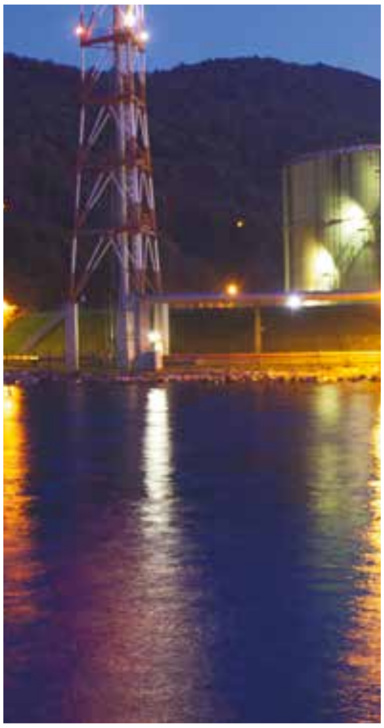
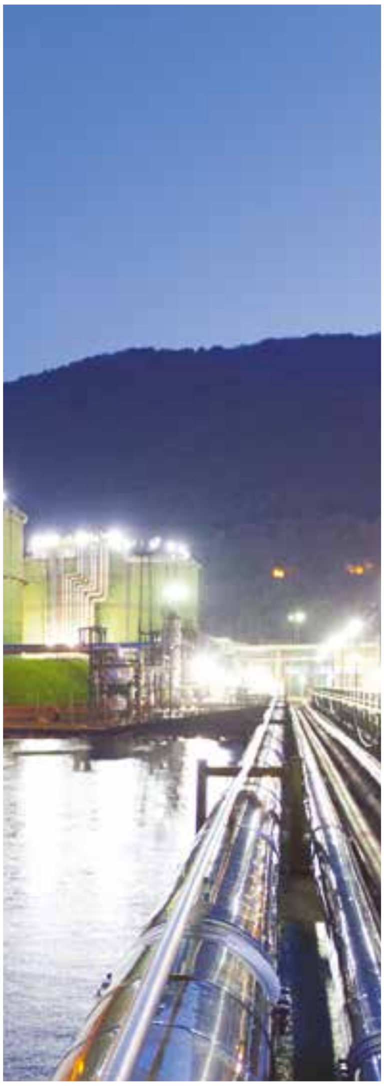
ANNUAL REPORT 2021





CDP Reti

SUMMARY

CORPORATE BODIES

BOARD OF DIRECTORS (*)

Giovanni Gorno Tempini	*Chairman*
Dario Scannapieco (**)	*Chief Executive Officer*
Sabrina Coletti	*Director*
Yanli Liu	*Director*
Qinjing Shen (***)	*Director*

BOARD OF STATUTORY AUDITORS (*)

Florinda Aliperta	*Chairman*
Paola Dinale	*Standing Auditor*
Paolo Sebastiani	*Standing Auditor*

Independent auditors (****) Deloitte & Touche S.p.A.

(*) Appointed by the Shareholders' Meeting of 20 January 2021 and in office up to the date of the Shareholders' Meeting called for the approval of the financial statements for the year ended 31 December 2023.

(**) Appointed by co-optation by the Board of Directors on 1 July 2021 to replace Fabrizio Palermo, who submitted his resignation on 7 June 2021. The Shareholders' Meeting held on 31 March 2022 renewed the appointment of Mr. Scannapieco as a member of the Board of Directors with term of office aligned with that of the other Directors in office. Furthermore, the Board of Directors, held on the same date, appointed Mr. Dario Scannapieco as Chief Executive Officer of the Company.

(***) Appointed by co-optation by the Board of Directors on 18 November 2021 to replace Yunpeng He, who submitted his resignation on 25 October 2021, effective from the date of his replacement. The Shareholders' Meeting held on 31 March 2022 renewed the appointment of Mr. Shen as a member of the Board of Directors with term of office aligned with that of the other Directors in office.

(****) Engagement granted by the Shareholders' Meeting of 10 May 2019 for the period 2020-2028. That Shareholders' Meeting also approved the mutually agreed termination of the auditing agreement between CDP RETI and PricewaterhouseCoopers S.p.A., in accordance with the agreement for the mutually agreed termination signed by the parties and with effect from the date of approving the financial statements at 31 December 2019.

1

REPORT ON OPERATIONS OF THE GROUP

1. PRESENTATION OF THE GROUP

1.1 ROLE AND MISSION OF THE GROUP

PARENT COMPANY

CDP RETI S.p.A. is an investment vehicle established in October 2012 and converted from an Italian law limited liability company into an Italian law joint-stock company in May 2014, whose shareholders are Cassa Depositi e Prestiti S.p.A. - CDP - (59.1%), State Grid Europe Limited - SGEL - (35%), a company within the State Grid Corporation of China group, and certain Italian institutional investors (5.9%, attributable to Cassa Nazionale di Previdenza e Assistenza Forense and 33 Foundations of banking origin). The Company is subject to management and coordination by CDP.

The share capital is 161,514.00 euro fully paid up and represented by 161,514 special shares (CDP: 95,458 category A shares, SGEL: 56,530 category B shares, Others: 9,526 category C shares), without indication of nominal value.

The corporate purpose of CDP RETI is the holding and ordinary and extraordinary management, directly and/or indirectly, of equity investments in SNAM (31.35% as of 31 December 2021), ITALGAS (26.02% as of 31 December 2021) and TERNA (29.85% as of 31 December 2021), with the Company acting as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

More specifically, in 2012 the Company, as a result of the provisions contained in the Italian Prime Minister's Decree ("DPCM") of 25 May 2012 which defined the procedures and terms for the ownership unbundling[1] of SNAM S.p.A. from ENI S.p.A. (aimed at making the market more open and thus creating the conditions for greater competition), acquired an equity investment in SNAM from ENI, representing 30% of the voting capital less one share, for 3.47 euro per share (overall purchase value of approximately 3.5 billion euro). As a result of the sale, SNAM is no longer subject to the control, management and coordination by ENI and operates under the ownership unbundling regime in accordance with the Italian Prime Minister's Decree of 25 May 2012.

Subsequently, on 27 October 2014, with the objective of pooling, within the assets of one party, the equity investments in the companies that manage infrastructural networks of strategic national interest, and within the context of opening the share capital of CDP RETI to third-party investors (SGEL and Italian institutional investors), CDP RETI was assigned the entire equity investment held by CDP in TERNA, representing 29.851% of the share capital. The assignment of this equity investment, acquired from ENEL S.p.A. in 2005, was carried out in accordance with the pooling of interest method, at the same carrying value (around 1.3 billion euro) at which it was entered on the CDP financial statements at 31 December 2013, enabling CDP RETI to assume the role of sub-holding of reference for the CDP Group as regards the energy infrastructure sector.

On 7 November 2016, following the partial and proportional Spin-off of the equity investment held by SNAM in ITALGAS and the admission to trading on the MTA (Italian Equities Market) of the ITALGAS shares[2] (Beneficiary Company), CDP RETI was assigned 202,898,297 ITALGAS shares, in proportion to those already held in SNAM on the effective date of the Spin-off. The assignment was one ITALGAS share for every five SNAM shares owned.

Lastly, on 19 May 2017, the sale of the equity investments in Snam S.p.A. (1.12%) and Italgas S.p.A. (0.97%) from CDP to CDP RETI was finalised. The overall sale price agreed was 187.6 million euro, of which 155.9 million euro for the 1.12% equity investment in Snam and 31.7 million euro for the 0.97% equity investment in Italgas.

[1] Separation between the owner of the natural gas production and/or supply activities and the owner and/or operator of the natural gas transport activities.

[2] Company incorporated on 1 June 2016 specifically to implement the Spin-off, at first as ITG Holding S.p.A. and then as ITALGAS S.p.A. on submission of the application for admission to listing of ordinary shares on the MTA. On the same date, the operating company ITALGAS S.p.A. took the name of Italgas Reti S.p.A..

DIRECT SUBSIDIARIES AND RELATED AREA OF CONSOLIDATION

The SNAM Group ("SNAM", Società Nazionale Metanodotti) monitors the regulated activities of the gas sector in Italy, where it manages, based on the latest information available, a national gas transport network of approximately 32,600 km of gas pipelines running at high and medium pressure (increasing to over 41,000 km if international investee companies are included), 9 storage fields and 1 regasification terminal. The regulation includes tariff systems to cover the costs incurred by the operator and fair remuneration of the capital invested.

In Italy, Snam oversees the transportation, dispatching and storage of natural gas and the regasification of liquefied natural gas (LNG). In relation to these three core businesses, Snam holds the leadership, at European level, in terms of the extension of the transmission network (over 41,000 km, including international activities) and in terms of natural gas storage capacity (approximately 20 billion cubic meters, including international activities). With regard to the regasification business, Snam is among the leading continental operators through the Panigaglia terminal and the shares in the Livorno (OLT) and Rovigo (Adriatic LNG) plants for Italy and Revithoussa (DESFA) for Greece, for an overall pro-rata regasification capacity of approximately 8.5 billion cubic meters per year. In addition to these three businesses that have been the hallmark of Snam's operations since its inception, the Company has begun to invest numerous and ever-increasing resources in new businesses: biomethane, energy efficiency, sustainable mobility and hydrogen. Thanks to these new business sectors, Snam contributes to the decarbonisation of the Italian system, building compressed natural gas (CNG and bio-CNG) and liquefied (LNG, bio-LNG and Small-Scale LNG - SSLNG) distributors and infrastructures for biomethane from organic waste and agricultural and agro-industrial waste, providing energy efficiency services to multi-occupancy buildings, public administration and industry and laying the foundations for the infrastructure in support of hydrogen.

In the European context, Snam stands out in terms of its agreements with major players in the sector and direct equity investments in the share capital of various companies. Furthermore, the Group exports its know-how by providing engineering and technical-operational services for other gas operators both in domestic and international markets.

Through its international affiliates, it operates in Albania (AGSCo), Austria (TAG, GCA), China (Snam Gas & Energy Services Beijing), United Arab Emirates (Adnoc Gas Pipelines), France (Terēga), Greece (DESFA), and the United Kingdom (Interconnector UK). Snam is also one of the main shareholders of TAP (Trans Adriatic Pipeline), the final section of the Southern Energy Corridor.

Through its subsidiary Snam Gas & Energy Services, based in Beijing, Snam oversees the development of the gas market in China, on the strength of its distinctive expertise in the sector.

As evidenced by the amendments made to the Articles of Association in February 2021, Snam is committed to fostering the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation and thus pursuing sustainable success.

SNAM has been listed on the Italian Stock Exchange since 2001.

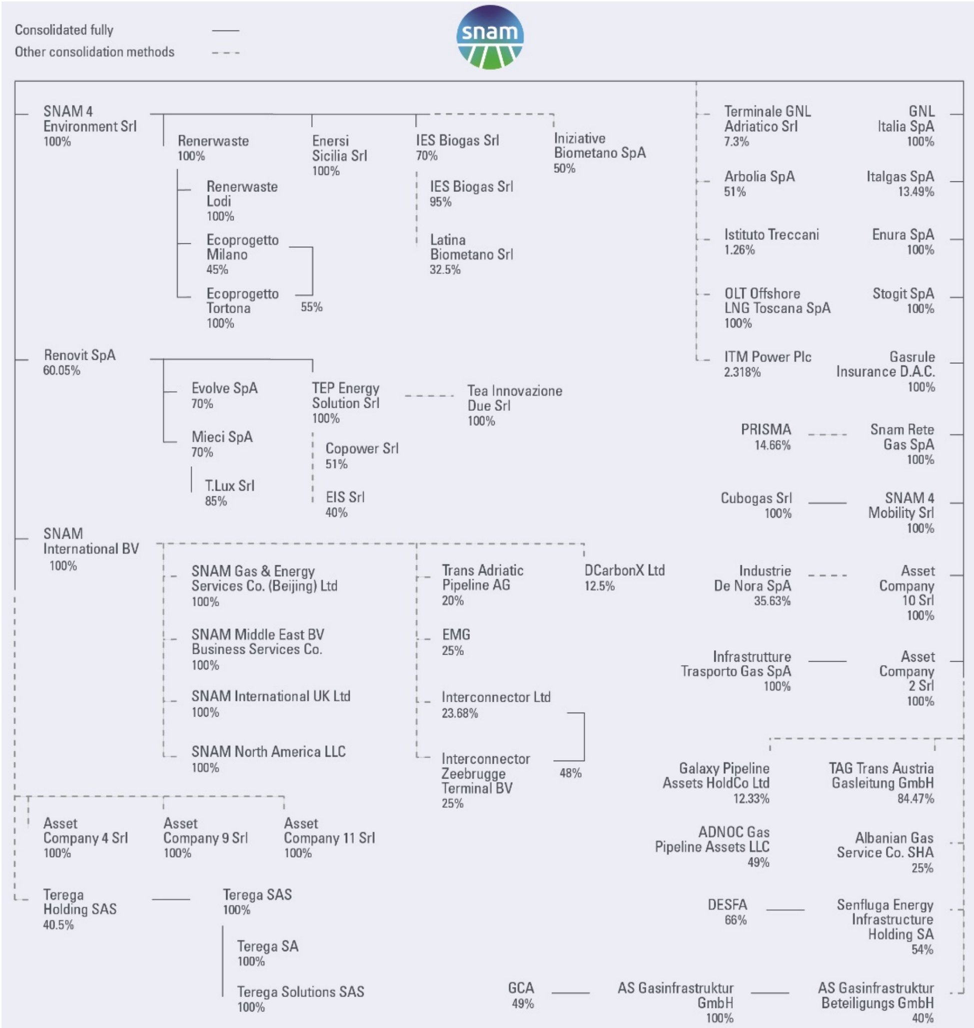
Below is a description of the main operating companies:

- *SNAM RETE GAS* and *INFRASTUTTURE TRASPORTO GAS* are the main Italian natural gas transport and dispatching operators in the country, having almost the entire transport infrastructure in Italy. The gas coming from abroad is introduced into the national network via entry points, interconnected with other countries, or LNG regasification terminals. Once imported or re-gasified, the gas is moved up to the local distribution networks, the re-delivery points of the regional network, or to large end customers, such as thermoelectric power plants or industrial production plants. Snam, through the subsidiary Snam Rete Gas, transports natural gas from import points, regasification plants and production and storage sites located in Italy, to delivery points linked to import lines, and transports and then delivers it to redelivery points connected to local distribution networks and to large industrial and thermoelectric users. The Company uses 13 compression plants for transport placed along the national pipeline network, and a management and control structure consisting of 8 Districts that oversee and monitor the activities of 48 Maintenance Centres throughout the country. In addition, the Dispatching Centre remotely monitors and controls the transport network and coordinates the compression plants. Thanks to an IT platform, the shippers (users which use the transport services) can sell and trade gas at a Virtual Trading Point (VTP) of the national network. In recent years, the existing transport network has been repurposed according to a Hydrogen-ready (H2-ready) approach to make it capable of transporting increasing percentages of hydrogen. The investments and modernisations carried out made Snam's network 99% H2-ready in 2021.
- *GNL ITALIA* owns the Panigaglia terminal (La Spezia), the first regasification plant built in Italy. The extraction process of natural gas from fields, its liquefaction for transport via tankers and the subsequent regasification for use by users, make up the so-called LNG chain. The process starts in the exporting country, where the natural gas is made liquid and subsequently loaded onto methane tankers for transport via sea to the LNG regasification terminal. At the regasification terminal, the LNG is unloaded and subsequently heated, bringing it back to the gaseous state, and introduced into the natural gas transport network.
- *STOGIT* is the leading storage operator in Italy and is among the leaders in Europe. The storage of natural gas, carried out in Italy under concession arrangements, seeks to offset the differing needs between gas supply and consumption (supply is actually substantially constant throughout the year, while demand for gas is affected by the seasons) and

ensure the availability of a quantity of strategic gas to compensate for any lack of or reduction in non-EU supply or a gas system crisis. The Group manages a total of 9 storage facilities that act in synergy with the other transport and regasification infrastructure of the Company, contributing to Italy's energy security. The storage system actually makes it possible to offset the differing needs between gas supply and consumption, guaranteeing service continuity during peak periods of gas demand (typically in winter) and gas storage (generally in the summer). Furthermore, storage ensure the availability of a quantity of strategic gas to compensate for possible interruptions or reductions in non-European supply, or to overcome temporary crises in the gas system. With a view to reaching the "Net Zero" targets, storage will also evolve towards a structure able to handle green gases, such as hydrogen and biomethane.

- *Biomethane* also makes more sustainable mobility possible: Snam4Mobility, a Snam subsidiary, develops the biomethane and natural gas mobility sector for heavy and light-duty vehicles and the construction of C/LNG (compressed and liquefied natural gas) and bio-C/LNG (bio- compressed and liquefied natural gas) stations as cleaner and more efficient alternatives to traditional *fuels*. The operations of Snam4Mobility and Snam4Environment will contribute to achieving the decarbonisation of transport across the country, encouraging renewable bio-mobility, which reduces or even eliminates CO2 emissions. Another sector of sustainable mobility in which Snam is investing is Small-Scale LNG (SSLNG) to promote liquefied natural gas for heavy-duty vehicles, as it is particularly suitable for heavy rail, sea and land transport, leading to a significant reduction in emissions. The projects and the promotion of initiatives related to biomethane and sustainable mobility are also carried out thanks to the cooperation with leading companies in the relevant sectors, from which Snam is internalising new skills.
- The *Hydrogen Business Unit (H2 BU)* focuses on developing projects to use hydrogen both in industrial applications and in the field of sustainable mobility, seizing the important prospects that this carrier will offer for achieving decarbonisation targets. Hydrogen does not emit carbon dioxide or other climate-changing gases, nor does it generate emissions that are harmful to humans or the environment. Its versatility allows it to be used both in industrial applications (heating, feedstock and fuel cells) and in sustainable mobility (trains, filling stations for light and heavy-duty vehicles, airports). Snam is active in the hydrogen market thanks to its participation in tenders such as IPCEI, Innovation Fund, Clean Hydrogen Joint Undertaking and Horizon Europe, the partnerships and agreements signed with leading companies in the sector, its participation in working groups to spread the use of green gas in Europe and ongoing research activities. About 100% of the Snam network is already H2-ready, meaning it can receive increasing percentages of hydrogen, and further studies are under way to promote its production, distribution and use.
- *Energy efficiency* - Identified as one of the three pillars of the European strategy Clean Energy for all Europeans, energy efficiency allows energy to be used more rationally, reducing consumption and, as a consequence, both energy and environmental costs. Therefore, energy efficiency is key to decarbonisation and supporting Italy's economic and social development. In three years, Snam has emerged as one of the main Italian operators in energy efficiency services for the residential sector, industry and public administration through its subsidiary Renovit, which became B-Corp at the beginning of 2022 and offers innovative energy efficiency solutions to its customers by directly investing in decarbonisation, digitisation and generation of distributed energy.

The area of consolidation of the SNAM group as at 31 December 2021 is as follows.



The changes in the area of consolidation of the Snam group as at 31 December 2021, compared to that at 31 December 2020, concerned the inclusion in the scope of consolidation of Asset Company 10 S.r.l., a sub-holding wholly owned by Snam S.p.A., which on 8 January 2021 acquired an equity investment in Industrie De Nora S.p.A. as associate. This very strategic partnership allows Snam to increase its exposure to the energy transition mega-trends, particularly for the production of green hydrogen and for water treatment, exploiting De Nora's leadership and technical skills in alkaline electrodes, key components for the production of alkaline electrolysers.

The main equity transactions concluded in 2021, which did not have any impact on the Group’s area of consolidation, mainly referred to:

- the change in the equity investment in Renovit, which went from 100% to 60.05%, mainly as a result of the entry, in January 2021, of CDP Equity with an equity investment equal to 30% of Renovit’s capital, with the aim of contributing to the development of energy efficiency for multi-occupancy buildings, companies and public administrations, and promoting the country’s sustainable development and energy transition;
- the acquisition, in December 2021, through its subsidiary Snam International B.V., of 25% of East Mediterranean Gas Company (EMG), owner of the Arish-Ashkelon gas pipeline, part of the so-called “Peace Gas Pipeline”, marking the entry of Snam in the eastern Mediterranean, an area which will benefit from both gas demand development and energy transition initiatives; the acquisition, on 15 July, of 49% of ADNOC Gas Pipelines - a company that for 20 years holds the management rights to 38 gas pipelines in the United Arab Emirates - in consortium with five international funds;
- the acquisition, in December 2021, through its subsidiary Snam International B.V., of 12.5% of DCarbonX Ltd, a company active in the field of geoenergy, aiming to develop hydrogen and carbon dioxide storage solutions in Ireland and the UK;
- the establishment of Snam Middle East B.V. Business Services Co. and Snam International UK Ltd., wholly owned by the subsidiary Snam International B.V., with the objective of developing Snam’s presence in countries that are relevant for business development.

The shareholder structure of SNAM S.p.A. as at 31 December 2021 is shown below (share capital consisting of 3,360,857,809 shares without nominal value):

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
SNAM S.p.A.	CDP Reti S.p.A.	31.35
	SNAM S.p.A. (treasury shares)	2.63
	Romano Minozzi	7.46
	BlackRock	5.16
	Lazard	5.38
	other shareholders	48.02

The TERNA group ("TERNA" – "Trasmissione Elettrica Rete Nazionale" [National Electricity Transmission Grid]) is the largest independent electricity transmission operator in Europe and one of the leading operators in the world by km of managed lines (more than 74,000 km).

It is responsible for the transmission and management of electricity flows on the High and Very High Voltage grid throughout Italy, in order to maintain the balance between energy supply and demand (dispatching). It is also responsible for the planning, building and maintenance of the grid.

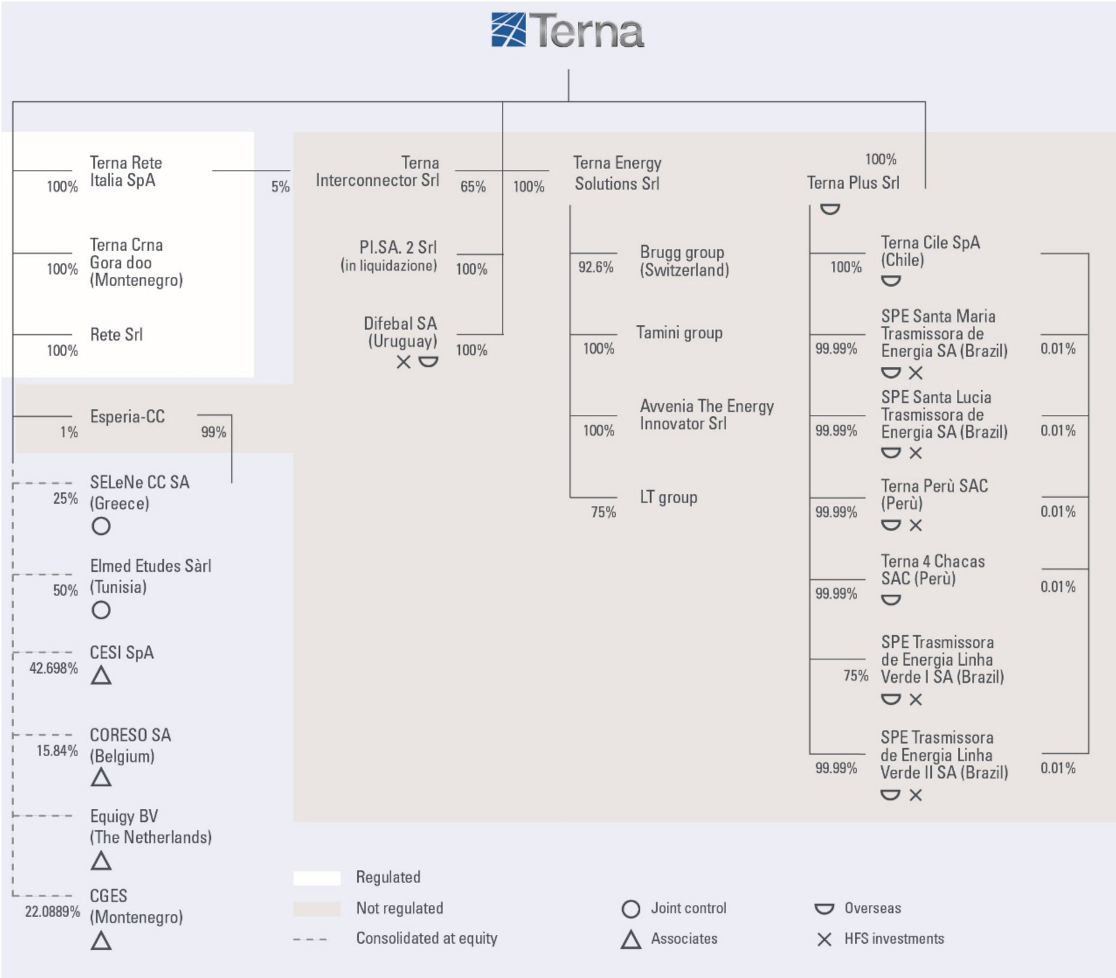
It plays the role of Italian TSO (Transmission System Operator) with a government granted monopoly based on the rules and regulations defined by the Italian Energy, Networks and Environment Regulator (ARERA), and the guidelines issued by Ministry of Economic Development. It guarantees the safety, quality and cost-effectiveness of the National Electrical System over time and pursues the development of the grid and its integration with the European grid. It ensures conditions of equal access for all Grid users.

The electrical system is composed of:

- **Generation**: conversion of energy obtained from primary sources into electricity.
- **Transmission and Dispatching**: the transfer of electricity generated by power plants to the areas of consumption via high-voltage power lines, electric power and transformer stations, and storage systems that make up the transmission grid, guaranteeing a constant balance between electricity supply and demand; through lines interconnecting with foreign countries, the transmission system allows the exchange of electricity between Italy and other countries.
- **Distribution**: supply of medium and low-voltage electricity to end users.

TERNA has been listed on the Italian Stock Exchange since 2004.

The area of consolidation of the TERNA group as at 31 December 2021 is as follows.



The changes compared to 31 December 2020 are:

On 26 January 2021 Terna, by means of its subsidiary Terna Energy Solutions S.r.l., finalised the acquisition from the minority quotaholder Avvenia S.r.l. of the remaining 30% of the capital of Avvenia the Energy Innovator S.r.l., thus making the company a single-quotaholder company wholly owned by Terna.

On 1 February 2021, after APG (the Austrian TSO) became the fifth European transmission system operator to enter into partnership with Equigy, Terna S.p.A.'s interest in Equigy decreased from 25% to 20%.

On 31 March 2021 the reorganisation process of the Brugg group was completed. The process was undertaken in order to enhance the distinctive expertise in the terrestrial cable sector and to make the most of synergies with the businesses of the Terna group, following which Terna S.p.A.'s equity investment in the Group increased from 90% to 92.6%.

On 10 June 2021 Terna finalised, by means of its subsidiaries Terna Plus S.r.l. and Terna Chile S.p.A., the acquisition from the minority shareholder Construtora Quebec of the remaining 25% of the share capital of the Brazilian joint-stock company SPE Transmissora de Energia Linha Verde II S.A., of which Terna Plus S.r.l. holds 99.9999994% of the capital and Terna Chile S.p.A. the remainder.

On 5 August 2021 Terna, by means of its subsidiary Terna Energy Solutions S.r.l., finalised the acquisition of the remaining 30% of the capital of Tamini Trasformatori S.r.l., thus making the company a single-quotaholder company wholly owned by Terna.

On 12 October 2021 Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the acquisition of 75% of the capital of LT S.r.l. (LT Group), one of Italy's leading operators in the field of photovoltaic plant maintenance, which is also active in the design and revamping and repowering of existing plants as well as in the construction of new plants for third parties.

On 26 October 2021, the transaction for the repurchase of the entire equity investment in PI.SA. 2 S.r.l., held by Terna Interconnector S.r.l., by Terna S.p.A. was concluded. On 10 December 2021 the company was placed in voluntary liquidation and the liquidation ended on 27 January 2022.

On 24 December 2021 the merger of Elite S.r.l. into Rete S.r.l. was completed. It is recalled that on 27 July 2021, Terna completed the acquisition of 100% of the shares in EL.IT.E. S.p.A., concurrently transformed into Elite S.r.l., the vehicle company that owns and operates (through a service agreement entered into with Repower) the approximately 4 km long 150 kV “Tirano - Campocologno” merchant line connecting Italy and Switzerland, and is currently the owner of the Tirano electrical station, as well as the 150 kV cable connection from the Tirano electrical station to the state border with the relevant portion of tunnel.

On 3 August 2021, Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the closing of the transaction for the sale of the entire share capital of Rete Verde 17 S.r.l., Rete Verde 18 S.r.l., Rete Verde 19 S.r.l. and Rete Verde 20 S.r.l. to Banca del Fucino, the entity selected at the end of a dedicated competitive process.

On 16 September 2021, pursuant to Law no. 99/2009, Terna completed the sale of the entire share capital of Resia Interconnector S.r.l. to Interconnector Energy Italia S.c.p.a., Consorzio Toscana Energia S.p.A. and VDP Fonderia S.p.A., signing agreements for the construction and operation of the private part in Italy of the alternating current power line between Italy and Austria.

On 11 November 2021, through the Brugg Group, Terna completed the acquisition of 100% of the quotas of Laser TLC S.r.l., a company active in the national and international market for optical fibre telecommunications systems and in the Energy sector, with installation of accessories on high-voltage cables and supervision during laying.

The shareholder structure of TERNA S.p.A. as at 31 December 2021 is shown below (share capital consisting of 2,009,992,000 shares with a nominal value of 0.22 euro per share):

The purchase by the Parent Company of **1,569,292 treasury shares** (0.078% of share capital) for a total value of approximately 10 million euro, serving the 2021-2025 Performance Share Plan, was concluded in June.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
TERNA S.p.A.	CDP Reti S.p.A.	29.85
	Institutional Investors	53.1
	Retail	17.1

The ITALGAS group is the leading gas distribution operator in Italy and the third in Europe: the Group and its investee companies[3], with 3,966 people employed in the various locations throughout Italy, manage a gas distribution network of 74,397 km, through which, during 2021, 9,194 million cubic metres of gas were distributed to 7,757 thousand users. The Group and its investee companies own 1,898 distribution concessions, with a historical presence in the country’s major cities, including Turin, Venice, Florence, Rome and Naples, and a market share of more than 35%.

The distribution service, an activity carried out within the broader national system, involves transporting gas on behalf of the companies that are authorised to sell gas to end customers. In addition to the delivery service, carried out through the local gas transportation networks from the city-gates (pressure reduction and metering stations interconnected to the transportation networks), the company also performs metering activities that include the collection, processing, validation and disclosure of consumption data in order to regulate commercial transactions between operators and users.

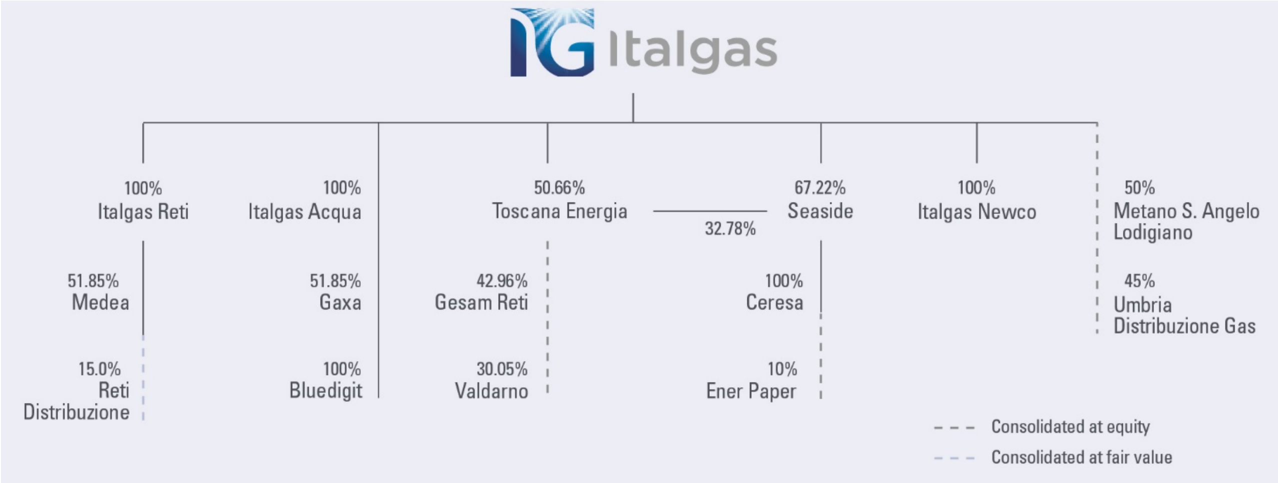
Italgas is subject to regulation by the Italian Energy Networks and Environment Regulator (ARERA), which defines how the service is supplied and the applicable distribution and metering rates. The gas distribution service is supplied under concession arrangements.

The rules for user access to the gas distribution service are established by the ARERA and are regulated in the Network Code. This Code sets out the rules, for each type of service, that govern the duties and responsibilities of the parties providing the services and the instruments for mitigating the risk of non-compliance by customers.

Italgas has been listed on the Italian Stock Exchange since November 2016[4].

Compared to 31 December 2020, the structure of the Italgas Group at 31 December 2021 has changed as a result of i) the merger of Toscana Energia Green into Seaside, ii) the establishment of Bludigit, iii) the acquisition of the entire capital of the Isgastrentatre, which was followed by its merger into Medea and iv) the acquisition of the entire capital of the Ceresa by Seaside, and is outlined below:

[3] The data referring solely to the Group, excluding the investee companies on which it does not exercise control, are: 3,904 employees, 72,503 kilometres of network, 8,887 million cubic metres of gas transported, 7,604 million users owning 1,887 concessions.
[4] The shares of Italgas Reti were listed on the MTA of the Italian Stock Exchange from 1900 to 2003.



The Company's share capital at 31 December 2021 consisted of 809,768,354 shares, without indication of nominal value, for a total share capital of 1,002,016,254.92 euro.

Based on the evidence in the shareholders' register, the information available and the communications received pursuant to art. 120 of the Consolidated Law on Finance, the holders of significant equity investments as at 31 December 2021 are listed below.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
ITALGAS S.p.A.	CDP Reti S.p.A. (*)(**)	26.02
	Snam S.p.A.	13.49
	Lazard Asset Management Llc	9.22
	BlackRock Inc.	4.82
	Romano Minozzi	4.29
	Crédit Agricole S.A.	3.41
	Other shareholders	38.75

(*) On 1 August 2019, the Board of Directors of CDP S.p.A., including for the purposes of taking into account the guidance on control contained in Consob Communication no. 0106341 of 13 September 2017, reclassified its equity investment in Italgas as de facto control pursuant to article 2359, paragraph 1, no. 2) of the Italian Civil Code and article 93 of the Consolidated Law on Finance, with control exercised through CDP Reti, with an equity investment of 26.50%, and through Snam, with an equity investment of 13.50%. CDP does not exercise management and coordination activities with respect to Italgas, pursuant to articles 2497 et seq. of the Italian Civil Code.

(**) On 20 October 2016, a shareholders' agreement was signed between Snam, CDP Reti and CDP Gas, effective from the date of spin-off of Italgas S.p.A., which took place on 16 November 2016. With effect from 1 May 2017, CDP Gas was merged into CDP. Subsequently, on 19 May 2017, CDP completed the sale to CDP Reti, which included the equity investment held in Italgas S.p.A., representing 0.969% of Italgas S.p.A.'s share capital. CDP Reti is 59.1% owned by CDP, 35% by State Grid Europe Limited - SGEL, a company of the State Grid Corporation of China group, and 5.9% by a number of Italian institutional investors. On 1 August 2019, the shareholders' agreement was updated to take account of the aforementioned reclassification of the equity investment.

1.2 REFERENCE SCENARIO

With reference to **SNAM** and the key sectors in which it operates, the following should be noted:

- transport of natural gas: in 2021, the volumes of gas introduced into the network totalled 75.77 billion cubic metres, up 5.80 billion cubic metres compared to 2020 (+8.3%), in line with the growth in demand for natural gas, which in 2020 had recorded a decline due to the restrictive measures implemented to contain the contagion from COVID-19, and with the greater use of providing supplies from storage. The increase in demand for gas (76.25 billion cubic metres; +4.94 billion cubic metres, equal to 6.9% compared to 2020), recorded in all consumption sectors, was largely attributable to: (i) the residential and third sectors (+2.03 billion cubic metres; +7.4%) in response to temperatures that were generally more rigid than in 2020, and the recovery in consumption that had been affected by the lockdown measures implemented in 2020; (ii) the industrial sector (+1.70 billion cubic metres, of which about one half concentrated in the months of March and April; +10.4%) as a result of a recovery in industrial production after a sharp fall incurred in the previous year following the lockdown measures in the months of March and April to contain the contagion from COVID-19. In the period January to November 2021 the industrial production index recorded, in fact, a growth of 12.4% compared to the same period in the previous year, fully recovering the pre-COVID volumes; (iii) the thermoelectric sector (+1.53 billion cubic metres; +6.1%) in response to an increase in the demand for electricity compared to 2020, in addition to the greater use of natural gas in generating electricity. These effects were partly offset by the increase in imports of electricity.

