	-	16,450	442	-	-	**16,892**	-	**16,892**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	96,361	**96,361**	95	**96,456**
Total 30 June 2021	**3,639**	**286,546**	**728**	**(5,518)**	**233,567**	**411,830**	**96,361**	**1,027,154**	**2,000**	**1,029,153**

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

XI. Notes

17 Format and contents of the Financial Statements

The 2i Rete Gas Group operates in the gas distribution sector. The Parent Company 2i Rete Gas S.p.A. is a public limited company and is located in Milan, Via Alberico Albricci, 10. Pursuant to article 3 of the Articles of Association, the duration of the Parent Company is until 2050.

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

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

On 28 September 2021, the Directors of 2i Rete Gas S.p.A. approved these interim condensed consolidated financial statements prepared on a voluntary basis.
For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 28 September 2021.
These interim condensed consolidated financial statements are subject, on a voluntary basis, to a limited audit by PricewaterhouseCoopers S.p.A.

18 Compliance with IFRS/IAS and basis of presentation

These interim condensed consolidated financial statements as at 30 June 2021 have been prepared in compliance with: the International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and effective at the end of the period; the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the interpretations of the Standing Interpretations Committee (SIC) effective at the same date. In particular, these interim condensed consolidated financial statements have been prepared in compliance with IAS 34 - Interim Financial Reporting. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Basis of presentation

The condensed consolidated financial statements as at 30 June 2021 consist of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flow, Statement of Changes in Equity, and related Notes.

The assets and liabilities reported in the Statement of Financial Position are classified on a "current/non-current" basis, separately disclosing the assets and liabilities held for sale.

Current assets, which include cash and cash equivalents, are those intended to be sold, consumed or realised as part of the normal operating cycle or within 12 months after the balance sheet date; current liabilities are those expected to be settled in the normal operating cycle or within 12 months after the balance sheet date.

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

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

The interim condensed consolidated financial statements have been prepared using the historical cost method, except for those items which, in accordance with the IFRS-EU, are measured at fair value, as indicated in the valuation criteria for the individual items.

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

19 Accounting standards, valuation criteria and use of estimates

In preparing these condensed consolidated interim financial statements, the Group has used the same accounting policies as those used in preparing the consolidated financial statements for the year ended 31 December 2020.

Accounting standards applicable as of 1 January 2021

The following amendment became effective on 1 January 2021, but has no impact on the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest rate benchmark reform - IBOR reform - phase 2).
  These changes relate to operating procedures whereby the impact of replacing the current benchmark rates with alternative interest rates is to be managed, including in particular:
  - The introduction of a practical expedient for accounting for changes in the basis on which the contractual cash flows of financial assets and liabilities are calculated;
  - The introduction of certain exemptions relating to the termination of hedging relationships;
  - A temporary exemption from the requirement to separately identify a risk component (where that separate hedged component is an alternative interest rate);
  - The introduction of some additional disclosures regarding the impact caused by the reform.

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

Below are the new standards or interpretations that have already been issued but have not yet become effective or have not yet been endorsed by the European Union as at 30 June 2021 and, as such, are not applicable.

- Changes to IAS 1 - Presentation of financial statements - Classification of liabilities as current or non-current
  The amendments clarify the criteria to be applied in order to classify liabilities as current or non-current and specify that the classification of a liability is not affected by the probability that settlement of such liability will be deferred for 12 months after the reporting period. The Group's intention to settle in the short term has no impact on classification. These amendments, applicable as of 1 January 2023, have yet not been endorsed by the European Union. The classification of financial liabilities is not expected to be affected by these amendments.

- Changes to IAS 16 - Property, plant and equipment - Proceeds before intended use
  These amendments prohibit the deduction from the cost of an item of property, plant or equipment any amounts received from the sale of products while the asset in question is being prepared for its intended use. The proceeds of the sale of products

and the relative production cost must be recognised in the income (profit or loss) statement.
These amendments, effective as of 1 January 2022, have not yet been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Changes to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts - Cost of fulfilling a contract
These changes specify the costs to consider when appraising onerous contracts and clarify that the "directly correlated costs" approach must be adopted.
These amendments, effective as of 1 January 2022, have not yet been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Annual Improvements (2018-2020 period) issued in May 2020
These changes are limited to some standards (IFRS 1 First-time adoption of IFRS, IFRS 9 Financial instruments, IAS 41 Agriculture and examples illustrating IFRS 16 Leases) that clarify their formulation or rectify omissions or conflicts among IFRS standard requirements. These amendments, applicable as of 1 January 2022, have yet not been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Changes to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure on accounting principles
These amendments provide guidance for applying materiality judgements to accounting policy disclosures in a way that is more useful. Specifically:
    - The requirement to disclose "significant" accounting policies has been replaced by the requirement to disclose "material" accounting policies;
    - Guidance has been added on how to apply the concept of materiality to accounting standard disclosures.

When assessing materiality of disclosure on accounting policies, entities shall consider both the size of the transactions, other events or conditions and their nature.
These amendments, applicable as of 1 January 2023, have yet not been endorsed by the European Union. These amendments are not expected to have an impact on disclosures of the Group's financial statements.

- Changes to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
These amendments introduce a new definition of "accounting estimates", most notably with regard to the difference between accounting estimates and accounting policies, and provide guidance on whether changes should be treated as changes in estimates, changes in accounting policies or errors.

These amendments, applicable as of 1 January 2023, have yet not been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Changes to IFRS 16 - Leases - Reductions in fees related to Covid-19
  These changes extend by one year the ability to apply an optional accounting procedure for lessees in the case of permanent rent concessions (rent holidays) or temporary rent concessions related to the Covid-19 emergency.
  Lessees may elect to account rent concessions as variable lease payments recognised directly in the income statement for the period in which the concession is applied, or to record it as a variation of the lease agreement with the consequent (mandatory) remeasurement of lease liability based on the revised rent, using a revised discount rate. This option is applicable to rent concessions for which payment is due on or before 30 June 2022. This amendment, applicable as of 1 April 2021, has not yet been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Changes to IAS 12 - Income Taxes - Deferred and Prepaid Taxes Arising from a Single Transaction
  These amendments do away with the possibility of not recognising deferred taxes on the initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g. leasing contracts).
  These amendments also clarify that, when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the lease liability reflected in the financial statements or to the related right of use. If tax deductions are allocated to the right of use, the tax bases of the right of use and the lease liability will be the same as their carrying amounts, and no temporary differences will arise on initial recognition. However, if tax deductions are allocated to the lease liability, then the tax bases of the right of use and lease liability will be nil, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset should still be recognised.

These amendments, applicable as of 1 January 2023, have yet not been endorsed by the European Union. The impact of these amendments on the Group's financial statements is currently being analysed.

Use of estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets,

liabilities, income and expenses. As these are estimates, actual results may differ from those presented in these financial statements.
The critical judgements made in preparing these condensed consolidated interim financial statements, as well as the key sources of estimation uncertainty, are the same as those in the financial statements for the year ended 31 December 2020.
The procedure for the sale of a number of concessions in the Rome 4 area requested by the Italian Competition Authority following the favourable opinion on the acquisition of IDG S.p.A. was adjourned on 5 August, setting 30 September as the new deadline for the submission of binding bids (originally scheduled for 16 July). Although the tender procedure is still open, as requested, it stipulates that the sale must take place only if a suitable bid is submitted by the deadline as set out in the Italian Competition Authority's measure C12360 dated 1 April 2021, a condition that has not yet been met to date. The Company therefore did not consider that the conditions for classifying these assets and liabilities as available for sale in accordance with IFRS 5 had been met.

XII. Information on the Income Statement

Revenue

The transport of methane gas takes place exclusively within Italy.
The Group did not provide segment reporting pursuant to the requirements of IAS 34 and IFRS 8 (Operating Segments) due to the substantial uniqueness of its business.

5.a Revenue from sales and services

"*Revenue from sales and services*" amounted to 348,207 thousand euro in the period and mainly referred to gas transport operations and connection fees.

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

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Sales and services			
Gas and LPG transport	328,838	320,104	8,734
Connection fees	4,473	4,492	(19)
Ancillary fees	2,847	2,410	437
Revenue from the sale of water	9	216	(207)
Ancillary services - water sector	0	246	(246)
Revenue from customer operations	71	33	38
Sundry revenue and other sales and services	11,970	9,010	2,960
Total revenue from sales and services	**348,207**	**336,512**	**11,696**

Revenue from gas transport totalled 328,838 thousand euro and mainly represent the portion for the first half of the year of the 2021 Tariff Revenue Cap for natural gas and LPG.
The increase was due to the inclusion of IDG S.p.A. in the scope of consolidation to the extent of 3,860 thousand euro, while the remainder was due to an increase in investments accounted for and the ensuing remuneration.

Connection fees, totalling 4,473 thousand euro, were stable at the previous year's levels. It should be noted that the connection fee is a set amount defined through a specific quote according to the type of service requested, and consists of:

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

The increase in "Other revenues and other sales and services" (2,960 thousand euro) was due to the resumption of gas supply suspension and reactivation activities in the first half of the year, such activities being stopped in the first half of the previous year following regulatory provisions relating to the lockdown period.