- regasification of liquefied natural gas (LNG): in 2021, the volumes of LNG regasified at the Panigaglia (SP) terminal there were 1.05 billion cubic metres (vs. 2.55 billion cubic metres in 2020; -58.8%) and 25 methane tankers were unloaded (60 in 2020, in line with the assigned number of unloading operations), compared to 30 assigned unloading operations. The reduction in the volume of business was attributable to the price dynamics strongly conditioned by a high demand for LNG from the Asian market with premium values compared to the European market, compared to 2020 that benefited from a greater competitiveness in the cost of LNG compared to natural gas, as well as new mechanisms for allocating regasification capacity by means of special auction procedures. The auction-based capacity allocation mechanisms as well as the new businesses in the SSLNG sector, linked in particular to the possible future uses in heavy transport and in the shipping industry, lead one to imagine there will be further growth in LNG consumption over the coming years.
- Storage: the volumes of gas handled in the Storage system in 2021 amounted to 18.41 billion cubic metres, down by 1.19 billion cubic metres (-6.1%) compared to 2020, mainly following fewer storage injections in response to an increase in gas volumes introduced into the network with the growth in demand for natural gas in Italy.

Regarding **TERNA** and the demand for electricity in Italy, in 2021 such demand in Italy was equivalent to 318,075 GWh (provisional figures), up +5.6% from 2020, which had ended with a decline (-5.3%) compared to the previous year. The monthly trend of Italian electricity demand in 2021 compared to the figure for the previous year shows differences between the months of January and February and the following months. In the first two months of the year, despite a slight decline also due to the calendar effect (fewer working days), the trend of electricity demand was comparable with the previous year. From March onwards, however, electricity demand recorded a sustained increase, due to the lower demand in 2020 linked to the total lockdown and the stoppage of production activities due to the Covid-19 health emergency (following the issue of the Italian Prime Minister's Decree dated 9 March 2020) which characterised the spring of last year.

With regard to electricity production by source, around 36% of total electricity demand was met by renewable sources in 2021 (provisional figures). The value of production from renewable sources remained stable compared to the previous year, while the percentage of coverage dropped slightly due to an increase in the overall demand for electricity. With regard to the trend of individual renewable sources, production from photovoltaic (+2.1%) and wind (+10.8%) sources showed an increase, offsetting the sharp reduction in hydro-electric sources (-5.4%).

In this context, with a European scenario projected towards decarbonisation and a strong penetration of renewable energies, high voltage grids are confirmed as an enabling factor for the growth of renewable generation capacity. The development of the electricity grid, therefore, becomes crucial in order to address the growing entry of electricity from renewable source plants, above all intermittent sources such as wind and photovoltaic systems. Despite this, even on days when the phenomenon was more acute, the strength of the grid infrastructure and the system actions undertaken by Terna ensured that there were no significant problems on the national grid.

The European Community Directives, which required Member States to achieve its 27% renewables target by 2020, have been widely complied with and maintained by Italy since 2012.

At 31 December 2021, **ITALGAS**, including the investee companies over which it does not exercise effective control, was the holder of gas distribution concessions in 1,898 Municipalities (1,887 at 31 December 2020), of which 1,822 in operation (1,804 at 31 December 2020). Excluding the aforesaid investee companies, the number of Municipalities with concessions in operation amounted to 1,761 (1,743 at 31 December 2020) of a total of 1,837 municipal concessions (1,826 at 31 December 2020).

- Gas distributed: at 31 December 2021, Italgas, including the investee companies over which it does not exercise effective control, had distributed 9,194 million cubic metres of gas (8,727 million cubic metres of gas at 31 December 2020). Excluding the aforesaid investee companies, the gas distributed in 2021 amounted to 8,887 million cubic metres (8,477 million cubic metres at 31 December 2020);
- Distribution network: the gas distribution network at 31 December 2021, including the investee companies over which it does not exercise effective control, extended for 74,397 kilometres (73,058 kilometres at 31 December 2020). Excluding the aforesaid investee companies, the distribution network extended for 72,503 kilometres (71,185 at 31 December 2020);
- Meters: at 31 December 2021, the meters in service at the re-delivery points, including the investee companies over which it does not exercise effective control, amounted to 7.757 million (7.749 million at 31 December 2020). Excluding the aforesaid investee companies, meters in service totalled 7.604 million (7.595 million at 31 December 2020).

2. SIGNIFICANT EVENTS TAKING PLACE IN THE YEAR BY SECTOR/COMPANY

CDP RETI

Regarding the **dividends received** from subsidiaries, totalling **487 million (458 million in 2020)**, during the reporting period about 263 million were collected from SNAM (2020 interim dividend equal to 105 million[5] and 2020 final dividend equal to 158 million), about 166 million from TERNA (2020 final dividend equal to 107 million and 2021 interim dividend equal to 59 million[6]) and about 58 million from ITALGAS (2020 dividend).

The increase (+29 million) compared to 2020 is due to the higher collections deriving from the modified dividend policies (in terms of dividend per share) of SNAM (+12.6 million), TERNA (+12.4 million) and ITALGAS (+4.4 million).

Furthermore, on 3 November 2021 the Board of Directors of SNAM approved the distribution of interim dividend on the 2021 net income, of which 110 million was paid to CDP RETI (in January 2022).

For more details, please refer to the “Report on operations of CDP RETI S.p.A.”.

With regard to **dividends paid** to shareholders, **amounting to around 462 million euro** before tax **(429 million euro in 2020)**, the following amounts were distributed during the year:

- the balance of the 2020 net income (i.e. approx. 150 million euro[7] before tax), of which about 89 million distributed to CDP and 53 million to State Grid Europe Limited, was up compared to the final dividend distributed in the first half of 2020 (i.e. 143 million euro).
- Moreover, it bears recalling that a part (286 million) of the 2020 net income was distributed in December 2020 as an interim dividend[8].
- interim dividend on the 2021 net income[9] equal to 311 million before tax, of which about 184 million to CDP and 109 million to State Grid Europe Limited.

On 11 January 2021, the Chairman of the Board of Directors convened the ordinary Shareholders’ Meeting of CDP RETI called upon to resolve on renewing the Board of Directors and the Board of Statutory Auditors (reaching maturity in May 2020 and whose term of office had been extended until 20 January 2021). It should be noted that since the Board of Directors had concluded the term of office, the Shareholders' Meeting held on 20 January 2021 appointed a new Board of Directors consisting of five directors who will remain in office for three financial years and end their term of office on the date of the Shareholders' Meeting that will be convened in 2024 to approve the financial statements for the year ending 31 December 2023. The directors, who can be re-elected, were appointed on the basis of two lists of candidates, one submitted by the shareholder CDP (which holds 59.1% of the Company's shares) and the other by State Grid Europe Limited ("SGEL", which holds 35.0% of the Company's shares). During that same session, the Board of Statutory Auditors was also re-elected according to the list-based voting system (with a term of office matching that of the Board of Directors). On 25 January 2021, this was assigned the functions of Supervisory Body pursuant to the Company’s Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001.
Finally, following the resignation of the director Fabrizio Palermo, the Company’s Board of Directors, in the meeting on 1 July 2021, co-opted Dario Scannapieco as Chief Executive Officer[10]. The proposal to appoint as CDP RETI’s Chairman and CEO the Chairman and CEO of CDP was motivated by the strategic importance of CDP RETI and its subsidiaries within the CDP Group.

The following should be noted with regard to relations with investees:

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[5] Interim dividend (equal to 0.098 euro per share, with payment starting from 20 January 2021, with coupon due on 18 January and record date 19 January) approved by the Board of Directors of Snam S.p.A. on 04/11/2020 and recognised in the financial statements of CDP RETI S.p.A. as at 31 December 2020.

[6] Interim dividend (equal to 0.0982 euro per share, with payment starting from 24 November 2021, with coupon due on 22 November and record date 23 November) approved by the Board of Directors of Terna S.p.A. on 10/11/2021.

[7] 931.51 euro distributed for each of the 161,514 shares.

[8] The interim dividend of 1,768.86 per each of the 161,514 shares was approved on the basis of the Company's accounting situation at 30 June 2020, prepared in accordance with IFRS. The Company ended the period with a net income of approximately 286 million and available reserves of approximately 3,369 million.

[9] The interim dividend of 1,927.37 per each of the 161,514 shares was approved by the Board of Directors on 18 December 2021 on the basis of the company’s accounting situation at 30 June 2021, prepared in accordance with IFRS. The company ended the period with a net income of approximately 311 million and available reserves of approximately 3,369 million.

[10] During the same meeting, the Chief Executive Officer was granted all the powers of ordinary and extraordinary management, including those of representation of the Company, except for the powers that cannot be assigned to individual directors by law and pursuant to Article 19.4 of the Articles of Association

- on 25 January 2021, the Board of Directors of CDP RETI assigned a mandate to the Chief Executive Officer, with authority to sub-delegate, to establish the voting instructions for the Extraordinary Shareholders' Meeting of Snam, called for 2 February 2021 to resolve on a number of proposed amendments to the Articles of Association concerning: (i) extension of the corporate purpose[11]; (ii) elimination of the authorisation required from the Shareholders' Meeting in order to carry out certain transactions; (iii) adoption of the new gender balance regulations;
- on 11 March 2021, following the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and the decision of the Board of Directors of ITALGAS to freely assign a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan, CDP RETI's equity investment in ITALGAS went from 26.04% to 26.02%.
- on 12 April 2021, the Board of Directors approved the voting instructions to be given to members of the Consultation Committee[12] in accordance with the Articles of Association, as governed by the *Italgas Shareholders' Agreement*[13], in view of the ordinary Shareholders' Meeting of ITALGAS scheduled for 20 April 2021, regarding, *inter alia*, the share capital increase free of charge (and the consequent amendment to the Articles of Association), for a maximum nominal amount of Euro 5,580,000, by assigning - until the last date of 30 June 2026 - ordinary shares to the Beneficiaries of the 2021-2023 Co-investment Plan[14]. If fully implemented, the share capital increase free of charge will result in a slight reduction in CDP Reti's equity interest in Italgas from about 26.04% to about 25.90%.

SNAM (GAS TRANSPORT, REGASIFICATION AND STORAGE SECTOR)

The following are the main significant events that occurred during the year relating to SNAM group:

- Snam completed its acquisition from Blackstone of 33% of Industrie De Nora S.p.A.;
- Tenaris, Edison and Snam launched a joint collaboration to experiment on decarbonisation in the steel sector in Dalmine as part of the "Dalmine Zero Emissions" initiative;
- Snam entered the Nasdaq Sustainable Bond Network, the platform for sustainable finance managed by Nasdaq.
- Renovit was created, the new Snam and CDP platform for energy efficiency;
- The Shareholders' Meeting approved the amendments to the Articles of Association regarding the growing commitment to transition and gender balance;
- Snam issued its third Transition Bond for a total of 750 million euro;
- Snam is among the top 50 most sustainable companies in the world according to the SEAL (Sustainability, Environmental Achievement & Leadership) Business Sustainability Awards 2020;
- Snam and Hera launched a technological collaboration for the development of hydrogen and for the decarbonisation of Emilia-Romagna;
- Snam and SIAD signed an agreement to develop small-scale and mid-scale, natural gas and biomethane liquefaction plants;
- Snam and Mubadala signed an agreement for potential hydrogen development opportunities in the United Arab Emirates;
- RINA and Arbolia planted a wood of over 2,100 trees in the Municipality of Turin to absorb CO2 emissions;
- Arbolia established a new wood of 400 trees in Pignataro Maggiore, in the Province of Caserta, which will allow 27 tons of CO2 and about 18 kg of PM10 to be absorbed per year;
- Marco Alverà, Chief Executive Officer of Snam, was nominated "Personality of the Year" 2021 by #FORUMAutoMotive;
- The Shareholders' Meeting approved the 2020 financial statements and the distribution of a dividend balance of 0.1497 euro per share;
- Snaminnova launched Snam's Open Innovation programme for energy transition, which also involves the company population in the implementation of innovative projects;
- Fondazione Snam published its first Non-Financial Report which allowed it to give more in-depth information on its activities and related impacts of the projects it carried forward in 2020;
- Snam, RNA and the GIVA Group conducted the first tests in the world with a mix of natural gas and hydrogen at 30% in forging processes used in processing steel;
- Snam is the main partner in the European relay called "Via Francigena. Road to Rome 2021. Start Again", a journey of 3,200 km which started in Canterbury and will arrive in Rome going through 5 countries;
- Snam confirmed its position at the top of the Integrated Governance Index of ETicaNews and TopLegal, making a name for itself for the way it has integrated ESG factors into company strategies;
- Snam: successfully issued its fourth Transition Bond of 500 million euro with a coupon of 0.625%;

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[11] Introducing the possibility, in addition to its main activities (transport, dispatching, distribution, regasification, storage, gas liquefaction and processing), to carry out some activities in the area of energy transition (by defining a plan to achieve carbon neutrality by 2040).

[12] This committee has five members, four of whom represent CDP RETI (three appointed by CDP and one by SGEL) and one SNAM. The committee is responsible for deciding how the parties to the Shareholders' Agreement are to exercise their voting rights in the ITALGAS Shareholders' Meeting.

[13] The parties to the Shareholders' Agreement, with regard to which reference should be made to the following section "*Report on Corporate Governance and Ownership Structure of CDP RETI*", cast the votes conferred by their shares in ITALGAS as decided by the Consultation Committee, without prejudice to SNAM's rights in respect of Reserved Matters.

[14] Reserved exclusively to employees of Italgas S.p.A. or Group companies.

- Snam4Mobility inaugurated in Verona its first self-service fuel station of compressed natural gas (CNG) and biomethane (Bio-CNG);
- Snam and Leonardo signed an agreement to develop their respective technological expertise to support innovation and sustainability in the energy industry;
- Snam opened its TecHub in Bologna, run with digital technologies for the reduction in emissions and improvements in infrastructure safety and resilience;
- Edison and Snam joined with Saipem and Alboran for the joint development of the Puglia Green Hydrogen Valley project;
- Iris Ceramica Group and Snam signed an agreement to develop the first ceramics industry in the world that uses green hydrogen;
- HyAccelerator was established: the first global scale accelerator for hydrogen start-ups aimed at enhancing the most innovative companies in the sector, generating projects with high potential;
- Snam4You was established with the aim of guiding users and potential partners towards the discovery of Snam solutions linked to energy transition;
- Snam was included in the MIB ESG Index of Borsa Italiana, the first ESG index dedicated to Italian blue-chips which rewards the most effective sustainability practices;
- Snam presented its new 2021-2025 Strategic Plan and its vision towards 2030, which plans greater investments in energy transition;
- Snam was included for the twelfth time in the Dow Jones Sustainability World Index of S&P, obtaining a score of 86/100;
- Snam was awarded the 2021 "Oscar di Bilancio", promoted by FERPI together with Borsa Italiana and Università Bocconi, for the Large Listed Companies category;
- Snam, with a score of 91.6/100 confirmed its place, for the eighth year running, on the winners' podium of the leading Italian companies in the field of digital communication;
- Snam confirmed its place among the top companies in the world with its inclusion in the "A- List" of CDP (former Carbon Disclosure Project).

TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY)

Management and development of the NTG:

- Tyrrhenian Link: authorisation process for the Campania-Sicily stretch (East link) of the submarine power line. In progress the Public Consultation for the Sicily-Sardinia part (West link) and Framework Agreements for the executive design, supply and laying of marine and terrestrial cables. The preliminary Marine Survey of the East link was concluded.
- Italy - France interconnection: the Commissioning tests of the connection are in progress with entry into service scheduled during 2022.
- Interconnection in the Sorrento Peninsula: executive design completed and waiting for release of checks on requirements in order to open the construction sites.
- Grid reinforcements in the Foggia - Benevento area: foundations and assembly of pylons completed for 95% of the total (75 out of a total of 78) and 90% of the conductors laid (32.3 km out of a total of 35.8 km). Waiting for landscape authorisation for the three pylons to complete the works.
- Development of metropolitan areas: major works on cable infrastructures in the Turin, Naples and the Alto Bellunese areas;
- Synchronous condensers: the plan for the installation of 16 synchronous condensers in Sardinia and Central-Southern Italy is being implemented as part of the 21-25 Plan to support the regulation of voltage and short-circuit power in areas of the country characterised by high production from renewable sources and a significant reduction in traditional production. Garigliano, Foggia, Fano, Candia and Brindisi: plants completed, powered and handed over for commissioning in December. Maida: civil works in advanced stage of completion and authorisation received from the competent entities for the on-site transportation of machinery. Villanova and Rosara: construction sites have been opened and the civil works for the site have begun; production of supplies is under way. Codrongianos and Suvereto: contracts awarded and design underway and production of supplies have begun.

Non-Regulated and International Activities:

- Open Fiber Project: as part of the contract promoting optical fibre for the construction of backbones in the National Backbone and Regional Rings, 1,533 km were delivered in 2021, in line with forecasts. In 2021, Terna delivered a total of 23,170 km to the customer.
- Intercom: the agreement was signed on 16 February 2021 and in the course of 2021, 77 km were delivered.
- Eolo: in 2021 the agreement was signed for the transfer of optical fibre rights and for the provision of ancillary services and, during the year, 565 km were delivered. The project provides for the delivery of a further 393 km for 2022 (Lot 2)
- Initiatives under way in Uruguay: in 2021, work progressed in relation to the management of the contract for the operational transmission line.

- Initiatives under way in Brazil: in 2021, operation and maintenance activities continued on the Santa Maria Transmissora de Energia (SMTE) line, in the state of Rio Grande do Sul, and the Santa Lucia Transmissora de Energia (SLTE) line in the state of Mato Grosso.
- Works on site required for the SPE Transmissora de Energia Linha Verde II S.A. project were continued. This is the first of the two concessions subject to the agreement with Construtora Quebec for the construction of a 500kV and 160 km long power infrastructure in Minas Gerais. The project is scheduled to be completed by the end of the first half of 2022.
- Engineering activities and the acquisition of rights and easements and preparation for the construction work required for the SPE Transmissora de Energia Linha Verde I S.A. project, for the creation of a 500 kV "Governador Valadares-Mutum" power infrastructure, running across a length of approximately 150 km and located in the State of Minas Gerais.
- Initiatives under way in Peru: the 132 km long 138 kV line between Aguaytìa and Pucallpa came into commercial operation on 16 May 2021. During 2021, the operation and maintenance activities continued following the entry into commercial operation of the works on 16 May 2021.

Finance:

- On 16 June 2021, Terna launched a green bond issue for institutional investors, for a nominal value of 600 million euro. The issue was very well received by the market with a maximum demand of 2.2 billion euro (around four times the offer) and it featured investors of high quality and coming from a wide range of locations. The duration is for eight years starting on the date of issue with maturity on 23 June 2029, and the price of 99.819% with a spread of 45 basis points compared to the midswap. The coupon is equal to 0.375%. The effective rate is 0.398%.
- The ESG-linked treasury shares buy-back programme (to service the 2021-2025 Performance Share Plan) was completed on 23 June 2021. Terna purchased 1,569,292 treasury shares (0.078% of share capital) under the programme, for a total value of approximately 10 million euro. In line with Terna's commitment to sustainability and social and environmental issues, the treasury shares buy-back programme includes a reward/penalty mechanism linked to the company meeting specific environmental, social and governance (ESG) targets.
- On 13 July 2021, Terna signed a loan of 300 million euro with the European Investment Bank with a duration of 22 years, as backing for the 2021-2025 Business Plan. Terna's investments for the next five years, considered to be 95% sustainable based on European taxonomy criteria, are aimed at integrating non-programmable renewable sources and increasing the safety and resilience of the system. The loan, characterised by more competitive costs and a longer duration than the market ones, is part of Terna's financial structure optimisation policy.
- On 16 July 2021, Terna launched a three-year Euro Commercial Paper (ECP) programme with a value of 1 billion euro. Commercial papers can be designated as "ESG Notes" until Terna reaches and maintains, in the S&P Sustainability Yearbook of the Electric Utilities sector, a classification equal to or higher than Bronze Class.
- On 17 December 2021 an agreement was signed modifying the Revolving Credit Facility 2018, in order to provide for the extended duration of the same to 5 years, the increase of the amount up to 1.65 billion euro, and a change in the ESG indicators. Terna can currently rely on two Revolving Credit Facilities linked to sustainability indices for an overall amount of 3.15 billion euro. The two Revolving Credit Facilities have a reward/penalty mechanism linked to the achievement of specific ESG targets.
- On 2 February 2022 Terna successfully launched the first hybrid green bond for a nominal amount of one billion euro. The subordinate, non-convertible, perpetual green bond, which is non "callable" for six years, will pay a coupon of 2.375% up to 9 February 2028 (the first reset date), and then annual interest equal to midswap at five years increased by 212.1 basis points, further increased from 9 February 2033 by 25 basis points and a further 75 from 9 February 2048.
- On 28 February 2022, Terna signed a bilateral ESG-linked Term Loan for a total of 300 million euro with Intesa Sanpaolo – IMI Corporate & Investment Banking Division in its capacity as Original Lender and Sustainability Coordinator. The credit line has a duration of 2 years, with a rate linked to the performance trend of Terna regarding specific environmental, social and governance ("ESG") indicators. The transaction allows Terna to count on adequate liquidity at the current rating level and confirms the Group's strong commitment to introducing a model aimed at increasingly consolidating sustainability as a strategic lever for creating value for all its stakeholders.

ITALGAS (GAS DISTRIBUTION SECTOR)

Extraordinary and M&A transactions

On 28 January 2021, following the framework agreement signed between Italgas and CONSCOOP on 28 December 2020, the acquisition of the concession for the distribution of natural gas in the Municipality of Olevano sul Tusciano (SA) was finalised. The network extends for approximately 26 kilometres, covering a potential catchment area amounting to a total of 2,500 resident households. Under the same agreement, on 13 July 2021 Italgas, through its subsidiary Medea, finalised the acquisition of the entire share capital of Isgastrentatrè, the company holding the concession for the management of the natural gas service in Basin 33 in Sardinia. The scope of the company's assets includes: 242 kms of network, approximately 700 active redelivery points and a 60 cubic metre LNG plant. The enterprise value was 25 million euro, equal to the estimated RAB for the company's assets. With the completion of the transaction, the number of basins in which Italgas operates in Sardinia rises to 18 (out of 38).

On 4 November 2021, the merger by incorporation of Isgastrentatrè into Medea was carried out, with accounting and tax effect from 14 July 2021.

On 26 April 2021, the merger by incorporation of Toscana Energia Green S.p.A. into Seaside S.r.l. was completed, with accounting and tax effect from 1 January 2021. On 2 August 2021, a decision was taken to transform Seaside into a joint-stock company.

On 23 June 2021, the company Bludigit S.p.A., wholly-owned by Italgas S.p.A., was established as a result of a partial and proportional spin-off of Italgas Reti S.p.A. to which tangible and intangible assets and accounts relating to the IT area were contributed, in order to streamline the Group's activities and assets in the IT area and to propose a commercial offering of IT services. The transaction was completed on 29 June 2021 with the increase in Bludigit S.p.A.'s capital to service the contribution in kind by Italgas S.p.A. of the IT business unit owned by the same, effective as of 1 July 2021.

On 15 July 2021, Italgas, as part of the international public tender procedure for the sale of 100% of the shares of the company by DEPA Infrastructure S.A by Hellenic Republic Asset Development Fund S.A. (HRADF) and Hellenic Petroleum S.A. (HELPE), filed its binding offer for the acquisition of the same.

On 9 September 2021, a HRADF note acknowledged that, following the opening of the improved financial offer submitted by Italgas, the Boards of Directors of HRADF and HELPE declared Italgas as the "Preferred Bidder".

On 10 December 2021, the preliminary agreement for the sale of the equity investment was signed for 733 million euro. The finalisation of the acquisition is subject to the occurrence of some conditions, such as the approval of the transaction by the Greek regulatory authority RAE and the clearing by the Greek antitrust authority HCC.

On 1 December 2021, following the occurrence of the conditions specified in the sale agreement, the acquisition transaction was finalised of 100% of the share capital of ESCo Fratelli Ceresa S.p.A., a company established in 1921 and specialised in the supply of energy services, with a portfolio of 3,700 customers (of which over 800 multi-occupancy buildings) located mainly in the Turin area. The transaction aims at increasing the Enterprise Value to 22 million euro, to be adjusted according to the net financial position.

Anti-corruption certification

On 23 November 2021, Italgas S.p.A. and Italgas Reti S.p.A. obtained the renewal of the UNI ISO 37001:2016 standard "Management systems for preventing and combating corruption" for a further three years. Italgas S.p.A. also obtained the extension of the certification to the "anti-corruption governance" of all Group companies. The management system for preventing and combating corruption, adopted on a voluntary basis, has been verified by the independent certification body DNV GL - Business Assurance.

Corporate Governance Code

On 18 December 2020, the Board of Directors of Italgas decided to adopt the Corporate Governance Code, approved in January 2020 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, as of 1 January 2021. On 10 March 2021, based on the declarations issued by those concerned, the following were ascertained: i) the existence of the requirements of independence laid down in the Consolidated Law on Finance and the Corporate Governance Code at 31 December 2020 and ii) the existence of the requirements of independence laid down in the Consolidated Law on Finance and the Corporate Governance Code at 10 March 2021, also considering the quantitative criteria for the independence assessment approved by the Board of Directors on 24 February 2021. On this point, please note that on 10 March 2021 also the Chairman was deemed to be independent pursuant to both the Consolidated Law on Finance and the Corporate Governance Code, with none of the circumstances set out in the Recommendation 7 of the Corporate Governance Code applying.

Finally, the check concerning the existence of the requirements of independence pursuant to the Consolidated Law on Finance and the Corporate Governance Code was carried out on 9 March 2022, after which the six non-executive directors listed above were found to be independent.

Innovation, digitisation of networks and business processes

The ongoing pandemic, together with the extreme acceleration in the average rate of digital maturity of the population, has led to an even greater need to rely on digital solutions and ecosystems. In addition, there was a need to accelerate the ecological transition to prepare the distribution network for the upcoming challenges, which require a greater push to digitise assets and processes, as well as people's skills and working model.

In this context the Digital Factory, active since 2018, has continued to work by effectively adapting the remote model to the on-site and on-line hybrid method imposed by the pandemic.

In addition to the innovative solutions already released during 2020, the Digital Factory intensified the work in the rooms, leading to several innovations that have enabled Italgas to further improve daily operations. These include:

- introducing tools based on Machine Learning in order to enable the smart maintenance of critical components of the network such as smart meters and odorizer stations;
- the technological and UX re-design of all the portal customers, for sales companies and end customers; initiating automation of business processes - managing inbound channels;
- re-designing the Employee Experience via re-engineering HR processes, enhancing collaboration and communication solutions and optimising existing HR systems;
- re-designing the Supplier Journey in order to increase the effectiveness and efficiency of the relation between Italgas and its pool of suppliers, re-designing digital support processes and solutions;
- developing an innovative command and control system for the digitised GAS distribution network.

Additional initiatives have helped to further enhance the impact of Italgas' digital transformation plan in 2021, including: i) the automation of routine operational processes, ii) architectural evolution of the main components of the application map, enabling modularisation and micro-services management, in line with best practices and the latest IT trends on a global scale, iii) complete re-engineering of the business solution landscape for Gaxa, with the introduction of the Salesforce platform to manage front office processes and iv) the launch of the complete re-engineering of the business solution landscape for Italgas Acqua, in order to modernise the entire pool of business support solutions and make a marked contribution to improving the management of technical and commercial processes.

Rating and debt structure optimisation

On 5 February 2021, Italgas, with a view to pre-funding future financial requirements and extension of the calendar of due dates, successfully completed the launch of the fixed-rate dual tranche 7 and 12-year bond issue, with each tranche amounting to 500 million euro, and with an annual coupon of 0% and 0.5% respectively. On the same date, a buyback transaction was launched for two bond issues with an original nominal value of 750 million euro maturing in January 2022 and an original amount of 650 million euro maturing in March 2024. The buyback was completed on 16 February 2021 with a total nominal buyback value of approximately 256.0 million euro.

On 15 September 2021, the Board of Directors resolved on renewing the EMTN Programme launched in 2016, already renewed in 2017, 2018, 2019 and 2020, confirming the maximum nominal amount of 6.5 billion euro, which was subscribed on 7 October 2021.

During October 2021, Italgas signed, with leading banks, two fixed-rate bank loans connected to achieving ESG targets, for a total amount of 500 million euro and lasting for 3 years.

On 25 November 2021, the rating agency Moody's confirmed Italgas' long-term creditworthiness, equal to Baa2 with a stable outlook.

On 6 December 2021, the rating agency Fitch confirmed Italgas' long-term creditworthiness, equal to BBB+ with a stable outlook.

Equity transactions

On 10 March 2021, in implementation of the 2018-2020 Co-Investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018, the Board of Directors of Italgas resolved on the free assignment of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan and carried out the first tranche of the capital increase approved by the same Shareholders' Meeting, for a nominal amount of 784,736.48 euro drawn from the retained earnings reserve. Following the increase, the Company's share capital amounts to 1,002,016,254.92 euro consisting of 809,768,354 shares. Moreover, on 20 April 2021, the Shareholders' Meeting of Italgas approved the 2021-2023 Co-Investment Plan and the proposal for free share capital increase, in one or more tranches, to back the 2021-2023 Co-Investment Plan for a maximum nominal amount of 5,580,000.00 euro through the issuance of a maximum number of 4,500,000 new ordinary shares to be assigned, pursuant to art. 2349 of the Civil Code, for a corresponding maximum amount taken from the retained earnings reserve, exclusively to the beneficiaries of the Plan, i.e. employees of the Company and/or Group Companies.

Legal and regulatory framework

On 29 January 2021, the public session on the "Open tender procedure for a concession to supply the natural gas distribution service in the district (ATEM) of Napoli 1 - City of Naples and coastal plant", consisting of about 370,000 re-delivery points (PdR), was held. At that time, the tender procedure commission declared that it would proceed with assessment of the adequacy of the bids received and suspended the relative procedures pending the results of said assessments. On 14 April 2021, the tender procedure commission acknowledged that the two bids received were found to be adequate and made a proposal to award the contract to another operator, after checking the fulfilment of the requirements declared during the tender phase. Italgas Reti challenged the award of the tender in favour of the other operator before the Campania Regional Administrative Court. In particular, following the order of 15 September 2021 in which the Campania Regional Administrative Court had rejected one of the alleged grounds of inadmissibility raised by the other operator, by judgment of 6 October 2021, the Campania Regional Administrative Court rejected in first instance the main appeal and the additional grounds claimed by Italgas Reti for the annulment of the decision to award the contract to another operator of the tender procedure in the Napoli 1 district. On 11 November 2021, Italgas Reti filed an appeal to the Council of State against the judgment of the Campania Regional Administrative Court, with a claim for damages. After the hearing of 13 January 2022 at the Council of State, the Municipality of Naples and the other operator undertook not to conclude the contract before the publication of the relevant judgment. The Council of State set the relevant hearing for 7 April 2022.

On 11 October 2021, the Veneto Regional Administrative Court rejected the appeal of another operator against the invitation to tender concerning the Belluno ATEM, thus confirming the legitimacy of the tender award to Italgas Reti. In particular, the Regional Administrative Court rejected all the disputes formulated by the other operator, with reference both to the tender documents and to the legitimacy of the offer and the work of the Commission. The operator appealed against that judgment, however without applying for a precautionary motion to suspend the contested acts. The judgment of the Council of State is awaited with reference to the appeal brought by the municipalities forming part of the Belluno district against the judgment of the Veneto Regional Administrative Court dismissing the appeal against the tender award in favour of Italgas Reti. Also the Council of State's judgment is awaited on the appeal lodged by the same municipalities against another judgment in which the Veneto Regional Administrative Court had accepted the appeal lodged by Italgas Reti against the unlawful revocation of the delegation to the Municipality of Belluno, in its capacity as Contracting Entity.

The company lodged an appeal with the Lombardy Regional Administrative Court, notified on 24 February 2020, which challenged the legitimacy of Resolution 570/2019/R/gas for several reasons, including the expected reduction in operating costs recognised to the distributor, the reduction in the remuneration of capital invested in metering activities, the confirmation of the cap for investments in start-up locations, the provision of a single tariff framework for Sardinia with an equalisation mechanism limited to the first three years only and the provision of a constant x factor for the entire regulatory period. With order of 3 February 2021, the Regional Administrative Court ordered a verification to answer some questions of particular technical complexity, relevant to deciding on the proceedings. As part of the verification activities, the party-appointed experts had the opportunity to examine, inter alia, the data from the separate annual accounts used by ARERA to adopt the challenged regulatory provisions. Verification operations must be completed by 30 March 2022. The relevant hearing is set for 21 April 2022.

The Authority challenged the ruling of the Lombardy Regional Administrative Court with which the appeal lodged by Italgas for the cancellation of Resolutions no. 195/2017/S/gas of 30 March 2017 and no. 232/2017/S/gas of 6 April 2017 with which the Authority had imposed a fine of 204,000 euro against the company for the violation of certain provisions of the Regulation of the Quality of Gas Distribution and Metering Services for the period 2014-2019, in relation to the obligations of replacement of the cast-iron pipes with hemp and lead couplings that make up the distribution network in the Municipality of Venice. Italgas Reti filed an appearance and is currently awaiting the date of the hearing.

The Authority appealed the judgment of 8 November 2021 of the Lombardy Regional Administrative Court which upheld Italgas Reti's appeal against Resolution no. 328/2019/S/gas with which the Authority had imposed a penalty of 469,000 euro for gas emergency intervention violations in Venice, Andria, Chiavari, Rome, Messina and Albano Laziale and partially cancelled Resolution no. 163/2020/Rgas regarding the determination of premiums and fines (equal to 361,320 euro) for safety recovery operations in 2016 in Andria and Venice and Resolution no. 567/2020/R/gas of premiums and fines (equal to 536,565 euro) for safety recovery operations in 2017 in Andria, Venice and Albano. Italgas filed an appearance and the next hearing is currently scheduled to take place at 29 March 2022.

Awarding of tenders

On 4 March 2021, the bid evaluation procedure for the contract for the natural gas distribution service in the "Torino 1" territorial area, which includes Turin and the municipalities of Moncalieri, Grugliasco, Rivoli, Rivalta di Torino and Nichelino, was officially completed. The only bid received, sent by Italgas Reti, was deemed valid under every legal profile and, therefore, the tender procedure commission proposed the awarding of the contract to the company. The contracting entity is now carrying out the standard procedures in preparation for the final awarding of the contract. The awarding of the ATEM, consisting of approximately 560 thousand users, will allow Italgas Reti to continue managing the service in a region in which it has operated since 1837 and for which an investment plan of approximately 357 million euro is envisaged. The contract regarding the network management service is expected to be signed in the first half of 2022.

The Plant Hand-over Report of the Valle d'Aosta ATEM was signed on 1 September 2021. This confirms the commencement of the Service Agreement and the start of area management also following the ruling with which the Lombardy Regional Administrative Court rejected the appeal lodged by one of the other operators participating in the tender against the Municipality of Aosta for awarding the contract to Italgas Reti.

Other agreements

On 8 March 2021, a collaboration agreement was signed with Jemena, a leading Australian company in the energy infrastructure sector, aimed at exchanging knowledge and experience in network management, with special emphasis on technological innovation and decarbonisation.

On 29 July 2021, a strategic agreement was signed with Salesforce, a global leader in the Customer Relationship Management (CRM), aiming to maximise the productivity of the investment cycle (capital deployment) through advanced digital solutions involving Bludigit on the front line. The agreement is part of the broader digital transformation process launched in 2017, thanks to which, following an investment of more than 2 billion euro, Italgas is set to be the first gas distribution company in the world with a fully digitised network.

On 28 September 2021, Seaside and Consorzio Intercomunale Torinese signed the framework agreement to entrust the redevelopment works of 22 public residential buildings located in municipalities of Turin: Mappano, Nichelino, Orbassano, Moncalieri, Caselle Torinese and Settimo Torinese. The total value of the operation is over 57 million euro and will involve 926 housing units where 893 families reside. The aim is to carry out a series of energy efficiency and structural consolidation interventions.

Other events

On the evening of 11 December 2021, an explosion took place in the town of Ravanusa (AG) and the Fire Brigade informed the Italgas' Integrated Supervision Centre requesting the activation of the emergency services. The technical personnel of Italgas Reti promptly intervened.

The first sectioning of the network, aimed at securing the pipeline, began on the evening of 11 December, following authorisation by the Fire Brigade, and ended within a few hours with the completion of the isolation of the section of pipe running through the area affected by the event.

The steel coated pipeline, with a diameter of 100 mm, cathodically protected and operated under low pressure, was laid in 1988 by the company Siciliana Gas and falls broadly within its useful life, as per ARERA provisions.

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

In the week leading up to the event, Italgas Reti received no reports of any kind to the Emergency Services complaining of gas leaks.

The entire network of Ravanusa - including the one in the area of the event - had been tested in 2020 and 2021 with state-of-the-art Picarro Surveyor technology, and no critical issues had emerged.

On 31 December 2021, Agrigento's Public Prosecutor served ten summons to ten Italgas Reti employees in order to be able to carry out non-repeatable technical investigations on an adversarial basis.

Italgas Reti has taken note of these measures, guaranteeing maximum cooperation during the activities to support the investigators, as it has done from the outset.

During the above-mentioned technical investigations, a rupture in the steel pipeline laid along the street affected by the explosion was discovered. This fracture is still undergoing further metallurgical investigation. At present, the causes of the rupture and the causes of the event are not known.

Following the accident, a precautionary claim was promptly filed with the Insurance Companies with which the "civil liability" and "property" insurance policies had been taken out, in order to ensure an orderly handling of any claims.

KEY CONSOLIDATED MANAGEMENT FIGURES

The accounting situation of the companies of the CDP RETI Group as at 31 December 2021 is presented below from a management accounting standpoint. The figures at 31 December 2020 have been restated as indicated in paragraph "I.1.2 General preparation principles - Restatement of the comparative figures at 31 December 2020".

For detailed information concerning balance sheet and income statement performance, refer to the financial statements of the Group's companies, which contain full accounting information and analyses of the companies' operating performances.

Key financial figures

Items		2021	2020
Total revenue	(million of euro)	7,269	6,701
EBITDA	(million of euro)	5,100	4,984
EBITDA margin	(%)	71%	74%
Operating profit (EBIT)	(million of euro)	2,936	2,885
EBIT margin	(%)	40%	43%
Net income	(million of euro)	2,441	1,976
Profit margin	(%)	34%	29%

Key balance sheet and cash flow figures

Items		31/12/2021	31/12/2020
Property, plant and equipment	(million of euro)	37,320	36,401
Intangible assets	(million of euro)	10,852	10,378
Long-term financial liabilities	(million of euro)	30,444	29,762
Equity	(million of euro)	16,762	15,756
- attributable to the parent company CDP RETI	(million of euro)	*4,713*	4,390
- attributable to minority interests	(million of euro)	*12,049*	11,366
Net financial debt	(million of euro)	(30,526)	(28,262)

Other key figures

Items		2021	2020
Technical investments	(million of euro)	3,656	3,318
Net cash flow for the period	(million of euro)	(2,083)	2,224
Average workforce	(numbers)	12,261	11,777
Dividends distributed to shareholders during the period			
- *from SNAM S.p.A.*	(million of euro)	*(811)*	*(792)*
- *from TERNA S.p.A.*	(million of euro)	*(547)*	*(515)*
- *from ITALGAS S.p.A.*	(million of euro)	*(243)*	*(207)*
- *from CDP RETI S.p.A.*	(million of euro)	*(461)*	*(429)*

Ratios

Items		2021	2020
ROE	(%)	15%	13%
Net financial debt/EBIT	(numbers)	10.4	9.8
Net financial debt/Equity	(numbers)	1.8	1.8

With regard to key management figures, 2021 results were as follows:

Total revenues amounted to 7,269 million euro (6,701 million euro in 2020), an increase of 8.5% on the previous period.

EBITDA amounted to 5,100 million euro (4,984 million euro in 2020), with an EBITDA margin of 71% (slightly down compared to 2020) and an increase of around 116 million euro (+2.3%) on 2020. The contribution to the EBITDA margin was 31% for SNAM, 26% for TERNA and 14% for ITALGAS.

EBIT amounted to 2,936 million euro (2,885 million euro in 2020), with an EBIT margin of 40% (slightly down compared to 2020). These figures also reflect the amortisation/depreciation and impairment resulting from the purchase price allocation (PPA)[15] of the assets and liabilities of SNAM, TERNA and ITALGAS.

Net income amounted to 2,441 million euro (1,976 million euro in 2020), with a percentage impact on revenues of 34% (29% in 2020). The amount pertaining to the Parent Company was 737 million euro (585 million euro in 2020).

Net financial debt was equal to 30,526 million euro, increasing by 2,264 million (+8%) on 31 December 2020. The total amount of about 31 billion euro refers to SNAM (45.9%), TERNA (32.5%) and ITALGAS (16.3%), and the remaining portion (5.3%) to the Parent Company CDP RETI.

Technical investments amounted to 3,656 million euro at 31 December 2021 and referred to SNAM (35%), TERNA (41%) and ITALGAS (24%).

The net cash flow for the year was negative by around 2,083 million euro (with cash and cash equivalents decreasing from 6,470 million euro to 4,387 million euro), largely attributable to SNAM (-1,708 million euro) and TERNA (-1,122 million euro); positive contributions were made by ITALGAS (+728 million euro) and CDP RETI (+19 million euro). Investing

[15] This allocation, required by IFRS 3 (*International Financial Reporting Standard* 3 – Business Combinations), must be made by the buyer, in its consolidated financial statements, to justify the purchase cost incurred in the context of this acquisition.

activities (net of divestments) and financing activities absorbed resources of 2,383 million and 1,759 million, respectively, partly offset by resources generated by operating activities of 2,060 million.

ALTERNATIVE PERFORMANCE MEASURES[16]

CDP RETI measures the performance of the Group and its business sectors also on the basis of a number of measures not provided for in the IFRS. Consequently, the criterion used to determine values may differ from and not be comparable with those used by other groups.

Non-GAAP[17] financial reporting must be considered as supplementary and does not replace the information drafted in accordance with IFRS. In fact, the APMs presented in this Annual Report are considered significant for assessing operating performance with reference to the results of the CDP RETI Group as a whole. Furthermore, it is believed that they ensure better comparability over time of the same results, even though they are not substitutes or alternatives to the results determined by applying IFRS.

Pursuant to Consob Communication No. 0092543 of 3 December 2015, which implements Guidelines ESMA/2015/1415 on alternative performance measures, the components of each of these measures are described below:

i) "EBITDA": Net Income adjusted by the following items (included in the consolidated financial statements): (i) Net income on discontinued operations, (ii) Taxes for the period, (iii) Financial income/expenses, (iv) Amortisation, depreciation and impairment.
ii) "EBITDA margin": the percentage impact of EBITDA on Revenues and income.
iii) "EBIT": EBITDA less amortisation, depreciation and impairment.
iv) "EBIT margin": the percentage impact of EBIT on Revenues and income.
v) "ROE" (Return on equity): the ratio of Net income/loss for the period (over 12 months, from 1 January to 31 December) to average Total Equity at the beginning and at the end of the reporting period.
vi) "Net financial debt"[18]: the sum of short-term and long-term debt, including financial payables for lease obligations pursuant to IFRS 16, net of cash and cash equivalents and current financial assets, such as instruments held for trading, which are not cash and cash equivalents or hedging derivatives. The calculation of net financial debt excludes other current financial assets not classified as cash and cash equivalents (e.g. short-term financial receivables with maturity of over 90 days). See the specific section for further details.
vii) "Net Financial Debt/Equity" ratio: this measures the level of solidity and efficiency of the capital structure in terms of the relative impact of borrowing and equity sources of financing (level of dependence on outside sources of financing). It is calculated as the ratio of Net financial debt, as monitored by the group, to Equity.
viii) "Net financial debt/EBIT" ratio: this measure is calculated by the group as the ratio of Net financial debt, as monitored by the group, to EBIT.

The calculation of these measures, unchanged with respect to those used at 31 December 2020, is consistent with that recorded in the comparison period, except for the net financial debt, for which reference is made to paragraph "4.4. Consolidated net financial debt". Moreover, in accordance with ESMA recommendations, also in view of the limited impact of COVID 19 on its results, the CDP RETI Group has not changed the Non-GAAP financial reporting previously provided.

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[16] A financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Alternative performance measures are usually derived from (or based on) the financial statements prepared in accordance with the applicable financial reporting framework, most of the time by adding or subtracting amounts from the figures presented in financial statements (Guidelines ESMA/2015/1415 – articles 17 and 18).
[17] Generally accepted accounting principles (GAAP) that the companies must follow in the preparation of their financial statements.
[18]Calculated in accordance with Consob communication No. DEM/6064293 of 2006, as amended on 5 May 2021 to implement the new ESMA recommendations 32-232-1138 of 4 March 2021 concerning the Net financial position

3. ORGANISATIONAL STRUCTURE

3.1 THE ORGANISATIONAL STRUCTURE

At 31 December 2021, CDP RETI had two employees (plus seven, under part-time secondment), all on permanent contracts. Compared to 31 December 2020, with a view to ensuring improved operating efficiency and guaranteeing effective monitoring of relevant activities, a new organisational structure was approved and the previous secondment model was reviewed (the previous three resources at 31 December 2020 were raised to the current seven resources).

More generally speaking, it should be noted how the Company uses the operating support of the Parent Company CDP based on service agreements that provide the Company with all the skills and services that are key for the correct performance of its business. In this context, in the second half of 2020, work began on updating the Organisation, Management and Control Model pursuant to Legislative Decree 231/01, which also involved revising and updating the current service agreements, completed in June 2021.

Lastly, please note that, following the issue, on 21 May 2015, of a bond listed on the Irish Stock Exchange, CDP RETI assumed the position of listed Issuer with Italy as the Member State of origin, and was therefore obliged, pursuant to art. 154 – bis of the Consolidated Law on Finance, to appoint a Financial Reporting Manager.

Reported below are the average figures of the three groups SNAM, TERNA and ITALGAS:

SNAM

(average numbers)

	31/12/2021	31/12/2020
Senior Managers	146	129
Middle Managers	585	525
Office staff	1,842	1,715
Manual workers	806	752
Total	**3,379**	**3,121**

TERNA

(average numbers)

	31/12/2021	31/12/2020
Senior Managers	90	83
Middle Managers	730	669
Office staff	2,693	2,516
Manual workers	1,431	1,356
Total	**4,944**	**4,624**

ITALGAS

(average numbers)

	31/12/2021	31/12/2020
Senior Managers	61	60
Middle Managers	312	302
Office staff	2,175	2,239
Manual workers	1,389	1,430
Total	**3,937**	**4,031**

3.2 RISK FACTORS

INTRODUCTION

In the normal course of its business activities, the CDP RETI group is exposed to various financial and non-financial risk factors that, were they to materialise, could have an impact on the group's financial position, results and cash flows.

This section illustrates the main risks to which the CDP RETI group is exposed in the ordinary management of its business activities, as measured and managed at the level of TERNA, SNAM and ITALGAS. For the description of the financial risks, reference is made to the specific "Financial risk management" section of the notes to the consolidated and separate financial statements.

The main risks identified are listed below.

SNAM GROUP

STRATEGIC RISKS

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns the rules applicable to the gas industry. The resolutions of the Energy Networks and Environment Regulator (ARERA) and the National Regulatory Authorities of the countries where the foreign affiliates operate, the European and Italian legislation and, more generally, changes to the reference regulatory framework may have a significant impact on Company operations, earnings and financial stability. It is impossible to envisage the effect that future changes in legislative and tax policies might have on the business of Snam and on the industrial sector in which it operates.

Considering the specific nature of its business and the area in which Snam operates, developments in the regulatory context with regard to criteria for determining reference tariffs are particularly significant.

Macroeconomic and geopolitical risk

In view of the specific nature of its business sector, Snam is also exposed to risks linked to political, social and economic instability in natural gas supplying countries, mainly affecting the gas transport sector. Most of the natural gas transported on the Italian national transport network is imported from or transits through countries in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in light of TANAP-TAP, Turkey combined with the States which overlook the eastern Mediterranean) and in the former Soviet Bloc (Russian Federation, Ukraine, Azerbaijan and Georgia). Those regions are sensitive to political, social and economic instability, which could possibly develop into future crisis scenarios.

The import of natural gas from these countries, or its transit through them, is subject to a wide range of risks, including: terrorism and general crime; changing levels of political and institutional stability; armed conflict, social-economic and ethnic-sectarian tensions; social unrest and protests; inadequate legislation on insolvency and creditor protection; ceilings placed on investments and on the import and export of goods and services; introduction of and hikes in taxes and excise duties; forced contract renegotiation; nationalisation of assets; changes in commercial policies and monetary restrictions.

If the shippers that operate the transport service through Snam's networks are unable to complete the supply or transport of natural gas from or through these countries due to the occurrence of the aforesaid adverse conditions, or are affected by said adverse conditions, to an extent that causes or worsens the inability to fulfil their contractual obligations towards Snam, this may produce adverse impacts on the business and on the performance and financial position of the Snam group. In addition, Snam is exposed to macroeconomic risks arising from displacement or tension in financial markets or situations deriving from external events, which could affect liquidity and accessibility to financial markets.

Commodity risk connected with gas price changes

With Resolution no. 114/2019/R/gas, as part of the process of review of the criteria for the determination of the recognised revenue of the natural gas transport and measurement service for the fifth regulatory period (2020-2023), the criteria to recognise the Unaccounted-For Gas (UFG) have also been defined. Based on these criteria, from the year 2020 onwards, the quantities of gas for self-consumption, network leaks and UFG will be paid by cash instead of the recognition in kind by shippers. However, the change in the price of natural gas will not continue to be a significant risk factor for Snam, since a mechanism is in place to cover the risk associated with the differences between the price set for gas volumes for self-consumption, network leaks and UFG and the actual supply price. With regard to the quantities recognised, the above-mentioned decision confirmed the current criterion regarding gas for self-consumption and leaks, while for the UFG the admitted level will be updated annually and will be equal to the average of the quantities actually recorded in the last four years available. In July 2020, with Resolution 291/2020/R/gas, the Authority concluded its assessments and ascertained an additional volume of UFG for 2018-2019, equal to a total of 182 million cubic metres, for a total value of around 42 million euro, which will be paid by the CSEA, net of the advance already received for 2018. The Authority also launched a procedure, which was completed at the end of 2020 with the publication of Resolution 569/2020/R/gas on 22 December 2020, to refine the criteria for recognising UFG for the fifth regulatory period (2020-2023), so as to improve operational consistency and the related stability, also providing that the motivational force of the system is in any case based on predetermined unit fees proportionate to the remuneration of the metering service instead of the price of gas. This amendment substantially reduces the risk with respect to the potential impacts of the original provision.

In particular, while maintaining the current criterion for the recognition of the quantities of UFG for the tariffs and the related valuation, as well as the use of the neutrality mechanism envisaged in the Combined Regulations on Balancing in terms of value recognised, the Authority has introduced an incentive mechanism relating to the difference between the UFG recognised and the actual UFG for the same year.

In general, the changes in the current regulatory framework on the recognition of quantities of natural gas covering self-consumption, network leaks and UFG might have an adverse impact on the Snam group's business, financial position and results.

Market risk

Lastly, as to the risk linked to gas demand, under the current tariff system applied by the ARERA to natural gas transport, Snam's revenues, through its directly controlled transport subsidiaries, are partly correlated to output volumes. However, with resolution 114/2019/R/gas, ARERA confirmed for the fifth regulatory period (2020-2023) the guarantee mechanism covering the share of revenues correlated with output volumes already introduced in the fourth regulatory period on volumes transported. This mechanism reconciles higher or lower revenues exceeding ± 4% of the reference revenue correlated with output volumes. This mechanism guarantees about 99.5% of the authorised overall revenues from transmission activities.

Under the current tariff system applied by ARERA to natural gas storage, Snam's revenues, through Stogit, are correlated to the use of infrastructure. However, ARERA has introduced a guarantee mechanism covering these revenues, which allows companies to cover a main share of the authorised revenues. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenue was approximately 97%, while for the fifth regulatory period (2020-2025) Resolution 419/2019/R/gas extended the level of guarantee to all recognised revenue (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent Resolution 232/2020/R/gas) with voluntary participation, which provides for an increase in the profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulatory criteria for the LNG regasification service for the fifth regulatory period (2020-2023), Resolution 474/2019/R/gas confirmed the mechanism to cover reference revenue at a guaranteed minimum level of 64%.

In general, the changes in the current regulatory framework might have adverse impacts on the Snam group's business, financial position and results.

Abroad, protection against market risk is offered by French (Teréga) and Greek (Desfa) regulations, long-term TAP agreements, as well as agreements for Austria (different deadlines for TAG and Gas Connect starting from 2023), France (with gradual maturity of the long-term contracts in the interconnection point with Spain starting from 2023) and for Adnoc Gas Pipeline (20 years tariff-based with ship or pay minimum). In Austria, the United Kingdom (Interconnector) and Egypt the volume risk is hedged.

With reference to today's macroeconomic market framework, at the same time as the economic recovery in 2021 and the recovery in consumption, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players / private individuals) and switching to other energy carriers. This growth is due to a number of factors including: post-Covid consumption increase, structural reduction in the continental production of gas, reduction in potential additional imports from Russia, lower production from electrical renewables (wind, solar), especially in Northern Europe, gas consumption increase and LNG imports at a global level in Asia, increase in the CO_2 prices on the ETS. The contingent trend of commodity prices in Europe and the high energy dependence on imports could represent elements of vulnerability for the Italian energy system. Regarding gas, Snam has already mitigated this risk thanks to a series of counter measures adopted over the last few years such as: diversifying the sources of procurement (most recently, the commissioning of the TAP gas pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g.: peak shaving via regasification terminals, interruptibility service for withdrawals from the transport network). For some sectors, particularly private users, there may be a perception that higher prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Climate change risk

Achieving global climate targets will require significant investment in the decarbonisation of the energy sector over the next 30 years. In recent years, Snam has repositioned itself to benefit from the new energy transition mega-trends, through its infrastructure, which will be crucial to achieving decarbonisation targets, its presence in the energy transition businesses, international expansion and a disciplined approach to investments.

Snam has made a commitment to achieving carbon neutrality by 2040, with an intermediate target of a 50% reduction in direct (Scope 1) and indirect (Scope 2) emissions from the 2018 values by 2030, in line with the goal to limit global warming to 1.5° C set by the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the CO_2 emissions reduction targets set by the UNEP (UN Environment Programme), which Snam has signed a protocol with.

With regard to the risks associated with the emissions market, within the scope of the European Union directives on trading carbon dioxide emission permits and the rules for controlling emissions of certain atmospheric pollutants, the update of the sector regulations accompanying the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), has confirmed a continuous reduction in the number of free emission allowances. The allowances are allocated to each plant with progressively decreasing, and no longer constant grants, and also depend on the actual operation of the plants. The allowances granted free of charge to the group's plants are no longer sufficient to comply with regulatory compliance obligations relating to ETS mechanisms and, as a result, the companies of the Snam Group obtain the missing allowances from the market.

With resolution 114/209/R/gas of 28 March 2019, ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transport and measurement service, including – among other things – the recognition of the costs relating to the Emission Trading System (ETS). With Resolutions 419/2019/R/gas and 474/2019/R/gas, the recognition of the costs relating to the ETS mechanism was introduced also for the storage services (regulatory period 2020-2025) and for the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported). On one hand, the latter may benefit from greater sustainability compared to other fossil fuels in the short- to medium-term and act as a bridge towards the full decarbonisation of some sectors, but, on the other hand, may be affected by policies and individual choices that could lead to a progressive decrease in natural gas consumption with consequent repercussions on the current use of infrastructure. The rise in the decarbonisation targets at EU level, including the new legislative proposals being issued on energy transition (such as the EU's Fit for 55 package and EU Taxonomy) and the publication of studies of major importance in the international energy scene (such as the IEA's Roadmap to Net-Zero Emissions), could in fact accelerate the progressive reduction in demand for and supply of fossil natural gas. On the other hand, this could encourage a greater and earlier penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) in the energy mix, supporting the promotion of Snam's new businesses. Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level. With reference to the effects of the change in gas demand on the financial position and results of the Snam group, see the "Market risk" paragraph below.

Lastly, Snam has signed up to the Methane Guiding Principles, which commit the company to further reducing methane emissions from its operations in natural gas infrastructure. In subscribing to these principles, Snam is also committed to encouraging other players in the entire gas supply chain – from producer to end consumer – to pursue the same objective. Snam joined the Oil & Gas Methane Partnership (OGMP) 2.0, a voluntary initiative launched as part of UNEP (United Nations Environment Programme) to support Oil & Gas companies in reducing methane emissions. The company participated, and is still actively involved, in various UN working groups which led to developing a framework able to provide governments and the general public with the guarantee that methane emissions are treated and managed in a responsible manner, with progress against stated objectives, offering transparency and cooperation, including the implementation of best practices. The protocol suggests the targets to reach: - 45% by 2025 compared to 2015. During 2021, Snam renewed its commitment by setting the target of a -55% reduction in methane emissions by 2025 compared to 2015, stricter than those proposed by UNEP, becoming a fundamental part of the Net Carbon Zero Strategy.

LEGAL AND COMPLIANCE RISK

Legal and compliance risk concerns the failure to comply, in full or in part, with laws and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it performs. The violation of such laws and regulations may result in criminal, civil, tax and/or administrative penalties, as well as damage to its financial position, results and/or reputation. Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). Snam has therefore adopted and is committed to promoting and maintaining an effective internal control and risk management system aimed at enabling the identification, measurement, management and monitoring of the main risks relating to its operations. With regard to the Risk of Fraud and Corruption, it is a top priority for Snam to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. Snam's management is fully engaged in implementing an anti-corruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts. Reputational Check, as well as acceptance and signing of the Ethical Integrity Agreement are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of our suppliers and subcontractors, with the aim of ensuring transparent relationships and professional morality requirements in the entire chain of companies and for the duration of the relationship. Snam is a member of the United Nations Global Compact and operates according to the principles laid down in that global initiative, which are an integral part of the company's strategies, policies and rules, including the tenth principle of zero tolerance towards all forms of corruption, which underpins a firmly established culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italia as a member of the Business Integrity Forum (BIF), and in 2018 Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International.

In 2017, Snam started working with the OECD, joining the Business at the OECD Committee (BIAC), and in October 2019 – as the first Italian company – it joined the Leadership as Vice-Chair of the Anticorruption Committee.

In September 2019, Snam was also involved in the Partnering Against Corruption (PACI) initiatives of the World Economic Forum. In addition, thanks to its commitment on Corporate Ethics and Anticorruption, in 2020, with a view to the progressive promotion of ESG issues also at a multilateral level, Snam was selected as a permanent member of the Corporate Governance Committee of the BIAC, in addition to the role of Vice Chair in the Anticorruption Committee.

Within the OECD, Snam took part in several events, including the important Global Anti-Corruption & Integrity Forum, as part of which it participated in the round table "Leading through the Crisis Integrity and Anticorruption for a Resilient Recovery".

Finally, it has been a standing member of the Integrity & Compliance Taskforce of the B20 Forum since 2020 and actively participates in work to develop the related annual Policy Paper for members of the G20.

In the framework of multilateral collaborations, in addition to the above, for all of 2021 Snam took part in all the Transparency International events, Italian Chapter. Worth mentioning among these is the Annual Event in November, when Snam chaired the "From B20 Italy 2021 to B20 Indonesia 2022 and beyond" panel, as well as the round table "Ethics and Profits", in which the EVP Institutional Affairs, ESG, Communication & Marketing took part.

Lastly, as a mention of particular prestige, confirming the successful and well-established cooperation over the last 7 years, Snam was the opening guest speaker on the second day of the Business Integrity Forum organised by Transparency International Italia held on 23 June 2021, where Snam's CEO sent a valuable video-message on the importance of creating a corporate culture founded on principles of ethics, integrity and sustainability. On the same day, Snam also spoke at the Technology & Integrity round table, talking about its recent experiences on using Artificial Intelligence for Compliance purposes, in a session called "Intelligent Compliance: from Integrated Compliance to Monitoring Supplier Compliance".

It should also be noted that breaching data protection regulations may lead to sanctions, also heavy, for the company (Regulation (EU) 2016/679, "GDPR").

Therefore, Snam designed a data protection management system that involves defining the requirements to be met in the field of personal data protection at corporate level. This includes defining roles and related responsibilities at corporate level, recording processing operations carried out, implementing organisational and technical measures to protect personal data processed, managing possible data breaches, and defining tools and measures to ensure an appropriate and timely response to data subjects exercising their rights under the GDPR.

OPERATIONAL RISKS

Ownership of gas storage concessions

For Snam, the risk connected **with keeping storage concessions** stems from the business operated by its subsidiary Stogit, on the basis of concessions awarded by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and may be extended not more than twice for ten years each time. With regard to those concessions, Stogit submitted, within the legal time limits, application for their renewal to the Ministry of Economic Development. The extensions of the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022. For Alfonsine concession, the procedure is still pending at the Ministry. For the extension still pending, the Company, as provided for by the reference standards, will continue to operate under the old concessions, whose expiry is automatically extended for the purpose until completion of the renewal process. A concession (Fiume Treste) will expire in June 2022, which was already subject to a ten-year extension in 2011, and for which a request for a second 10-year extension was submitted on 18 May 2020. Lastly, a concession (Bordolano) will expire in November 2031 and may be extended for another ten years. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of renewal, concessions are awarded under terms less favourable than current ones, the Company may experience negative effects on its business, financial position and results.

Failures and unforeseen interruption of the service.

The risk of **service malfunction and sudden outages** is due to unforeseeable events, such as breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, landslides or other similar events, interference from third parties and cases of corrosion that fall outside Snam's control.

Such events may cause a drop in revenues as well as result in significant damage to persons and property, with possible compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, in accordance with the sector best practice, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in infrastructure work progress

Moreover, Snam may incur **delays in infrastructure work progress** due to the many unknown factors linked to operational, financial, regulatory, authorisation and competition aspects over which it has no control. Snam is therefore unable to guarantee that planned works to expand and improve the network are effectively undertaken or, if undertaken, are effectively completed or able to achieve the benefits envisaged by the tariff system. Furthermore, development projects may involve higher levels of investment or longer timeframes than initially estimated, thus affecting Snam’s financial position and performance.

Investment projects could be stalled or delayed due to difficulties in obtaining environmental and/or administrative authorisations or due to objections raised by political forces or other organisations, or could be affected by changes in the price of equipment, material and labour, or by political and regulatory changes during construction, or by the inability to obtain financing at acceptable interest rates. Such delays might have adverse impacts on the Snam group’s business, financial position and results. In addition, changes in the price of commodities, equipment, material and labour could affect Snam’s financial results.

Environmental risks

Snam and the sites where it operates are subject to laws and regulations covering pollution, environmental protection, and the use and disposal of hazardous substances and waste. These laws and regulations expose Snam to contingent costs and liability connected with operation and its assets. The costs linked to potential environmental remediation obligations are subject to uncertainty in terms of the extent of the contamination, the appropriate corrective actions and the share of responsibility. They are therefore difficult to estimate.

Snam cannot predict whether and how environmental regulations and laws may become more binding over time, nor can it provide assurance that future costs of ensuring compliance with environmental legislation will not increase or that these costs may be recoverable within the applicable tariff mechanisms or regulation. Substantial increases in costs related to environmental compliance and other associated aspects and the costs of possible sanctions could negatively impact the business, operating results and financial and reputational aspects.

Employees and personnel in key roles

Snam’s ability to run its business efficiently is dependent on the skills and performance of its personnel. The loss of “key” personnel or the inability to attract, train and retain skilled personnel (especially in technical positions for which there may be limited availability of appropriately skilled personnel), or situations where the ability to implement a long-term business strategy is negatively affected by significant disputes with employees, could have an adverse impact on the business, the financial situation and the operating results.

Risks linked to foreign equity investments

Snam’s foreign investee companies may be subject to regulatory/legislative risk, political, social and economic instability risk, market risk, cyber security risk, credit and financial risks and all other risks typically affecting Snam’s business in the natural gas transport and storage sector. These risks could therefore have an adverse impact on their business, financial position and performance. This could have a negative impact on the investees’ contribution to Snam’s net income.

Risks linked to future acquisitions/equity investments

Investments made under joint-venture agreements and any future investments in Italian or foreign companies could increase the complexity of the Snam group’s operations insofar as it cannot be guaranteed that these investments will generate the expected profitability as part of the acquisition or investment decision and will integrate effectively with the group’s other operations in terms of consistency with quality standards, policies and procedures. The integration process may involve additional outflows and investments. Lack of integration of the investment could have negative impacts on business, operating results and financial performance.

Emerging risks

The Group’s Enterprise Risk Management model pays particular attention to identifying changes in the operating environment in order to detect events or macro-trends originating from outside the organisation that could have a significant medium-to-long-term impact (3-5 years and more) on Snam’s business or its industry sector.

These changes may give rise to new risks in the long term, but may also start to already have consequences for the company now, changing the nature and extent of the potential impacts and likelihood of occurrence of the risks already identified.

The purpose of the process of identifying emerging risks is to be able to assess their impacts in a timely manner and put in place the necessary strategies and related mitigation actions to prevent and control those risks. The emerging risks identified by Snam in this area include cyber security and energy transition–related risks.

Cyber security

Significance and potential impact on Snam

Snam adopts a complex technological structure to conduct its business, relying on an integrated model of processes and solutions able to ensure the efficient management of the gas system nationwide. However, the development of the business and the use of innovative solutions to improve it require constant attention and the ability to continuously adapt to the changing needs for cyber security protection. The Group’s new Business Plan envisages around 500 million euro in investments in digitisation – from the control of activities on a remote basis to the adoption of complex infrastructure enabling the Internet of Things – through which Snam aims to become the most technologically advanced gas transmission operator in the world and ensure ever increasing levels of security and sustainability of its business processes.

The projections by global experts and the company’s own view is that cyber security threats will evolve in the future in terms of both number and complexity. The digital channel is increasingly used illicitly by different types of actors with different aims and different methods: cyber criminals, cyber hacktivists, state-sponsored action groups. The radical changes taking place in the logics and working processes following the pandemic (including the widespread use of remote working) have exacerbated certain specific types of threat and have made it necessary to increase the levels of attention to criminal phenomena that are bound to persist over time. In addition, technological development has made increasingly sophisticated tools available to attackers, enabling them to increase the effectiveness of existing attack techniques and develop new ones. The increasing digitisation of the network with the use of new technologies (e.g. Internet of Things) also poses significant challenges to the Group, extending the potential attack surface exposed to internal and external threats. Lastly, the geopolitical tensions that have intensified during the year in various global spheres should not be underestimated, as the cyber terrain has become, and will increasingly become, an area of economic and political confrontation and conflict.

Cyber security plays a very important role in this scenario, because it has the task of preventing or dealing with a wide variety of events, which can range from the compromising of individual workstations to the disruption of entire business processes relating to transport, storage and regasification, potentially affecting the ability to deliver the service.

A correct approach to cyber security management is also necessary to ensuring full compliance with the increasingly strict industry sector regulations, issued both at European and Italian level, aimed at improving the management and control of companies that provide essential services for Italy.

Mitigation actions

Snam has developed its own cyber security strategy based on a framework developed in accordance with the main applicable standards, and has a dedicated function, which has been in place for several years now, which is responsible for holistically guiding and implementing measures established at strategic level, ranging from governance to more strictly technological aspects.

This includes the alignment of the internal processes to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and the formal certification of compliance of part of those processes with the standards listed by a third-party body. In addition, through a variety of activities, including Risk Analysis and Technical Verification, Snam assesses the protection needs arising from technological developments, changes in business processes or the identification of previously unknown vulnerabilities, and implements solutions to replace or supplement the existing solutions where necessary. More specifically, to adequately combat the most modern cyber threats, Snam has defined a cyber security incident management model aimed at preventing, monitoring and, where necessary, directing timely remediation actions in response to events capable of damaging the confidentiality, integrity and availability of the information processed and the technologies used. This activity is the responsibility of a Security Incident Response Team that, by adopting solutions that collect and correlate all the security events recorded on the entire perimeter of the company’s IT infrastructure, has the task of monitoring all anomalous situations from which negative impacts for the company may arise, and initiating, where necessary, the appropriate containment and remediation actions by engaging the various technical and business structures concerned. In 2021, the Security Incident Response Team was again able to operate without interruption, providing support 24 hours a day, seven days a week.

Starting from 2020, the change that has been necessary in the operational processes, and in particular the extensive use of remote working arrangements, has not affected the overall level of security up to now. This is mainly because the adoption of remote working as an alternative to in-person work in recent years had already prompted the company to conduct the necessary risk analysis and implement appropriate security solutions for protecting the company's interests, also in the presence of a larger potential attack surface than in the past. In addition, within the context of the cyber incident management activities (preventive and reactive) and in accordance with the formal agreements signed between the parties, info-sharing logic is used with national and European institutions and peers in order to improve the response times and capacity in respect of possible negative events that the company may be exposed to. This approach will become increasingly necessary in the future, also in view of the cyber threat notification requirements that are currently imposed and will be imposed by the national security regulations.

With regard to technological development, as mentioned above, Snam is currently implementing an ambitious digitisation programme that will radically change its business processes in the coming years and which will always include a strong focus on cyber security issues. In particular, starting from 2020, the foundations were laid and the necessary processes implemented for the secure development of all the emerging Internet of Things initiatives. Firstly, a Security by Design process was introduced, which imposes compliance with specific requirements and checks for each application and infrastructure development. In addition, the most suitable security technologies were identified for the support of the new capabilities that Snam has acquired and will acquire in the coming years.

Considerable attention is also paid to raising awareness and training specialist staff, to make it easier to identify weak signs and make everyone as aware as possible of the cyber risks that can occur during normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, exercises and tests, newsletters, etc.

Finally, with reference to managing information supporting business processes, it should be noted that the company owns the asset used for data transmission to and from the territory (fibre); this results in greater intrinsic security thanks to its non-dependence on the service provided by third parties and the possibility of exclusively using the communication channel.

ENERGY TRANSITION AND DEVELOPMENT OF THE HYDROGEN MARKET AND TECHNOLOGIES

Significance and potential impact on Snam

As climate change shows the concrete effects of rising temperatures, the energy world is facing a period of radical transformation. While maintaining its commitment to the company's core business of regulated natural gas transportation, storage and regasification activities, Snam is creating a broad and diversified platform of activities related to energy transition (in particular, transportation and management of renewable energies, such as biomethane and hydrogen, and energy efficiency) to grasp the opportunity to become a system integrator, able to offer green solutions and contribute to the development of renewable gases.

The consolidated ability to create and manage projects to transport and store natural gas, the new skills acquired in green gas and on the new energy transition trends, a growing international presence in important geographic areas also for integrated greenfield projects and the extensive number of partnerships with several types of investors in various countries, combined in a strategy that focuses on ESG factors, will be essential to help develop the competitive, secure and zero net emission energy system of the future.

The diversification of its business will strengthen Snam's position as an enabler of the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, with a long-term vision in line with its purpose and the European objectives. The new 2030 Vision presented by the company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which the energy transition is expected to accelerate sharply in order to achieve the "net zero" targets with growing investments, in particular, in energy transport and storage infrastructure, as well as projects along the entire green gas value chain.

In this context, and with particular reference to the Group's strategy, the main risk factors include: the risks posed by technological innovation for the switching to the use of electric technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or absence of investments (infrastructure, projects, new acquisitions) as a result of uncertainties relating to operational, financial, regulatory, authorisation, competitive and social factors; and the failure to develop the hydrogen market with respect to the value chain that should drive the infrastructure. Lastly, the possibility of changes in the regulatory framework in favour of intermittent energy sources, while also undermining the development of the renewable gas market, should also be considered.

These factors may affect the achievement of the development objectives of the above-mentioned activities and, more generally, the opportunity for Snam to benefit from the new energy transition mega-trends. In this regard, a further risk factor is emerging that concerns the even just partial achievement, by 2026, of the targets set in the Recovery and Resilience Plan, with potential repercussions on the development of hydrogen and its value chain, as well as the development of biomethane and LNG (particularly in the heavy transport sector).

Mitigation actions

The development and introduction of new technologies to achieve the development objectives for the energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed to respond to the urgency of tackling climate change. With regard to the hydrogen value chain in particular, the study of the necessary technological developments related to the chemical and physical processes for its production requires special skills and knowledge to support research and development at both individual company and country level. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500°C with production of CO_2 equivalent to the hydrocarbon used; and electrolysis of water (4-5%). In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by rapid changes in the external environment. To this end, the Group has long been committed to the development of internal know-how, the in-sourcing of expertise through acquisitions and involvement in and promotion of institutional and association working groups devoted to hydrogen at national and international level. At European level, it is also a member of Hydrogen Europe, and in Italy it is represented in the Italian Hydrogen and Fuel Cells Association – H2IT.

The Group's facilities and assets will also need to be ready to capture the opportunities arising from the development of alternative gases to natural gas. The company is now engaged in verifying the full compatibility of its infrastructure with increasing quantities of hydrogen blended with natural gas, in addition to supporting the development of Italy's gas supply chain to encourage the use of hydrogen in a variety of sectors, from industry to transport. Almost all of Snam's pipelines are able to transport up to 100% of hydrogen based on ASME B31.12 regulations. Around 70% of the pipelines can transport pure hydrogen with no or limited reduction compared to the maximum operating pressure, while around 30% require more significant reductions.

Particular attention is paid to using the machines in the operating thrust and compression units. Cooperation with suppliers is testing theoretical conclusions on the readiness to transport new energy carriers (biomethane and hydrogen in varying volume percentages). Upgrades and replacement of obsolete machines are planned according to a philosophy of compatibility and readiness for new transport scenarios with New HYReady Units. The development of the Group's infrastructure is therefore aimed at making the use of programmable, low-impact fossil fuels more efficient, while also promoting the biomethane alternative and providing the necessary conditions to accommodate hydrogen.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain. This is why it is essential to build partnerships to promote the development of operators along the hydrogen value chain and to participate in working groups to enable Snam to take the lead in advocacy and awareness-raising in favour of the use of hydrogen as a key energy source for decarbonisation both in Italy and internationally.