5.b Other revenue

"*Other revenue*", totalling 16,491 thousand euro (11,561 thousand euro in the same period of 2020) showed a significant increase compared to the first half of 2020, basically due to contingent assets of 3.075 thousand euro (following a settlement that took place in the half-year with the Municipality of Anzio – this figure must, however, be read together with the amount of contingent liabilities, which also increased as a result of such settlement) and an increase in the estimated revenue recognised for technical quality (Revenue under Resolution 574/13), amounting to 1,664 thousand euro. This item also includes capital gains on the disposal of assets, amounting to 370 thousand euro in the first half (6 thousand euro in June 2020).

5.c Revenue from intangible assets / assets under construction

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Revenue from intangible assets / assets under construction			
Revenue from intangible assets / assets under construction	164,490	120,638	43,852
Total revenue from intangible assets / assets under construction	**164,490**	**120,638**	**43,852**

As from 1 January 2010, the Company has been recognising this revenue, standing at 164,490 thousand euro, pursuant to IFRIC 12 "Service Concession Arrangements". On a year-over-year basis, this item showed a considerable increase (43,852 thousand euro) as a result of the resumption of investments, following the slowdown caused by the lockdown period in the first half of 2020.

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

Costs

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

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Costs relating to revenue from intangible assets / assets under construction			
Raw materials and consumables	4,012	3,343	669
Costs for services	103,996	69,050	34,946
Other operating costs	396	413	(17)
Depreciation	1,368	1,554	(186)
Capitalised costs for materials, personnel and services	54,717	46,277	8,440
of which personnel costs	*32,385*	*24,995*	*7,390*
of which raw materials and consumables	*22,332*	*21,282*	*1,050*
Total costs relating to revenue from intangible assets / assets under	**164,490**	**120,638**	**43,852**

6.a Raw materials and consumables

"Raw materials and consumables", amounting to 28,981 thousand euro, essentially include the cost for the purchase of materials used to lay gas pipelines as well as vehicle fuel; as at 30 June 2021 this item decreased by 144 thousand euro.

6.b Services

"Costs for services", amounting to 170,174 thousand euro, are broken down as follows:

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Costs for services			
Maintenance, repair and realisation of assets	106,692	66,332	40,360
Costs for electricity, power and water	1,328	1,507	(179)
Gas (for internal use)	1,819	2,330	(511)
Telephone and data transmission costs	1,225	1,064	161
Insurance premiums	2,065	2,128	(62)
Costs for services and other expenses relating to personnel	1,875	1,744	131
Fees	352	351	1
Legal and notary costs	1,026	629	396
Costs for company acquisitions and disposals	(0)	6	(6)
Advertising	118	50	68
IT services	4,644	4,377	268
Meter reading service	1,310	1,679	(369)
Audit fees	279	287	(8)
Repairs and emergency service	1,720	2,027	(307)
Plant certifications Resolution no. 40	180	175	4
Gas transport by third parties	906	404	502
Professional and other services	2,602	2,871	(270)
Other costs for services	4,106	4,289	(183)
Costs for the use of third-party assets			
Leases	446	488	(41)
Rentals	219	229	(10)
Other costs for the use of third-party assets	1,008	841	166
Cosap/Single Property Tax	1,927	624	1,303
Municipal gas concession fees	34,328	31,013	3,315
Total	**170,174**	**125,445**	**44,729**
- of which capitalised for intangible assets	103,996	69,050	34,946

Costs for services show a significant increase compared to the previous year thanks to the resumption of network and meter installation and maintenance activities.

As already mentioned, as from 2010, all costs relating to the operation of the concessions include network construction costs in accordance with IFRIC 12. Excluding this item, costs for services were up 9,783 thousand euro overall.

The change in costs for service, a breakdown of which is shown in the table above, was mainly due to the effect of higher costs for maintenance, repair and construction of assets, totalling 40,360 thousand euro, due to the activities carried out by the Group on plants in the period under review, which activities grew significantly following the resumption of activities compared to the first half of 2020.

The items relating to the cost for the use of third-party assets have been presented differently since 2019 because of IFRS 16, which requires recognising a "Right-of-use asset" that is depreciated over the lease term. Since 2019, the relevant costs thus appear in the financial statements in the form of depreciation and associated financial expenses.
The fees allocated in relation to business development activities with municipalities increased by 3,315 thousand euro, as did the costs relating to the fee for temporary occupation of public space (Cosap)/Single Property Tax, which rose by 1,303 thousand euro. However, the latter item must be read together with the item concerning the tax on the occupation of public space (Tosap) (reflected under Other costs), which decreased by 760 thousand euro. The Single Property Tax has replaced both Cosap and Tosap effective 2021, causing their cost to increase anyway.

6.c Personnel costs

"Personnel costs" (63,746 thousand euro) include all charges incurred on an ongoing basis which, directly or indirectly, concern employees. This item shows a significant increase (+5,377 thousand euro) compared to the same period of the previous year. In addition to the limited effect of the change in the scope of consolidation resulting from IDG S.p.A. joining the Group, the first half of 2020 was also significantly affected by the use of holiday entitlements, given the reduced activity carried out during the period.
The total amount capitalised pursuant to IFRIC 12 increased more than proportionally (7,390 thousand euro).
The table below shows the changes in personnel by category for the first half of 2021.

	Executives	Middle Managers	Clerks	Manual Workers	Total
Personnel as at 31 December 2020	**32**	**113**	**1,240**	**630**	**2,015**
Change in the scope of consolidation	1	9	41	23	**74**
Increase	-	-	34	7	**41**
Decrease	-	(4)	(30)	(19)	**(53)**
Change in category	2	(1)	-	(1)	**-**
Personnel as at 30 June 2021	**35**	**117**	**1,285**	**640**	**2,077**

6.d Amortisation, depreciation and impairment losses

This item stood at 101,250 thousand euro in the period, up 1,688 thousand euro on the same period of the previous year. This figure was affected by the acquisition of and contribution from IDG S.p.A.
In addition to provisions for the period (282 thousand euro), doubtful receivables included the release of the provision (666 thousand euro) mainly due to the entry of IDG S.p.A., while the impairment loss relates to the adjustment of values for certain fixed assets acquired during the six-month period.
This item is broken down as follows:

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Depreciation	2,504	2,774	(270)
Amortisation of IFRS 16 rights of use	3,257	3,402	(145)
Amortisation of intangible assets	95,415	92,947	2,468
Impairment losses:			
- Impairment of intangible assets	459	-	459
- Write down of receivables	(386)	438	(824)
Total amortisation and impairment	**101,250**	**99,562**	**1,688**
- of which capitalised for intangible assets	1,368	1,554	(186)

6.e Other operating costs

"Other operating costs" shown in the balance as at 30 June amounting to 21,328 thousand euro, increased by 3,998 thousand euro chiefly due to higher capital losses on disposals and sales of fixed assets (totalling 7,388 thousand euro as at June 2021, or +3,899 thousand euro compared to June 2020): in the first half of the previous year, this item showed a decrease due to the slowdown in activities carried out as a result of the pandemic emergency situation and ensuing lockdown. The contribution to the tax on the occupation of public space (Tosap) was virtually reduced to zero, such tax being replaced by the Single Property Tax effective 2021. The 760 thousand euro drop must be considered in the light of the increase in the Single Property Tax held under costs for services.

Net provisions for risks and charges totalled 8,319 thousand euro, slightly down compared to the first half of 2020. The breakdown of the relevant provisions is shown in the comments on liabilities.

6.f Capitalised costs for internal work

Following the introduction of IFRIC 12, the costs directly related to construction work on the network under concession are no longer accounted for as capitalised costs for internal work. For this reason, the item now includes only any residual costs that can be capitalised but do not concern concessions. As at 30 June, this item totalled 429 thousand euro, compared to 561 thousand euro in the first half of the previous year.

7. Income / (Expenses) from equity investments

The item, amounting to 90 thousand euro in the reporting period, includes the income from investments in associates and other companies. In particular, as at 30 June 2021 this item refers to the valuation of the investment in MEA S.p.A. and 2i Servizi Energetici S.r.l. using the equity method.

8. Financial income / (expenses)

This item is broken down as follows:

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Financial income			
Third parties:			-
- Interest income from loans to employees	0	0	(0)
- Interest on arrears receivable	0	-	0
- Interest income from current accounts and post office deposits	4	21	(17)
- Interest income from receivables from customers	14	2	12
- Other financial interest and income	133	22	111
Total income	**151**	**45**	**106**
Financial expenses			
Third parties:			
- Interest expense on medium/long-term loans	1,761	1,824	(63)
- Other expense on medium/long-term loans from banks	251	514	(263)
- Financial expenses on debenture loans	25,178	24,039	1,139
- Financial expenses from amortised cost	1,129	1,119	10
- Interest expense on short-term bank loans	-	0	(0)
- Interest expense on current bank accounts	4	-	4
- Discounting of post-employment and other employee benefits	82	216	(134)
- Interests on taxes	0	11.58	(11)
- Change in fair value of hedging derivatives reclassified from comprehensive income	(612)	(616)	3
- Other financial and interest expense	13	30	(16)
- IFRS16 Financial Expenses	268	280	(12)
Total expenses	**28,074**	**27,418**	**656**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(27,923)**	**(27,373)**	**(549)**

The Group reported 27,923 thousand euro in financial expenses, largely arising from the recognition of the financial expenses on the debenture loan net of the current hedging, the costs related to the outstanding loan, and the amortised cost of both of them.
At the beginning of the first half of the year, a new tranche of a 500 million euro bond was issued on 29 January, the lowest coupon that 2i Rete Gas S.p.A. has ever quoted, 0.579%, despite the 10-year tenor. Thanks to this rate, the related borrowing costs did not have a significant impact on the balance.

9. Taxes for the period

This item is broken down as follows:

Thousands of euro

	30.06.2021	30.06.2020	2021 - 2020
Current taxes			
Current income taxes: IRES	26,787	27,063	(276)
IRES substitute tax on realignment	1,614	-	1,614
Current income taxes: IRAP	6,197	6,125	71
Total current taxes	**34,597**	**33,188**	**1,409**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	-	1,345	(1,345)
Positive adjustments for income taxes relating to previous years	(1,237)	(441)	(796)
Total adjustments for income taxes relating to previous years	**(1,237)**	**904**	**(2,141)**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(1,894)	(3,018)	1,124
Prepaid taxes (allocation)/use	(11,536)	1,710.75	(13,247.08)
Total current deferred and prepaid taxes	*(13,431)*	*(1,307)*	*(12,124)*
Adjustments to deferred taxes of previous years due to tax rate change	(90)	-	(90)
Adjustments to prepaid taxes of previous years due to tax rate change	11	-	11
Total adjusted deferred and prepaid taxes	*(79)*	-	*(79)*
Total deferred and prepaid taxes	**(13,510)**	**(1,307)**	**(12,203)**
TOTAL TAXES	**19,850**	**32,784**	**(12,934)**

The income tax expense for the first half of 2021 totalled 19,850 thousand euro. The drop (12,934 thousand euro) was mainly due to the realignment of the tax and statutory values of goodwill in the parent company following the merger of equity investments. This operation, which began in June, was completed on schedule in July.
During the period under review, therefore, the Company's accounts show the amount of substitute tax paid to the extent of 1,614 thousand euro, against provisions for the related deferred tax assets of 15,362 thousand euro.
Elsewhere, changes in deferred tax assets and liabilities reflected normal operations.

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

The tax impact concerning the disposal of discontinued operations is illustrated separately, with related comments provided in the following section.

10. Discontinued operations

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

XIII. Information on the Statement of Financial Position

Assets

11. Property, plant and equipment

Following the introduction of IFRIC 12, property, plant and equipment include only those fixed assets that are not related to gas distribution concessions. The breakdown of, and changes in, property, plant and equipment for the years 2019, 2020 and 2021 are reported below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements to third-party assets	Fixed assets under construction and advances	Total
Historical cost	8,688	33,772	14,167	24,637	56,247	13,884	809	152,204
Accumulated amortisation	-	(25,459)	(4,817)	(23,247)	(48,583)	(12,874)	-	(114,981)
Balance as at 31.12.2019	**8,688**	**8,313**	**9,350**	**1,390**	**7,663**	**1,010**	**809**	**37,223**
Contribution from change in the scope of consolidation:	-	-	-	3	26	-	-	29
Gross value	-	-	-	11	60	-	-	71
Acc. Depr.	-	-	-	(8)	(34)	-	-	(42)
Increases (including Fixed assets classified as assets available for sale)	-	3	2,692	748	1,455	76	118	5,094
Commissioning	-	2	-	-	748	18	(768)	-
Gross value	-	2	-	-	748	18	(768)	-
Acc. Depr.	-	-	-	-	-	-	-	-
Disposals	(759)	(13)	(445)	(1)	-	-	-	(1,218)
Gross value	(759)	(1,051)	(1,687)	(192)	(1,761)	-	-	(5,450)
Acc. Amort.	-	1,038	1,241	192	1,761	-	-	4,232
Reclassifications	-	-	(22)	-	-	-	-	(22)
Gross value	-	-	(1,600)	-	-	-	-	(1,600)
Acc. Depr.	-	-	1,578	-	-	-	-	1,578
Depreciation	-	(840)	(859)	(552)	(2,652)	(504)	-	(5,407)
Total changes	**(759)**	**(848)**	**1,366**	**198**	**(422)**	**(409)**	**(650)**	**(1,524)**
Historical cost	7,929	32,727	13,572	25,204	56,749	13,979	159	150,319
Accumulated depreciation	-	(25,261)	(2,856)	(23,616)	(49,508)	(13,378)	-	(114,620)
Balance as at 31.12.2020	**7,929**	**7,465**	**10,716**	**1,588**	**7,241**	**600**	**159**	**35,699**
Contribution from change in the scope of consolidation:	35	1,689	55	188	67	11	-	2,045
Gross value	35	2,642	286	628	663	64	-	4,319
Acc. Depr.	-	(953)	(232)	(440)	(596)	(53)	-	(2,274)
Increases (including Fixed assets classified as assets available for sale)	-	5	868	128	929	-	314	2,243
Commissioning	-	63	-	-	-	2	(65)	-
Gross value	-	63	-	-	-	2	(65)	-
Acc. Depr.	-	-	-	-	-	-	-	-
Disposals	(39)	(374)	(123)	-	(14)	-	-	(549)
Gross value	(39)	(1,613)	(156)	(6)	(96)	-	-	(1,909)
Deferred income for connection fees	-	1,239	33	6	83	-	-	1,361
Depreciation	-	(328.42)	(446.69)	(222.72)	(1,395.60)	(110.48)	-	(2,503.90)
Total changes	**(4)**	**1,055**	**353**	**94**	**(414)**	**(97)**	**249**	**1,235**
Historical cost	7,925	33,824	14,570	25,954	58,244	14,045	408	154,971
Accumulated depreciation	-	(25,303)	(3,502)	(24,273)	(51,417)	(13,542)	-	(118,037)
Balance at 30.06.2021	**7,925**	**8,521**	**11,068**	**1,681**	**6,827**	**503**	**408**	**36,934**

As at 30 June 2021, this item increased by 1,235 thousand euro compared to the previous year. This change was largely due to the net balance of contribution to the scope of consolidation (2,045 thousand euro), investments (2,243 thousand euro), disposals for (549 thousand euro) and depreciation (2,504 thousand euro). Apart from the aforementioned contribution from the change in the scope of consolidation, there were no events to report on the item during the period.

12. IFRS 16 Rights of use

Following the application of standard IFRS 16, hire, rental or lease contracts are reflected in this item as use rights of a certain asset.
Below is the table showing changes in assets for 2019, 2020 and 2021.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	26,929	8,244	367	35,540
Accumulated depreciation	(4,184)	(2,517)	(23)	(6,724)
Balance as at 31.12.2019	**22,746**	**5,727**	**344**	**28,817**
Increases (including Fixed assets classified as assets available for sale)	2,923	835	-	3,758
Disposals	(1,402)	(92)	-	(1,494)
Gross value	(1,513)	(396)	-	(1,909)
Acc. Depr.	112	303	-	415
Depreciation	(4,394)	(2,337)	(92)	(6,823)
Total changes	**(2,873)**	**(1,594)**	**(92)**	**(4,559)**
Historical cost	28,339	8,683	367	37,389
Accumulated depreciation	(8,466)	(4,551)	(115)	(13,132)
Balance as at 31.12.2020	**19,873**	**4,132**	**252**	**24,258**
Merger contribution:	77	209	-	285
Gross value	77	209	-	285
Acc. Depr.	-	-	-	-
Increases (including Fixed assets classified as assets available for sale)	716	649	-	1,365
Disposals	(112)	(34)	-	(146)
Gross value	(154)	(1,314)	-	(1,469)
Acc. Depr.	43	1,280	-	1,323
Depreciation	(2,189)	(1,022)	(46)	(3,257)
Total changes	**(1,508)**	**(199)**	**(46)**	**(1,753)**
Historical cost	28,977	8,227	367	37,571
Accumulated depreciation	(10,612)	(4,293)	(161)	(15,066)
Balance as at 30.06.2021	**18,365**	**3,934**	**206**	**22,505**