To date, the Group has reached agreements with several companies to promote the growth of all phases of the hydrogen value chain, with a focus on pilot projects to increase the production and use of hydrogen, through strategic partnerships in hard-to-abate industries (e.g. steel mills, refineries, other energy-intensive industries, mobility...) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).

RISKS AND UNCERTAINTIES ARISING FROM THE COVID-19 HEALTH EMERGENCY

The evolution of the pandemic linked to the spread of SARS-CoV-19, if not adequately contained, may continue to have significant health, social and economic consequences across the world.

Though considering the measures introduced to contain and combat contagion, considerable risks remain, both from an economic and financial point of view and for people's health. In addition to the worsening global macroeconomic scenario and the risk of the credit profile deteriorating in a considerable number of countries (including Italy), the risk of slowdown in many commercial activities persists due to negative impacts on supply chains, raw material prices, flows and capital demand.

There is still significant uncertainty in the financial markets at both national and international level, with potential impacts on the business environment.

Snam, which has taken protective measures since February 2020, has acted in order to be able to take all of the necessary steps to protect the health and safety of its people, in compliance with the government measures and provisions as well as those issued by the competent entities and by adopting additional precautions. In particular, the company set up an inter-functional team to manage the situation, in constant contact with the Civil Defence Department, with two fundamental objectives: the health and safety of its people and the continuity of the essential energy security service for the country.

Already from February 2020, as a precautionary measure, Snam ordered smart working for those employees whose activities did not require their physical presence in the workplace, notwithstanding the necessary supervision of operational activities in the area, such as those relating to dispatching at San Donato Milanese, the heart of Snam's infrastructure.

With the gradual resumption of Snam's activities, in line with the guidance and prescriptions of the relevant Authorities, criteria and measures were defined while prioritising the protection of workers' health and safety. These measures were entered in a specific Protocol subject to constant updating according to the guidance that is progressively communicated by the Health Institutions and Authorities, and based on the results of monitoring the measures adopted and the health status of the workers carried out by the relevant roles.

Given the trends in the pandemic, the company is not currently in a position to determine with reliability the impacts of COVID-19 on its targets for 2021 and subsequent years.

Nevertheless, based on currently available information, the company foresees a limited impact on its targets in 2021. Any additional future impacts on the Group's economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

The same considerations apply with reference to the possible effects on development initiatives and potential repercussions on suppliers or customers resulting from the slowdown in operations as well as the current macroeconomic scenario deriving from the evolution of the pandemic at international level. This also applies to the Snam group's operations outside Italy, particularly in France, Austria, Greece, Albania, UAE, Israel, Egypt and the United Kingdom.

TERNA GROUP

The core business the Terna Group is conducted under a legal monopoly system, regulated by government concession and the provisions laid down by ARERA (the Italian Energy Networks and Environment Regulator). This condition makes regulatory risks particularly significant and those that may lead to impacts not so much on Terna as on the entire Electricity System, for example, interruptions to service. In this sense, the risks that may also lead to long-term impacts are significant for Terna such as, for example, those deriving from climate change (for more details, see the paragraph "Sector context").

Terna has identified the main risks associated with its activities and designed organisational measures, controls and dedicated tools with the aim of reducing them, by minimising any impacts to within tolerable limits.

The main risks subject to analysis and monitoring by the TERNA group are detailed below.

Risks related to Service Continuity and Quality

Increased severity of weather events: Risk related to the intensification of extreme weather events (tornadoes, heavy snowfall, ice, flooding) with consequent impacts on the continuity and quality of the service supplied by Terna and/or damage to equipment, machinery, infrastructure and the grid.

Management actions: New investments to enhance the resilience of the electricity grid and identification of mitigation actions.

Separation of the European transmission grid: Risk related to extreme weather events/incorrect operational grid design according to n-1 safety criteria, with possible resulting cascading phenomena leading to overloads/line interruptions, critical events and major incidents on the interconnected European transmission grid with separation of portions of the grid itself and widespread power cuts.

Management actions:

- Control processes and systems to protect the electrical system;
- Involving round tables and programmes for analysing safety/protection scenarios at European level aiming to improve the safety and coordination of the interconnected grid.

Cyber Attacks: Risk related to cyber attacks, e.g. via ransomware, which could result in (i) loss of visibility of plants, (ii) temporary unavailability of systems, (iii) loss of data and/or extra recovery costs.

Management actions:

- Internet protection systems, perimeter protection and segregation of IT-OT networks
- Consolidated IT monitoring processes (CERT - Computer Emergency Response Team)
- Awareness campaigns

Human Resources

Adoption of a hybrid working model in a well-structured manner: At the end of the state of emergency, the hybrid model (working remotely and in the workplace) will become the structural norm. The introduction of this working model could meet with resistance from company staff with consequent fewer benefits and inconsistent diffusion of the corporate culture.

Management actions: Projects and initiatives aimed at accompanying change towards new ways of working, in support of the performance, well-being and engagement of the people.

Enhancement and supervision of internal expertise: Enhancement and supervision of appropriate specialist skill sets to achieve the plan's challenging objectives, also following certain organisational changes.

Management actions:

- Expanding the workforce;
- Training and developing professionalism;
- Mapping and updating distinctive skills (Skill Mapping)
- Change management activities

Injuries/accidents in the workplace: Risk related to serious/fatal injuries and/or accidents that may have consequences for the health of employees and/or contractors and subcontractors, as well as hinder the attainment of the company objectives of safeguarding people's health, while also having serious repercussions on the Group's reputation and credibility.

Management actions: *Strategic Steering Committee, aiming to continuously improve the company as a whole (procedures, technologies, working methods, etc.) with a specific focus on HSE topics.*

Regulatory Authorities and other Institutional Stakeholders

Evolution of remuneration mechanisms for the update with the period: Risk related to the update with the period of parameters to calculate revenues from activities regulated under concession arrangements.

Management actions: Monitoring, development, regulation and tariff update process.

Introduction of ROSS (Regulation by Expenditure and Service Targets): Risk connected with the introduction in 2024, of the "integral" Regulation by Expenditure and Service Targets, which will lead to a revision of the criteria for recognition of invested capital.

Management actions: Monitoring, development, regulatory actions and adaptation of the corporate approaches/processes to new approaches for determining recognised costs.

Introduction of auction mechanisms for the construction of storage systems: Reputational risk associated with any inefficiencies/difficulties in identifying requirements and location, as well as in defining and managing the new rules for auctions for the construction of new storage systems.

Management actions: Adoption of international best practices for conducting the activities ascribed by legislation.

Evolution of the National Electricity Grid

Schedule to grant authorisations for works with an impact on the investment plan: Risk related to delays or postponements in obtaining the necessary authorisations to carry out the works, with consequent postponement of the entry into operation of infrastructure, and impacts on the investment plan.

Management actions:

- Monitoring authorisation processes
- Ongoing dialogue with Institutions and local Associations

Time frame for compliance with and implementation of post-authorisation environmental requirements, expert advice and environmental checks on construction sites: Risk related to possible delays in the execution phase in order to comply with the post-authorisation requirements set out in the authorisation decree, as well as for compliance with and monitoring of all of the requests for environmental aspects (archaeology, bird life, geology, environmental engineering and green areas), for the need to interface with the supervisory bodies involved in the compliance with the authorisation requirements (e.g. sharing the Environmental Monitoring Plan with Bodies/Third Parties), for the technical and specialist environmental support to correctly implement the requirements given before and during the works and for the checks on the construction sites for compliance with the regulations.

Management actions: Developing coordinated activities aiming for consensus among the various stakeholders within a structured process for monitoring the issue with internal procedures and well-defined roles.

Customers, Suppliers and Business Partners

Saturation of suppliers' operating capacity: Risk related to the ability of suppliers to execute a challenging plan and/or the inability to adapt their offer to Terna's growing demand in a timely manner, resulting in delays in carrying out the works planned.

Management actions: Actions to expand the qualified sectors and analysis of risks for each individual supplier

Supply chain crisis and/or change in key supplier strategy: Risk related to changes in the strategy of key suppliers due to the increased appeal of other sectors (e.g. renewable energy, industrial automation), geographical markets (e.g. India) and/or change in priorities with consequent delays/extra costs in executing the Plan's works, exacerbated by the global supply chain crisis resulting from the pandemic and the process of energy transition launched in many countries.

Management actions:

- Actions to engage the supplier in advance (inclusion of "notices to proceed")
- Enhancement of scouting according to a proactive approach and increase in pool of suppliers

ITALGAS GROUP

The main risks subject to analysis and monitoring by the Italgas group are detailed below.

OPERATIONAL, STRATEGIC AND BUSINESS RISKS

Italgas has adopted an Internal Control and Risk Management System integrated into its organisational, administrative and accounting structure and, more generally, into its corporate governance, which ensures compliance with laws and corporate procedures, the protection of corporate assets and which contributes to the management of activities by ensuring the soundness of the accounting and financial data processed.

The main risks mapped in the Enterprise Risk Management (ERM) process and monitored by the company and the mitigation actions taken are outlined below.

It should be noted that despite the mitigation actions introduced to monitor and prevent the occurrence of significant risks, the Company does not exclude that the occurrence of specific events may lead to the recognition of liabilities in the financial statements.

Risks related to service continuity: malfunctions, accidental or extraordinary events

Risks of malfunctioning and/or unforeseeable distribution service disruptions from accidental events, such as accidents, breakdowns or malfunctioning of equipment or control systems, the under-performance of plants and non-recurring events such as explosions, fires, earthquakes, landslides or other similar events beyond Italgas' control.

The main risk management methods are:

- - Third Party Liability and Asset Protection insurance covers;
- - Procedures and systems to manage emergencies, emergency plans with measures defined for securing plants and guaranteeing continuity of service;
- - Health and Safety procedures, communication campaigns, training and awareness-raising meetings on accident prevention, initiatives that also involve suppliers/contractors;
- - Integrated Supervision Centre active 24 hours a day to monitor the network status remotely through remote control of the installations, management of emergency requests, identification of places requiring intervention, monitoring of the progress in the implementation of safety measures;
- - Safety systems for plants and assets and for monitoring the network;
- - Network digitisation to ensure the improvement of real-time monitoring systems and predictive maintenance;
- - Scheduled searches for leaks using the most advanced systems and technologies (Picarro Surveyor) and covering a greater portion of the network than required by ARERA standards;
- - Continuous modernisation of the network (investments in maintenance, replacement of cast-iron pipes with mechanical joints, plans for renovation of risers and shelves);
- - Prevention of potential damage to pipes caused by third parties (e.g. other sub-services);
- - Procedures for qualifying third-party construction, engineering and works management companies, supervision of contractors;
- - Digital Factory for the development of innovative solutions for the digitisation of processes and to improve operating and network management activities and the quality of service.

Risks to the health and safety of people and to the environment

- Risk of accidents and/or injuries to employees and staff of partner companies.

Risk that Italgas may incur costs or liabilities, also of a significant amount, as a result of environmental damage, also in view of changes in environmental protection regulations and the possibility of litigation.

The main risk management methods are:

- Specific insurance policies in the “personal injury" class covering occupational and non-occupational accidents and death due to illness;
- HSEQ system in compliance with the reference standards, certified according to international standards in the areas of health quality, safety, environment and energy efficiency, with compliance audits carried out by a certification body;
- Research and technological innovation activities and processes and measures for energy efficiency, the improvement of safety conditions of plants as well as for the environmental remediation of old manufactured gas production sites;
- Monitoring of HSE regulations, establishment and dissemination of the relevant risk management measures;
- Training on HSE issues and electronic Learning Management System;
- Digital applications for reporting and recording near misses and for waste management;
- Communication campaigns and awareness-raising meetings on safety and other HSE issues for all business units. Rewarding systems for “virtuous” operating units in terms of health and safety;
- Conventions with suppliers/contractors to raise awareness/alignment on HSE issues;
- Internal procedures providing for specific measures against suppliers/contractors in the event of non-compliance in the HSE area and a reward system for virtuous behaviours (Trofeo Sicurezza Appaltatori, Contractor Safety Trophy);
- Compliance audits on the integrated HSEQ and ISO 37001 system and technical audits of suppliers and contractors both during qualification and in the course of ordinary operations.
- With specific regard to remediation activities:
- A dedicated provision was set up to cover the estimated costs of compliance with current legislation;
- Contaminated sites remediation process that defines the tasks, operating methods and guidelines with respect to waste removal operations, site analysis, implementation of safety measures and/or remediation of sites contaminated by previous activities;
- Unit dedicated to monitoring the design and implementation phases. Inspections of remediation sites carried out by in-house and external personnel, both during the work and for final testing.

Risk of smart meters malfunctions

Risk of increased levels of malfunctioning of remote meters with loss/missing consumption readings and/or need for replacement or reconditioning.

The main risk management methods are:

Maintaining an adequate provision to cover the costs arising from malfunctions;

- Issuance of appropriate warranties by suppliers of materials;
- Digital Factory "SmartTracker" application for tracking and managing smart meters throughout their life cycle;
- Plan for the replacement and/or repair of malfunctioning meters;
- Operational centres for the regeneration of malfunctioning Smart Meters;
- Audits of suppliers and testing of materials supplied;
- Updating of technical specifications, also in view of technological developments;
- Adoption of Smart Meters equipped with NB-IoT communication technology;
- Project to create a state-of-the-art Smart meter, also compatible with renewable gases such as biomethane or hydrogen and Italgas patented.

Risks related to Energy Efficiency Certificates

Potential risk of economic loss due both to the possible negative difference between the average purchase value of the Energy Efficiency Certificates and the tariff contribution granted at the end of each year of the obligation and to the possible failure to achieve the targets set annually.

The main risk management methods are:

- A dedicated provision was set up to cover liabilities associated with Energy Efficiency Certificates;
- Process for the acquisition of Energy Efficiency Certificates and management of related obligations;
- Monitoring in the development of regulations;
- Active participation in round tables and development of sector position papers with proposed guidance for a revision of the rules applicable to Energy Efficiency Certificates;
- Optimised purchasing strategy through market access, assessment and development of potential relationships for bilateral agreements, periodic reporting to management;

- Involvement in energy efficiency sectors through the development of projects with partial reduction of the short position in energy efficiency certificates.

Risks related to the development and award of tenders for gas distribution services

Risk of not awarding concessions in the planned areas, or awarding concessions on less favourable terms than the current ones.

Risk of higher operating costs for the Group compared to its operating standards if Italgas is awarded concessions for districts (ATEM) previously managed entirely or partially by other operators.

Risk of judicial and/or arbitration disputes, with possible negative effects on business activities and on the balance sheet, income and cash flow situation of the Italgas Group, given the complexity of the regulations governing expiry of the concessions held by Italgas.

Risk that the reimbursement value of the concessions, which might be awarded to a third party following the concession tendering procedure, might be less than the value of the RAB, with potential adverse effects on the business and on the Italgas' financial position, results and cash flows.

The main risk management methods are:

- In the event of failure to award previously managed concessions, the existing regulations provide that, for owned networks, the outgoing operator is entitled to be paid the reimbursement value;
- Specific procedures governing pre-tender activities, including calculation of reimbursement value, and participation in tenders;
- Monitoring of regulatory developments (national, regional, local) and assessment of potential impact on the tendering process;
- Planning of tender calendar and bidding strategy integrated in the Group's Strategic Plan;
- Critical analysis of the quality of the tender offer and implementation of improvement actions, also with the help of external experts, bodies and universities.

Risks related to climate change

Physical risk: increase in the frequency of extremely intense natural events in the places where Italgas operates (more or less prolonged unavailability of assets and infrastructure, increase in restoration and insurance costs, interruption of the service etc.), with negative impact on costs, revenues and service level;

EMERGING RISK:[19] Physical risk: increase in average temperatures in the areas where Italgas operates, with negative impact on distributed gas volumes and/or the number of active re-delivery points served, with negative impact on revenues;

EMERGING RISK: Transition risk: changes in the Italian and EU legislative and regulatory framework on greenhouse gases intended to limit air emissions, for example by introducing measures for the compulsory purchase by natural gas distributors of certificates covering air emissions, with negative impact on costs;

EMERGING RISK: Transition risk: technological developments that may have an adverse impact on residential demand for natural gas, with negative impact on costs, revenues and level of estimated investments;

EMERGING RISK: Transition risk: uncertainty as to the role of natural gas in the future energy mix, with negative impact on costs, revenues and level of estimated investments.

The main risk management methods are:

- Operational countermeasures as described in the risk "Service continuity: malfunctions, accidental or extraordinary events";
- Target to reduce greenhouse gas emissions by 30% and energy consumption by 25% in 2021-27;
- Use of Picarro Surveyor technology, currently the most advanced technology in the field of gas network monitoring activities, with significant advantages in terms of speed of execution, size of monitored areas and sensitivity in detecting gas in the air that is three times higher than in systems currently used by industry operators (parts per billion versus parts per million);
- Process for transforming the approximately 74,000 kilometres of network into digital infrastructure to enable the distribution of non-methane gases, such as hydrogen, biomethane and e-gas;

[19]Risk that involves medium-long term potential effects for the company and/or the sector.

- Development, implementation and deployment of digital applications for remote control of network and plant construction sites, development and maintenance;
- Conversion to natural gas of distribution networks powered by LPG, with consequent reduction in emissions compared to the current configuration;
- Measures for the modernisation of the network (investments in maintenance, replacement of cast-iron pipes with mechanical joints, renovation of risers and shelves);
- Promotion of responsible business practices, through endorsement of the UN Global Compact and UNEP OGMP 2.0;
- Orientation activities to define sector association positions in Italy and abroad;
- Active participation in consultations called by the Italian Government or European Community bodies on relevant issues;
- Active participation in the activities of European sector associations to monitor technological developments;
- Execution of energy efficiency projects through the subsidiary Seaside;
- Investments designed to increase the Group's presence in the water and energy efficiency sectors;
- Promotion of sustainable mobility;
- Development of power-to-gas technology powered by renewable energy to produce renewable gas that can be used in existing networks;
- Initiatives to analyse the network and plants to assess their adequacy and actions to enable the transport of gases other than natural gas, such as hydrogen, biomethane and e-gas.

Risks of cyber attacks

Risks of cyber attacks in the IT (Information Technology), OT (Operational Technology) and IoT (Internet of Things) sectors.

The main risk management methods are:

- Specific insurance coverage of *cybersecurity* risks;
- Cybersecurity organisational and operational model;
- Group Policy regarding Integrated Security, Resilience and Crisis Management;
- Business continuity, network and information security and emergency and crisis management model and procedures;
- Adoption of conditional access solutions based on certain risk factors (non-legitimate access, access from atypical locations, etc.) and Multi-Factor-Authentication for the Group employees;
- Adoption of security measures to protect the endpoint (Antimalware) and emails by implementing Antispam (protection from spam emails), Anti Spoofing (protection against attacks that impersonate the address of the sender of a communication), Advanced Hunting (advanced analysis to proactively check for possible threats), Safe Link/Safe Attachment (protection from malicious links and attachments in emails by simulation in a test environment, Sandbox) solutions;
- Specific training for Group employees on cyber risks, common vulnerabilities, phishing and spam;
- Possibility for all Group employees to report suspicious phishing emails (Phishing alarm) to a team responsible for analysing emails;
- Phishing simulations against Group employees to test and strengthen their ability to recognise malicious e-mails;
- Secure Product Development Lifecycle process that defines an operational and design approach in which considerations and measures to prevent and mitigate cybersecurity risks are integrated from the earliest stages of the hardware and software procurement and/or development process;
- Security measures to protect the network infrastructure from unauthorised alterations, disruptions, misapplication and unauthorised disclosure of data by means of Firewall, Intrusion Prevention System, Web Application firewall, Anti DDoS (Distributed Denial of Service) systems, internet browsing protection (Proxy) and network segmentation solutions;
- Continuous monitoring in real time, by means of Security Information and Event Management (SIEM), of the IT and OT systems in order to identify and correlate events on monitored devices and act accordingly when necessary;
- Performance of periodic IT and OT vulnerability assessments run by third parties;
- Definition and regular updating of contractual technical specifications, including on cybersecurity;
- Leading suppliers in the industry that guarantee the highest levels of security and performance, whose service levels are contractually defined and monitored;
- "Cybersecurity Awareness for third parties" - which Italgas Group suppliers must formally undertake to comply with - which promotes the application of appropriate cybersecurity processes by third parties.

Risks related to Human Resources

Risks related to the development of human resources, including the risk of key staff leaving the company, the risk of a lack of technical and specialist know-how, the risk of an increase in the age of the company's workforce, a fall in the level of satisfaction and/or an increase in labour disputes.

The main risk management methods are:

- Knowledge transfer system developed in the Italgas digital factory, which provides for video recording of operational activities and instructions accessible in real time through wearable devices;

- Refinement of training processes, with a multimedia platform for planning, managing and accessing the various managerial, technical, HSEQ and digital training activities;
- Initiatives to disseminate the digital culture and know-how (digital skills mapping, appointment of Digital Ambassadors and training on digital issues);
- Personnel search and selection process, performance management system and career development plans with personalised training programme;
- Succession plan for top management roles;
- Cooperation with Italian Universities and Polytechnics for early talent acquisition;
- Organisational units dedicated to diversity and inclusion and HR sustainability;
- Periodic corporate climate survey covering all Group employees;
- Services and welfare system constantly expanding to meet new needs and expectations;
- Italgas Human Rights Policy;
- Italgas policy for diversity and inclusion;
- Mac@Italgas project to provide all Italgas employees who already have an i-phone and i-pad, with a portable Mac to replace their Windows PCs, ensuring an ecosystem of personal tools that offer easy access to new digital solutions, encouraging sharing and collaboration and improving employee daily experience;
- Smart Rotation Project, internal Italgas Job Posting, to encourage the exchange of expertise within the Group, enhance the value of its People and facilitate upskilling and reskilling.

Risks related to quality and service level

Risk of non-compliance with commercial service levels for services to sales companies and/or risk of delayed or partial compliance with commitments, such as, for example, execution of the investment plan for concessions that impose obligations on the part of the concession-holder.

The main risk management methods are:

- Continuous monitoring of Key Performance Indicators on commercial processes, alerts and reporting to the Local Hubs for activation/acceleration of local interventions;
- Ad hoc analysis of all business processes and development of improvement measures;
- Procedures and operating instructions for the Commercial Management of the Service;
- Accelerated service level improvement driven by the digitisation of assets and processes;
- Survey to sales companies;
- Italgas digital portal dedicated to Gas2be sales companies, developed to strengthen partnerships, facilitate the network accreditation process and give the sales companies direct and immediate access to information and news about Italgas, such as the latest promotions launched in the area, or upcoming webinars designed specifically to increase and improve the exchange of know-how between Italgas and the sales companies;
- Allocation of the responsibility for mapping outstanding concession commitments to a specific business unit, monitoring and activation of network technical units for timely intervention;
- Monitoring the progress of the work according to commitments;
- Ongoing dialogue with the granting bodies, also with a view to identify and meet any needs for updates;
- SalesForce (CRM) to support the people working at the Italgas Contact Center in front-end activities (Customer Service).

Supply chain risks

Risks associated with the availability and cost of materials, services and supplies, with operational capacity and scalability, and with the reliability, from a reputational and compliance standpoint (including respect for human rights) of the Group's suppliers and contractors.

The main risk management methods are:

- Procurement planning, analysis and monitoring of function KPIs;
- Supplier qualification process with specific reputational (including ESG) and anti-mafia checks;
- New IT4Buy digital platform, which improves the speed and simplicity of the supplier registration and qualification process;
- ESG rewarding criteria at tender phase on Legality Index issues;
- Checks of the sustainability and economic-financial requirements via recognised external providers, when registering the supplier;
- Standardised processes and tender regulations;
- Evaluation of supplier performance, including sustainability, integrated in the vendor management form;
- On-site technical and ESG audits for the qualification of suppliers deemed Critical/Strategic;
- Continuous updating of technical specifications also in view of technological developments and contractual clauses governing cases of goods and services exposed to cyber risk;

- "Code of Ethics for Suppliers" to which suppliers have to comply with, based, inter alia, on the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organisation (ILO) and the Ten Principles of the Global Compact, as well as on the UN Guiding Principles for Businesses and the OECD Guidelines for Multinational Companies;
- Anti-corruption Policy: Awareness for the third parties – requesting declaration from suppliers on anti-corruption issues and/or ISO 37001;
- “Cybersecurity Awareness for third parties” - which Italgas Group suppliers must comply with.

Risks associated with COVID 19, pandemic events and new diseases

Risks associated with the health crisis resulting from COVID-19 and/or the spread of new pandemics or new diseases that could have repercussions on Italgas in terms of health and safety, operating environment and consequent economic and financial conditions.

The main risk management methods are:

- Establishment of a Crisis Committee to monitor and manage the different phases of the pandemic;
- Constant monitoring of changes in reference regulations and solutions for the management of the COVID-19 emergency both nationally and internationally, engaging with the authorities and with research bodies and hospitals on an ongoing basis;
- Adoption of the Corporate Protocol for the Italgas Group that governs measures to combat and contain the spread of the COVID19 virus in the workplace;
- Specific indemnity insurance policy for all employees who tested positive to COVID-19;
- Campaigns open to all employees for molecular test swabs, serological testing and flu vaccination;
- Specific operational measures for contact minimisation (e.g. remote working, departure from home for operational staff) and control measures (e.g. temperature scanners at the entrance, hand sanitising stations, anti-gathering rules);
- Daily monitoring of positive cases and quarantined personnel also through the Medical Officers and process for receiving and handling reports of COVID-19 positive cases, including identification of personnel, contact tracing and activation of quarantine in coordination with local health authorities;
- Periodic dissemination of conduct rules in relation to the evolving pandemic and the provisions of the Health Authorities.

RISK ASSOCIATED WITH CHANGES IN REGULATION AND LEGISLATION

Risk of changes in the regulatory and institutional framework at European or national level affecting the natural gas sector.

Risk of unfavourable update of the rate of return on net invested capital recognised by ARERA depending on the updating of some underlying macroeconomic variables.

The main risk management methods are:

- Structures dedicated to monitoring regulations, the legislation and their development plans envisaged also at European level;
- Active participation in consultations called by ARERA, sharing the company positions and/or proposals that support defining, updating and implementing clear and transparent regulation criteria;
- Active participation in consultations called by the Italian Government or European Community bodies on relevant issues, including Taxonomy;
- Orientation activities to define sector association positions in Italy and abroad.

RISK OF NON-COMPLIANCE AND REGULATORY DEVELOPMENTS

Risk of failure to comply, in full or in part, with rules and regulations at European, national, regional and local level with which Italgas must comply in relation to the activities it performs and/or risk of failure to detect and implement new rules that are applicable to the Company.

The main risk management methods are:

- Internal control and management system for risks and areas of responsibility defined in relation to compliance;
- Code of Ethics, Model 231, Policy for preventing and combating corruption, ISO 37001 anti-corruption certification for Italgas and all Group companies;
- Monitoring, analysis, dissemination and implementation of regulatory measures on issues of interest to the Italgas Group and verification of their correct implementation;

- Personnel training on compliance issues;
- Analysis and monitoring of reputational requirements of the Group's counterparties;
- "Code of Ethics for suppliers" - which Italgas Group suppliers must comply with.

4. BALANCE SHEET AND INCOME STATEMENT FIGURES

An analysis of the accounting situation as at 31 December 2021 is provided below, based on the statements reclassified according to operational criteria to provide a clearer understanding of the results.

For the purposes of preparing the reclassified financial statements for the year 2021, the international financial reporting standards (IFRS) endorsed by the European Commission and in force at 31 December 2021 were applied.

4.1 RECLASSIFIED CONSOLIDATED BALANCE SHEET

4.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

As at 31 December 2021, the **assets section of the reclassified consolidated balance sheet** of the CDP RETI Group included the following aggregates:

Assets

(million of euro)

tems	31/12/2021	31/12/2020
Property, plants and equipment	37,320	36,401
Intangible assets (1)	10,852	10,378
Trade receivables	6,077	3,408
Other assets (2)	7,355	5,687
Cash and cash equivalents	4,387	6,470
TOTAL ASSETS (*)	**65,991**	**62,344**

(1) ITALGAS, as of 31 December 2021, stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.
(2) The figures of the consolidated financial statements that are not represented in the riclassified Assets are included in Other assets.
(*) The item includes discontinued operations and assets held for sale attributable to TERNA (€375.5 million in 2021 and €1.3 million in 2020) and ITALGAS (€2.2 million in 2021 and €0.1 million in 2020).

At 31 December 2021, the balance sheet assets of the CDP RETI Group amounted to 65,991 million euro, increasing by 5.8 % on 31 December 2020, and consisted mainly of "property, plant and equipment" (around 57% of the assets), which mainly related to SNAM (17.2 billion euro) and TERNA (15.3 billion euro), as well as the impact on this item from the consolidation (around 4.4 billion euro)[20].

The increase in "property, plant and equipment" (+919 million euro; +2.5% vs. 31 December 2020) is due mainly to changes relating to TERNA (+757 million euro) and SNAM (+389 million euro), only partly offset by the effects of the PPA.

In particular, the increase is mainly due to investments in:

- SNAM (1,122 million euro, mainly relating to the transport sector for 888 million euro);
- TERNA (1,392 million euro, of which 1,343.5 million euro relating to Regulated Activities);

net of related amortisation/depreciation and impairment for the period.

The item "intangible assets", largely attributable to the ITALGAS service concession arrangements analysed in greater detail in the notes to the financial statements, increased by 474 million euro, mainly thanks to the contribution of ITALGAS.

This item also includes goodwill (899 million euro), representing (i) the amount (781 million euro) recognised as a result of the process of allocating the differences between the prices paid for the purchase of the equity investments and the related

[20] Effects related to the Purchase Price Allocation (PPA) process of SNAM, TERNA and ITALGAS.

equity, and (ii) the amount attributable to the CDP RETI Group of the goodwill recognised in the consolidated financial statements of TERNA, SNAM and ITALGAS.

“Trade receivables”, up by about 2.7 billion euro compared to the end of 2020, mainly relate to (i) SNAM (2,729 million euro, net of the bad debt provision of 85 million euro), mainly referring to the natural gas transport (2,108 million euro) and storage sectors (155 million euro) and (ii) TERNA (2,777 million euro, of which 2,129 million euro relating to receivables for “pass-through items” [21] pertaining to the activities carried out by Terna S.p.A.).

“Other assets”, up by +29.3% compared to 31 December 2020, mainly refer to (i) equity investments (2,414 million euro), accounted for using the equity method, mainly relating to SNAM’s equity investments, (ii) deferred tax assets (936 million euro, of which 495 million euro attributable to SNAM, 263 million euro to ITALGAS and around 178 million euro to TERNA) recognised at 31 December 2021, (iii) current financial assets (992 million euro, mainly referring to TERNA), (iv) inventories - compulsory stock[22] (363 million euro) of SNAM and (v) non-current financial assets (697 million euro), mainly referring to SNAM (397 million euro) and TERNA (288 million euro).

Lastly, “cash and cash equivalents” are down compared to 31 December 2020 (-32.19%) and refer to:

- SNAM for 1,337 million euro. More specifically, they refer to current accounts and deposits with financial institutions (1,278 million euro) and the cash and cash equivalents from subsidiaries (59 million euro);
- TERNA for 1,567 million euro, of which 1,383 million euro invested in short-term, highly-liquid deposits and 184 million euro relating to bank current accounts and cash;
- ITALGAS for 1,392 million euro, relating to current account deposits held with banks;
- CDP RETI for 92 million euro.

For further details see the net financial debt sections contained in the paragraph “Sector performance”.

4.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

As at 31 December 2021, the **liabilities section of the reclassified consolidated balance sheet** of the CDP RETI Group included the following aggregates:

Net Equity and Liabilities

(million of euro)

tems	31/12/2021	31/12/2020
Long-term financial liabilities	30,443	29,762
- non-current (1)	*25,931*	*26,581*
- current (2)	*4,512*	*3,181*
Current financial liabilities	5,456	5,616
Trade payables	5,171	3,380
Other liabilities (3) (4)	8,159	7,830
Equity (4)	16,762	15,756
- attributable to the parent company CDP RETI	*4,713*	*4,390*
- attributable to minority interests	*12,049*	*11,366*
TOTAL LIABILITIES (*)	**65,991**	**62,344**

(1) In consolidated financial statements: Loans

(2) In consolidated financial statements: Current portion of long-term loans

(3) The figures of the consolidated financial statements that are not represented in the riclassified Equity and Liabilities are included in Other liabilities

(4) ITALGAS, as of 31 December 2021, stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders’ equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.

(*) The item includes discontinued operations liabilities held for sale attributable to TERNA (€257.8 million in 2021).

“Long-term loans” of the group (30,443 million euro at 31 December 2021) increased by 681 million euro at 31 December 2020 (+2.3%) and include around 12.2 billion euro for SNAM (approx. 40%), around 10.5 billion euro for TERNA (approx. 35%), around 6 billion euro for ITALGAS (approx. 20%) and around 1.7 billion euro for CDP RETI.

[21] TERNA manages the cost and revenue items linked to the transactions, carried out with electricity market operators, for the purchase and sale of energy: these are so-called “pass-through” items that do not affect TERNA’s earnings, because the revenues are equal to the costs. The settlement of these items is established by the ARERA resolutions.

[22] Minimum natural gas quantities that the storage companies are required to hold under Presidential Decree no. 22 of 31 January 2001.

"Current financial liabilities" refer mainly to: (i) SNAM (3.1 billion euro), mainly for drawdowns on floating-rate uncommitted bank credit facilities (610 million euro) and Euro Commercial Paper (2,503 million euro), (ii) "Short-tern loans" of TERNA (1,947 million euro) and (iii) ITALGAS (383 million euro) mainly for drawdowns on uncommitted bank credit facilities.

For more details on the net financial debt of the subsidiaries, see the specific section "Sector performance".

"Trade payables", up by approximately 1.8 billion euro (from 3.4 billion euro at the end of 2020 to 5.2 billion;+53%), mainly relate to: (i) TERNA (3.3 billion euro compared to 2.2 billion at the end of 2020) predominantly regarding payables for energy-related items (2.4 billion euro, including payables for energy-related pass-through items; +1.2 billion compared to the end of 2020) and (ii) SNAM for trade payables for the purchase of goods and services mainly in the transport sector (1.1 billion euro predominantly from balancing activity).

"Other liabilities", up by 329 million euro (from 7,830 million euro at the end of 2020 to 8,159 million euro; +4%), mainly relate to: (i) deferred tax liabilities (2,152 million euro vs. 2,606 million euro at the end of 2020), recognised at 31 December 2021; (ii) other current liabilities (2,171 million euro vs. 1,929 million euro for 2020), mainly relating to SNAM (1,594 million euro); and (iii) provisions for risks and charges (1,076 million euro vs. 1,172 million euro for 2020), of which 713 million euro (710 million euro at the end of 2020) in provisions for the decommissioning and remediation of sites recognised by SNAM for charges that it is presumed will be incurred to remove the facilities and remediate the natural gas storage sites (532 million euro) and transport infrastructure[23] (175 million euro).

"Equity", up by approximately 1,006 million euro (about +6%), benefits from the net income for the period of 2,441 million euro (of which 737 million euro attributable to the parent company) and mainly takes into account (i) the amount of the dividends approved during the period by SNAM, TERNA and ITALGAS to the minority shareholders (total of approximately 1.1 billion euro) and by the parent company CDP RETI to its shareholders (approximately 462 million euro); and (ii) the increase in the valuation reserve (+45 million euro).

Of the total equity, 4.7 billion euro pertained to the Parent Company (+0.3 billion compared to December 2020) and 12.1 billion euro to minority interests.

4.1.3 RECONCILIATION OF CONSOLIDATED EQUITY AND NET INCOME FOR THE PERIOD

The reconciliation of the parent company's equity and net income and the consolidated equity and net income is shown below:

(million of euro)	31/12/2021		
Items	**Net income**	**Capital and reserves**	**Total**
PARENT COMPANY FINANCIAL STATEMENTS	**471**	**3,062**	**3,533**
Balance from financial statements of fully consolidated companies	2,709	11,386	14,095
Consolidation adjustments:			
- *Carrying amount of fully consolidated equity investments*		(5,267)	(5,267)
- *Dividends from fully consolidated companies*	(493)	493	
- *Purchase price allocation*	(193)	4,630	4,437
- *Other adjustments*	(53)	17	(36)
CONSOLIDATED FINANCIAL STATEMENTS	**2,441**	**14,321**	**16,762**
- *attributable to the parent company CDP RETI*	737	3,976	4,713
- *attributable to minority interests*	1,704	10,345	12,049

4.2 RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The data below represents the CDP RETI group with specific evidence of the contributions - in terms of operating margins[24] - deriving from SNAM, TERNA and ITALGAS. Please note that the consolidation eliminations and adjustments were shown separately.

The 2020 comparative data reflect (i) the effects of the reclassification in the income statement of the assets held for sale pursuant to IFRS 5 carried out by TERNA and (ii) the different classification of charges relating to the periodic checks carried out by the Italgas Group. For more details, see the section 'I - BASIS OF PRESENTATION AND ACCOUNTING POLICIES - Restatement of the comparative figures at 31 December 2020'.

[23] The costs refer to estimated charges to remove the structures connecting the LNG regasification terminal in Livorno to the OLT Offshore LNG in Tuscany.
[24] The parent company, CDP RETI, given its nature of holding company, has basically zero incidence on the operating margins of the group.