13. Intangible assets

Following the introduction of IFRIC 12, intangible assets include also those fixed assets related to gas distribution concessions. The breakdown of, and changes in, intangible assets for the years 2019, 2020 and 2021 are reported below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets r construction and adva	Fixed assets under construction and advances	Other intangible fixed assets	Goodwill	Total
Historical cost	95,668	6,878,695	43,697	4,889	144,102	268,709	**7,435,759**
Accumulated amortisation	(92,855)	(3,467,821)	-	-	(113,062)	(1,214)	**(3,674,952)**
Balance as at 31.12.2019	**2,813**	**3,410,873**	**43,697**	**4,889**	**31,041**	**267,496**	**3,760,807**
Contribution from change in the scope of consolidation:	0	9,009	10,143	-	304	1,735	**21,191**
Gross value	10	17,419	10,143	-	446	1,735	**29,754**
Acc. Amort.	(10)	(8,411)	-	-	(142)	-	**(8,563)**
Increases (including Fixed assets classified as assets available for sale)	472	267,985	28,558	1,612	10,497	-	**309,125**
Commissioning	-	41,810	(41,810)	(4,435)	4,435	-	**-**
Gross value	-	41,810	(41,810)	(4,435)	4,435	-	**-**
Acc. Amort.	-	-	-	-	-	-	**-**
Decreases	-	(21,719)	(987)	-	-	-	**(22,706)**
Gross value	(5)	(65,496)	(987)	-	-	-	**(66,489)**
Acc. Amort.	5	43,777	-	-	-	-	**43,782**
Reclassifications	-	102	-	(80)	-	-	**22**
Gross value	-	1,680	-	(80)	-	-	**1,600**
Acc. Amort.	-	(1,578)	-	-	-	-	**(1,578)**
Impairment losses	-	(4)	(19)	-	-	(134)	**(156)**
Gross value	-	(12)	(19)	-	-	(134)	**(165)**
Acc. Amort.	-	8	-	-	-	-	**8**
Fixed assets classified as assets available for sale	-	(2)	(1)	-	-	-	**(3)**
Gross value	-	(2)	(1)	-	-	-	**(3)**
Acc. Amort.	-	-	-	-	-	-	**-**
Amortisation	(1,721)	(173,875)	-	-	(12,548)	-	**(188,144)**
Total changes	**(1,249)**	**123,307**	**(4,116)**	**(2,903)**	**2,688**	**1,601**	**119,328**
Historical cost	96,145	7,142,080	39,580	1,986	159,480	270,311	**7,709,582**
Accumulated amortisation	(94,581)	(3,607,900)	-	-	(125,752)	(1,214)	**(3,829,446)**
Balance as at 31.12.2020	**1,564**	**3,534,180**	**39,580**	**1,986**	**33,729**	**269,097**	**3,880,136**
Contribution from change in the scope of consolidation:	-	118,725	-	-	786	36,156	**155,667**
Deferred income for connection fees	14	208,174	-	-	3,882	36,156	**248,226**
Acc. Amort.	(14)	(89,449)	-	-	(3,096)	-	**(92,559)**
Increases (including Fixed assets classified as assets available for sale)	2,679	123,117	42,797	2,255	4,851	-	**175,698**
Commissioning	-	16,463	(16,463)	(1,407)	1,407	-	**-**
Gross value	-	16,463	(16,463)	(1,407)	1,407	-	**-**
Acc. Amort.	-	-	-	-	-	-	**-**
Decreases	-	(17,369)	-	-	-	-	**(17,369)**
Gross value	-	(35,940)	-	-	-	-	**(35,940)**
Acc. Amort.	-	18,571	-	-	-	-	**18,571**
Impairment losses	-	(459)	-	-	-	-	**(459)**
Gross value	-	(459)	-	-	-	-	**(459)**
Acc. Amort.	-	-	-	-	-	-	**-**
Fixed assets classified as assets available for sale	-	(7,845)	(58)	-	-	-	**(7,902)**
Gross value	-	Payables	(58)	-	-	-	**(18,265)**
Acc. Amort.	-	10,363	-	-	-	-	**10,363.32**
Amortisation	(579)	(88,362)	-	-	(6,474)	-	**(95,415)**
Total changes	**2,100**	**144,270**	**26,276**	**847**	**570**	**36,156**	**210,219**
Historical cost	98,837	7,435,227	65,856	2,833	169,621	306,467	**8,078,841**
Accumulated amortisation	(95,174)	(3,756,777)	-	-	(135,322)	(1,214)	**(3,988,486)**
Balance at 30.06.2021	**3,664**	**3,678,450**	**65,856**	**2,833**	**34,299**	**305,253**	**4,090,355**

Intangible assets increased by 210,219 thousand euro compared to 31 December 2020. This was due to the net balance of the contribution from change in the scope of consolidation (155,667 thousand euro), new investments (175,698 thousand euro), decreases and impairment losses (17,828 thousand euro), restatements to assets available for sale (7,902 thousand euro) and amortisation (95,415 thousand euro).

"Concessions, licenses, trademarks and similar rights", broken down into fixed assets and fixed assets under construction, showed a net increase totalling 284,638 thousand euro in the period (118,725 thousand euro from the acquisition of IDG S.p.A. and the ensuing change in the scope of consolidation), of which 42,797 thousand euro relating to fixed assets under construction. In general, this item refers to the recognition of the Group's rights over fixed assets as concession operator and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions.

The amortisation of concession costs was calculated using a straight-line method and based on the estimated realisable value at the end of the concession, which was recently revised to align the realisable value with the revised useful lives of conventional meters.

The Group determined the terms of the concessions using the same criteria adopted in the previous year.

At the end of the period, "Fixed assets under construction and advances" totalled 2,833 thousand euro. Increases in the first half totalled 2,255 thousand euro, which add to 1,407 thousand euro relating to commissioning.

"Other intangible assets", amounting to 34,299 thousand euro, relate to software used. The increase was mainly due to the acquisition of new SAP licenses, while amortisation for the period stood at 6,474 thousand euro.

"Goodwill" totalled 305,253 thousand euro and related to the deficit arising from the consolidation or merger by incorporation of previously controlled companies.
This item increased in the first half of the year due to the acquisition of IDG S.p.A., and its recognition was subject to the consent of the Board of Statutory Auditors.

Goodwill was tested for impairment as at 31 December 2020.
Up to the reporting date, no impairment indicators were identified. As a result, the Company will test goodwill for impairment as at 31 December 2021.

14. Deferred tax assets and deferred tax liabilities

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

Deferred tax assets totalled 256,238 thousand euro (246,984 thousand euro as at 31 December 2020), while deferred tax liabilities totalled 121,900 thousand euro (113,779 thousand euro as at 31 December 2020).

Deferred tax assets and liabilities as at 30 June 2021 were determined using the tax rates in force: 24% for IRES and 4.56% for IRAP.

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

Thousands of euro	Balance as at 31.12.2020	Adjustments to UNICO	Contribution from acquisition	Capital contributions from extraordinary operations during the year	Total	Increases recognised in		Decreases recognised in		Other changes in		Other reclassifications	Reclassifications (if any) under the item Available for sale	Adjustments (if any) under the item Available for sale	Balance as at 30.06.2021
						income statement	Equity	income statement	Equity	income statement	Equity				
Deferred income tax assets:															
allocation to provisions for risks and charges, deferred deductibility	**20,560**	-	161	-	20,721	3,965	-	(5,119)	-	4	-	-	-	-	**19,572**
allocation to provisions for incentives to leave and stock options	**268**	-	-	-	268	-	-	(21)	-	(0)	-	-	-	-	**247**
allocation to provisions for disputes	**3,205**	-	49	-	3,253	314	-	(424)	-	(2)	-	-	-	-	**3,141**
allocation to provisions for inventory obsolescence	**3,274**	-	-	-	3,274	113	-	(72)	-	(1)	-	-	-	-	**3,314**
impairment losses with deferred deductibility (impairment of receivables)	**1,994**	-	148	-	2,142	0	-	(179)	-	-	-	-	-	-	**1,963**
impairment losses with deferred deductibility (impairment of plants)	**1,900**	-	-	-	1,900	-	-	-	-	(0)	-	-	-	-	**1,899**
depreciation and amortisation of tangible and intangible assets with deferred deductibility	**121,622**	(1,234)	5,697	-	126,085	5,420	-	(1,993)	-	(1)	-	-	(583)	-	**128,928**
separation of land-buildings and component analysis	**114**	-	-	-	114	-	-	-	-	(0)	-	-	-	-	**114**
start-up costs	**2,225**	-	-	-	2,225	-	-	-	-	(0)	-	-	-	-	**2,225**
post-employment and other employee benefits	**4,256**	-	77	-	4,333	658	-	(429)	-	(1)	-	-	-	-	**4,562**
cash deductible taxes and duties	**(0)**	-	-	-	(0)	9	-	-	-	-	-	-	-	-	**9**
proceeds subject to deferred taxation (connection fees)	**34,032**	-	-	-	34,032	-	-	(432)	-	(4)	-	(2,432)	(38)	-	**31,126**
deferred deductibility charges	**15,208**	-	1	-	15,209	-	-	(788)	-	(2)	-	-	-	-	**14,419**
goodwill	**26,506**	-	-	-	26,506	15,362	-	(3,625)	-	(4)	-	-	-	-	**38,239**
post-employment and other employee benefits - Italian Accounting Body (OCI)	**2,429**	-	48	-	2,478	6	-	(0)	(57)	-	(0)	-	-	-	**2,426**
derivative financial instruments (in case of a net negative change in the relevant equity reserve)	**9,296**	-	-	-	9,296	-	-	(0)	(5,342)	-	-	-	-	-	**3,954**
for losses recoverable in future years	**1**	-	-	-	1	-	-	-	-	-	-	-	-	-	**1**
other consolidation adjustments	**95**	-	-	-	95	5	-	(1)	-	-	-	-	-	-	**98.825**
Total	**246,984**	**(1,234)**	**6,182**	**-**	**251,931**	**25,852**	**-**	**(13,083)**	**(5,399)**	**(10) -**	**0**	**(2,432)**	**(622)**	**-**	**256,238**
Deferred income tax liabilities:															
differences on tangible and intangible assets – additional depreciation and amortisation	**19,839**	72	4,982	-	24,893	110	-	(398)	-	(0)	-	-	-	-	**24,605**
differences on intangible assets – goodwill	**5,195**	-	-	-	5,195	-	-	-	-	(0)	-	-	-	-	**5,195**
separation of land-buildings and component analysis	**3,826**	-	-	-	3,826	-	-	-	-	(1)	-	-	-	-	**3,825**
allocation to assets of costs relating to company mergers	**33,667**	-	-	-	33,667	-	-	(1,059)	-	(6)	-	-	(151)	-	**32,451**
non-accounting deductions relating to impairment of equity investments, receivables and licenses	**-**	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
post-employment and other employee benefits	**1,114**	-	-	-	1,114	-	-	-	-	-	(0)	-	-	-	**1,114**
proceeds subject to deferred taxation	**5,250**	-	-	-	5,250	295	-	-	-	(0)	-	(2,432)	(4)	-	**3,110**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	**2,359**	-	-	-	2,359	-	-	-	(147)	-	-	-	-	-	**2,212**
Other	**1,135**	-	14	-	1,149	16	-	(103)	-	(0)	-	-	-	-	**1,062**
ASEM - Italian Accounting Body (OCI)	**124**	-	-	-	124	-	3	-	-	-	(0)	-	-	-	**128**
recognition of deferred taxes due to merger	**40,539**	-	-	731	41,270	304	-	(1,132)	-	(17)	-	-	-	-	**40,425**
other consolidation adjustments	**731**	-	7,839	(731)	7,839	-	-	(66)	-	-	-	-	-	-	**7,773**
5% dividends received allocated to future years on an accruals basis	**0**	-	-	-	0	-	-	-	-	-	-	-	-	-	**0**
Total	**113,779**	**72**	**12,836**	**-**	**126,687**	**725**	**3**	**(2,758)**	**(147)**	**(24)**	**(0)**	**(2,432)**	**(155)**	**-**	**121,900**
Net deferred tax assets	**133,205**	**(1,306)**	**(6,654)**	**-**	**125,245**	**25,126**	**(3)**	**(10,325)**	**(5,252)**	**14**	**(0)**	**-**	**(467)**	**-**	**134,338**

15. Equity investments

The following table shows the changes for each equity investment during the period, as well as the corresponding opening and closing amounts, and the list of equity investments in associates and other companies.

Thousands of euro	Carrying amount	% ownership	Contribution from change in the scope of consolidation	Increases for the period	Disposals	Other increases	Other decreases	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	As at 31.12.2020				**Changes in 2021**				**As at 30.06.2021**		
Associates											
Equity Method											
Melegnano Energia Ambiente SpA	3,302	**40.00%**				130		3,220	981	3,432	**40.00%**
2i Servizi Energetici Srl	182	**60.00%**		-			(40)	6		142	**60.00%**
Other companies											
Valuation at cost											
Interporto di Rovigo S.p.A.	42	**0.30%**						42		42	**0.30%**
Fingranda S.p.A. in Liquidazione	26	**0.58%**						26		26	**0.58%**
Agenzia di Pollenzo S.p.A.	33	**0.27%**						33		33	**0.27%**
Industria e Università S.r.l.	11	**0.09%**						11		11	**0.09%**
Terme di Offida SpA	1	**0.19%**						1		1	**0.19%**
Banca Popolare Pugliese	11	**0.00%**								11	**0.00%**
Immobiliare Cestia srl			0							0	**0.05%**
TOTAL EQUITY INVESTMENTS	**3,608**		**0**	**-**	**-**	**130**	**(40)**	**3,338**	**981**	**3,698**	

The following tables show the list of equity investments in the Group's investees at 30 June 2021:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income.loss in previous year (euro)	End of the reporting period	% ownership	Consolidated carrying amount (euro)
Melegnano Energie Ambiente SpA	Melegnano (province of Milan)	4,800,000	8,580,430	4,821,062	325,071	31.12.2020	40%	3,432,172
2i Servizi Energetici Srl	Milan	10,000	237,294	31,431	(66,662)	30.06.2021 (1)	60%	142,376

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income.loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	5,836,159	5,915,850	1,895,348	213,780	31.12.2020	0.30%	41,634
Fingranda S.p.A. in Liquidazione	Cuneo	2,662,507	1,204,377	4	(52,486)	31.12.2020	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (province of Cuneo)	23,079,108	22,758,635	742,123	7,579	31.12.2020	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,091,705	78	(28,838)	31.12.2020	0.09%	10,989
Terme di Offida Spa	Offida (province of Ascoli Piceno)	141,384	(60,134)	168,248	(76,256)	31.12.2020	0.19%	548
Banca Popolare Pugliese	Parabita (province of Lecce)	184,195,275	335,041,216	121,370,267	8,028,246	31.12.2020	0.01%	11,127
Immobiliare Cestia srl	Rome	50,000	1,704,674	557,319	5,820	31.08.2020	0.05%	0

(1) Accounting statement as at the reporting date

16. Non-current financial assets

The item, equal to 680 thousand euro, mainly includes the prepayment of transaction costs incurred to obtain credit lines that were granted but had still not been used as at 30 June 2021.

17. Other non-current assets

This item increased by 157 thousand euro compared to 31 December 2020.

Guarantee deposits totalled 3,704 thousand euro and referred to receivables for work to be performed on distribution plants as well as from user contracts. The amount increased mainly due to the inclusion of the new company in the scope of consolidation.

The 560 thousand euro receivable for grants to be received was attributable to the recognition of the medium/long-term portion of receivables for grants related to plants to be received: this item was unchanged during the period.

"Tax receivables reimbursements applied for", totalling 306 thousand euro, refer to the refund claimed pursuant to article 6 of Italian Law Decree 185/2008 (Deduction of IRES from the IRAP portion for labour costs and interest expense).

Sundry non-current assets totalled 15,800 thousand euro (15,303 thousand euro as at 31 December 2020) and largely referred to fees paid in advance to contracting authorities in preparation of ATEM tenders (12,235 thousand euro).

The same line item included also 1,797 thousand euro in receivables due from Municipalities for plants sold at the end of the concession arrangement and that are the subject of ongoing disputes concerning the final calculation of the compensation, as well as the balance of long-term CSEA receivables concerning the recovery of the losses incurred in replacing conventional meters with electronic ones (34,167 thousand euro).

Current assets

18. Inventories

Closing inventories of raw materials in the reporting period stood at 21,892 thousand euro and rose by 3,584 thousand euro compared to 31 December 2020.
Specifically, closing inventories of raw and ancillary materials and consumables mainly consist of materials for the construction and maintenance of gas distribution plants. The item included the 646 thousand euro obsolescence allowance set aside to take into account the inventories that are unlikely to be used in the future.
The Company uses the weighted average cost method.

19. Trade receivables

Trade receivables were down 110,452 thousand euro overall compared to 31 December 2020 due to ordinary seasonal factors.
Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely include receivables related to gas distribution operations.
This item is broken down as follows:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
Receivables from customers	127,734	238,949	(111,215)
- Bad debt provision	(8,121)	(8,076)	(45)
Receivables for returns under warranty	5,495	4,686	809
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**124,461**	**234,913**	**(110,452)**

Here below is the breakdown of the changes in the provision for doubtful debts.

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
Opening balance	**8,076**	**8,323**	**(247)**
Contribution from change in the scope of consolidation	377		377
Allocations	282	942	(660)
Releases	(392)	(778)	386
Uses	(222)	(410)	189
Closing balance	**8,121**	**8,076**	**45**

The Group operated exclusively in Italy.

20. Short-term financial receivables

Short-term financial receivables, totalling 50,232 thousand euro, are almost entirely financial receivables from Gestore dei Mercati Elettrici (GME).
Receivables from GME stood at 49,452 thousand euro and referred to the liquidity deposited with GME in order to trade on the exchange for Energy Efficiency Certificates.

21. Other current financial assets

Other current financial assets, standing at 19 thousand euro, consisted of accrued income on interest-bearing bank deposits.

22. Cash and cash equivalents

Cash and cash equivalents stood at 455,301 thousand euro, showing an increase of 268,310 thousand euro. Operations during the first half of the year ensured positive cash flows, while a financing operation through the issue of the new tranche of the debenture loan contributed to growth, net of the distribution of the dividend (125,019 thousand euro) and the purchase of the equity interest in IDG S.p.A. (105 thousand euro).
Bank deposits amounted to 454,027 thousand euro, while postal and cash deposits amounted to 1,274 thousand euro.

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

23. Income tax receivables

Income tax receivables, standing at 3,433 thousand euro, mainly refer to receivables for IRES corporation tax due from the tax authorities relating to the excess payments on account made relating to the additional Robin Hood Tax and further payments on account made and for IRES corporation tax requested for reimbursement directly by the Group, mainly due to the non-deduction of staff and similar costs (under former Law Decree 201/2011).
Compared to the previous year, they decreased by 5.579 thousand euro.