(million of euro) Items	2021	2020
Revenues from financial statement	8,063	7,386
- *Revenues recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*819*	*697*
- *Other Reclassifications (**)*	*(25)*	*(12)*
Total revenues	**7,269**	**6,701**
Costs from financial statement (not included Depreciation and Amortization)	(2,942)	(2,382)
- *Costs recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*(819)*	*(697)*
- *Other Reclassifications (**)*	*47*	*31*
Operating costs (not included Depreciation and Amortization)	**(2,169)**	**(1,717)**
EBITDA	**5,100**	**4,984**
EBITDA margin	71%	74%
- *of which SNAM*	*31%*	*32%*
- *of which TERNA*	*26%*	*27%*
- *of which ITALGAS*	*14%*	*15%*
Depreciation and Amortization	(2,185)	(2,118)
- *Other Reclassifications (***)*	21	19
Operating profit (EBIT)	**2,936**	**2,885**
EBIT margin	40%	43%
- *of which SNAM*	*20%*	*21%*
- *of which TERNA*	*17%*	*18%*
- *of which ITALGAS*	*8%*	*9%*
- *of which consolidation*	*-5%*	*-4%*
Financial income/expense (including effects by equity method)	30	(183)
- *Other Reclassifications*		
Taxes	(512)	(728)
Profit from continuing operations	**2,454**	**1,973**
Net income from discontinued operation	(13)	3
- *Other Reclassifications*		
NET INCOME	**2,441**	**1,976**
- *for parent company*	*(737)*	*(585)*
- *for minority interests*	*(1,704)*	*(1,391)*

(*) In Riclassified Income Statement, pursuant to IFRIC 12 "Service Concession Arrangements" are not included:
(i) revenues for the construction and upgrading of natural gas distribution infrastructures (772,0 million in 2021 and 668,7 million in 2020);
(ii) in relation to TERNA, revenues from construction of assets in concession activities (46,9 million in 2021 and 28,5 million in 2020); these revenues are recognised in an amount equal to the costs incurred and are shown as direct reduction of the respective cost items
(**) Other management reclassifications mainly attributable to TERNA;
(***) Relating essentially to the issue of connection contributions for the financial year attributable to ITALGAS;

In 2021, in line with the previous year, the CDP RETI Group reported net income of 2,441 million euro (737 million euro pertaining to the parent company), marking an increase on 2020 (net income of 1,976 million euro). The increase (+465 million euro, of which +152 million euro pertaining to the Parent Company) is mainly the result of the improvement in operating margins (EBITDA +116 million euro; EBIT +51 million euro) and net financial charges (+213 million euro) and of the lower taxes in the period (+216 million euro).

In terms of sectors, SNAM recorded growth in performance (+399[25] million euro), while ITALGAS (-22 million) and TERNA (-4.5 million) recorded a slight decline. The growth in profits (+24%) with respect to the comparison period was due not only to the better performance of SNAM, but also to the improvement (+72 million euro, net of tax effects) in the fair value of TERNA's derivatives, considered trading derivatives by the CDP RETI Group.

A more detailed description of the changes that occurred at the level of individual sectors between the two financial years is provided in the section of this Report entitled "Sector Performance".

"Revenues" for the period consist of 3.3 billion euro for SNAM, 2.6 billion euro for TERNA and 1.4 billion euro for ITALGAS. The increase of 568 million (+8.5%) compared with 2020 is due chiefly to (i) SNAM, mainly as a result of the greater revenues generated by the core business (+319 million) mostly thanks to the contribution of the transport sector (+299 million) and the greater earnings of the new businesses (+208 million, attributable above all to the positive contribution of energy efficiency), (ii) TERNA, mainly as a result of the greater revenues from regulated activities (+104.6 million) attributable for the most part to the pricing update resulting from the expansion of the RAB and the greater revenue from

[25] Attributable, to a large extent, to SNAM's decision to make use of the right, introduced by Decree-law no. 104 of 14 August 2020, to realign the statutory and fiscal values of some items of property, plant and equipment and intangible assets. The effects of this realignment were positive and totalled 292 million euro.

the awarding of the efficiency bonus connected with the investment costs for the establishment of transport capacity for the year 2020. There was a slight decline in the revenues of ITALGAS (around -71 million) in consideration of the fact that the year 2020 mainly included greater earnings connected with the art. 57 contribution for the replacement of traditional meters with electronic meters (smart meters) as a result of the change in methodology on previous years and the recovery of non-applied amortisation.

“Operating costs”, largely attributable to SNAM (1,055 million euro), TERNA (750 million euro) and ITALGAS (362 million euro) and mainly relating to the costs of materials, supplies, consumables and goods, service costs and staff costs, increased compared to 2020 (+26.3%), mainly due to (i) SNAM, both for the higher operating expenses of the core businesses (mostly in relation to energy costs[26]) and to those of the new businesses (connected with the growth in business volumes and the costs resulting from the entry and integration of the companies of the energy efficiency business into the scope of consolidation at the end of 2020 and (ii) TERNA, essentially in relation to the higher costs for the procurement of raw and semi-finished materials of the Brugg Group and the Tamini Group, the contribution of the LT Group, the higher staff costs (chiefly due to the volume effect) and the higher costs for services. Conversely, the operating costs of ITALGAS fell, since 2020 included both the costs/accruals for redundancy packages and the accrual to the provision for the replacement of faulty meters.

“EBITDA”, amounting to 5,100 million euro (4,984 million euro in 2020; +116 million euro), with an EBITDA margin of 71% (74% in 2020), benefited from the performance of both SNAM and TERNA, in part offset by the decline recorded by ITALGAS (owing to the dynamics described above). SNAM contributed 31%, TERNA 26% and ITALGAS the rest.

The performance of EBITDA, although facing higher depreciation, amortisation and impairment (+65 million euro), essentially referring to (i) SNAM (+47 million euro) due to greater depreciation, with equal impairment, essentially following the commissioning of new infrastructures and (ii) TERNA (+20 million euro), mainly due to the commissioning of new plants, net of the greater impairment of assets during the previous year, resulted in an EBIT of 2,936 million euro, up by 51 million euro (+1.8%) compared to the 2,885 million euro in 2020; the EBIT margin at 31 December 2021 was 40% (43% in 2020).

“Financial income (expenses)”[27], positive by 30 million euro (negative by about 183 million in 2020), essentially related to:

- SNAM for 192 million euro, up (+102 million euro) on the comparison period due to both (i) the lower net financial charges, mainly for the benefits deriving from the measures to optimise the financial structure, including the liability management transaction at the end of 2020 (which had a negative impact of 32 million euro) and (ii) the higher contribution of the foreign investee companies (in particular TAP: +43 million euro);
- TERNA for -79 million euro, down compared to -86 million euro the previous year (mainly due to the effects of exchange rate differences and the adjustment of the value of the associates);
- ITALGAS for -60 million euro, up compared to -48 million euro the previous year, essentially due to the accounting effects relating to costs generated by the bond buyback operation ending in February 2021 (6.4 million euro) and due to lower other net financial income;
- the financial expenses of CDP RETI totalling -23 million euro (-30 million in 2020);
- consolidation effects, including (i) the fair value measurement (+46 million euro in 2021; -48 million in 2020) of the derivatives held by TERNA to hedge the cash flows and considered as trading derivatives by the CDP RETI Group based on the applicable accounting standards, and (ii) the reversal of the measurement according to the equity method of ITALGAS recognised by SNAM in its financial statements (-49 million).

“Income taxes”, which show an expense of 512 million euro and a reduction on the comparison period (728 million euro in 2020), mainly refer to the tax expense of SNAM, TERNA and ITALGAS, partially offset by the effects of deferred taxation connected with Purchase Price Allocation. Lower taxes (216 million euro) compared to 2020 are mainly due to SNAM and in particular to the effects of tax realignment pursuant to Decree-law no. 104 of 14 August 2020, which led to lower taxes totalling 292 million euro in 2021.

The above income items made it possible to close 2021 with a consolidated “net income” of approximately 2,441 million euro (of which 737 million euro pertaining to CDP RETI; 585 million euro in the comparison period), compared to a net income of 1,976 million euro in 2020.

The 2021 net income pertaining to CDP RETI shareholders (net income of 737 million euro) comes from the net income of the parent company CDP RETI S.p.A. (471 million euro) and from the share of the earnings of SNAM (net income of 481 million euro), TERNA (net income of 246 million euro) and ITALGAS (net income of 110 million euro), less dividends for the period (493 million euro) attributable to CDP RETI S.p.A. and net of other consolidation effects (including the Purchase Price Allocation).

[26]Based on the provisions in the regulatory framework in force for the fifth regulatory period, since 1 January 2020, energy costs relating to the costs for the purchase of fuel gas, which were previously subject to contributions in kind by the shippers, to the expenses for the purchase of CO_2 emission rights and to the consumption of electricity have been covered by the revenue from the variable fee charged to the users.

[27] Including the effects of equity investments accounted for using the equity method.

4.3 SECTOR PERFORMANCE

Income statement, balance sheet and statement of cash flows figures are provided below using the management schedules adopted by SNAM, TERNA and ITALGAS in their financial statements. Reference should be made to the documents of the aforesaid companies for a reconciliation between the reclassified statements used and the mandatory statements.

4.3.1 SNAM (GAS TRANSPORT, REGASIFICATION AND STORAGE SECTOR)

INTRODUCTION

In order to allow better assessment of the group's performance and greater data comparability, SNAM's management has devised alternative performance measures not required by IFRS (Non-GAAP measures), mainly comprising the results in the adjusted and pro-forma adjusted configuration.

(millions of euros) Item	31/12/2021 Reported	31/12/2021 Adjusted (*)	31/12/2020 Reported	31/12/2020 Adjusted (*)
Total Revenue	3,297	3,297	2,770	2,770
Regulated Revenue	*2,869*	*2,869*	*2,548*	*2,548*
EBITDA	2,243	2,250	2,153	2,197
EBITDA margin	68%	68%	78%	79%
EBIT	1,423	1,430	1,380	1,424
EBIT margin	43%	43%	50%	51%
Net income	1,500	1,222	1,101	1,164
Net Income of the Group	1,496	1,218	1,101	1,164

(*) Values exclude special items.

(million of euro)	31/12/2021	31/12/2020
Shareholders' Equity attributable to the parent company	7,203	6,469
Shareholders' equity including minority interests	7,240	6,472
Net financial debt (*)	14,021	12,892
Net cash flow for the period	(1,707)	193
Technical investments	1,270	1,189

(*) The value at 31 December 2020 was restated, in compliance with Consob Communication no. DEM/6064293 of 2006, as amended on 5 May 2021, generating an increase in net debt of 5 million euro due to the exclusion of short-term financial receivables.

TOTAL REVENUES

Total revenues amounted to 3,297 million euro in 2021, up by 527 million euro (19.0%) on 2020 and include the amounts to cover energy costs, equal to +311 million euro (60 million euro in 2020), mainly due to the significant increase in the price of natural gas in the second half of 2021. Net of these amounts, total revenues increased by 276 million euro, equal to 10.2%, due to the higher revenues from the core business (+68 million euro; +2.7%), also following the release of past balance sheet items (+17 million euro) and the higher revenues from new businesses (+208 million euro), with reference to energy efficiency in particular.

Revenues from the core business (2,897 million euro, net of consolidation eliminations) increased by 319 million euro, up 12.4% on 2020, essentially as a result of higher regulated revenue, thanks in particular to the contribution from the transport sector. Net of the effects deriving from the sterilization of energy costs, regulated revenues amounted to 2,558 million euro, up by 70 million euro, equal to 2.8%, compared to 2020 as a result of: (i) the increase in the RAB base of transport (+48 million euro, including the effect of the lower "input based" incentives); (ii) the higher volumes of gas transported (+5 million euro) following the gradual resumption of production activities as well as colder weather recorded in April and May. With reference to the revenue for "output based" services, the increase recorded by the storage sector consequently to expanding the service offer was offset by the reduction in the transport sector.

The **non-regulated** revenue (28 million euro), which was substantially in line with 2020, mainly related to income from rent and maintenance of optical fibre telecommunications cables (14 million euro) and infrastructure connection fees.

Revenues from new business (400 million euro, net of consolidation eliminations) increased by 208 million euro compared to 2020, for the positive contribution of energy efficiency activities (+236 million euro), in particular the strong development of residential activities, and the contribution of Mieci and Evolve, companies that were included in the scope of consolidation at the end of 2020. The revenue of Snam Global Solutions recorded a slowdown compared to the same period in 2020, as a result of the COVID-19 pandemic and the contribution in the previous year of a major contract linked to the start-up of the TAP project.

ADJUSTED EBIT

The adjusted EBIT for 2021 amounted to 1,430 million euro, up 6 million euro (0.4%) compared to the corresponding value of 2020. The increase in EBITDA was partly offset by the higher amortisation/depreciation charges (-47 million euro, or 6.1%), essentially due to the entry into service of new assets.

ADJUSTED NET INCOME

The group's adjusted net income for 2021 amounted to 1,218 million euro, up 54 million euro (4.6%) compared to the adjusted net income in 2020. In addition to higher EBIT, the increase is due to the positive contribution of the investee companies (+45 million euro; or 18.1%), in particular TAP (+43 million euro), in operation from 15 November 2020, and Industrie De Nora, an investment acquired in January 2021 (+21 million euro), as well as ADNOC Gas Pipelines (+5 million euro), included in the Group's scope since July 2020, partly offset by the lower contribution from TAG, which, in 2020, benefited from non-recurring items, and DESFA, mainly following the expected reduction in the WACC and other regulatory parameters. The increase in net income was also due to the reduction in net financial charges (+24 million euro, or 19.0%), thanks to benefits mainly connected to the lower average cost of debt, also due to the measures to optimise the financial structure of the group implemented in the period 2016-2021, in particular by the liability management and liquidity management activities, despite the higher average net debt for the period due to the growth in technical investments and equity investments. Income taxes (400 million euro, net of the special items mainly represented by the effects of the tax realignment pursuant to Decree-law no. 104 of 14 August 2020), recorded an increase of 17 million euro, or 4.4%, as a result of higher pre-tax profits.

RECONCILIATION OF ADJUSTED NET INCOME WITH THE REPORTED NET INCOME

Adjusted EBITDA, EBIT and net income are obtained by excluding special items from the respective reported result measures (from the statutory income statement), gross and net of related taxes respectively.

The income components classified as special items in 2021 were:

- the costs incurred due to the continuation of the state of emergency connected to the COVID-19 pandemic, essentially relating to donations of healthcare materials, purchases of personal protective equipment for internal use and costs of sanitation and cleaning services, for an amount totalling 7 million euro (5 million euro net of the related taxes);
- Decree-law no. 104 of 14 August 2020 (292 million euro in total) attributable: (a) to the 3% substitute tax, to be paid in three years, for an overall cost equal to 42 million euro; (b) the release of deferred tax liabilities recognised in previous years for total income of 334 million euro;
- the taxes (9 million euro) connected to the recognition, purely for tax purposes, of the capital gains associated with the contribution of the equity investment held by Snam S.p.A. in TAP in favour of Snam International B.V. (wholly owned).

EQUITY

The increase in Equity pertaining to the Parent Company during the year (+734 million euro) was mainly due to the net income for the year of 1,496 million euro, partially offset by the payment of the final dividends on the 2020 net income (490 million euro) and 2021 the interim dividend approved by the Board of Directors on 4 November 2021 (343 million euro).

NET FINANCIAL DEBT

Net financial debt amounted to 14,021 million euro at 31 December 2021 (against 12,892 million euro at 31 December 2020).

The cash flow from operating activities (1,338 million euro), which was affected by the cash absorption generated by gas balancing activities, also in relation to the sharp increase in the price of gas, covered all net technical investment needs (-1,237 million euro, net of the debts for investments). Taking into account the disbursements related to the purchase of equity investments and the repayments related to the financial receivable from the investee OLT, the free cash flow was negative for 340 million euro. Net financial debt, net of the equity cash flow essentially resulting from the payment of the 2020 dividend to the shareholders (811 million euro, of which 326 million euro as an interim dividend and 485 million euro as a final dividend), recorded an increase of 1,129 million euro compared to 31 December 2020, including the non-monetary items linked to financial debt (6 million euro), principally referring to the change in financial liabilities recognised in application of IFRS 16 "Leases" and the change in the accrued interest.

- Bonds (9,138 million euro) recorded an increase of 998 million euro compared to 31 December 2020, mainly following: (i) the issue of the dual-tranche Transition Bond at a fixed rate, of a nominal amount totalling 750 million euro; (ii) the issue of the fourth Transition Bond at a fixed rate, of a nominal amount totalling 500 million euro. These changes were partly offset by the repayment of a fixed-rate bond reaching its natural maturity, of a nominal amount totalling 259 million euro;
- Loans from banks (3,695 million euro) recorded a decrease of 1,578 million euro, net of renewals, mainly due to the repayment of Term Loans for a nominal amount totalling 950 million euro and lower net drawdowns on uncommitted credit lines (890 million euro). This change was partially offset by the subscription of two new Term Loans for an overall nominal value of 350 million euro;
- The Euro Commercial Papers (2,503 million euro) concern unsecured short-term securities issued on the money market and placed with institutional investors;
- Cash and cash equivalents, totalling 1,337 million euro (3,044 million euro at 31 December 2020), mainly related to current accounts and bank deposits in euro held with financial institutions (1,278 million euro) and the cash equivalents resulting from subsidiaries (59 million euro in total).

As at 31 December 2021, Snam had unused long-term committed credit facilities totalling 3.35 billion euro.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments amounted to 1,270 million euro in 2021 (1,189 million euro in 2020) and mainly refer to transport and storage sectors (1,004 million euro and 160 million euro, respectively).

DIVIDEND PROPOSED

The net income of SNAM S.p.A. was 957 million euro, down by 58 million euro compared to 2020. The Board of Directors will propose to the Shareholders' Meeting the distribution of a total 2021 dividend equal to 26.2 euro cents per share (24.95 euro cents in 2020; +5%), of which 10.48 euro cents per share already distributed as interim dividend in January 2022 and with the final dividend to be paid from 22 June 2022 with ex-dividend date of 20 June 2022 and record date of 21 June 2022.

4.3.2 TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY SECTOR)

(millions of euro) Item	31/12/2021	31/12/2020 (*)
Total revenue	2,605	2,490
- of which regulated	*(2,254)*	*(2,149)*
EBITDA	1,855	1,811
EBITDA margin	71%	73%
Operating profit (EBIT)	1,200	1,177
EBIT margin	46%	47%
Net income	791	795
Net income- of the Group	789	786

(*) 2020 comparative data, in line with the 2021 presentation, reflects the effects of the reclassification in the Income statement of the assets held for sale pursuant to IFRS 5. In particular, the effects refer to the South American subsidiaries (subject of the divestment project) and were reclassified in the item "Net result for the year of the assets held for sale".

(million of euro)	31/12/2021	31/12/2020
Shareholders' Equity attributable to the parent company	4,682	4,370
Shareholders' equity including minority interests	4,713	4,416
Net financial debt (*) (**)	10,002	9,173
Net cash flow for the period	(1,122)	1,632
Technical investments	1,521	1,351

(*) It includes financial derivatives for 82.1 million euro (157.2 million in 2020).
(**) It includes the net financial debt of the assets held for sale (161.8 million in 2021 of which 60 million for "Discontinued operations and assets held for sale" and 221.8 million for "Operating liabilities discontinued and held for sale").

TOTAL REVENUES

In 2021 TERNA's total revenues (2,604.8 million euro) increased by 114.4 million euro (+4.6%) compared to 2020.

Revenues from Regulated Activities, net of construction revenues for activities under concession (+18.4 million euro) increased by 86.2 million euro mainly due to the pricing update resulting from the expansion of the RAB, and the greater revenues from the awarding of the efficiency bonus connected with the investment costs for the establishment of transport capacity for the year 2020, partly offset by lower revenues deriving from the service quality incentive mechanism - ENSR (essentially due to the modulation of revenue recognition in the regulatory periods) as well as other non-recurring effects.

The 9.9 million euro increase in revenues from Non-Regulated Activities mainly reflected the operating contribution from the companies operating in the Industrial sector (Tamini and Brugg, +39.0 million euro) and the LT Group in the Energy Solutions sector (+11.0 million euro, from the acquisition in October 2021), as well as higher revenues from Connectivity activities (+7.1 million euro), more than offset by the recognition in 2020 of the portion of revenues attributable to them that relates to the greater value of the net assets of Brugg Cables compared to the consideration (totalling of 50.4 million euro).

With regard to the business abroad, the revenues for 2021, equal to 0.4 million euro, are in line with the previous year (0.5 million euro).

EBIT

The higher revenues (+114.4 million euro on 2020, mainly due as noted above to the better performance of the Regulated Business in Italy), in part offset by the increase in operating costs (750.0 million euro, +70.6 million euro compared to 2020) and the higher levels of depreciation, amortisation and impairment (654.4 million euro, +20.0 million euro compared to 2020, mainly due to the entry into service of new plants), resulted in an EBIT of 1,200.4 million euro, +23.8 million euro in absolute terms compared to 2020 (1,176.6 million euro) and with an EBIT margin of 46% (compared to 47% for 2020).

NET INCOME

Net income on continuing operations for the year reached 803.6 million euro, up by 10.4 million euro (+1.3%) on 793.2 million euro for 2020.

The net result for the year of the assets held for sale amounted to -12.8 million euro, a decrease of 14.9 million euro compared to the previous year, mainly due to the adjustment of the value of net assets held for sale recognised in accordance with IFRS 5.

EQUITY

The increase in total Equity during the year (+297.2 million euro) was mainly due to the net income for the year of 790.8 million euro and the positive change in the cash flow hedge reserve (+75.3 million euro[28]) mainly compensated by the interim 2021 dividend approved by the Board of Directors on 10 November 2021 and the distribution of the balance of the dividend relating to fiscal year 2020.

NET FINANCIAL DEBT

At 31 December 2021, the Group's net financial debt stood at 10,002.5 million euro, up by 829.9 million euro on 31 December 2020, with the following changes:

- a decrease in bonds of -819.0 million euro of which -34.4 million euro related to the balance as at 31 December 2020 of assets held for sale and -784.6 million euro for the Parent Company Terna S.p.A., mainly following the repayment of a bond issue for 1,250 million euro, partly offset by the green bond issue, launched on 16 June 2021, for a nominal amount of 600 million euro;
- an increase in loans of 45.8 million euro, of which -168.7 million euro related to the balance as at 31 December 2020 of assets held for sale and +214.5 million euro mainly due to the draw-down of new bank loans, for a total of 343.0 million euro, net of the repayment of existing loans;
- an increase in short-term loans (+944.8 million euro), essentially due to the draw-down of the short-term credit lines by the Parent Company;
- a decrease in the fair value of the derivatives portfolio (-77.4 million euro), mainly due to the change in the derivatives portfolio and the shift in the yield curve;
- a decrease in other net financial liabilities (-56.8 million euro) essentially as a result of the payment of the interest accrued on financial products;
- an increase in financial assets of +329.7 million euro, of which -17.4 million euro related to the balance as at 31 December 2020 of assets held for sale and +347.1 million euro due to the increase in Italian government securities held;

[28] Fair value adjustment of the hedging derivatives on the floating-rate loans of Terna S.p.A. and its subsidiary Difebal.

- a decrease in cash and cash equivalents of -1,122.2 million euro, of which -69.3 million euro related to the balance as at 31 December 2020 of assets held for sale. Cash and cash equivalents at 31 December 2021 amounted to 1,566.8 million euro, of which 1,383.2 million euro invested in short-term, highly-liquid deposits and 183.6 million euro relating to bank current accounts and cash.

The average maturity of the debt, almost entirely at fixed rate, was around 5 years.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments in the period amounted to 1,520.7 million euro, marking an increase of 12.6% compared to 1,351.1 million euro in 2020. The main projects in the period included: (i) synchronous condensers; (ii) the launch of the Tyrrhenian Link activities; (iii) the development of the optical fibre network with Open Fiber; (iv) the progress of the work sites for the Italy-France electricity interconnections.

DIVIDEND PROPOSED

The Parent Company TERNA S.p.A. posted net income for the year of 735.2 million euro, up by about 47.6 million euro compared to 2020. The Board of Directors will propose the following to the Shareholders' Meeting:

(i) to cover of the interim dividend due as from 24 November 2021 for each ordinary share outstanding net of treasury shares in the portfolio at the record date of 23 November 2021;

(ii) (ii) 387.7 million euro to pay the final dividend to be distributed in the amount of 0.1929 euro for each of the 2,009,992,000 ordinary shares representing the share capital at the date of this meeting of the Board of Directors to be paid from 20 June 2022 with coupon date no. 36 on 20 June 2022 This amount does not include treasury shares held in the portfolio at the record date indicated above. The amount of the 2021 final dividend due on treasury shares held by the Company at the record date, equal to 597,062.54 euro, will be allocated to the "retained earnings" reserve;

(iii) 150.1 million euro to be allocated to Retained Earnings

4.3.3 ITALGAS (GAS DISTRIBUTION SECTOR)

(millions of euro) Item	31/12/2021	31/12/2020 (**)
Total revenue (*)	1,371	1,442
- of which regulated	*1,295*	*1,394*
EBITDA	1,009	1,026
EBITDA margin	74%	71%
Operating profit (EBIT)	583	606
EBIT margin	43%	42%
Net income	383	405
Net income- of the Group	363	385

(*) The reclassified income statement shows total revenues and operating costs net of the impact of IFRIC 12 "Service concession agreements" (772.0 and 668.7 million euro respectively in 2021 and 2020), connection contributions (19.6 and 19.5 million euro respectively in 2021 and 2020) and other residual components (0.8 and 3.4 respectively in 2021 and 2020).

(**) Up until 31 December 2020, ITALGAS capitalised costs relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. At 31 December 2021, ITALGAS retrospectively classified expenses relating to these checks amongst operating costs, in accordance with current accounting standards. In order to ensure comparability with the income statement items, the items relating to Operating costs (€ -1.8 million), Amortisation, depreciation and impairment (€ +4.1 million) and Income taxes (€ -0.7 million) were therefore adjusted as of 31 December 2020.

(million of euro)	31/12/2021	31/12/2020 (*)
Shareholders' Equity attributable to the parent company	1,891	1,737
Shareholders' equity including minority interests	2,142	1,977
Net financial debt	4,980	4,736
Net cash flow for the period	727	402
Technical investments	865	776

(*) ITALGAS, as of 31 December 2021, stated the expenses relating to the legally required periodic checks of volume conversion devices under operating costs, where such devices are present in the meters installed at the re-delivery points. In order to ensure comparability with the balance sheet items, the items relating to intangible assets (-€ 5.1 million), shareholders' equity (-€ 3.6 million) and tax assets (+€ 1.5 million) were adjusted as of 31 December 2020.

TOTAL REVENUES

Total revenues amounted to 1,370.8 million euro in 2021, down 71.4 million euro on the same period of 2020 (-5.0%), and consisted of regulated revenues from natural gas distribution (1,294.5 million euro) and miscellaneous revenues (76.3 million euro).

Gas distribution regulated revenues were down by 99.8 million euro on the same period of 2020 due to the lower revenues related to the contribution under Art. 57 for the replacement of traditional meters with electronic smart meters as a result of the change in methodology on previous years and the recovery of non-applied amortisation (IRMA) pursuant to DCO 545/2020/R/gas and Resolution 570/2019/R/gas in 2020 for an amount of 108.4 million euro, and the decrease in other gas distribution regulated revenues (7.8 million euro), partially offset by the increase in transportation revenues (16.4 million euro).

The increase in **transportation revenues** (16.4 million euro), attributable to the increase in the reference RAB (21.0 million euro), the effect of the deflator (5.4 million euro), the contribution of the Sardinian networks (8.1 million euro) and other tariff components (4.8 million euro), such as mainly the tariff adjustment to take into account extra costs related to the property occupancy fee (1.9 million euro) and reimbursements for metrological inspections (2.2 million euro), was more than offset by the application of the X-factor under the terms of Arera Resolution 570/2019 (-7.9 million euro). Finally, there were fewer positive tariff adjustments compared to the previous year (-15.0 million euro).

The drop in **other regulated revenues** (7.8 million euro) was mainly due to the lower contribution pursuant to Article 57 of ARERA Resolution No. 367/14, as amended and supplemented, regarding the replacement of traditional meters with electronic smart meters (13.9 million euro at 31 December 2021; 30.2 million euro at 31 December 2020), partially offset by greater revenues for services to customers (8.5 million euro), up compared to 2020 (heavily impacted by the restrictions imposed by the Covid-19 emergency).

Miscellaneous revenues amounted to 76.3 million euro at 31 December 2021. The increase by 28.4 million euro on the same period in 2020 was mainly linked to the increase in activities related to energy efficiency (28.1 million euro) and revenues from the sale of natural gas and LPG (3.3 million euro), net of lower revenues from other activities.

EBIT

EBIT for the year ended 31 December 2021 amounted to 583.2 million euro, down by 22.4 million euro on 31 December 2020 (-3.7%) due to lower revenues (71.4 million euro, -5.0%), lower operating costs (54.2 million euro, -13.0%) and higher depreciation and amortisation (5.2 million euro, +1.2%).

Operating costs at 31 December 2021 amounted to 361.9 million euro, down by 54.2 million euro compared to the corresponding period of 2020 mainly due to lower i) net staff costs (6.7 million euro), ii) net costs related to Energy Efficiency Certificates (7.2 million euro) iii) other costs and provisions (54.1 million euro) and iv) net external costs of gas distribution (14.7 million euro), partially offset by higher v) net external costs for energy efficiency and sale of methane and various gases in Sardinia (26.9 million euro) and vi) concession charges (1.6 million euro).

Depreciation/amortisation and impairments (425.7 million euro) increased by 5.2 million euro (+1.2% compared to 31 December 2020) compared to the same period in 2020 mainly due to the investments made in the previous year, offset by lower depreciation/amortisation related to the replacement of traditional meters in view of the approaching end of the replacement plan (1.5 million euro at 31 December 2021; 17.7 million euro at 31 December 2020).

NET INCOME

Net income amounted to 383.4 million euro in 2021, down by 21.8 million euro (-5.4%) on 2020. The change was due to: (i) the aforementioned decrease in EBIT (-22.4 million euro on 2020), (ii) higher net financial charges, up 11.2 million euro on the same period of 2020 due mainly to the expenses related to the bond buyback transaction finalised in February 2021 (6.4 million euro), lower other net financial income (3.4 million euro) and higher upfront fees related to the 2021 bond issue (1.5 million euro), (iii) an increase in net income from equity investments (1.0 million euro), (iv) lower income taxes (10.8 million euro) compared to the corresponding figure for the previous year essentially as a result of the lower net income for the period.

EQUITY

Group **equity** at 31 December 2021 (1,891.4 million euro) mainly consisted of the share capital (1,002.0 million euro), legal reserve (200.2 million euro), share premium account (622.4 million euro), retained earnings (372.1 million euro), net income for the year (362.8 million euro), consolidation reserve (-323.9 million euro), the reserve for business combinations under common control (-349.8 million euro), and other reserves.

The change in Group equity over the period (154.0 million euro) was mostly due to the distribution of the 2020 ordinary dividend (243.8 million euro), as resolved by the ordinary Shareholders' Meeting of ITALGAS S.p.A. on 20 April 2021, partly offset by the net income for the period.

NET FINANCIAL DEBT

At 31 December 2021, **net financial debt** amounted to 4,980.0 million euro, up by 243.5 million euro on 31 December 2020. Excluding the effects of the application of IFRS 16 (70.0 million euro), net financial debt stood at 4,910.0 million euro (4,660.2 million euro at the end of 2020).

Gross financial and bond payables, amounting to 6,376.9 million euro at 31 December 2021 (5,405.1 million euro at 31 December 2020) referred to bonds (4,591.5 million euro), loan agreements drawn on European Investment Bank (EIB) funds (828.1 million euro), IFRS 16 payables (70.0 million euro) and amounts due to banks (887.3 million euro).

Cash and cash equivalents, amounting to 1,391.8 million euro, up by 728.3 million euro from 31 December 2020 are held in highly-liquid current accounts with leading banks. The increase mainly derives from the funding generated by the bond issued in February 2021 with the aim of anticipating future financial needs.

Fixed-rate financial liabilities amounted to 5,910.9 million euro and consisted mainly of bonds (4,591.5 million euro), EIB loans (712.4 million euro), amounts due to banks (537.0 million euro) and financial liabilities pursuant to IFRS 16 (70.0 million euro).

Fixed-rate financial liabilities increased by 1,234.6 million euro on 31 December 2020, mainly due to the "dual-tranche" bond issue with maturities in February 2028 and February 2033 for a total amount of 1,000 million euro, partly offset by the buy-back of bond with maturities in January 2022 and March 2024, for a total of 255.7 million euro and the subscription in October 2021 of two bank loans for a total of 500.0 million euro, with a duration of 3 years at zero interest. Taking into account the net liquidity deriving from the dual tranche bond issue, on 12 March 2021 Italgas cancelled the 500-million-euro "Revolving Credit Facility" maturing in October 2021 and completely unused.

Floating-rate financial liabilities decreased by 262.8 million euro due to the lower use of bank credit lines, partly due to increased cash and cash equivalents.

At 31 December 2021, there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan for a nominal amount of 90 million euro taken out by Toscana Energia which requires compliance with particular financial covenants.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2021, these commitments had been met.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments amounted to 865.1 million euro in 2021 (775.7 million euro in 2020, +11.5%), of which 14.9 million euro due to the adoption of IFRS 16.

Distribution investments (718.3 million euro, +26.2% compared to 2020) referred to network development, maintenance and repurposing as well as the construction of new networks which involved the laying of 732 km of pipes overall. In Sardinia, a further 91 km of new network were built during 2021, bringing the total number of networks laid to 897 km, and a total of 53 LNG storage facilities were installed, 50 of which were in service by 31 December 2021.

Digitisation investments (146.7 million euro, +72.8%) referred to the installation of digital devices for data acquisition for the control and monitoring of the distribution network and installations.

Metering investments (76.5 million euro, -35.7% compared to 2020) referred to the last phase of the replacement plan of traditional meters pursuant to ARERA Resolution no. 631/2013/R/gas, as amended and supplemented. During 2021, the Company installed 821 thousand new meters, of which 339 thousand to replace traditional G4/G6 meters, 468 thousand to restore smart meters with malfunctions and 14 thousand to replace large-calibre meters. As at 31 December 2021,[29] the plan to replace traditional meters with smart meters reached a total of 7.9 million smart meters installed (91.7% of the total number of meters and essentially the entirety of active ones).

[29] Also considering the investee companies, over which Italgas does not exercise control, 869 thousand new meters were installed during the period, bringing the total number of smart meters installed at 31 December 2021 to 7.9 million (90.8% of the total number of meters and essentially the entirety of active ones).

DIVIDEND PROPOSED

The Board of Directors will propose to the Shareholders' Meeting the distribution of an ordinary 2021 dividend of 0.295 euro per share (0.277 euro in 2020, +6.5%), to be paid from 25 May 2022.

4.4 CONSOLIDATED NET FINANCIAL DEBT

The **consolidated net financial position**, calculated in compliance with ESMA recommendation [30]32-382-1138 of 4 March 2021, implemented with Consob communication starting from 5 May 2021, for comparison with the position at the end of 2020, was as follows:

(million of euro)

Items	31/12/2021	31/12/2020 (*)
A. Cash	2,530	5,089
B. Cash equivalent	1,856	1,381
C. Other current financial assets	981	640
D. Liquidity (A)+(B)+(C)	**5,367**	**7,110**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	5,449	5,609
F. Current portion of non-current financial debt	4,512	3,181
of which IFRS 16	31	32
G. Current financial indebtedness (E + F)	**9,961**	**8,790**
H. Net current financial indebtedness (G - D)	**4,594**	**1,680**
I. Non-current financial debt (excluding current portion and debt instruments)	6,595	6,693
of which IFRS 16	93	111
J. Debt instruments	19,337	19,889
K. Non-current trade and other payables		
L. Non-current financial indebtedness (I + J + K)	**25,932**	**26,582**
M. Total financial indebtedness in accordance to ESMA Guidance (H + L) (**)	**30,526**	**28,262**

(*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021. Accordingly, the related value at 31st December 2020 was restated, generating a decrease in net debt of approximately 140 million euros due to the exclusion of short-term financial receivables and derivatives.
(**) Including net financial debt of assets held for sale attributable to TERNA; for further details, refer to the segment performance in the consolidated management report.

The **Consolidated Net Financial Debt (NFD)**, inclusive of the effects of the application of IFRS 16, amounted to 30,526 million euro (28,262 million euro at 31 December 2020).

For a more detailed analysis of this item, see the paragraph "Sector Performance" (of the subsidiaries SNAM, TERNA and ITALGAS) and the Report on Operations of the Parent Company.

[30] European Securities and Markets Authority.

5. BUSINESS OUTLOOK

The constant monitoring of the more efficient financial structure of the Parent Company has been confirmed for 2022, with a view to optimising said structure in terms of duration and interest rate exposure.