24. Other current assets

Other current assets rose 39,651 thousand euro compared to 31 December 2020; this increase, due to the seasonal nature of some items, is mainly the result of:

- A fall in receivables for VAT totalling 18,104 thousand euro due to normal use;
- A 51,825 thousand euro increase in receivables due from the Compensation Fund. This was largely attributable to the increase in receivables for the energy saving goals achieved with reference to the Energy Efficiency

Certificates purchased. The item is correlated with the payables due to the Compensation Fund reported in note 40 "Other current liabilities";

- Prepaid expenses for insurance premiums decreased by 90 thousand euro, while other prepaid expenses increased by 5,332 thousand euro due to both prepaid concession fees paid to municipalities and the prepaid portion of the new Single Property Tax.

This item is broken down as follows:

Thousands of euro	30.06.2021	31.12.2020	2021 - 2020
Other tax receivables:			
VAT receivables reimbursements applied for	10,837	9,337	1,500
Receivables due from tax authorities for VAT	2,976	21,080	(18,104)
Other tax receivables	1	5	(4)
Other receivables:			
from social security and insurance agencies	1,360	493	867
receivables for plant contributions	1,754	1,791	(37)
from CSEA	220,828	169,003	51,825
Receivables from third parties for tender / concession expiration	2,170	2,410	(240)
from municipalities	258	246	13
from suppliers	2,502	3,290	(789)
Other receivables	1,964	2,550	(586)
Provision for other doubtful debts	(2,647)	(2,647)	(0)
Accrued income	18	45	(27)
Deferred charges for other multi-year fees	17	18	(1)
Deferred charges for property lease fees	445	445	0
Deferred charges for promotional expenses	15	20	(5)
Deferred charges for insurance premiums	964	1,054	(90)
Other deferred charges	7,730	2,398	5,332
Total	**251,191**	**211,540**	**39,651**

25. Assets held for sale

During the year, the assets relating to the Cinisello Balsamo concession, which are due to be handed over to the company that won the Milan 1 ATEM tender in the early months of 2022, were classified as assets held for sale. The assets valued totalled 8,575 thousand euro.

Liabilities

Equity

26. Equity

Equity totalled 1,029,153 thousand euro, down by 11,672 thousand euro, due to:

- A decline due to the ordinary dividend payout totalling 125,019 thousand euro;
- An increase in IAS reserves following measurement of the derivative instrument totalling 16,450 thousand euro;
- An increase in the profit for the period totalling 96,456 thousand euro.

Share capital

The share capital as at 30 June 2021 totalled 3,639 thousand euro and was entirely subscribed and paid up; this item did not show any changes during the period.

Share premium reserves

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

Legal reserve

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

Reserve for the measurement of derivatives

The reserve for the measurement of derivatives includes the measurement of a hedging derivative with a notional amount of 500 million euro. During the period, it increased by 16,450 thousand euro due to the measurement at fair value of the hedging derivative in place on the debenture loan issued.

Other reserves

Other reserves were up 449 thousand euro from the previous year, as the Group recognised a change in IAS reserves after reviewing the value of its defined benefit obligations in accordance with IAS 19.

Retained earnings (accumulated losses)

Retained earnings and accumulated losses rose 58,450 thousand euro from the previous year, as a result of the allocation of the previous year's result net of distributions.

Net income for the year

The Group's result for the first half of 2021, totalling 96,456 thousand euro, showed an increase of 17,089 thousand euro compared to the result for the same period of

2020, due to the higher tariff revenue restriction for the year and extraordinary items relating to the realignment started in the period under review.

Non-current liabilities

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

The item refers to the four instalments of the long-term debenture loan the company issued as part of the overhaul of its financial structure, as well as outstanding bank loans totalling 497,727 thousand euro.
The EIB loans have some covenants that the Company must meet every six months to continue using the credit lines. The covenants concern the following indicators: Total net financial debt, RAB (Regulatory Asset Base), EBITDA, and Net Financial Expenses.
As at 30 June 2021, the Company met all covenants.
The table below shows long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro	Balance		Notional value		Interest rate	Actual
	30.06.2021	31.12.2020	30.06.2021	31.12.2020	in force	interest rate
Fixed rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed rate debt	100,000	100,000	100,000	100,000	0.25%	0.25%
Fixed rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating rate debt	154,545	163,636	154,545	163,636	Eur+0.59%	0.07%
Debenture loan expiring 2024	600,000	600,000	600,000	600,000	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000		500,000		0.58%	0.64%
Costs linked to loans (long term)	(10,915)	(9,215)				
TOTAL LONG TERM	**3,233,630**	**2,744,422**	**3,244,545**	**2,753,636**		
Floating rate debt	18,182	18,182	18,182	18,182	Eur+0.59%	0.07%
Other bank payables	15	-	15	-		
non-bank short-term payables due to third parties	-	36,427	-	36,427		
TOTAL SHORT TERM	**18,197**	**54,609**	**18,197**	**54,609**		

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

Thousands of euro	Notional as at 30.06.2021	Notional as at 31.12.2020	1 year	2 - 5 years	Beyond 5 years
Short and medium/long-term bank loans and debenture loans					
Financing - Medium/long-term Capex Line	479,545	488,636	-	172,727	306,818
Financing - Short-term Capex Line	18,182	18,182	18,182	-	-
Medium/long-term debenture loans	2,765,000	2,265,000	-	1,100,000	1,665,000
Debenture loans due within next year	-	-	-	-	-
Other non-interest-bearing short-term financial payables	-	36,427	-	-	-
Other payables	15	-	15		
Total	**3,262,743**	**2,808,245**	**18,197**	**1,272,727**	**1,971,818**

The debenture loan regulation, issued for a market of institutional investors, does not provide for covenants.
Alongside these loans, one additional bank credit line is available to the extent of 200 million euro, which was not used at the reporting date.

28. Post-employment and other employee benefits

The Group provides employees with various types of benefits, including post-employment benefits, health benefits, compensation due in lieu of notice of dismissal (*Indennità Sostitutive del Preavviso* - ISP) and compensation due in lieu of energy discount (*Indennità Sostitutive Sconto Energia*).

The item includes provisions for post-employment defined benefit plans and other long-term employee benefits required by law or contract.

Pursuant to IAS 19, these "defined benefit obligations" were determined using the "Projected Unit Credit Method", which requires to calculate the liability in proportion to the service already rendered at the reporting date, and not the service that could presumably be rendered overall.

Here below are comments on the main items making up the aggregate, which as at 30 June 2021 totalled 39,321 thousand euro.

Post-employment benefits

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, measured as a portion for each year of service of their gross annual compensation divided by 13.5.
Following the approval of Italian Law No. 296 of 27 December 2006 (the 2007 budget law) and subsequent decrees and enabling legislation, only the portions of post-employment benefits held with the Company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the Treasury Fund at INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Health benefits

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

Fondo Gas

Law Decree 78/2015, combined with Law 78/2015 (Official Journal 14 August 2015), ordered the elimination of "Fondo Gas" (gas fund) effective 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as Contribution to the former Fondo Gas). The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.

The balance of the fund, which amounts to 8,167 thousand euro, is the best estimate at the time of the preparation of these financial statements of the liability arising from this law.

29. Provisions for risks and charges

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

Provisions for risks and charges (considering both the short-term and the medium-/long-term portion) increased by 3,844 thousand euro overall compared to 31 December 2020.

The table below shows the total provisions for risks and charges (both the short-term and the medium-/long-term portion). The short-term portion is disclosed separately.

Thousands of euro	31.12.2020	Of which current portion	Of which non-current portion	Contribution from change in the scope of consolidation	Allocations	Releases	Uses	30.06.2021	Of which current portion	Of which non-current portion
Provisions for litigation and disputes	5,589	-	5,589	173	715	(846)	(638)	4,993	-	4,993
Provision for taxes and duties	1,591	-	1,591	-	26	-	(7)	1,610	-	1,610
Provisions for disputes with personnel	100	-	100	-	-	-	-	100	-	100
Provision for future charges	75	-	75	-	-	-	-	75	-	75
Provision for disputes on concessions	27,282	27,282	-	-	4,013	(19)	(231)	31,045	31,045	-
Other provisions for risks and charges	50,094	50,094	-	1,093	10,024	(3,032)	(15,042)	43,138	43,138	-
Total	**84,732**	**77,377**	**7,355**	**1,266**	**14,778**	**(3,897)**	**(15,918)**	**80,961**	**74,183**	**6,778**
Provisions for charges pertaining to leave incentives	1,115	1,115	-	-	-	-	(74)	1,041	1,041	-
Total	**85,847**	**78,492**	**7,355**	**1,266**	**14,778**	**(3,897)**	**(15,992)**	**82,003**	**75,224**	**6,778**

The provisions for risks and charges stood at 82,003 thousand euro (short-term portion: 75,224 thousand euro) and were broken down as follows:

- "Provision for litigation and disputes" addresses, to the extent of 4,993 thousand euro, the liabilities deriving mainly from some ongoing legal disputes for potentially damaging events. In the period under review, it fell by 595 thousand euro due to the contribution to the scope of consolidation and further provisions for lawsuits (888 thousand euro), offset by uses and releases totalling 1,484 thousand euro;
- "Provision for taxes and duties", standing at 1,610 thousand euro, referred mainly to ongoing litigation or disputes concerning local taxes;
- "Provision for disputes with personnel", amounting to 100 thousand euro, covers expected charges arising from disputes with personnel of a company acquired in previous financial years. The Company did not consider it necessary to change this item in these financial statements;
- "Provision for future charges", amounting to 75 thousand euro;
- "Provision for disputes on concessions", totalling 31,045 thousand euro, rose by 4,013 thousand euro following adjustments to the risk relating to a review of the agreed concession fees and related disputes with the municipalities. During the period under review, this provision was used to the extent of 231 thousand euro;
- "Other provisions for risks and charges", totalling 43,138 thousand euro, mainly cover the costs that could potentially arise from the need for maintenance or replacement of meters not fully compliant with corporate standards, the risk that the contribution to derecognise energy efficiency certificates does not cover the cost to purchase such certificates in order to comply with regulatory obligations, and other operational risks;
- "Provision for charges pertaining to incentives to leave", totalling 1,041 thousand euro, addresses possible liabilities that may arise from agreements already finalised or being negotiated concerning early retirement incentives. The Group used 74 thousand euro of this provision during the period.

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

30. Non-current financial liabilities

This item reflects the negative fair value of outstanding derivatives, totalling 16,496 thousand euro. Compared to the previous period, the rise in interest rates in the half-year caused a decrease in liabilities to the extent of 22,257 thousand euro.

31. Non-current IFRS 16 financial liabilities

This item consists of the long-term portion of the financial liability arising from the recognition of rental and lease costs in accordance with IFRS 16. To view the overall impact of the related payable, it is necessary to add to the value of the item also that of "Current IFRS 16 financial liabilities". The balance as at 30 June 2021 was 17,082 thousand euro.

Here below is the time breakdown of the future cash flows which make up the financial liabilities under IFRS 16, for both the long-term and short term-portion. There is also a breakdown of the non-discounted contractual flows with the same time division.

Thousands of euro

		Present value of IFRS 16 cash flows 30.06.2021	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		17,082	-	12,309	4,774
	IFRS 16 Property			9,575	4,774
	IFRS 16 Vehicles			2,617	
	IFRS 16 ICT			117	
Current IFRS 16 financial liabilities		4,300	4,300	-	-
	IFRS 16 Property		2,860		
	IFRS 16 Vehicles		1,352		
	IFRS 16 ICT		88		
Total		21,382	4,300	12,309	4,774

32. Other non-current liabilities

This item increased by 459 thousand euro compared to the previous year. A breakdown is provided below:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
payables to social security and insurance agencies	2,137	2,137	-
other payables	961	361	600
Deferred income for plant contributions	44,090	44,948	(858)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	284,348	283,632	717
Total deferred income	**331,536**	**331,077**	**459**

Deferred income for grants related to plants fell as a result of the portion accrued during the period, while the 717 thousand euro increase in deferred income for connection fees was mostly attributable to the fees received during the year.

Current liabilities

33. Short-term loans

This item includes the balance of a temporary overdraft of 15 thousand euro.

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

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

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

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

36. Trade payables

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

This item decreased by 7,539 thousand euro compared to 31 December 2020.

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

37. Income tax payables

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

38. Current financial liabilities

Current financial liabilities referred to accrued interest expenses on the debenture and bank loan, which are due within 12 months. These liabilities rose as at 30 June 2021 as a result of the normal rolling effect caused by interest on the debenture loan becoming due.

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
Accrued liabilities for interest on short-term bank loans and bank expenses	41,541	16,363	25,178
Other current financial payables	767	703	64
Total	**42,308**	**17,066**	**25,242**

39. Current IFRS 16 financial liabilities

The item includes the short-term portion of the financial liabilities generated by the application of IFRS 16. The balance of this item (4,300 thousand euro) must be added to the medium and long-term portion, which has already been commented on in paragraph 31, in order to obtain a complete picture of the impact on financial debt caused by the accounting standard.

40. Other current liabilities

Other current liabilities increased in the period under review due to the normal interaction mechanism with the [Equalisation] Fund for Energy and Environmental Services (locally known as CSEA). Other current liabilities are set out below:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
other tax payables	4,160	3,869	290
payables to social security and pension agencies	12,223	10,446	1,778
other payables	198,673	174,054	24,620
accrued liabilities	4,467	4,105	362
deferred income	12,035	11,076	960
Total	**231,559**	**203,550**	**28,009**

Other tax payables are set out below:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
due to tax authorities for VAT	1,344	293	1,051
due to tax authorities for taxes withheld from employees	2,706	3,517	(812)
due to tax authorities for withholding taxes	110	59	51
other payables to tax authorities	0	0	0
Total	**4,160**	**3,869**	**290**

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

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
due to INPS	10,819	9,087	1,732
due to other agencies	1,405	1,359	46
Total	**12,223**	**10,446**	**1,778**

Other payables are set out below:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
Payables to employees	16,314	12,398	3,916
Payables to municipalities for rights and fees	122	305	(183)
Payables for connections, network extension and other payables to custom	5,949	2,586	3,363
Payables for security deposits and user advances	4,342	3,059	1,284
Payables to CSEA	164,342	148,812	15,530
Other payables	7,604	6,894	710
Total	**198,673**	**174,054**	**24,620**

Payables to CSEA, totalling 164,342 thousand euro, consist of amounts due in respect of items transiting through the mechanism of invoicing to trading companies, which are then transferred to the Equalisation Fund. The 15,530 thousand euro increase compared to 31 December 2020 was related to the seasonal pattern of invoicing in 2021, given the previously defined Tariff Revenue Cap.
Below is a breakdown of accrued expenses and deferred income:

Thousands of euro

	30.06.2021	31.12.2020	2021 - 2020
Accrued liabilities			
Additional monthly accrual for employees	3,448	3,255	193
Other accrued liabilities	1,019	850	169
Total accrued liabilities	**4,467**	**4,105**	**362**
Deferred income			
Deferred income for plant contributions	2,138	2,197	(59)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	8,899	8,865	34
Other deferred income	998	14	985
Total deferred income	**12,035**	**11,076**	**960**
Total accrued liabilities and deferred income	**16,502**	**15,181**	**1,321**

25. Liabilities held for sale

Liabilities held for sale in the first half of the year included liabilities attributable to the Cinisello Balsamo concession, which will be divested within the next 12 months following the award of the tender for the Milan 1 Atem to another distributor. As at the reporting date, these liabilities stood at 1,125 thousand euro.

IFRS 3 - Business combinations

Acquisition of IDG S.p.A.

On 30 April 2021, the parent company, 2i Rete Gas S.p.A., acquired 100% of the share capital of IDG S.p.A., a wholly-owned subsidiary of Edison S.p.A.
The acquisition was completed by paying a consideration, net of the subsequent price adjustment, totalling 104.9 million euro, to which was subsequently added the repayment of a 45.7 million euro loan outstanding between Edison S.p.A. and the acquired company.

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

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

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

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

The goodwill arising from the acquisition, which at present is not exempted from taxes, mainly refers to the development forecasts and the synergies expected from integration of the acquired company into the Group.
The fair value of the assets acquired and liabilities assumed was, in accordance with IFRS 3, established on a provisional basis at the reporting date. However, at present it is believed that no further updates will be necessary within the 12-month period following the acquisition.

Related party disclosures

Related parties are identified in accordance with international accounting standards.
The definition of related parties includes key management personnel —including the close members of their family — of the parent company as well as of the companies controlled directly and/or indirectly by it, jointly controlled entities, and those over which the parent company has significant influence. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the relevant Directors.

The dividends paid to related parties, totalling 125,019 thousand euro, refer to the distribution of the 2020 results to F2i - Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.), F2i - Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.), and Finavias S.à.r.l.

Pursuant to Section 2427(a) of the Italian Civil Code, financial and trade transactions between the Group and related parties are part of ordinary operations and have always been carried out at arm’s length.

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

Trade and other transactions

30 June 2021

	Trade		Trade	
Thousands of euro	Receivables	Payables	Costs	Revenue
F2i SGR S.p.A	-	18	38	-
MEA SPA	4	-	-	4
APG Infrastructure Pool 2017 II	-	10	10	-
Bonatti Spa	12	3,974	1,702	-
2i Servizi Energetici Srl	39	56	31	28
Key management personnel, including directors and statutory auditors	-	34	1,294	-
Total	**55**	**4,092**	**3,075**	**32**

31 December 2020

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

Financial transactions

30 June 2021

	Financial		Financial		
Thousands of euro	Receivables	Payables	Costs	Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)					79,887
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					10,136
Finavias S. à r.l.					34,922
MEA SPA				130	
2i Servizi Energetici Srl	796		40	27	
Key management personnel, including directors and statutory auditors					
Total	**796**	**-**	**40**	**157**	**124,945**

Equity investments in related parties include MEA S.p.A. (3,432 thousand euro) and 2i Servizi Energetici S.r.l. (142 thousand euro).