In this regard, in view of the approaching maturity of the bond with a nominal value of 750 million euro in May 2022, CDP RETI has already taken steps, in coordination with the relevant CDP structures, to identify the strategy for refinancing this debt with the aim of identifying the best financial structure over a medium-long term time horizon. Moreover, in this context, the Board of Directors of the Company, in its meeting held on 27 January 2022, approved the issue of a new bond by CDP RETI. The proceeds of this issue will be used by the Company to fully repay the debt from the bond loan issued by CDP RETI in 2015 and maturing on 29 May 2022. The new, unsubordinated and unsecured bond may be issued in one or more tranches, will target institutional investors and will be listed on the Irish regulated Stock Market (Euronext Dublin). The issue of this new bond, which would be paid back in a single payment on maturity, would allow the Company to:

- extend the average duration of outstanding debt;
- benefit from the possibility of distributing interim dividends;
- ensure the possibility of keeping the bond issuance channel open.

At the same time, activities associated with the implementation of a new organisational structure and with the definitive streamlining of the new configuration will continue.

From an operational standpoint, in the first half of 2022 the subsidiaries are expected to distribute the balance of the 2021 profit[31], which will among other things offset the payment of the 2021 balance to the shareholders of CDP RETI, as well as the financial charges associated with the bond issue and existing loans.

Lastly, in more general terms, with regard to the assumptions underlying the future economic forecasts and expected impact on operations, the assumptions underlying the forecasts for the current year are detailed below:

- **Assets** estimated to remain constant, mainly comprising the equity investments in Snam (3.1 billion euro), Terna (1.3 billion euro) and Italgas (0.6 billion euro);
- **Liabilities** estimated to remain constant, mainly comprising financial liabilities (0.9 billion euro term loans and 0.8 billion euro bonds). In this regard, it is worth noting that, with a view to completing the refinancing of the bond issued in 2015, a consequent alignment of the net financial debt is expected with respect to the figure at the end of 2021.
- **Equity** estimated to be substantially constant;
- **Income Statement**: trend in net profit mainly related to dividends expected from investee companies and interest expense.

Although the Company is not currently in a position to determine with absolute reliability the impacts of COVID-19 on the targets for 2022 and subsequent years, currently available information does not indicate any significant impact on the strategy and objectives of the Company, on its ability to distribute dividends to Shareholders, nor on the Net Financial Position or cash-flow, or more generally on liquidity risk. There are currently no distressed conditions affecting debt or equity (nor are they reasonably foreseeable) or a financial situation of the Company that would require support from the Shareholders. Notwithstanding the above, it is not possible to completely rule out that the possible continuation of the emergency could have adverse effects on CDP RETI, which at present cannot be estimated based on the information available. Any additional future impacts on the Group's economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

Please refer to section "I.1.5. Other issues" of the consolidated financial statements for a more detailed description of the COVID-19 Note.

In relation to **SNAM**, achieving global climate targets will require significant investment in the decarbonisation of the energy sector over the next thirty years. Numerous countries, which account for around 90% of global emissions, have defined measures to contain and, if possible, reverse the process of global warming and the resulting climate change.

Great prospects will concern energy transition and the main trends relating to the achievement of Net Zero objectives are i) the growth of renewables, mainly solar and wind, to decarbonise electricity production and at the same time allow it to

[31] Moreover, with regard to dividends received, on 26 January 2022 SNAM's 2021 interim dividend of about 110 million was collected.

rise from about 20% to about 50% of the energy mix; ii) the exponential growth of green hydrogen to reach a share of the energy mix between 15% and 35%; iii) the development of technologies for the capture and storage of carbon dioxide.

Snam has set itself the objective of becoming global leader in infrastructure for green gases and leading company in Europe with a target in the reduction of indirect Scope 3 emissions in 2030 in order to achieve carbon neutrality by 2040. The set objective is in line with the goal to limit global warming to 1.5° C specified in the Paris Agreement and reinforced by the recent Glasgow Pact. Snam infrastructure will be an enabling factor for energy transition and will allow the company to contribute to the general reduction in emissions for the system. The prospect, by 2050, is to transport fully decarbonised gas to make Italy a hub for renewable energies.

In addition, Snam is committed to building market positions along the value chains of hydrogen and biomethane and in contributing to energy transition also by providing energy efficiency services to the residential, industrial and public administration sectors, as well as by promoting sustainable mobility.

Accordingly, in 2020 the corporate purpose of Snam was included in the Articles of Association, i.e. “Energy to inspire the world”, in order to reflect “the company’s commitment to fostering energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation”.

ESG (Environment, Social, Governance) factors will continue to be crucial in the definition of the strategies and the management of the company. In this regard, Snam has updated to 2050 its “scorecard” in 14 areas with 23 material, quantitative objectives to provide stakeholders with a holistic view of the commitment and growing awareness in the ESG area, allowing them to monitor its results.

For the 2021-2025 period, Snam has planned investments for 8.1 billion euro, an increase of almost 700 million euro compared to the 7.4 billion euro of the previous plan for acceleration in storage and in investments in green plans.

The plan provides for the maintenance, modernisation and development of its infrastructure, investments for the net zero and acceleration of the energy transition.

The optimisation of the financial structure carried out in the last six years has led to a reduction in the average cost of gross debt from 2.4% in 2016 to an average value of below 1% over the plan period, thanks to the actions taken to crystallise as much as possible the current favourable market conditions and the favourable context of the interest rate and credit spread scenario compared to the previous plan. Possible further savings could derive from treasury optimisation, as well as further source diversification and an increase in sustainable finance instruments.

The expectations on the management of the COVID-19 pandemic in Italy confirm the progressive easing of the restrictions imposed, connected to the acceleration of the vaccination campaign against the virus, always accompanied by the concern for the spread of variants, which could result in further slowdowns in the normalisation process of the national and international economic context.

Snam continues to focus its attention on measures aimed at ensuring safety in its control rooms, installations and local premises with the aim of guaranteeing normal operations and Italy’s energy security.

To date, based on currently available information, the company foresees a generally limited impact on its financial results for the current year.

Any additional future impacts on the Group’s economic and financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic both in Italy and abroad. This also applies to any repercussions on development initiatives and on suppliers or customers, as well as on the Snam Group’s international operations.

In relation to TERNA, with the new Business Plan, the group aims to confirm and strengthen its role as director and enabler of the Italian energy system and of the ecological transition. Unfortunately, the recent conflict between Russia and Ukraine and the consequent tensions in the commodity markets risk provoking negative effects in the recovery.

In line with the 2021 Development Plan for the National Electricity Transmission Grid, which plans investments of 18.1 billion euro over a ten-year time horizon (+25% compared to the previous plan), a strong acceleration in Regulated Activities is confirmed to enable the energy transition, favouring the development and integration of renewable sources, contributing significantly to the achievement of the ambitious targets of the Green Deal, and giving an important boost to the country's economic recovery.

One of the main electricity infrastructures is the Tyrrhenian Link project and during the year the authorisation process for the West Link is also scheduled to get under way, following the launch for the East Link that occurred in November 2021. The start of the authorisation process is also scheduled for the Adriatic Link project, the new underwater power line linking Abruzzo and Marche. The main electricity infrastructures currently under construction include the interconnection with France, expected to come into operation in 2022. In addition, the other main projects aimed at increasing exchange capacity between the different areas of the Italian electricity market include the Colunga-Calenzano and the Paternò-

Pantano-Priolo power lines for which construction works are scheduled to start and to continue, respectively, during the year.

With reference to the Security Plan, the plan for the installation of synchronous condensers to support the regulation of voltage and short-circuit power in areas of the country characterised by high production from renewable sources and a significant reduction in traditional production, is expected to continue.

During the year, the rationalisation of the electricity grids in the metropolitan areas, which will mainly involve the renewal of the current infrastructure with new technologically more advanced connections in line with the best standards in terms of environmental sustainability (e.g. Florence, Milan, Rome), is also expected to continue.

Starting in 2024, a gradual move over to a Regulation by Expenditure and Service Targets (so-called ROSS) will take place. It will be characterised by cost recognition approaches based on total costs incurred (running/operating costs and investment costs) and by a greater focus on the achieved outputs and levels of service provided.

With reference to the Non-Regulated Activities, Terna will continue to consolidate its role both in the connectivity area, where opportunities will be pursued based on leveraging its fibre optics infrastructures and in the energy solutions area, by developing high-added-value services for enterprises and taking advantage of market opportunities for traditional and renewable customers, also through the recent acquisition of the LT Group.

As regards the industrial area, there is expected to be consolidation of the Tamini results and, with reference to Brugg, the full development of the distinctive skills in the terrestrial cable sector and the exploitation of synergies with the Terna Group businesses, also through the new corporate structure implemented in the early part of the year.

International Activities will focus on finalising the due diligences for the sale of assets in South America that are scheduled within the year. Within the scope of the assets to be sold, the construction works will continue on the two Brazilian power lines Linha Verde I and Linha Verde II, which are expected to come into operation in 2023 and 2022, respectively.

Strategic assessments will then continue regarding further opportunities that can also be developed in partnership and that will be selected through assessment processes that guarantee a low risk profile and limited capital absorption.

In continuity with the actions taken in 2021, the Group will continue to focus on ramping up investments in innovation and digital solutions in order to continue the transformation process that will allow it to manage the increase in the electrical energy system complexity. Furthermore, the following will continue to have a central role: the growth of personnel, the insourcing of strategic skills, the strengthening of structures and the development of optimal working conditions for the workforce through the NexTerna project. This project has already achieved important milestones in the seven different construction sites where it has been implemented. The commitment of the Group in terms of the development and renewal of grid assets, together with the execution of the implemented works, have affected the overall level of debt. In this regard, for the first time since the contribution from Enel, the Group has reinforced its capital structure through a so-called hybrid issue for 1 billion euro. The transaction, targeted at institutional investors, was very well received by the market with a maximum demand of 4 billion euro, more than 4 times the offer.

The management of Terna's business will continue to be based on the principles of sustainability and compliance with ESG criteria, ensuring the minimisation of environmental impacts, the involvement of local stakeholders and compliance with the principles of integrity, responsibility and transparency.

The aforementioned objectives will be pursued while maintaining the commitment to maximising the necessary cash generation to ensure a healthy and balanced financial structure.

As regards **ITALGAS**, although the state of emergency following the spread of the “Coronavirus” or “Covid-19” pandemic is expected to end only on 31 March 2022, to date the Company has not detected any significantly negative impacts on development and investment initiatives. By leveraging the digitisation of processes, measures have been put in place to ensure, whilst operating with the utmost safety, the continuity and effectiveness of construction site activities and customer interventions in accordance with the timelines laid down by the business plans.

With regard to the pool of customers/sales companies and their solvency, the rules for user access to the gas distribution service are established by the ARERA and are regulated in the Network Code. The Company has not detected and does not currently estimate any significant adverse repercussions on receipts expected from gas sales companies on the financial balance of the Group as well as regular payments by counterparties.

As regards access to credit, Italgas does not expect significant negative impacts, considering the following: (i) the Company has available cash at leading banks amounting to about 1,391.8 million euro at 31 December 2021; (ii) there are limited requirements for refinancing debt (in January 2022 the repayment of a bond took place for an amount equal to approximately 112 million euro and the subsequent repayment is envisaged during 2024); (iii) the bonds issued by Italgas at 31 December 2021, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.

At 31 December 2021 the only loan agreement containing financial covenants, which appear to have been met, is the EIB loan for 90 million euro taken out by Toscana Energia.

The successful “dual-tranche” bond issue maturing in February 2028 and February 2033, for a total of 500 million euro each in implementation of the EMTN Programme, as well as the confirmation of the rating by Moody’s (Baa2, stable outlook) taking place on 25 November 2021 and Fitch (BBB+, stable outlook) on 6 December 2021, confirm the Company’s financial solidity and its ability to access the capital market.

With regard to the impact, including the potential impact, on revenue, costs, investments and expected cash flows resulting from the restrictions still being imposed by the aforesaid health emergency, to date, the Company has not identified anything that would indicate a significant adverse impact on 2022.

However, the Company is not currently able to estimate any material negative effects on its operating performance and financial position that may arise in the periods to come if the health emergency should continue or take a critical turn.

Therefore, in this scenario, Italgas will continue to pursue its strategic objectives, focusing on digital transformation with the goal of improving the quality of service, streamlining processes and operating costs and maintaining constant attention to development opportunities. With reference to investments, Italgas will continue to roll out its plan, aimed predominantly at the implementation of network digitisation and repurposing projects and the creation of a natural gas infrastructure in the Sardinia region, while carrying out the usual activities to maintain and develop the networks operated.

6. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021

For an analysis of the macroeconomic framework and risks, see the paragraph “Events subsequent to the reporting date” in the notes to the consolidated financial statements.

RUSSIA-UKRAINE CONFLICT

Starting 24 February 2022, the severe tensions existing between Russia and Ukraine resulted in the invasion of Ukraine by Russia. The conflict rapidly spread in the following days with military actions that hit a large part of the Ukrainian territory, with very serious consequences for the civilian population.

In this regard, it should be noted that the significant events relating to the Russian-Ukrainian conflict do not impact on the determination of the result and shareholders' equity of the consolidated financial statements as at 31 December 2021, as it is a so-called "Non adjusting event", according to the definition given by IAS 10.

Recently, ESMA and CONSOB published the following communications:

- ESMA Recommendation no. 71-99-1864 of 14 March 2022 "ESMA coordinates regulatory response to the war in Ukraine and its impact on EU financial markets";
- CONSOB recall of 18 March 2022 on the impact of the war in Ukraine with regard to privileged information and financial reporting.

With these communications, the national and international regulators requested to provide information, as far as possible on both a qualitative and quantitative basis, on the current and foreseeable, direct and indirect effects of the crisis on commercial activities, on exposures to affected markets, on supply chains, on the financial situation and economic results in the 2021 financial reports. Therefore, the CDP RETI Group provides below the information required with reference to the preparation of the Annual Financial Report at 31 December 2021.

Russia's military intervention in Ukraine represents an unexpected shock that exacerbates an already slowing economic environment in Europe. In this context, it is necessary to reiterate the profound uncertainties related to the duration of the conflict, the extent of the sanctions, the climate of trust that it will generate and the consequent implications on the reference economic context. Moreover, taking into account the recent start of the conflict and the continuous evolution of the situation, it appears particularly complex to predict the effects of the conflict on the macroeconomic scenario in the short and medium term and the related impacts on the activities and prospects of the CDP RETI Group. In the current reference context, therefore, it will be necessary to constantly monitor the evolution of this situation.

The sanctions imposed on Russia, Belarus and areas of Ukrainian territory not subject to Ukrainian government control have been broad and coordinated, and aimed, inter alia, at: i) eroding the industrial base, ii) preventing the wealth of the Russian elites from being hidden in safe havens in Europe, iii) targeting the oil sector and preventing Russia from upgrading its oil refineries and iv) barring access to the world's most important financial markets. On the financial front, the two most severe measures were concentrated: the expulsion of some of the most important Russian banks from the SWIFT international payment system and the freezing of the foreign exchange reserves of the Russian Central Bank, mostly held in China. France, Japan and Germany while exposure to the USA is reduced.

In general terms, four main channels of transmission of the economic effects of the conflict can be identified: (i) trade relations (excluding energy goods), (ii) gas and oil supplies, (iii) uncertainty on financial markets and (iv) geopolitical instability and new balances.

The impact on trade relations could be relatively limited due to the low relevance of Russia’s as trades with Italy. More significant direct impacts will likely be for companies operating in the production of machinery, textiles-clothing, chemicals and food.

The economic impact on gas and oil supplies is significant due to the upward effects on inflation and the consequences related to possible supply interruptions: Italy, in fact, is among the most vulnerable European countries importing from Russia about 40 % of gas and 10% of oil needed to meet domestic demand.

The uncertainty could generate, in the long term, upward effects on government bond yields, also due to the recent decision by the ECB to continue with the program to reduce purchases, but it could also generate extreme volatility on the financial markets and have negative repercussions on the spending decisions of households and businesses.

Geopolitical instability and the evolution of relations between states could lead to a decrease in international trade, a decline in foreign direct investment and an increase in so-called "precautionary" savings.

It is clear that the supply channel of energy commodities represents the main weakness for Italy both for the direct effects, due to dependence on Russian supplies, and for the indirect effects on prices and the inflation rate. High and rising inflation could have serious effects, on the one hand for companies, especially energy-intensive ones, which would see their margins eroded and, on the other, for households, whose purchasing power - given that wage dynamics are not directly related to price dynamics - could be strongly compromised.

Below are major other events regarding each company.

CDP RETI

With regard to the Parent Company, the main events that occurred after the end of the financial year included the collection on 26 January 2022 of SNAM's 2021 interim dividend of about 110 million.

In relation to the Russian-Ukrainian military conflict that broke out in February 2022, the tense situation generated at political and military level has led to significant effects and turbulence in markets, both on the financial front and in terms of prices and exports of commodities. Concerning the exposure to the risk profiles of the parent company CDP RETI S.p.A., it should firstly be noted that the Company does not have any production activities or employees located in Russia or Ukraine, does not hold equity investments, including joint ventures, with Russian companies, and does not maintain commercial and/or financial relations with these countries. Also with reference to the tensions in the financial markets, the Company is not exposed to the exchange rate risk. In more general terms, however, it should be highlighted that, as the company is a holder of significant equity investments, it is exposed to the risks typically associated with investee companies. It follows that, given its nature as a financial holding company, the performance and liquidity of the Company are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the SNAM Group, the TERNA Group and the ITALGAS Group. Any impact on the economic and financial situation of the investee companies resulting from the continuation of the conflict, could, consequently, have negative effects on the financial performance and profit or loss of CDP RETI S.p.A.. With respect to the availability of funding sources and related costs, it should be noted that the current bond issued in May 2015 matures in May 2022 (reference should be made to section “5. BUSINESS OUTLOOK FOR 2021” of the Consolidated financial statements for a description of the refinancing strategy).

Although the Management is constantly monitoring events, it is not possible at present to predict the direct or indirect impact of the current geopolitical context. In any case, the Company does not currently believe that the uncertainties are such as not to allow it to be considered capable of continuing to operate as a going concern. These circumstances do not involve any adjustments to the financial statement balances at 31 December 2021 pursuant to IAS 10.

SNAM

With reference to significant events occurring after the end of the financial year, it is worth noting the worsening of the Russian-Ukrainian conflict, which culminated with the declaration of war and the launch of an armed attack against Ukraine by Russia on 24 February.

Snam stands by people affected by war and promptly offered its support to humanitarian initiatives in favour of Ukrainian civilians. In particular, on 7 March, the company launched a fundraising campaign among its employees, who were given the opportunity to donate the economic consideration for working hours to two solidarity initiatives of Unicef Italy and the Italian Red Cross in favour of Ukrainian children and refugees, respectively. Unicef is committed to providing assistance to minors, through the creation of 20 safe spaces (“blue dots”) along transit corridors in six neighbouring countries, while the Italian Red Cross is alongside the Ukrainian Red Cross in activities to support the civilian population affected by the conflict and in the management of evacuees through the provision of food, medicines and blankets. Fondazione Snam will double the amount collected.

Italy and Europe import a significant part of their gas and, to a lesser extent, of their oil requirements from Russia. Russian gas imported into Italy amounts to about 30 billion standard cubic metres annually, equal to approximately 38% of the national demand. Although at the moment flows from Russia are continuing uninterrupted, the uncertainty and fear of possible implications on the supply front has triggered a significant increase in the prices of gas and oil.

A significant and prolonged interruption to imports from Russia would lead to Italy needing to draw on other sources of supply, on storage reserves and, if this is not sufficient, to activating emergency measures.

Snam is not active in the Russian market and does not hold any equity investments there, not even in joint-ventures with Russian companies. Snam's core business is based on the recognition of regulated revenues (transmission, regasification and storage) anchored to capacity contracts, with a negligible sensitivity to volumes. To access the provision of Snam's related services, the trade counterparties must provide appropriate financial guarantees or, alternatively, hold a credit rating issued by the major rating agencies of at least BBB-.

Regarding the operating management of recurring activities and the implementation of the 2022 investment programme, there are currently no critical issues related to the events of the ongoing war.

TAG and GCA (companies under joint control) are the foreign investee companies with greater exposure to Russian gas supplies through multi-year contracts for the transmission. To date, there have been no recorded variations compared to regular flows. Companies remain central to the role they play. However, any prolonged interruptions in imports and/or the cancellation of existing multi-year contracts (in part covered in any case by bank guarantees) could be translated into a temporary reduction of the economic contribution that investees make to the Group or affect the valuation of these equity investments.

With reference to the tensions in the financial markets, Snam notes that it is marginally exposed to the exchange rate risk and, in any case, only to the US dollar.

As regards the availability of funding sources and the related costs, please note that at 31 December 2021: (i) more than 70% of Snam's financial debt is at fixed rate; ii) the Snam Group has funds deposited at leading banking institutions for an amount equal to 1,337 million euro and unused long-term committed lines, including the EIB loan signed in July 2021 for energy efficiency projects totalling 3,350 million euro.

Please note that in January 2022, Snam successfully issued a dual tranche Sustainability-Linked bond for a total of 1,500 million euro in conjunction with a Liability Management action that led to the repurchase of 350 million euro to proactively manage future debt maturity dates.

Considering the cash equivalents and unused committed lines at 31 December 2021, together with the income deriving from the bond issue net of the repurchase of the notes of the Liability management action, Snam is able to cover short-, medium- and long-term bank and bond debt maturities until the end of 2023.

Since 24 February, Snam has been constantly monitoring the evolution of the situation and offered its support to national institutions in the development of possible energy scenarios. The company proactively collaborates with ARERA and the national and European institutions by leveraging its own transmission and storage infrastructures to strengthen security and improve the diversification of supply sources. Snam remains at the disposal of the institutions to assess infrastructure initiatives that could enable the country to further expand its capacity to receive and diversify supplies.

On 8 March 2022, the European Commission presented the new planning document (RePower EU) that updates and supplements the "Toolbox" to address the increase in energy prices of 13 October 2021 and brings forward, in light of the situation between Russia and Ukraine, additional efforts to diversify gas supplies to the European market via pipelines and LNG and to further promote renewables, biomethane and hydrogen with the political goal of achieving independence from Russian gas by 2030. As regards gas storage in particular, the Commission confirmed its intention by April to introduce into EU legislation, with a further and rapid revision of the Security of Gas Supply Regulation, minimum obligations at a national level to achieve 90% storage capacity by 1 October every year at EU level. The intention to move forward with common purchasing mechanisms was also confirmed, in the wake of the proposals already made in December in the gas market reform.

These indications support the strategic vision of Snam, which has for some time set itself up as an enabler of energy transition thanks to investments to make its infrastructures "hydrogen ready", placing transport and energy storage at the centre of its strategic plan as well as the development of new businesses such as hydrogen, biomethane, sustainable mobility and energy efficiency.

The expected acceleration in developing biomethane and hydrogen, also making use of imports from North Africa, confirms the strategic importance of Snam's infrastructures in the long term.

TERNA

Seven new monitoring devices installed along approximately 16 km of power lines in the Marche region

On 2 January 2022, as part of the plan to digitise its assets, Terna completed the installation in the Marche region of 7 IoT (Internet of Things) sensor devices, designed and developed by the company that manages the national electrical transmission grid to create a true digital replica of its power lines (Digital twin). Already present in other Italian regions such as Abruzzo, Veneto and Sicily, the sensors were installed in the province of Ascoli Piceno, the first of the five provinces in the Marche region to be involved in the project that aims to ensure the most extensive and widespread monitoring of the electricity grid in the area. The installed high-tech equipment will allow remote monitoring of approximately 16 km of overhead power lines subject to severe weather, including ice and snow, which is becoming more frequent in Italy, thus further improving the reliability of the grid. The data collected in this way will also make it possible to develop predictive maintenance techniques to further reduce line failures.

Authorisation procedure for the reorganisation of the Val Formazza electricity grid in the Verbano - Cusio - Ossola province

On 4 January 2022, following the start of the authorisation process by the Ministry of Ecological Transition for the plan to rationalise the Val Formazza electricity grid, which will affect the municipalities of Formazza, Premia, Crodo, Montecrestese, Crevoladossola, Masera and Baceno in the province of Verbano-Cusio-Ossola, Terna published the notice with the parcels of land potentially affected by the intervention. The project, into which the company will invest 120 million euro, involves the demolition of approximately 60 km of existing high-voltage overhead power lines for a total of 225 towers, to be carried out upon completion of 76 km of new overhead power lines and 10 km of underground cable. The work will ensure greater efficiency in the area's energy transmission service and, by reorganising the existing grid, will reduce the impact of power lines dating back to the 1940s and 1950s that cross areas with a high proportion of built-up areas.

Reorganisation of the Teramo-Pescara electricity grid authorised

On 7 January 2022, the Ministry of Ecological Transition signed the authorisation for the reorganisation of the 150 kV Teramo-Pescara electricity grid, which will affect a total of four municipalities in the province of Pescara (Pescara, Montesilvano, Città Sant'Angelo and Spoltore) as part of a plan worth over 28 million euro. With more than 14 km of underground cable and 1.5 km of overhead variant, the work will ensure greater resilience of the electricity grid and quality and security of service. Specifically, by making the 132 kV Adriatic backbone more efficient, it will be possible to create a new system that will supply the city of Pescara, adequately covering the growing needs resulting from the area's social and industrial development. The project will also bring major benefits to the environment, as it will be possible to demolish 12 km of old overhead power lines and about 30 towers, as well as to decommission 4 km of underground power lines, thus restoring about 40 hectares of land hosting existing electrical infrastructure.

Resignation of Director Yunpeng He

On 11 January 2022 Terna announced that TERNA S.p.A. director Yunpeng, He resigned due to professional commitments with effect from the date of the appointment of his replacement. Mr Yunpeng He, a non-executive and non-independent director, is not a member of any of the board committees. The Company notes that to the best of its knowledge Mr Yunpeng He does not hold any shares in TERNA S.p.A. The company thanks Mr Yunpeng He for his valuable professional and human contribution during his term of office. There are no indemnities or other benefits payable following termination of office. TERNA S.p.A.'s Board of Directors will follow up with the appropriate actions.

New underground cable line between Veneto and Emilia-Romagna authorised

On 12 January 2022 the Ministry of Ecological Transition authorised the new electricity connection planned by Terna between the Adria Sud Electrical Substation in Veneto and the Ariano primary power station in Emilia-Romagna. Completely underground to reduce its impact on the landscape, the 18 km line will cross the municipalities of Adria, Taglio di Po and Ariano nel Polesine in the province of Rovigo and Mesola in the province of Ferrara. The overall project also includes the upgrading of the existing Adria Sud electrical substation with the installation of new components. The project, for which Terna will invest 31 million euro, will increase the meshing of the local grid and help overcome current operating restrictions, making the energy transmission service in the border area between the two regions more efficient and sustainable. The cable connection will be made with XLPE insulation, an advanced technology that requires less maintenance. In the next few months the executive design and all the preparatory activities for the construction of the work will be started.

New underground power line authorised between Roccaraso and Rivisondoli, in the province of L'Aquila

On 13 January 2022, the Ministry of Ecological Transition authorised the construction of a new line almost entirely in 150 kV underground cable connecting the "S.Angelo - Cocullo Brulli" power line and the Roccaraso primary power station, in the municipalities of Roccaraso and Rivisondoli – at an altitude of approximately 1,200 metres – in the province of L'Aquila. For the new connection, which is about 9 km long – only 200 metres of which are overhead and the rest underground – Terna will invest more than 10 million euro. The design of the project was developed taking into account a system of social, environmental and territorial indicators, which made it possible to assess the effects of electricity planning in the area considered. Its implementation will ensure better reliability of the network in an area of intense tourism.

The Board of Directors of Terna authorised the possible issue of hybrid bonds

On 18 January 2022 the Board of Directors of Terna - Rete Elettrica Nazionale S.p.A. ("Terna" or the "Company"), meeting with Valentina Bosetti presiding as chair, authorised the possible issue by Terna of one or more hybrid subordinated non-convertible perpetual bonds for a maximum amount equal to the value of 1,250,000,000.00 euro (one billion two hundred fifty million/00) (the "Bonds") by 30 June 2022, to be placed exclusively with institutional investors, pursuant to Article 34-ter of CONSOB Regulation no. 11971 of 14 May 1999 or Article 2 of Regulation (EU) 2017/1129, through public issues or private placements. The Board of Directors also delegated to the Chief Executive Officer the task of deciding on the possible issue of the Bonds and their characteristics, and therefore to set the time, amount, price, interest rate and further terms and conditions, as well as the methods of placement for each issue, taking into account the evolution of market conditions.

Thirty-seven grid development projects authorised in 2021 for more than 1 billion in investments

On 19 January 2022 it was announced that 37 new Terna projects for the development of the electricity grid were authorised during 2021 by the Ministry of Ecological Transition and the Regional Councils, for a total value of over one billion euro in investments. This is an unprecedented achievement in Terna's history, which confirms its key role as director and enabler of the energy transition towards achieving national and European climate targets. The 2021 figure, achieved thanks to the constant cooperation and sharing between the company led by Stefano Donnarumma and the Ministry of Ecological Transition, saw a strong acceleration in investments, which almost quadrupled compared to 2020, the year in which 23 projects were authorised for a total value of 266 million euro. Of the authorisations issued, eight relate to Sicily and account for almost half of the total value of the investments, among which the most economically significant project is the construction of the "Chiaramonte Gulfi-Ciminna" power line, a line totalling 172 km. In terms of investment value, this is followed by the rationalisation of the electricity grid between Malcontenta and Fusina, in the Venice area, the new submarine link that will connect the island of Elba to the municipality of Piombino, in the province of Livorno, and the reorganisation of the electricity grid in Bologna.

Terna: two digital information meetings to present the new Laion-Corvara cable connection in the province of Bolzano

On 19-20 January 2022 information meetings were organised by Terna to present the new cable electricity connection between Laion and Corvara in Badia in the Autonomous Province of Bolzano to the citizens of the municipalities of Laion, Ortisei, Castelrotto, Santa Cristina Val Gardena, Selva Val Gardena and Corvara in Badia. The two meetings, which were held online from 5 pm onwards on the Teams platform in compliance with prudential guidelines dictated by the pandemic, were an opportunity to further examine the details of the new project and to pose questions of general interest related to the new infrastructure and any suggestions and observations to Terna's technicians who made themselves available to all those present.

New cable connections authorised in the municipality of Caselle Torinese in the province of Turin

On 21 January 2022, the Ministry of Ecological Transition authorised the work planned by Terna in the municipality of Caselle Torinese, in the Metropolitan City of Turin, for the construction of two new 132-kV cable power lines. With an investment of 4.4 million euro, Terna will build two underground connections having a total length of 3.2 km. The project will make it possible to connect the new "Caselle" primary power station of the local distributor to the existing 132 kV Ciriè-Venaria power line, improving the quality and efficiency of the local grid, also in view of the commercial development and services in the area adjacent to Caselle Torinese airport. The new cable lines will be built with XLPE insulation, an advanced technology that requires less maintenance. In the next few months the executive design and all the preparatory activities for the construction of the work will be started. The works, which are scheduled to start in 2023, will be carried out in coordination with all those involved and will last approximately 12 months, employing four companies and 20 operators.

Terna: 300 million in new investments to develop the South Tyrol electricity grid

On 24 January 2022, Terna announced that it would invest 300 million euro in the development of the electricity grid in South Tyrol. The national transmission company presented the infrastructure redevelopment project affecting the Eisack Valley in the province of Bolzano, which was submitted for authorisation by the Ministry of Ecological Transition in December 2021. Specifically, the work planned by the company led by Stefano Donnarumma will make it possible to strengthen and improve the efficiency and sustainability of the regional electricity grid, enhancing the power supply to the railway line along the Brenner axis, thanks to the construction of 190 km of new lines, more than a third of which are “invisible” because underground. Terna's work will demolish approximately 260 km of overhead power lines and 900 pylons, freeing up a total of more than 600 hectares of land for the benefit of the environment and local communities.

Terna: co-optation of a new director

On 26 January 2022 the Board of Directors of Terna - Rete Elettrica Nazionale S.p.A. ("Terna" or the "Company"), meeting with Valentina Bosetti presiding as chair, co-opted Qinjing Shen as a non-executive and non-independent director, subject to the opinion of the Nomination Committee and with the approval of the Board of Statutory Auditors. The appointment was made following the resignation of Yunpeng He due to professional commitments, having been originally elected by the shareholders' meeting of 18 May 2020 and taken from the slate submitted by the shareholder CDP Reti S.p.A. With the appointment of Qinjing Shen, current director of CDP Reti S.p.A., the Board of Directors of TERNA S.p.A. accepted the invitation made by the shareholder CDP Reti S.p.A., which, in a letter dated 13 January 2022 submitted the relative candidacy for its independent evaluation. The new Director, who accepted the appointment and will remain in office until the next Shareholders' Meeting, does not meet the independence requirements pursuant to the law, art. 15.4 of TERNA's Articles of Association and the Corporate Governance Code. His profile is in line with the Diversity Policies adopted by TERNA S.p.A. To the Company's knowledge, the newly elected Director Qinjing Shen does not hold any shares of TERNA S.p.A.

Terna included in the Gender Equality Index (GEI) for the fourth year running

On 26 January 2022, for the fourth consecutive year Terna was confirmed among the companies included at a global level in Bloomberg's Gender Equality Index (GEI), the international index that measures corporate performance on issues of gender equality and inclusion, as well as the quality and transparency of their public reporting. The company led by Stefano Donnarumma is one of only 20 Italian companies – of 418 global companies operating in 45 countries and in 11 different market sectors – that are included in the final index in 2022. Indeed, this year Terna improved its GEI score compared to 2021, with a result that was higher than both the overall average of the companies included in the index and the average of the companies in the Utilities sector. The operator of the national electrical transmission grid stood out in particular for its excellent performance in the parameters "Equal Pay & Gender Pay Parity" and "Inclusive Culture". Terna also earned a score of 100/100 for "Disclosure", a decisive section in the overall assessment, rewarding its commitment to transparency and quality reporting, which are distinctive characteristics of the ESG policies pursued by the company.

Terna: information meeting with the population to present the "Acquara - Porto Potenza Picena" project in the province of Macerata

On 27 January 2022 an information meeting was held, organised by Terna, to present the new Acquara - Porto Potenza Picena electricity connection to citizens. This project will affect the municipalities of Civitanova Marche, Potenza Picena and Recanati, all in the province of Macerata. The open day, at which the company's technicians were present to illustrate the project, took place in Recanati in the atrium of the town hall with extended hours from 4 pm to 8 pm in order to allow citizens to participate and to ensure compliance with the distancing and necessary anti-Covid safety measures. This meeting represented a further step in a fruitful participatory planning process undertaken by Terna, in coordination with the local region and the municipalities of Civitanova Marche, Potenza Picena and Recanati, with the aim of defining the best solutions for a strategic project for the entire area. The connection, for which Terna will invest more than 13 million euro, is part of a series of works aimed at upgrading the 132 kV Adriatic backbone and includes an underground cable of more than 11 km, which will run between the town of Chiarino and the primary power station in Porto Potenza Picena.

First hybrid green bond successfully issued for 1 billion euro

On 2 February 2022 Terna successfully launched the first hybrid green bond for a nominal amount of one billion euro. The subordinate, non-convertible, perpetual green bond, which is non “callable” for six years, will pay a coupon of 2.375% up to 9 February 2028 (the first reset date), and then annual interest equal to midswap at five years increased by 212.1 basis points, further increased from 9 February 2033 by 25 basis points and a further 75 from 9.

February 2048. The issue, targeted at institutional investors, was very well received by the market with a maximum demand of 4 billion euro, more than 4 times the offer. Characterised by high quality and a broad geographical diversification of investors, Terna's hybrid bond issue received a "BBB-" rating from Standard and Poor's, "Ba1" from Moody's and "BBB" from Scope.

Company fleet renewed with 220 new electric vehicles

On 8 February 2022 Terna announced that it was renewing its fleet, making it more efficient and less polluting. The company, which manages the National Transmission Grid (NTG), will have over a thousand new vehicles at its disposal, 220 of which will be electric, replacing the traditional vehicles with combustion engines. In fact, the company led by Stefano Donnarumma won the European tender for operating vehicles that it had launched in recent months with the aim of renewing its car fleet through the long-term rental of cars, vans and off-road vehicles. The increase in investments made by Terna to facilitate the energy transition and give an important boost to the country's economic recovery has led to a significant increase in work sites, and consequently the need to meet new operational requirements. All the company's offices throughout the country were involved in developing the technical profile of the most suitable vehicle for the individual teams working on power lines and stations in order to guarantee an increasingly reliable and efficient grid.

Terna included in the S&P Gender Equality & Inclusion Index

On 11 February 2022 Terna was included in Standard & Poor's Gender Equality & Inclusion Index, the new international index launched in August 2021 that measures the performance of listed companies in terms of gender equality and inclusion issues. The S&P Gender Equality & Inclusion Index lists the 100 companies worldwide with the highest results in the S&P Global Gender Diversity Score, which is calculated on performance in certain key areas in the S&P Global CSA (Corporate Sustainability Assessment). Terna is among the five Italian companies listed on this new international index. The company led by Stefano Donnarumma recorded excellent results in the analysis of its “Board Diversity Policy” and “Board Gender Policy", both of, which concern the management of diversity within the Board of Directors. Furthermore, Terna performed highly in the categories "Workforce Gender Breakdown", which measures the number of women in the company, and "Gender Pay Indicators", regarding equal pay across the genders.

Redevelopment plan launched for electricity grid in Catania

On 16 February 2022 Terna began the first projects included in the plan to rationalise and modernise the electrical grid in the metropolitan city of Catania in order to ensure greater efficiency and sustainability, for a total value of over 50 million euro. Included in the 2021 Development Plan and strategic for the entire regional infrastructure, these works include the construction of six new cables completely underground for a total length of over 25 km, and the consequent demolition of three overhead lines in densely populated urban areas for about 30 km and over 120 towers. Dismantling will start in the spring, freeing up more than 20 hectares of land to be returned to the region. The connections will be equipped with remote and real-time monitoring systems for the prevention of disruptions to services, thanks to the installation of sensors for the collection of information and its subsequent processing. Of the new underground cable lines, some are in the authorisation phase, while work is currently under way on the 3.1 km “CP Catania Est - CP Catania Nord” power line, which will be completed by the end of the year. This will be followed by work on the "CP Catania Est - CP Villa Bellini" and "CP San Giovanni Galermo - CP San Giovanni La Punta - CP Acicastello" connections.

Terna: aerial inspection of the electricity grid in Basilicata completed

On 17 February 2022 Terna concluded its monitoring of the overhead electricity grid in Basilicata. Some 1,300 km of power lines were inspected in just seven days, encompassing a total of 71 power lines at 60, 150, 220 and 380 kV. The activities were coordinated by the Asset Management department of Italy's national electricity grid operator and were carried out by operational teams from its South Department using the Ecureil AS350 helicopter owned by the Group.. Terna's technicians performed a comprehensive analysis of the regional grid in both provinces of Lucania, checking for any anomalies on conductors and towers in order to ensure full efficiency of the service. Overall, by March the company led by Stefano Antonio Donnarumma will inspect 6,100 km of overhead lines within the South Department, which includes – in addition to Basilicata – Campania, Apulia and Calabria.

Terna: aerial inspection of the electricity grid in Calabria completed

On 17 February 2022 Terna concluded its monitoring of the overhead electricity grid in Calabria. Over 1,280 km of power lines were inspected in just six days, encompassing a total of 67 power lines at 60, 150, 220 and 380 kV. The activities were coordinated by the Asset Management department of Italy's national electricity grid operator and were carried out by operational teams from its South Department using the Ecureil AS350 helicopter owned by the Group.. Terna's technicians performed a comprehensive analysis of the regional grid in all five Calabrian provinces, checking for any anomalies on conductors and towers in order to ensure full efficiency of the service. Overall, by March the company led by Stefano Antonio Donnarumma will inspect 6,100 km of overhead lines within the South Department, which includes – in addition to Calabria – Basilicata, Apulia and Campania.

Work begins on the new Pettino-Torrione (AQ) power line

On 21 February 2022 work began on the construction of the new 150-kV Pettino-Torrione (AQ) underground cable line, which is expected to be completed and go into operation in early 2024. The new connection, for which Terna will invest about 7 million euro, will be about 6 km long and will allow the demolition of about 5 km of old power lines and 18 pylons, thus freeing up more than 10 hectares of land, some of it in the city centre of L'Aquila. The project will bring important electrical benefits by making the power grid in the L'Aquila area more reliable and efficient, as well as contributing to the collection of renewable energy production in Abruzzo and Lazio.

Construction work started on the new "Colunga-Calenzano" line

On 21 February 2022 Terna started work on the new “Colunga-Calenzano” power line between Emilia-Romagna and Tuscany. The company led by Stefano Donnarumma will build a strategic project for the entire national electric system with an investment of 170 million euro. With a length of 84 km between the provinces of Bologna and Florence, the new infrastructure will significantly improve the exchange capacity between the northern and central-northern parts of Italy, strengthening the meshing and increasing the efficiency and sustainability of the electrical grid. This is one of the most important development projects envisaged by Terna in its “Driving Energy” Business Plan.

Terna: digital meeting to learn about the project to rationalise the electricity grid in western Brianza

On 22 February 2022 an interactive online meeting was held to illustrate to the public the redevelopment of the 380 kV West Brianza grid between the municipalities of Seveso, Barlassina, Cesano Maderno, Cogliate and Ceriano Laghetto in the province of Monza Brianza, for which the company led by Stefano Donnarumma will invest over 100 million euro. The web meeting was held from 6.00 pm to 7.30 pm in Microsoft Teams. The meeting included a session in which participants could pose questions to Terna's technicians to get clarifications and details on the project, and was an opportunity to collect comments and suggestions. The rationalisation of the electricity grid will ensure greater efficiency of the area's energy transmission service through increased meshing of the local grid. The project involves the construction of 12.6 km of underground cable lines and the demolition of 6.6 km of existing high-voltage overhead lines, concentrated mainly in densely urbanised areas in the municipalities of Seveso and Cesano Maderno.

Virtual information meeting held for the start of works in Calenzano

A virtual information meeting was organised on 23 February 2022 by Terna to inform the citizens of Calenzano about the start of works in the municipality for the new Colunga (BO) - Calenzano (FI) electricity connection between Tuscany and Emilia-Romagna. One of the most important projects in the "Driving Energy" Business Plan and for which Terna will invest about 170 million euro, it involves building a new power line of 84 km and demolishing about 106 km of old overhead lines across a total of 12 municipalities, nine of which in the province of Bologna (Castenaso, San Lazzaro di Savena, Ozzano dell'Emilia, Pianoro, Monterenzio, Monghidoro, San Benedetto Val di Sambro, Castiglione dei Pepoli and Loiano) and three in the province of Florence (Firenzuola, Barberino di Mugello and Calenzano).

Terna signed an ESG-linked credit facility for 300 million euro

On 28 February 2022, Terna signed a bilateral ESG-linked Term Loan for a total of 300 million euro with Intesa Sanpaolo – IMI Corporate & Investment Banking Division in its capacity as Original Lender and Sustainability Coordinator. The credit line has a duration of 2 years, with a rate linked to the performance trend of Terna regarding specific environmental, social and governance (“ESG”) indicators. The transaction allows Terna to count on adequate liquidity at the current rating level and confirms the Group’s strong commitment to introducing a model aimed at increasingly consolidating sustainability as a strategic lever for creating value for all its stakeholders.

Energy: Musumeci meets Terna CEO: synergies for development and sustainability

On 28 February 2022 Terna's Chief Executive Officer, Stefano Donnarumma, met with the President of the Sicily Region, Nello Musumeci, at the PalaRegione in Catania. The regional councilwoman for Energy, Daniela Baglieri, was also present. Sicily's role in the country's ongoing energy transition, investments in electricity infrastructure worth 3.5 billion euro over the next ten years, sharing of information useful for the integration of renewable energies, electrification of small islands, technological training of excellence: these were the topics discussed.

Monitoring of 1,690 km of overhead power grid in Campania completed

On 2 March 2022 Terna concluded its monitoring of the overhead electricity grid in Campania. Some 1,690 km of power lines were inspected in just nine days, with a total of 107 power lines at 70, 150, 220 and 380 kV. The activities were coordinated by the Asset Management department of Italy's national electricity grid operator and were carried out by operational teams from its South Department using the Ecureil AS350 helicopter owned by the Group. Terna's technicians performed a comprehensive analysis of the regional grid in the five Campania provinces, checking for any anomalies on conductors and towers in order to ensure full efficiency of the service. Overall, by March the company led by Stefano Antonio Donnarumma will inspect 6,100 km of overhead lines within the South Department, which includes – in addition to Campania – Basilicata, Apulia and Calabria.

Authorisation procedure launched for works on the electricity grid between Enna and Catania

On 7 March 2022 Terna began the authorisation procedure with the Sicily Region for the construction of an electrical substation and two 150-kV power lines in the provinces of Enna and Catania. At the same time, the company that manages the national electricity grid published the list of plots of land in the areas affected by the works: four municipalities in the Catania area (Ramacca, Raddusa, Paternò and Castel di Iudica) and three in the province of Enna (Regalbuto, Agira and Assoro). The construction of the new infrastructure, for which Terna will invest more than 20 million euro, is linked to RFI's request to connect the Regalbuto electrical substation to the National Transmission Grid (NTG) in order to improve the Palermo-Catania railway line. Thanks to Terna's intervention, the "Catenanuova-Raddusa-Agira" route will be sped up. The new electrical substation will be built in the area of the municipality of Regalbuto and will occupy an area of approximately 8,000 m². Two new 150 kV overhead power lines will start from this plant: the 15 km "CP Assoro - SE Regalbuto" line and the 22 km "SE Regalbuto - SE Sferro" line. The project will be subject to an environmental impact assessment procedure of the Ministry of Ecological Transition.

Terna: work continues to modernise the electricity grid in Naples

On 9 March 2022 Terna began work on replacing the underground cable power line that extends about 5 km from the "Napoli Centro" primary power station to the "Doganella" primary power station.. The work, which will take approximately 18 months, consists of replacing the existing fluidised oil cable with an XLPE-coated cable, a more efficient, safer and less maintenance-intensive technology. The construction sites, which will affect three municipalities of the city (I, II and IV), will start from Marinella park and then move on to Via Cristoforo Colombo and Via Nuova Marina. Terna has shared a work plan with the municipality aimed at ensuring maximum traffic flow and reducing traffic restrictions in the affected road sections. Upon completion of the works, Terna will put in place mitigation measures to reduce the impact and improve the integration of the electrical works in the community. More specifically, it will take care of restoring the road surface.

Information meeting to illustrate the project to rationalise the Val Formazza electricity grid in Verbano-Cusio-Ossola

On 10 March 2022 Terna organised an information day for the citizens of the municipalities of Formazza, Premia, Crodo, Montecrestese, Crevoladossola, Masera and Baceno (province of Verbano-Cusio-Ossola) affected by the project to rationalise the electricity grid in Val Formazza. On 10 March, from 10.00 am to 12.30 pm and from 3.30 pm to 8.00 pm at the Foro Boario in the municipality of Crodo, Terna technicians were available to provide details and information on the project to reorganise the local grid, the authorisation procedure of which was launched by the Ministry of Ecological Transition last January. The meeting, which is part of the dialogue undertaken by the company with the local community, was also an opportunity to gather suggestions and proposals from residents.

Conflict in Ukraine and possible impact on the Terna Group’s operations

The most recent international political events involving Russia and Ukraine are being closely followed by the Terna Group in the wake of the monitoring that it has been conducting for some time given the continuous evolution of geopolitical scenarios, and in particular involving legislation on international sanctions. Such analysis is routinely conducted on a going concern basis to exclude, mitigate, and prevent risks impacting the Terna Group's production and transmission service security, business and commercial and financial transactions (the "Activities"). Taking into account the exceptional nature of the international dimension of the crisis, Terna has proactively set up specific task forces aimed at guaranteeing both constant monitoring of the new sanctioning regulations and the strengthening of its own due diligence and ordinary controls, also in light of the provisions of the policies on the subject, which the Terna Group has implemented. While there are still elements of general concern related to the development of the crisis and a high degree of uncertainty, at present there are no concrete and immediate impacts on the ordinary course of business and on the Group's strategy oriented towards combining sustainability and growth, without prejudice to the fact that Terna will continue to closely monitor any development that may entail consequences that are currently unforeseeable.

ITALGAS

Equity transactions

On 9 March 2022, in implementation of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders’ Meeting on 19 April 2018, the Board resolved on the free assignment of a total of 477,364 new ordinary shares of the Company to the beneficiaries of the Plan (so-called second cycle of the Plan) and initiated the execution of the second tranche of the capital increase approved by the same Shareholders’ Meeting, for a nominal amount of 591,931.36 euro drawn from the retained earnings reserve.

Legal and regulatory framework

With its ruling of 14 February 2022, the Lombardy Regional Administrative Court upheld the appeal lodged by Italgas Reti and annulled ARERA's Resolutions no. 163/2020/R/Gas and no. 567/2020/R/Gas, which determined the premiums and penalties relating to safety recoveries for the natural gas distribution service for the years 2016 and 2017.

Other events

On 18 January 2022, Italgas signed an agreement with Buzzi Unicem, an international group that produces cement, ready-mixed concrete and natural aggregates, for the development of a feasibility study relating to the construction of Power-to-Gas plants in combination with CO2 carbon capture systems at Buzzi Unicem's production facilities with a view to increasing environmental sustainability and supporting the energy transition.

On 28 January 2022, Medea completed the conversion of the distribution networks serving the municipalities of Tortolì, Girasole, Loceri and Talana in the province of Nuoro (basin 22) from LPG to natural gas, a region with a total of about 15,000 inhabitants and involving around 84 kilometres of networks, also replacing the traditional meters with smart meters. The operations in these four municipalities follow those already completed in December in Osini, Gairo Sant'Elena, Ulassai, Seui (basin 22) and Pattada (basin 10) for a total of 34 Sardinian municipalities already converted from LPG to natural gas. With the conversion of Gairo Taquisara and Cardedu to methane scheduled for spring Medea will complete its conversion programme on the island, involving a total of 500 kilometres of pipelines fed by 31 cryogenic LNG deposits.

On 1 February 2022 Italgas was included for the third consecutive year in the 2022 Sustainability Yearbook, the annual publication of S&P Global that gathers experiences, success stories and best practices from the world's leading companies on sustainability issues. Italgas was included following the Corporate Sustainability Assessment (CSA) conducted in 2021. Italgas was also awarded “Gold Class Distinction” for its excellent sustainability performance.

Italgas shares also remained in the Ftse4Good Index Series, which groups together the companies that stand out for their attention to sustainable economic development.

On 2 March 2022, with an expenditure of 15 million dollars, Italgas strengthened its partnership with Picarro Inc. through the acquisition of a minority stake in the capital of the US company, a technology start-up and world leader in the sector of sensors applied to the monitoring of gas distribution networks, as well as in technologies for sectors requiring extremely sensitive measurements, such as environmental measurements of the concentration of dangerous atmospheric pollutants and the electronics industry for the detection of impurities in environments where semiconductors are produced.

Russia-Ukraine Conflict

As is well known, the Russian-Ukrainian military conflict broke out in February 2022 following the Russian army's invasion of Ukrainian sovereign territory. The tense situation generated at political and military level and the consequent economic sanctions adopted by the international community against Russia have led to significant effects and turbulence in global markets, both on the financial front and in terms of prices and exports of commodities, especially considering the major role played by Russia and Ukraine in the international economic arena.

Italgas confirms that it does not have any production activities or employees located in Russia, Ukraine or in countries geo-politically aligned with Russia, nor does it have any commercial and/or financial relationships with these countries. Therefore, there are no materially relevant restrictions on executing financial transactions through the banking system, also as a result of Russia's exclusion from the international swift payment system. However, in a market already featuring restrictions and slowdowns in the supply chain, especially regarding components, it cannot be ruled out that the political and economic tension caused by the current conflict could exacerbate these difficulties and affect, in a way that cannot yet be estimated or predicted, the efficiency and timeliness of the Group's procurement ability.

With reference to the tensions in the financial markets, Italgas notes that it is marginally exposed to the exchange rate risk and, in any case, only to the US dollar. As regards the availability of funding sources and the related costs, please note that i) more than 92% of Italgas' financial debt is at fixed rate; ii) the next repayment of a bond is due for 2024, so there are no short-term refinancing and/or liquidity needs; iii) in any case, the Group has funds deposited at leading banking institutions for an amount, at 31 December 2021, equal to 1,391.8 million euro which, also in light of the existing investment plans and the transactions envisaged over the next 18 months, would make it possible to manage, without significant material effects, any restrictions on accessing credit.

With regard to indirect risks related to sales companies using the networks of the Italgas Group, should they suffer, in a deteriorated international scenario, from adverse commodity supply conditions such as, for example, sharp increases in the prices of gas that cannot be passed on to end customers, leading to a worsening in their financial conditions and relative difficulty in regularly fulfilling their contractual obligations towards the Italgas Group, it is worth remembering that the rules for user access to the gas distribution service are established by ARERA and regulated in the Network Code, which defines the system of financial guarantees in place to protect the distributor.

Finally, with reference to the risk of lower volumes of gas entering the national infrastructure, the current tariff regulations would not result, as is known, in an exposure for the distributors to changes in the volumes of gas transported. In any case, the risk of a prolonged interruption in natural gas injection into the distribution infrastructures, which could have a significant negative impact on the Group's business continuity, would be mitigated by the actions already in place and/or being studied at a national and European level, such as storage optimisation, diversification of supply sources and increase in national production.

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

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

The company presently does not see any factors of uncertainty that would make it unable to consider the same ability to continue as a going concern. These circumstances do not lead to any adjustments of the balances as at 31 December 2021 pursuant to IAS 10.

7. OTHER INFORMATION

APPROVAL OF THE FINANCIAL STATEMENTS

As envisaged in art. 10.4 of CDP RETI S.p.A.'s Articles of Association, the Shareholders' Meeting called to approve the financial statements is convened within 180 days of the end of the financial year.

The use of this period of time compared to the ordinary 120 days from the end of the financial year, allowed by art. 2364, paragraph 2 of the Italian Civil Code, is justified by the fact that the Company is required to prepare consolidated financial statements[32].

TRANSACTIONS WITH RELATED PARTIES

With regard to transactions with subsidiaries, associates, parent companies and companies subject to the control of the latter, reference should be made to the notes to the consolidated financial statements, and specifically to the section "Transactions with related parties".

With regard to CDP RETI in particular, it is worth noting that the transactions carried out during 2021 cannot be classified either as atypical or as unusual,[33] as they are part of the normal business. These transactions are conducted at arm's length, taking into account the characteristics of the services provided.

During 2021, these transactions mainly concerned relationships with the parent company Cassa Depositi e Prestiti with reference to:

- an interest-bearing deposit account;
- an agreement for the custody and administration of securities;
- service agreements for support activities;
- a derivative contract;
- loans;
- receivables from fiscal consolidation.

In addition, dividends – related to the 2020 net income – were collected from SNAM, TERNA and ITALGAS and the receivable from SNAM for the 2020 interim dividend was collected, while (i) the receivable from SNAM for the 2021 interim dividend was recognised and (ii) CDP RETI's shareholders were paid both the 2020 final dividend and the 2021 interim dividend.

TREASURY SHARES

The **Parent Company** does not hold and has not purchased and/or sold, during 2021, shares or stakes of holding companies, either directly or via trust companies or intermediaries.

With regard to **SNAM**, at 31 December 2021 the number of treasury shares amounted to 88,556,228, equal to 2.63% of the share capital (90,642,115 shares as at 31 December 2020), for an amount equal to 354 million euro (361 million euro as at 31 December 2020). The reduction in the number of treasury shares compared to 31 December 2020 is attributable to: (i) the free allocation of 2,441,742 shares to SNAM managers under the 2018 Performance Share Plan, and the simultaneous repurchase by said managers of 1,023,634 shares to cover the amount of taxes owed by the assignees to

[32] Since its debt securities are traded in a public market, CDP RETI S.p.A. does not meet the requirements provided for by IFRS 10 - *Consolidated Financial Statements* for exemption from preparing consolidated financial statements. Moreover, CDP RETI's Articles of Association call for the preparation and approval by the Board of Directors of consolidated financial statements (within 120 days after the reporting date) and of the half-yearly report (within 90 days after 30 June of each period).

[33] In accordance with Consob Communication DEM/6064293 of 28 July 2006, atypical and/or unusual transactions means "those transactions which, through their significance/importance, the nature of the counterparties, the purposes of the transaction, the procedures for determining the transfer price and the timing of the event (proximity to the closure of the financial year) may give rise to doubts concerning: the accuracy/completeness of the information in the financial statements, conflicts of interest, protecting the company assets, protecting minority shareholders".

the Tax Authority; (ii) the allocation of 667,779 shares to the holders of the Snam convertible bond, against the request for partial conversion for a nominal value of 3.2 million euro.

With regard to **TERNA**, at 31 December 2021 the number of treasury shares amounted to 3,095,192 (1,525,900 at the end of 2020), equal to 0.154% of the share capital, for a value of 19.5 million euro that reduces other reserves. More specifically, in implementation of the plan to purchase treasury shares servicing the 2021-2025 Performance Share Plan approved by the Shareholders' Meeting of 30 April 2021, in the period between 31 May 2021 and 23 June 2021 Terna purchased 1,569,292 treasury shares (equal to 0.078% of the share capital) for 10.0 million euro to service the 2021-2025 Performance Share Plan.

ITALGAS did not hold and did not purchase or sell, directly or indirectly, treasury shares of CDP RETI S.p.A. or Cassa Depositi e Prestiti S.p.A. in 2021.

PERFORMANCE OF SNAM, TERNA AND ITALGAS SHARES

Key share price data		SNAM		TERNA		ITALGAS	
Items		31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Number of outstanding shares at the end of the period	(million of euros)	3,272	3,270	2,007	2,008	810	809
Official period-end price	(euros)	5.32	4.62	7.13	6.26	6.07	5.19
Market capitalization (1)	(million of euros)	17,410	15,101	14,315	12,573	4,914	4,201
CDP RETI Number of shares	**(million of euros)**	**1,054**	**1,054**	**600**	**600**	**211**	**211**
Book Value for CDP RETI	**(million of euros)**	**3,087**	**3,087**	**1,315**	**1,315**	**621**	**621**
Market capitalization for CDP RETI (2)	**(million of euros)**	**5,606**	**4,866**	**4,280**	**3,756**	**1,279**	**1,094**
Maximum official price per share	(euros)	5.32	5.08	7.17	6.75	6.07	6.26
Minimum official price per share	(euros)	4.23	3.47	5.69	4.77	4.89	4.25
Average official price per share	(euros)	4.83	4.42	6.41	6.05	5.49	5.27
Official price at period end (3)	(euros)	5.32	4.62	7.13	6.26	6.07	5.19
Closing price at period end (4)	(euros)	5.30	4.60	7.11	6.25	6.05	5.20

(1) Product of the number of outstanding shares (price number) for the official price per share at period end.
(2) Product of CDP RETI number of shares for the average official price per share.
(3) Average price, weighted for the relevant quantities, of all contracts concluded during the day.
(4) Price at which contracts are concluded at the closing auction.

SNAM shares closed at an official price of 5.32 euro at the end of 2021, up 15% on the end of the previous year (4.62 euro) and hitting an all time high of 5.32 euro on 30 December 2021 and an historical low of 4.23 euro on 3 March 2021. The closing price was 5.30 euro.

In 2021, a total of around 2.0 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 7.7 million shares traded.

Market capitalisation stood at 17,410 million at 31 December 2021.

TERNA shares closed at an official price of 7.13 euro at the end of 2021, up 14% on the end of the previous year (6.26 euro) and hitting an all time high of 7.17 euro on 20 August 2021 and an historical low of 5.69 euro on 3 March 2021. The closing price was 7.11 euro.

In 2021, a total of around 1.2 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 4.8 million shares traded.

Market capitalisation stood at 14,315 million at 31 December 2021.

ITALGAS shares closed at an official price of 6.07 euro at the end of 2021, up 17% on the end of the previous year (5.19 euro) and hitting an all time high of 6.07 euro on 30 December 2021 and an historical low of 4.89 euro on 3 March 2021. The closing price was 6.05 euro.

In 2021, a total of around 0.5 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 1.9 million shares traded.

Market capitalisation stood at 4,914 million at 31 December 2021.

RESEARCH AND DEVELOPMENT ACTIVITIES

Given the nature of its business, the Parent Company does not perform research and development activities.

CONSOLIDATED NON-FINANCIAL STATEMENT FOR 2021

Italian Legislative Decree no. 254 of 30 December 2016, implementing Directive 2014/95/EU, introduced into Italian legislation the obligation for certain entities[34] to draw up a non-financial statement (NFS) each financial year. The NFS contains key data and information regarding the environment, social issues, staff, human rights and the fight against active and passive corruption.

In addition, please note that, pursuant to article 6, paragraph 2, of Italian Legislative Decree no. 254 of 30 December 2016, the Consolidated Non-Financial Statement has not been prepared, as it was prepared by the Parent Company CDP S.p.A. (parent company subject to the same obligations), with registered office in Via Goito 4 - 00185 Rome, and included in the Integrated Report of the CDP Group.

SECONDARY OFFICES AND LOCAL UNITS

Starting from 4 September 2020, the local office of the Parent Company CDP RETI is at Via Alessandria 220 (00198 Rome).

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

HUMAN RESOURCES

In 2021, the Company established a new organisational structure through the identification and appointment of three CDP Group staff members as heads of the three organisational units previously headed on an interim basis by the Chief Executive Officer.

During that year, the project was completed for the update of CDP Reti's 231 Model with the aim of (i) incorporating the new legislation that has introduced additional offences that can give rise to administrative liability for the Company, (ii) incorporating updates and developments in the company procedures, processes and service agreement framework, and (iii) bringing the Model into line with the most recent jurisprudence and the most authoritative legal interpretations.

The update and supplementation of the existing service agreements was also completed.

As far as health and safety are concerned, CDP Reti and the other CDP Group companies with staff located in Via Alessandria, adhered to the building Integrated Emergency and Evacuation Plan (a safety and workplace fire risk assessment plan).

There were no workplace injuries in 2021.

With regard to headcount, CDP Reti had 2 male employees at 31 December 2021, allocated 100% to the Company. The Company has adopted National Collective Bargaining Agreements applicable to credit, financial and operating companies both for middle managers and personnel in professional areas and for executives.

The average age of the personnel is 49 years.

[34] The entities subject to this obligation are the "public interest entities" (Italian issuers of securities traded on Italian or European regulated markets, banks, insurance and re-insurance companies), with more than 500 employees and 20 million euro total net asset value or 40 million euro total net revenues from sales of goods and services.

8. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP RETI PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER B) OF THE CONSOLIDATED LAW ON FINANCE

ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01

CDP RETI has adopted an Organisation, Management and Control Model (hereinafter also “231 Model”) pursuant to Legislative Decree no. 231/2001, which identifies the company areas and operations that are most exposed to the risk of criminal activity as defined in the legislative decree, along with the principles, rules and regulations for the control system introduced to supervise significant operating activities. This document is the result of the assessment of the corporate structure and operations of CDP RETI, with the primary purpose of providing the Company with a Model that constitutes a protection from administrative liability in case predicate offences are committed by senior managers, employees or individuals acting on behalf of CDP RETI and in its name.

CDP RETI's organisational model consists of a:

- General Section which, based on the principles of the Decree, illustrates the essential components of the Model with particular reference to: i) Governance Model and Organisational Structure of CDP RETI; ii) Supervisory Body; iii) measures to be taken in case of non-compliance with the provisions of the Model (disciplinary system); iv) dissemination of the Model and Contractual Clauses; and v) updating and adaptation of the Model. The General Section also consists of the Annex “List of the administrative crimes and offences envisaged by Legislative Decree no. 231/2001”, which provides brief details of the administrative crimes and offences whose commission determines, on the basis of the conditions laid down by the Decree, the onset of the administrative liability of the Entity pursuant to and for the purposes of the aforementioned regulations.
- Special Section, which i) identifies the relevant activities, for the different types of crimes, in performing which there is a theoretical potential risk of the commission of crimes; ii) describes, merely for educational purposes and by way of example and not limited to the manner of commission of the offences; and iii) indicates the principles of the Internal Control System aimed at preventing the commission of offences.

The Board of Directors, at its meeting on 8 June 2021, approved the new version of the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01 (231 Model), comprising: a General Section; a Special Section; the attached document “List and description of the criminal and administrative offences set out in Legislative Decree No. 231/2001”; and the attached document “Information flows towards the Supervisory Body pursuant to Legislative Decree No. 231/01”.

These documents have been revised to take account of: i) the regulatory changes introduced by the Italian legislator, which have extended the catalogue of offences for which the Company may be subject to administrative liability, where applicable; ii) the evolution of the Company’s operations, processes and organisational structure; and iii) the changes introduced by the evolution of the internal regulations and the signing and/or review of service agreements for outsourced activities.

In compliance with the provisions of Article 6, paragraph 4-bis, the functions of the Supervisory Body (below also “SB”) have been assigned to the Board of Statutory Auditors, a collegiate body composed of three standing members, and two alternates, appointed by the shareholders’ meeting. The Chairman of the Board of Statutory Auditors acts as Chairman of the SB.

The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations and Articles of Association apply to the members of the Supervisory Body.

The Supervisory Body is tasked with overseeing the functioning and observance of the Model and with updating its content and assisting the competent corporate bodies in correctly and effectively implementing the Model. The functioning of the SB is established in the specific adopted Regulation.

For its secretarial and operational activities, the SB relies on the Internal Auditing Function outsourced to the Parent Company based on a specific service agreement.

The “Organisation, Management and Control Model pursuant to Legislative Decree no. 231/2001” and the “Code of Ethics of Cassa depositi e prestiti S.p.A. and the companies subject to its management and coordination” are available in the “COMPANY NOTICE BOARD” folder.

KEY CHARACTERISTICS OF THE RISK AND INTERNAL CONTROL MANAGEMENT SYSTEMS WITH REGARD TO THE FINANCIAL REPORTING PROCESS

The CDP RETI Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the company’s reporting processes, is set up in such a way as to ensure that reporting is reliable[35], accurate[36], dependable[37] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

The company’s control system is structured to comply with the model adopted in the CoSO Report[38], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

- a suitable control environment, meaning the set of standards of conduct, processes and structures underlying the execution of the organisation’s internal control process;
- appropriate risk assessment, requiring that risks be suitably identified, documented and classified based on relevance;
- the planning and performance of suitable control activities, such as policies and procedures adopted to mitigate (i.e. reduce to an acceptable level) the identified risks which may compromise the achievement of the business objectives;
- the presence of a suitable information system and adequate communication flows that guarantee the exchange of relevant information between senior executives and the operational functions (and vice versa);
- the planning of suitable monitoring activities to verify the effectiveness and correct operation of the internal control system.

In line with the adopted model, the controls are monitored on a periodic basis in order to assess their operational effectiveness and efficiency over time.

The internal control system for financial reporting has been structured and applied according to a risk-based approach, in relation to the potential impacts on the financial reporting.

CDP Reti follows the Group Policy that defines the methodological framework and operational instruments that the Parent Company, CDP, and the CDP Group companies are required to comply with for the application of Law 262/05, for the purposes of both individual and consolidated company reporting. The control model is based on an initial company-wide analysis of the control system in order to verify that the environment is, generally speaking, organised to reduce the risk of error or improper conduct with regard to the disclosure of accounting and financial information.

This analysis is undertaken by verifying the presence of elements, ranging from adequate governance systems to ethical and integrity-based standards of conduct, effective organisational structures, clear assignment of powers and responsibilities, an appropriate risk management policy, disciplinary systems for personnel, and effective codes of conduct.

At the process level, the approach consists of an assessment phase to identify specific potential risks which, if the risk event were to occur, could prevent the rapid and accurate identification, measurement, processing and representation of corporate events in the accounts. This process involves the development of risk and control association matrices that are used to analyse processes on the basis of their risk profiles and the associated control activities.

The process level analysis is structured as follows:

- an initial phase for the identification of the potential risks and the definition of the control objectives in order to mitigate those risks;
- the second phase involving the identification and assessment of the controls designed to mitigate potential risks (Test of Design – ToD);
- a third phase consisting of the identification of areas of improvement identified for the control.

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[35] Reliability (of reporting): correct reporting drafted in compliance with the generally accepted accounting standards, which meets the requirements of applicable laws and regulations.
[36] Accuracy (of reporting): reporting with no errors.
[37] Dependability (of reporting): correct and complete reporting based on which investors may make informed investment decisions.
[38] Committee of Sponsoring Organizations of the Treadway Commission.

Monitoring the effective operation of the control system is another key component of the CoSO Report framework. This activity is carried out on a regular basis, addressing the periods covered by the reporting.

The monitoring phase in CDP RETI is structured as follows:

- sampling of the items to be tested;
- test execution (Test of Effectiveness – ToE);
- weighting of any anomalies detected and related assessment.

Based on the potential risk identified and taking into account the results of the overall assessment of the control (ToD+ToE), the "residual risk" is obtained, which represents the qualitative measurement of the risk that the company is exposed to in relation to the actual implementation of the controls identified.

The residual risk is measured based on the following formula:

RI – OA = RR

where:	*RI* = potential risk index derived from the combination of risk weight and frequency; *OA* = overall assessment of controls; *RR* = residual risk index.

The assessment of the controls reduces the value of the potential risk index, based on predefined percentages.

If anomalies are found in the ToDs and ToEs, a plan of corrective actions is produced and the anomalies are reported to the process owners, providing:

- a detailed description of the anomaly detected;
- the corrective action proposals identified, specifying: the deadline for implementation, the priority and the offices responsible.

After the phase of consultation and agreement with the controls and process owners, the actual implementation of the measures established to resolve the anomaly is monitored.

To enable the Financial Reporting Manager and the management bodies of the CDP RETI Group to issue the certification pursuant to Article 154-bis of the Consolidated Law on Finance, it was necessary to establish an intercompany "chain" certification system, regarding the data and information provided for the preparation of the consolidated financial statements of the CDP RETI Group.

INDEPENDENT AUDITORS

The financial statements of CDP RETI are audited by the Independent Auditors Deloitte & Touche S.p.A, which are responsible for verifying, during the year, that the company accounts have been properly kept and that the accounting events have been recorded correctly in the accounting entries, and ascertaining that the financial statements for the year and the consolidated financial statements match the accounting books and the verifications made, and that said documents comply with supervisory provisions.

The independent auditors issue an opinion on the Parent company and consolidated financial statements, and on the half-yearly financial report.

The independent auditors are appointed by the Shareholders' Meeting in ordinary session, acting on a reasoned proposal put forward by the control body.

Pursuant to the resolution of the Shareholders' Meeting dated 10 may 2019, the independent auditing firm Deloitte & Touche S.p.A. was entrusted the auditing mandate for the 2020-2028 period.

FINANCIAL REPORTING MANAGER

As already mentioned above, following the issue in May 2015 of a bond listed on the Irish Stock Exchange, CDP RETI was required, pursuant to Article 154-bis of the Consolidated Law on Finance, to appoint a Financial Reporting Manager.

With reference to the experience requirements and methods for appointing and substituting the Financial Reporting Manager, the provisions of Article 19.13 of CDP RETI Articles of Association are reported below.

Article 19.13 CDP RETI Articles of Association:

Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Financial Reporting Manager for a period of time not shorter than the term of office of the Board and not longer than six financial years, to perform the duties assigned to such manager under Article 154-bis of Legislative Decree no. 58 of 24 February 1998. The Financial Reporting Manager must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15.11 of the Articles of Association[39]. The Financial Reporting Manager shall be chosen in accordance with criteria of professional experience and competence from among the persons who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms. The Financial Reporting Manager can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Statutory Auditors. The appointment of the Financial Reporting Manager shall lapse if such manager does not continue to meet the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.

In order to ensure that the Financial Reporting Manager has resources and powers commensurate with the nature and complexity of the activities to be performed and with the size of the Company, and to ensure that such manager is able to perform the duties of the position, including in relations with other corporate bodies, in June 2017 the Board of Directors approved the “Internal Rules for the Function of the Financial Reporting Manager”.

Briefly, the Financial Reporting Manager is required to certify, jointly with the Chief Executive Officer and through a specific report attached to the financial statements for the year, the consolidated financial statements and the half-yearly report:

- the adequacy and the actual application of the administrative and accounting procedures for the preparation of the condensed half-yearly report, the Parent Company’s financial statements and the consolidated financial statements;
- the compliance of the documents with IFRS;
- the matching of the documents with the accounting books and records;
- that the documents are suitable to provide a true and fair view of the financial position, performance and cash flows of the issuer and the companies included in the scope of consolidation;
- the reliability of the content of the report on operations and the interim report on operations.

In order to guarantee an effective, systematic and prompt flow of information, the Financial Reporting Manager periodically reports to the Board of Directors with regard to any critical issues that have arisen in performing his/her tasks, any plans and actions established to overcome any issues found, and, in general, the suitability of the administration and accounting internal control system.

The Financial Reporting Manager informs without delay the Board of Statutory Auditors about possible anomalies, deficiencies and critical issues regarding the administrative/accounting system, when deemed to be particularly relevant. Moreover, upon request of the Board of Statutory Auditors, he/she provides information and assistance by taking part in the meeting of the Board when invited.

The Manager liaises with the Independent Auditors in order to establish constant communication and exchange the information regarding the assessment and effectiveness of the controls regarding the administrative and accounting processes.

INSIDER REGISTER

CDP RETI has established the “Register of persons with access to CDP RETI inside information” (hereinafter the “Register”) in compliance with the requirements of European Regulation no. 596/2014 (and the related implementing regulations), which includes the reference regulatory framework concerning market abuse.

The Register - which has been established by CDP RETI as an issuer of debt securities traded on regulated markets - is divided into separate sections, one for each piece of inside information, and a new section is added to the Register each time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. There is also an additional section in the Register which contains the details of people who always have access to all inside information (“Permanent Access Holders”). The Register is computerised and password protected, and the notes pertaining to each section are in chronological order. Each note is tracked and cannot be changed.

The establishment and management of the Register are governed by internal CDP RETI rules also establishing the regulations and procedures for keeping and updating the Register.

[39] Not entitled to hold any office in the management or control bodies, or management positions in ENI S.p.A. and its subsidiaries, or to have any direct or indirect relationship of a professional or financial nature with those companies.