31 December 2020

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

41. Contractual commitments and guarantees

Guarantees provided to third parties totalled 156,191 thousand euro. These guarantees refer to bank guarantees (111,094 thousand euro) and insurance and other guarantees (45,097 thousand euro).
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
Moreover, pursuant to paragraph 22(b) of Section 2427 of the Italian Civil Code, it should be noted that the Company has not entered into any agreements that – if undisclosed in the financial statements – could have a significant impact on the Company's financial statements.

Operating segment reporting

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

Contingent liabilities and assets

Contingent liabilities

There were no contingent liabilities as at 30 June 2021.

Contingent assets

There were no contingent assets as at 30 June 2021.

Market, credit, liquidity, and interest rate risk

Credit risk

The 2i Rete Gas Group provides its distribution services to around 260 sales companies, the most significant of which is Enel Energia S.p.A.
In relation to invoiced volumes, no significant cases of non-compliance by the counterparties were found in the first half of 2021.

User access to the gas distribution service is governed by the Network Code, which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, credit lines to external counterparties are closely monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits, ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled 230,422 thousand euro.

Therefore, credit risk is mitigated.

A summary quantitative indication of the maximum exposure to credit risk is represented by the carrying amount of financial assets, gross of the relevant bad debt provision.
As at 30 June 2021, the Group's maximum exposure to credit risk amounted to 926.7 million euro:

Millions of euro

	30.06.2021	31.12.2020	2021 - 2020
Third parties:			
Non-current financial assets	0.7	0.7	(0.1)
Other non-current financial assets (gross of bad debt provis	56.4	56.2	0.2
Trade receivables (gross of bad debt provision)	133.2	243.6	(110.4)
Other current financial assets	50.3	1.8	48.4
Cash and cash equivalents	455.3	187.0	268.3
Other receivables (gross of bad debt provision)	230.8	179.8	51.1
Total	**926.7**	**669.2**	**257.5**

The increase was essentially due to the residual liquidity at 30 June 2021 following the issue of the last tranche of the 500 million euro debenture loan in January 2021.

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, the 2i Rete Gas Group is able to autonomously meet the financial requirements of its ordinary operations and ensure business continuity.
Besides the debenture loans issued, an undrawn credit line is available to the extent of 200 million euro, as well as two loans entered into with the European Investment Bank in 2015 and 2016 totalling 397.7 million euro (fully used as at 30 June 2021).
In order to properly disclose liquidity risk as required by IFRS 7, below are the details of the Company's debt.

The contractual maturities of the financial liabilities outstanding as at 30 June 2021 and, for comparative purposes, 31 December 2020, are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 30 June 2021			
Long-term loans	-	172.7	306.8
Medium/long-term debenture loans	-	1,100.0	1,665.0
Short-term debenture loans	-		
Short-term loans	0.0		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	16.5		
Other short-term financial liabilities	42.3		
Non-current IFRS 16 financial liabilities		12.3	4.8
Current IFRS 16 financial liabilities	4.3		
Total	**81.3**	**1,285.0**	**1,976.6**

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

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are subject to a periodical check on compliance with some financial parameters at a consolidated level.
As at 30 June 2021, such parameters were fully met.

The "Medium/long-term debenture loans" totalling 2,765 million euro refer to the aforementioned five debenture loan instalments issued by 2i Rete Gas and expiring between 2024 and 2031.
The Group's growth plan requires refinancing existing debt, but given the Company's strong performance, the rating obtained, and the ongoing compliance with the financial parameters established by the lending banks, currently the Group does not face any problems in obtaining such refinancing.
The Group constantly monitors opportunities to improve its financial structure.
To gain further insights into long-term loans, reference should be made to note 27 in these interim condensed consolidated financial statements.

Market risk

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

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

The Group had no derivatives held for trading or for speculative purposes.

In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and fair value. The company has no financial assets held to maturity, available for sale or held for trading.

		carrying amount						
Thousands of euro	**Notes**	**Measured at fair value**	**Derivatives**	**Receivables**	**Available for sale**	**Other financial liabilities and payables**	**Total**	**Fair value**
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			680			680	680
Other non-current assets	17			56,187	6		56,193	56,193
Trade receivables	19-25			124,461			124,461	124,461
Short-term financial receivables	20			50,232			50,232	50,232
Other current financial assets	21			19			19	19
Cash and cash equivalents	22			455,301			455,301	455,301
Other current assets	24			242,020	44		242,064	242,064
TOTAL ASSETS			-	**928,900**	**51**	-	**928,950**	**928,950**
Financial liabilities measured at fair value								
IRS Derivatives	38		16,496				16,496	16,496
Financial liabilities not measured at fair value								
Long-term loan	27					479,545	479,545	479,545
Medium/long-term debenture loans	27					2,754,085	2,754,085	2,936,001
Short-term debenture loans	33					-	-	-
Non-current IFRS 16 financial liabilities	31	17,082					17,082	17,082
Other non-current liabilities	32					961	961	961
Short-term loans	33-34					18,197	18,197	18,197
Trade payables	36-25					208,425	208,425	208,425
Current financial liabilities	38					41,541	41,541	41,541
Current IFRS 16 financial liabilities	39	4,300					4,300	4,300
Other current liabilities	40					219,523	219,523	219,523
TOTAL LIABILITIES		**21,382**	**16,496**	-	-	**3,722,278**	**3,760,156**	**3,942,073**

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

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

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

To determine the fair value of the bond, the Group relied on market valuations at the end of the reporting period.

Interest rate risk

The Company manages interest rate risk with the goal of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, notably interest rate swaps.
As at 30 June 2021, the debt structure was not subject to interest rate risk to the extent of 3,090 million euro out of 3,263 million euro reflected in the financial statements.

The Group had no derivatives held for trading or for speculative purposes.
During the year, the parent company entered into 5 forward start interest rate swap derivative contracts (with start date set in 3 years and expiry date set at 10 years after the start date) with as many leading banks. The purpose was to hedge against the risk of an increase in interest rates on the future issue of the debenture loan planned to refinance part of the existing loan reaching maturity in the coming years.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 30.06.2021	as at 31.12.2020	as at 30.06.2021	as at 31.12.2020	as at 30.06.2021	as at 31.12.2020	as at 30.06.2021	al 31.12.2020
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(16,496)	(38,753)	-	-	(16,496)	(38,753)
Total Interest Rate Derivatives	500,000	500,000	(16,496)	(38,753)	-	-	(16,496)	(38,753)

The contract expiry dates are shown below:

Thousands of euro	Notional		1 year	2 - 5 years	Beyond 5 years
	as at 30.06.2021	as at 31.12.2020			
Cash flow hedge derivatives					
Forward Start Interest Rate Swap	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

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

Thousands of euro	Notional		-0,10%	Fair value	+0,10%	-0,10%	Fair value	+0,10%
	as at 30.06.2021	as at 31.12.2020		as at 30.06.2021			as at 31.12.2020	
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	(21,840)	(16,496)	(11,441)	(44,678)	(38,753)	(33,659)
Total	500,000	500,000	(21,840)	(16,496)	(11,441)	(44,678)	(38,753)	(33,659)

Significant events after the reporting period

On 8 July, following a major weather event, part of the parent company's hardware housed at a third-party centre was damaged. Recovery operations, aided by the disaster recovery facility located in a different data centre, were carried out gradually, bringing the systems back to full operation in the following weeks. In the meantime, the parent company continued to operate and deliver its services to the community, as it was able to rely on systems that had not been affected by the adverse event and on the proactive attitude shown by all its resources.
Discussions are underway with both the company providing the hosting service and the insurance companies dealing with the assessment of the related damage.

The process of realigning the tax and statutory values of goodwill shown in the financial statements as at 31 December 2020 continued. On completion of the operation, which started in June, a further 45,9 million euro was realigned by payment of the relative substitute tax, with the realigned total standing at 99,7 million euro.

The procedure for the sale of a number of concessions in the Rome 4 area requested by the Italian Competition Authority following its favourable opinion on the acquisition of IDG S.p.A. was adjourned on 28 July, setting 30 September as the deadline for the submission of binding offers.

Direction and coordination

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

Corporate governance

The guidelines of the Group's corporate governance are described in the 231/2001 "Organisation, Management and Control Model" as well as in the "Code of Ethics". Both documents are available at the company's website.

XIV. Report of the Independent Auditors

2I RETE GAS SPA

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

REVIEW REPORT ON CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

To the board of directors of
2i Rete Gas SpA

Foreword

We have reviewed the accompanying condensed consolidated interim financial statements of 2i Rete Gas SpA and its subsidiaries (2i Rete Gas Group) as of and for the six-month period ended 30 June 2021, comprising the statement of financial position, the income statement, the statement of comprehensive income, the cash flow statement, the statement of changes in shareholders' equity and related notes. The directors of 2i Rete Gas SpA are responsible for the preparation of the condensed consolidated interim financial statements that give a true and fair view in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of 2i Rete Gas Group as of and for the six-month period ended 30 June 2021 are not prepared, in all material respects, in accordance with international accounting standard applicable to interim financial reporting (IAS34) as adopted by the European Union.

Milan, 29 September 2021

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

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