CODE OF ETHICS

Also with regard to its vision of social and environmental responsibility, CDP RETI has adopted specific principles of conduct by implementing the "Code of Ethics of Cassa Depositi e Prestiti S.p.A. and of the Companies subject to management and coordination".

The purpose of the Code of Ethics is to declare and disseminate the values and rules of conduct the Company intends to refer to in the performance of its business activities. The Code governs all the rights, duties and responsibilities that the Company expressly assumes with respect to the stakeholders it interacts with in the course of its business.

The set of ethical principles and values expressed in the Code of Ethics must guide the activities of all those who operate in any way in the interest of the Company.

INTERNAL CONTROL SYSTEM

CDP RETI has developed an internal control system, structured according to three levels of control, consisting of a set of controls, rules, procedures, and organisational structures designed to identify, measure, assess, monitor, prevent or mitigate, and promptly communicate to all appropriate levels, the risks taken or that may be taken in the various segments, as well as to ensure compliance with applicable regulations, in accordance with corporate strategies and the achievement of targets set by company Management.

More specifically, third level controls are implemented by the Internal Auditing function. Internal Auditing is a permanent, independent and objective function that pursues the continuous improvement of the effectiveness and efficiency of CDP RETI's governance, risk management and control processes, by means of professional and systematic supervision. The division of the internal control system into the three levels mentioned above is based on sector regulations and applicable best practices, including the recommendations of the main international organisation for the internal auditing profession (Institute of Internal Auditors).

Internal Auditing and the second-level control functions cooperate to share the different perspectives on risks and controls in order to: i) provide the Corporate Bodies as swiftly as possible with a single representation of the overall level of risk; ii) coordinate annual activity plans; and iii) exchange information on critical issues, inefficiencies, weaknesses or irregularities identified in their respective control activities. Cooperation between these functions is intended to develop synergies and avoid overlaps, while ensuring adequate coverage of control objectives.

Internal Auditing reports hierarchically to the Board of Directors, through its Chairman, which, in its role as a strategic supervisory body, gives the authority to the function, while guaranteeing its independence. The necessary link between Internal Auditing, the body responsible for the management function and Management is also guaranteed.

The Company's Board of Directors, as part of the outsourcing to the Parent Company of some auxiliary services (service agreements), including Internal Auditing, starting from 20 March 2017 appointed a Chief Audit Officer of CDP RETI, a resource belonging to the Chief Audit Officer Department of the Parent Company CDP S.p.A. ("CDP").

The Internal Auditing function provides an independent and objective assessment of the completeness, adequacy, functionality and reliability of CDP RETI's overall internal control system, and assesses the proper functioning of the processes, the adoption of appropriate safeguards for the protection of the company assets, the reliability and integrity of the accounting and operational information, as well as compliance with internal and external regulations and management guidelines.

For the execution of its activities, each year the Internal Auditing function prepares an audit plan and submits it to the Board of Directors for approval. The audit plan is consistent with the applicable regulations, the overall set of risks, the control system, the related assessment and the strategic organisational evolution of the Company and takes into account the guidance provided by the Chairman of the Board of Directors, the Chief Executive Officer and the Corporate Bodies. The plan specifies the activities to be carried out and the objectives to be pursued.

Issues identified during each audit are immediately reported to the relevant business units so they can implement corrective actions. The Internal Auditing function notifies Management, the Board of Statutory Auditors, the Supervisory Body, the Chairman and the Chief Executive Officer of improvements that can be made to the internal control system, with particular regard to the risk management policies, the instruments used to measure risk, and the various company procedures.

The Internal Auditing function reports on a half-yearly basis to the Board of Directors, the Board of Statutory Auditors and the Supervisory Body on the progress of the annual plan, the work carried out, the main issues identified and the progress of the corrective actions identified by CDP RETI, highlighting any risks not adequately mitigated due to the failure of or ineffectiveness in removing the anomalies identified during its audits. On an annual basis, the Internal Auditing function also presents its assessment of the overall internal control system.

The Internal Audit function also provides support to the work of the Supervisory Body, envisaged by Article 6, paragraph 1, lett. b), of Legislative Decree 231/2001.

The Internal Auditing function can also provide support and assistance or advisory services to other corporate functions in order to create added value and improve the risk management and performance of the organisation, without taking any management responsibility in order to avoid any situation that could potentially influence its independence and objectivity.

SHAREHOLDERS' AGREEMENT IN RESPECT OF ITALGAS SHARES

On 20 October 2016, CDP Reti S.p.A. ("**CDP Reti**"), CDP Gas S.r.l. ("**CDP Gas**") and SNAM S.p.A. ("**Snam**") signed a shareholders' agreement ("**Italgas Shareholders' Agreement**") in respect of all the shares which each of them would hold in Italgas S.p.A. ("**Italgas**" or the "**Company**") subsequent to and starting from the effective date of the partial and proportional spin-off of Snam into Italgas and the concurrent listing of Italgas shares on the stock exchange, i.e. from 7 November 2016 ("**Effective Date of the Spin-off**").

The Italgas Shareholders' Agreement, which came into effect on the Effective Date of the Spin-off, governs, inter alia: the exercise of voting rights conferred by shares tied to the shareholders' agreement; (ii) the set-up of an advisory committee; (iii) the obligations and the methods of presentation of joint lists for the appointment of the Company's Board of Directors; and (iv) restrictions on the sale and purchase of Italgas shares.

The merger by incorporation of CDP GAS into CDP became effective on 1 May 2017. As of that date, CDP became the owner of the Italgas shares previously owned by CDP GAS and replaced CDP GAS in the Italgas Shareholders' Agreement for all intents and purposes.

On 19 May 2017, CDP transferred to CDP Reti, amongst others, the entire equity investment held by CDP in Italgas as a result of the aforesaid merger, equal to 7,840,127 ordinary shares, representing 0.969% of the Italgas share capital with voting rights. As a result of the foregoing transfer: (i) the total number of Italgas shares held by CDP Reti - and locked into the Italgas Shareholders' Agreement by CDP Reti - increased to 210,738,424 ordinary shares in Italgas, representing 26.045% of the share capital with voting rights, and (ii) CDP ceased to be a party to the Italgas Shareholders' Agreement, which continues in full force and effect only between CDP Reti and Snam.

On 1 August 2019, the Board of Directors of CDP reclassified its equity investment in Snam and Italgas as de facto control pursuant to Article 2359, paragraph 1, no. 2) of the Italian Civil Code and Article 93 of the Consolidated Law on Finance.

Even after having determined the de facto control pursuant to the Italian Civil Code and the Consolidated Law on Finance, CDP and CDP Reti will continue not to exercise management and coordination over Snam and Italgas, pursuant to Articles 2497 et seq. of the Italian Civil Code.

The total number of shares tied to the Italgas Shareholders' Agreement has not changed and remains equal to 319,971,717 ordinary shares, representing 39.514% of the Italgas share capital with voting rights.

No amendments have been made to the individual provisions of the Italgas Shareholders' Agreement.

The main provisions of the Italgas Shareholders' Agreement are detailed below:

- establishment of a consultation committee composed of five members (the "**Consultation Committee**"), four of whom represent CDP RETI (three appointed by CDP and one by State Grid Europe Ltd, in short "**SGEL**") and one representing Snam. The Consultation Committee decides by simple majority of its members in office on the exercise of voting rights relating to Italgas shares owned by the parties to the Italgas Shareholders' Agreement. The parties to the Italgas Shareholders' Agreement cast the votes conferred by their shares in Italgas as decided by the Consultation Committee, without prejudice to Snam's rights in respect of Reserved Matters (as defined below);
- in connection with certain extraordinary resolutions of Italgas (the "Reserved Matters")[40], if the Consultation Committee passes resolutions that have been voted against by the representative designated by Snam and the shareholders' meeting of Italgas approves the related Reserved Matter, Snam will be able: (i) to sell its entire equity investment in Italgas (the "**Snam Equity Investment**") to potential third-party buyers (in this case, CDP Reti will have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval of the third-party buyer[41], it being understood that the third-party buyer will be required to replace Snam in the Italgas Shareholders'

[40] The Reserved Matters are the following matters subject to resolution by the extraordinary shareholders' meeting of Italgas: (i) capital increases with exclusion or limitation of the option right of shareholders for a total amount exceeding 20% of the shareholders' equity of Italgas; (ii) mergers or demergers for a total amount exceeding 20% of the shareholders' equity of Italgas; and (iii) winding-up or liquidation of Italgas.

[41] CDP Reti will be able to deny its approval solely for one of the following reasons:
a) the third-party buyer is a direct competitor of Italgas and/or Italgas Reti S.p.A. in Italy; and/or
b) the third-party buyer fails to provide adequate documentation and evidence of compliance with the unbundling laws in force from time to time; and/or
c) the third-party buyer comes from a country against which there are restrictions on free exchange adopted by the competent international organizations; and/or
d) the purchase of the Snam Equity Investment by the third-party buyer is in violation of the applicable laws; and/or
e) the third-party buyer does not meet certain size requirements; and/or

Agreement) and (ii) if the equity investment is not sold within 12 months, to withdraw from the Italgas Shareholders' Agreement due to its dissolution;

- Snam shall not be able to increase or dispose of the Snam Equity Investment, except for the transfer, under certain conditions, of the entire equity investment to entities controlled by Snam. SNAM may, at any time, sell its equity investment only in its entirety and in compliance with the following rules: (i) CDP RETI shall have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval on the third-party buyer[42], and (ii) the third-party buyer must replace Snam in the Italgas Shareholders' Agreement on the same terms and conditions as Snam;
- CDP Reti and other parties associated with it shall only be able to purchase additional shares or other financial instruments of Italgas if: (i) these shares are added to the Italgas Shareholders' Agreement, and (ii) these purchases do not result in the exceeding of the thresholds set by the rules on mandatory public tender offers. In addition, CDP RETI shall not be able to sell the Italgas shares that it holds, if the total equity investment attributable to the Italgas Shareholders' Agreement falls below 30%;
- the Italgas Shareholders' Agreement establishes that CDP Reti and Snam are required to submit a joint list of candidates for the appointment of Italgas' Board of Directors in order to ensure that Snam appoints one candidate and CDP Reti appoints the remaining candidates (one of whom will be appointed by SGEL), including the Chairman and the CEO, if that list comes first in terms of number of votes obtained in the Italgas Shareholders' Meeting.

The Italgas Shareholders' Agreement contains provisions that are relevant pursuant to Article 122, paragraphs 1 and 5 of the Consolidated Law on Finance and therefore qualifies as a voting and lock-up agreement. The Italgas Shareholders' Agreement will therefore be subject to the disclosure obligations set out in Article 122, paragraph 1 of the Consolidated Law on Finance and its implementing provisions.

The Italgas Shareholders' Agreement has a term of three years, with the possibility of automatic renewal for further periods of three years, subject to the right of each party to terminate the Italgas Shareholders' Agreement with 12 months' notice. If Snam provides notification of its intention not to renew, CDP Reti may exercise a purchase option on the Snam Equity Investment at fair market value within 9 (nine) months from notification of withdrawal from the Italgas Shareholders' Agreement.

For further details, see the key information published on the Italgas and Consob websites in relation to the Italgas Shareholders' Agreement.

SHAREHOLDERS' AGREEMENT IN RESPECT OF CDP RETI, SNAM, TERNA AND ITALGAS SHARES

CDP, SGEL and State Grid International Development Limited[43] (below, "**SGID**") are parties to a shareholders' agreement entered into when a stake of 35% in CDP Reti was transferred to SGEL on 27 November 2014 ("**SGEL Shareholders' Agreement**"). CDP and SGEL transferred their stakes in the share capital of CDP Reti to the SGEL Shareholders' Agreement, representing a total of 94.10% of the share capital.

The SGEL Shareholders' Agreement provides SGEL with governance rights in order to protect its investment in CDP Reti. In detail, it contains provisions on the exercise of voting rights and clauses restricting the transfer of shares pursuant to article 122, paragraph 1 and paragraph 5, letter b) of the Consolidated Law on Finance. The SGEL Shareholders' Agreement also contains provisions regarding the governance of CDP Reti, Snam, TERNA S.p.A. ("**Terna**") and Italgas.

A summary of the amendments made to the SGEL Shareholders' Agreement over time is provided below.

A. On 19 December 2014, CDP completed the transfer to Snam of the equity investment in TRANS AUSTRIA GASLEITUNG GmbH ("TAG"), which it held via CDP Gas. The transaction was linked to an increase in the share capital of Snam reserved to CDP Gas, which was paid for by means of the transfer of the aforementioned equity investment by CDP Gas (which consequently became the holder of 119,000,000.00 ordinary shares of Snam, equal to a stake of 3.4% in Snam's share capital). As a result, CDP Reti's equity investment in Snam, albeit consisting of 1,014,491,489 shares, was no longer equivalent to 30% of SNAM's share capital but represented around 28.98% as of 19 December 2014.

B. Subsequently, on 7 November 2016, (i) a spin-off was completed for the transfer of Snam's equity investment in Italgas Reti S.p.A. to Italgas and, at the same time, (ii) the Italgas shares were officially listed on the stock exchange. As a result of the foregoing transaction, CDP Reti became the holder of a 25.076% equity investment in the share capital of Italgas. Consequently, in order to: a) reflect the new corporate structure of the group headed by CDP Reti; b) extend the applicability of the provisions of the SGEL Shareholders' Agreement also to the new investee Italgas, and c) align the provisions of the SGEL Shareholders' Agreement with the provisions of the Italgas Shareholders' Agreement (with

f) the conclusion of the potential transaction with the third-party buyer or the third-party buyer's joining of the Italgas Shareholders' Agreement generates an obligation for the third-party buyer, singly or jointly with CDP Reti, to make a mandatory initial public offering on the remaining Italgas shares.

[42] See previous note.

[43] State Grid International Development Limited owns the entire capital of SGEL.

particular regard to the Consultation Committee), CDP, SGEL and SGID amended and supplemented the provisions of the SGEL Shareholders' Agreement with effect from 7 November 2016.

C. To conclude, the merger by incorporation of CDP GAS into CDP became effective on 1 May 2017 and, as of that date, CDP is the owner of the SNAM and ITALGAS shares previously owned by CDP GAS and replaced CDP GAS in the Italgas Shareholders' Agreement for all intents and purposes. On 19 May 2017, CDP therefore transferred to CDP Reti the entire equity investment in Italgas (0.969% of Italgas share capital) and the entire equity investment in Snam (1.120% of Snam share capital), which it held subsequent to and as an effect of the aforementioned merger by incorporation of CDP Gas (which was not tied to the SGEL Shareholders' Agreement).

In light of all of the above, it should be noted that:

- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in ITALGAS, equal to 7,840,127 ordinary shares (representing 0.969% of the ITALGAS share capital with voting rights), the total number of ITALGAS shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of ITALGAS shares tied to the SGEL Shareholders' Agreement – has increased to a total of 210,738,424 ordinary shares of ITALGAS, representing 26.025% of the ITALGAS share capital with voting rights as at 31 December 2021; and
- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in SNAM, equal to 39,200,638 ordinary shares (representing 1.120% of the SNAM share capital with voting rights), the total number of SNAM shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of SNAM shares tied to the SGEL Shareholders' Agreement – has increased to a total of 1,053,692,127 ordinary shares of SNAM, representing 31.352% of the SNAM share capital with voting rights as at 31 December 2021.
- the number of TERNA shares tied to the SGEL Shareholders' Agreement has not changed and is equal to 599,999,999 ordinary shares, held by CDP RETI, representing 29.851% of the TERNA share capital with voting rights as at 31 December 2021.

The SGEL Shareholders' Agreement has a term of three years from the signing date and is automatically renewed for a further term of three years, unless terminated by one of the parties.

For further details, see the key information published in relation to the SGEL Shareholders' Agreement on the websites of the investee companies Snam, Terna and Italgas.

2

2021 CONSOLIDATED FINANCIAL STATEMENTS

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

- Consolidated Balance Sheet
- Consolidated Income Statement
- Consolidated Statement of Comprehensive Income
- Statement of Changes in Consolidated Equity
- Consolidated Statement of Cash Flows
- Notes to the consolidated financial statements

The Notes to the consolidated financial statements consist of:

- Introduction
- I - Basis of presentation and accounting policies
- II - Information on the Consolidated Balance Sheet
- III - Information on the Consolidated Income Statement
- IV - Business combinations
- V - Transactions with related parties
- VI - Financial risk management
- VII - Share-based payments
- VIII - Operating Segments
- IX - Guarantees and commitments
- X – Disclosure of Leases

The following are also included:

- Annexes
- Certification pursuant to article 154-bis of Legislative decree no. 58/98
- Independent Auditor's Report

The "Annexes", which are an integral part of the consolidated financial statements, include the consolidation scope and the information provided with reference to the obligations introduced concerning the transparency of public funds by Law no. 124 of 4 August 2017.

SUMMARY

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of euro) Assets items	Notes	31/12/2021	*of which from related parties*	31/12/2020	*of which from related parties*
NON-CURRENT ASSETS					
Property, plant and equipment	1	37,319,725	305	36,400,626	
Inventories - compulsory stock	2	362,713		362,713	
Intangible assets	3	10,852,055		10,378,181	
Equity investments	4	2,414,450		1,797,294	
Non-current financial assets	5	696,799	4,971	936,372	307,199
Deferred tax assets	6	936,043		926,931	
Other non-current assets	7	209,490		237,137	334
Total non-current assets		**52,791,275**	**5,276**	**51,039,254**	**307,533**
Non-current assets held for sale	8	**377,698**		**1,400**	
CURRENT ASSETS					
Current financial assets	9	992,036	299,264	655,178	9,630
Income tax receivables	10	38,021		48,193	
Trade receivables	11	6,077,410	1,081,187	3,408,105	779,830
Inventories	12	296,277		266,057	
Other current assets	13	1,031,494	63,219	456,346	54,383
Cash and cash equivalents	14	4,386,900	12,517	6,469,798	6,001
Total current assets		**12,822,138**	**1,456,187**	**11,303,677**	**849,844**
TOTAL ASSETS		**65,991,111**	**1,461,463**	**62,344,331**	**1,157,377**

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

LIABILITIES AND EQUITY

(thousands of euro) Liabilities and equity items	Notes	31/12/2021	*of which from related parties*	31/12/2020	*of which from related parties*
EQUITY	15				
Share capital		162		162	
Issue premium		1,315,158		1,315,158	
Retained earnings		992,621		841,671	
Other reserves		2,029,921		2,029,921	
Valuation reserves		(50,618)		(95,903)	
Interim dividend		(311,297)		(285,696)	
Net income for the year (+/-)		736,682		584,375	
Group equity	15 a	**4,712,629**		**4,389,688**	
Non-controlling interests	15 b	12,049,753		11,366,269	
Total Equity		**16,762,382**		**15,755,957**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	16	1,075,939		1,172,287	
Provisions for employee benefits	17	192,988		206,607	
Loans	18	25,931,432	341,562	26,581,363	558,754
Other non-current financial liabilities	19	90,919	3,661	316,193	
Deferred tax liabilities	20	2,152,388		2,605,886	
Other non-current liabilities	21	2,135,524		1,563,482	
Total non-current liabilities		**31,579,190**	**345,223**	**32,445,818**	**558,754**
Liabilities directly associated with non-current assets held for sale	22	**257,801**			
CURRENT LIABILITIES					
Current portion of long-term loans	23	4,512,154	221,426	3,180,746	
Trade payables	24	5,170,755	426,365	3,380,425	198,864
Income tax liabilities	25	81,453		36,460	
Current financial liabilities	26	5,456,311	5,509	5,615,694	3,875
Other current liabilities	27	2,171,065	19,461	1,929,231	20,412
Total current liabilities		**17,391,738**	**672,761**	**14,142,556**	**223,151**
TOTAL LIABILITIES AND EQUITY		**65,991,111**	**1,017,984**	**62,344,331**	**781,905**

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

Consolidated income statement items	Notes	2021	*of which from related parties*	2020	*of which from related parties*
Revenues					
Revenues from sales and services	28	7,917,592	3,775,967	7,169,888	3,799,173
Other revenues and income	29	145,312	9,868	215,714	9,991
Total revenues		**8,062,904**	**3,785,835**	**7,385,602**	**3,809,164**
Operating Costs					
Raw materials and consumables used	30	(925,539)	(15,853)	(456,950)	(7,710)
Services	31	(1,056,109)	(74,836)	(937,151)	(63,218)
Staff costs	32	(783,977)	(3,645)	(761,108)	(2,853)
Amortisation, depreciation and impairment of property, plant and equipment and intangible assets	33	(2,185,250)		(2,117,601)	
Net write-downs/write-backs of trade receivables and other receivables	33 a	(2,088)		(2,190)	
Other operating costs	34	(173,871)	(101,363)	(224,982)	(28,825)
Total costs		**(5,126,834)**	**(195,697)**	**(4,499,982)**	**(102,606)**
Operating profit		**2,936,070**	**3,590,138**	**2,885,620**	**3,706,558**
Financial income (expense)					
Financial income	35	100,640	13,977	46,155	12,596
Borrowing expenses	36	(317,714)	(11,019)	(411,699)	(9,418)
Portion of income (expenses) from equity investments valued with the equity method	37	247,049		181,669	
Other income (expenses) from equity investments	37 a				
Total financial income (expense)		**29,975**	**2,958**	**(183,875)**	**3,178**
Income before taxes		**2,966,045**	**3,593,096**	**2,701,745**	**3,709,736**
Taxes for the year	38	(511,959)		(728,289)	
Net income (loss) from continuous operations		**2,454,086**	**3,593,096**	**1,973,456**	**3,709,736**
Net income (loss) from assets held for sale	39	(12,844)		2,093	
Net income (loss) for the year		**2,441,242**	**3,593,096**	**1,975,549**	**3,709,736**
- pertaining to Shareholders of the Parent Company		*736,682*		*584,375*	
- pertaining to non-controlling interests		*1,704,560*		*1,391,174*	

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

Items/Figures	Notes	2021	2020
1 - Net income (loss) for the year		**2,441,242**	**1,975,549**
Other comprehensive income net of taxes not transferred to income statement			
2 - Financial assets (equity securities) measured at fair value through other comprehensive income		(16,514)	43,030
3 - Hedging of equity securities designated at fair value through other comprehensive income			
4 - Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)			
5 - Property, plant and equipment			
6 - Intangible assets			
7 - Defined benefit plans		8,923	(1,178)
8 - Non-current assets held for sale			
9 - Share of valuation reserves of equity investments accounted for using equity method		1,647	3,204
10 - Revaluation Laws			
Other comprehensive income net of taxes transferred to income statement			
11 - Financial assets (other than equity securities) measured at fair value through other comprehensive income		(2,974)	2,445
12 - Hedging instruments (elemented not designated)			
13 - Hedging of foreign investments			
14 - Exchange rate differences		30,301	(43,823)
15 - Cash flow hedges		72,992	(41,870)
16 - Non-current assets held for sale			
17 - Share of valuation reserves of equity investments accounted for using equity method		31,857	(17,964)
18 - Revaluation Laws			
19 - Total other comprehensive income net of taxes		**126,232**	**(56,156)**
20 - Comprehensive income (item 1+19)		**2,567,474**	**1,919,393**
21 - Consolidated comprehensive income pertaining to non-controlling interests		1,785,493	1,352,698
22 - Consolidated comprehensive income pertaining to Shareholders of the Parent Company		**781,981**	**566,695**

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2021

(thousands of euro)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 December 2020	**15**	**162**	**32**	**1,315,158**	**(95,903)**
Change in opening					
Total equity at 1 January 2021		**162**	**32**	**1,315,158**	**(95,903)**
Net income (loss) for the year					
Other comprehensive income:					
- cash flow hedges					28,500
- defined benefit plans					2,589
- exchange rate differences					9,629
- other					4,581
Total other comprehensive income					**45,299**
Comprehensive income					**45,299**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2020					
- dividends					
- retained earnings					
Interim dividend 2021					
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					(14)
Total other changes					**(14)**
Total equity at 31 December 2021	**15**	**162**	**32**	**1,315,158**	**(50,618)**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2020

(thousands of euro)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 December 2019	**15**	**162**	**32**	**1,315,158**	**(87,602)**
Change in opening					
Total equity at 1 January 2020		**162**	**32**	**1,315,158**	**(87,602)**
Net income (loss) for the year					
Other comprehensive income:					
- cash flow hedges					(13,577)
- defined benefit plans					(351)
- exchange rate differences					(13,590)
- other					9,838
Total other comprehensive income					**(17,680)**
Comprehensive income					**(17,680)**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2019					
- dividends					
- retained earnings					
Interim dividend 2020					
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					9,379
Total other changes					**9,379**
Total equity at 31 December 2020	**15**	**162**	**32**	**1,315,158**	**(95,903)**

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Group equity	Non-controlling interests	Total Equity
2,029,921	**841,639**	**584,375**	**(285,696)**	**4,389,688**	**11,366,269**	**15,755,957**
2,029,921	**841,639**	**584,375**	**(285,696)**	**4,389,688**	**11,366,269**	**15,755,957**
		736,682		736,682	1,704,560	2,441,242
				28,500	44,492	72,992
				2,589	6,334	8,923
				9,629	20,672	30,301
				4,581	9,435	14,016
				45,299	**80,933**	**126,232**
		736,682		**781,981**	**1,785,493**	**2,567,474**
		(285,696)	285,696			
		(150,451)		(150,451)	(759,264)	(909,715)
	148,228	(148,228)				
			(311,297)	(311,297)	(370,880)	(682,177)
					(2,182)	(2,182)
	148,228	**(584,375)**	**(25,601)**	**(461,748)**	**(1,132,326)**	**(1,594,074)**
	2,722			2,708	30,317	33,025
	2,722			**2,708**	**30,317**	**33,025**
2,029,921	**992,589**	**736,682**	**(311,297)**	**4,712,629**	**12,049,753**	**16,762,382**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Group equity	Non-controlling interests	Total Equity
2,029,921	**703,283**	**568,405**	**(267,004)**	**4,262,355**	**11,149,351**	**15,411,706**
	(1,319)	(238)		(1,557)	(3,685)	(5,242)
2,029,921	**701,964**	**568,167**	**(267,004)**	**4,260,798**	**11,145,666**	**15,406,464**
		584,375		584,375	1,391,174	1,975,549
				(13,577)	(28,293)	(41,870)
				(351)	(827)	(1,178)
				(13,590)	(30,233)	(43,823)
				9,838	20,877	30,715
				(17,680)	**(38,476)**	**(56,156)**
		584,375		**566,695**	**1,352,698**	**1,919,393**
		(267,004)	267,004			
		(143,027)		(143,027)	(706,797)	(849,824)
	158,136	(158,136)				
			(285,696)	(285,696)	(349,336)	(635,032)
					12,538	12,538
	158,136	**(568,167)**	**(18,692)**	**(428,723)**	**(1,043,595)**	**(1,472,318)**
	(18,461)			(9,082)	(88,500)	(97,582)
	(18,461)			**(9,082)**	**(88,500)**	**(97,582)**
2,029,921	**841,639**	**584,375**	**(285,696)**	**4,389,688**	**11,366,269**	**15,755,957**

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of euro) Items/Figures	Notes	2021 (*)	2020 (*)
Net income for the year		**2,441,242**	**1,975,549**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	33	2,171,857	2,089,516
Net writedowns (revaluations) of property, plant and equipment and intangible assets		13,393	29,226
Effect of accounting using the equity method	37	(247,340)	(182,753)
Net losses (gains) on disposals, cancellations and eliminations of assets		7,209	7,654
Dividends		(302)	(1,910)
Interest income	35	(47,947)	(50,546)
Interest expense	36	280,921	402,090
Income taxes	38	511,959	729,666
Other adjustements		(112,285)	(71,209)
Changes in working capital:			
- Inventories		(30,220)	(66,407)
- Trade receivables		(3,548,636)	(192,849)
- Trade payables		973,017	(117,011)
- Provisions for risks and charges		(104,942)	(1,676)
- Other assets and liabilities		894,477	(206,032)
Cash flow from working capital		**(1,816,304)**	**(583,975)**
Change in provisions for employee benefits		(33,759)	(20,785)
Dividends received		170,636	220,397
Interest received		37,674	56,704
Interest paid		(389,466)	(429,809)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism		(927,321)	(901,098)
Cash flow from operating activities		**2,060,167**	**3,268,717**
- with related parties		*1,760,888*	*2,217,680*
Investing activities:			
- Property, plant and equipment		(2,536,581)	(2,217,147)
- Intangible assets		(1,034,509)	(974,610)
- Companies in the scope of consolidation and business units		(45,980)	(26,521)
- Equity investments		(527,854)	(323,270)
- Change in payables and receivables relative to investing activities		816,180	(370,120)
Cash flow from investing activities		**(3,328,744)**	**(3,911,668)**
Divestments:			
- Property, plant and equipment		24,761	15,064
- Intangible assets		5,428	15,157
- Equity investments		18,180	94,762
- Companies in the scope of consolidation and business units			
- Change in payables and receivables relative to divestments		897,750	(11,244)
Cash flow from divestments		**946,119**	**113,739**
Net cash flow from investing activities		**(2,382,625)**	**(3,797,929)**
- with related parties		*(30,567)*	*(342,314)*
Assumption of long-term financial debt	18	4,035,785	4,838,861
Repayments of long-term financial debt	18	(3,000,492)	(2,396,730)
Increase (decrease) in short-term financial debt	23-26	(1,154,897)	1,948,891
(Increase) decrease of financial receivables for not operating purposes			(4,727)
Repayment of financial debts for leased assets		(37,002)	(37,095)
Purchase of treasury shares			
Net equity capital injections		(10,499)	(109,502)
Dividends distributed to shareholders		(1,591,892)	(1,487,108)
Net cash flow from financing activities		**(1,758,997)**	**2,752,590**
- with related parties		*(522,145)*	*(225,904)*
Net cash flow for the year		**(2,081,455)**	**2,223,378**
Cash and cash equivalents at start of the year	14	6,469,798	4,246,420
Monetary changes for the period		(2,081,455)	2,223,378
Changes due to exchange rate		(1,443)	
Changes due to IFRS9			
Cash and cash equivalents at end of the year	14	4,386,900	6,469,798

The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

(*) of which relating to assets held for sale: (i) net cash flow from operating activities -12.2 mln/€ (27 mln/€ 31.12.2020); (ii) net cash flow from investing activities -31.4 mln/€ (9 mln/€ 31.12.2020); (iii) net cash flow from financing activities 13.9 mln/€ (31.2 mln/€ 31.12.2020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the consolidated financial statements

The consolidated financial statements of the CDP RETI Group (hereinafter also referred to as the "Group"), prepared pursuant to articles 2 and 3 of Legislative Decree 35/2005 and in accordance with International Financial Reporting Standards (IFRS), include the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity, the consolidated statement of cash flows and these notes to the consolidated financial statements, as well as the Board of Directors' report on operations at Group level (Report on Operations).

CDP RETI is required to draft its annual consolidated financial statements in compliance with international accounting standard IFRS 10. The conditions for exemption arising from being a sub-holding controlled by a holding company (Cassa Depositi e Prestiti S.p.A.) which drafts its own consolidated financial statements do not apply for entities which have issued listed securities on a regulated market.

The consolidated financial statements at 31 December 2021 clearly present, and give a true and fair view of, the Group's financial performance and results of operations for the period. The figures shown in these statements correspond with the company accounting records and fully reflect the transactions conducted during the year.

Basis of presentation

The consolidated financial statements are presented in euro. Unless otherwise specified, the consolidated financial statements and tables in the notes to the consolidated financial statements are expressed in thousands of euro, in consideration of their size.

In the income statement, revenues are indicated without a sign, while costs are shown in brackets.

The rounded amounts for the various items are the sum of the rounded balances of sub-items.

Comparison and disclosure

As detailed below, the notes to the financial statements provide all information required by law, as well as any supplemental information deemed necessary in order to give a true and fair view of the company's financial performance and standing.

As noted in paragraph "I.1.2 General preparation principles", the restatement of the comparative figures at 31 December 2020 was necessary following: (i) reclassification in the income statement of the assets held for sale pursuant to IFRS 5, carried out by the Terna Group, in regard to the potential disposal of the LatAM portfolio, which includes the four subsidiaries in Brazil (SPE Santa Lucia Transmissora de Energia S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and SPE Transmissora de Energia Linha Verde I S.A.), Terna Perù and the Uruguay-based company Difebal S.A. and (ii) the different classification of charges relating to the periodic checks carried out by the Italgas Group.

Audit of the consolidated financial statements

The consolidated financial statements at 31 December 2021 of the CDP RETI Group have been audited by Deloitte & Touche S.p.A., as per the engagement assigned by the shareholders in their meeting of 10 May 2019 to carry out the audit for the period 2020-2028.

Annexes

The consolidated financial statements include Annex 1 "Scope of consolidation" and Annex 2 "Disclosure pursuant to Law 124 of 4 August 2017, Article 1 paragraphs 125-129".

I - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1. GENERAL INFORMATION

I.1.1. Declaration of compliance with the International Financial Reporting Standards

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2021, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

In addition, the minimum reporting requirements established by the Italian Civil Code, where compatible with the accounting standards adopted, have been taken into account.

I.1.2. General preparation principles

The financial statement formats used to prepare the consolidated financial statements are consistent with the provisions of IAS 1 – Presentation of Financial Statements (hereinafter, IAS 1).

More specifically:

- the items on the consolidated balance sheet are classified by distinguishing assets and liabilities as "current / non-current";
- the consolidated income statement has been prepared by classifying costs by their nature, insofar as this form of presentation is deemed the most appropriate for representing the actual situation of the Group, and is consistent with the established practice of firms operating on international markets;
- the consolidated statement of comprehensive income shows income inclusive of the revenues and costs that are recognised directly in equity pursuant to IFRS;
- the statement of changes in consolidated equity presents the total income (loss) for the year, transactions with shareholders and other changes in equity;
- the consolidated statement of cash flows is drafted by using the "indirect" method, adjusting net income for the effects of non-cash transactions.

It is believed that these statements present an adequate view of the Group's financial position and performance of operations.

For the purposes of interpretation and to provide support in applying the financial reporting standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC);
- Documents issued by ESMA and CONSOB concerning the application of specific IFRS rules;
- Documents issued by ESMA, IOSCO and CONSOB with regard to assessments and disclosures required in respect of the impacts of the COVID-19 outbreak[44].

[44] These references are:

Where the information required by the IFRS is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the explanatory notes also provide supplemental information for such purpose.

These consolidated financial statements have been prepared in accordance with the following general requirements of IAS 1 – "Presentation of financial statements":

- Going concern basis: the CDP RETI Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP RETI Group deems appropriate to prepare its consolidated financial statements on a going concern basis. For more details see section "5. Business outlook for 2022" of the Group's Report on Operations and section "I.1.5 Other issues" in the Notes to the consolidated financial statements regarding the consequences of the continuation of COVID-19 and the uncertainties regarding the possible evolution of its effects on the CDP RETI Group;
- Accruals basis: operations are recognised in the accounting records and in the consolidated financial statements of the CDP RETI Group (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are recognised in profit or loss in accordance with the matching principle;
- Materiality and aggregation: all items containing assets, liabilities, revenues and expenses of a similar nature and with similar characteristics are presented separately in the consolidated financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required by an accounting standard or a related interpretation;
- Frequency of reporting: the CDP RETI Group prepares the consolidated financial statements, and makes the related disclosures, on an annual basis. The Group also prepares an interim disclosure, the half-yearly condensed consolidated financial statements ending 30 June of each year, as mentioned above. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- Comparative information: comparative information is disclosed in respect of the previous financial period. This comparative information, which for the balance sheet refers to the reporting date of the previous financial year and for the income statement refers to the previous half of the year, is provided for each document comprising the financial statements, including the notes thereto.

Use of estimates

The application of International Financial Reporting Standards in preparing the consolidated financial statements requires accounting estimates based on complex and/or subjective judgements, which are considered reasonable and realistic on the basis of past experience and the information available at the time the estimate is made. Such estimates impact the carrying value of the assets and liabilities and the disclosures on contingent assets and liabilities as of the reporting date, as well as the amounts of revenues and costs for the reference financial period. Actual results may differ from the estimates due to the uncertainty of the assumptions and conditions underlying the estimates. Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future earnings results.

Estimates and assumptions are subject to periodical review and the effects of changes are reflected in the income statement.

The estimates made in the consolidated financial statements of the CDP RETI Group are mainly attributable to the following:

- Recoverable amount of property, plant and equipment, intangible assets and goodwill: the assets recognised are periodically assessed to identify impairment indicators. As a result of events or changes in circumstances, the value of the assets recognised in the financial statements may be considered no longer recoverable. The estimated recoverable amount of assets is the result of complex assessments based on elements which are often uncertain. Impairment is determined by comparing the carrying value with the recoverable amount, which is the greater of the fair value, less disposal costs, and the value in use determined by discounting expected future cash flows generated by the use of the asset. For assets that do not generate cash flows irrespective of the existence of other assets, the recoverable amount is determined by calculating the recoverable value of the Cash Generating Unit to which the said asset belongs;
- Recoverable amount of equity investments: objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed at every annual or interim reporting date. An impairment test is performed when

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- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant entities;
- CONSOB warning notice no. 6/20 of April 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- CONSOB warning notice no. 8/20 dated July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- CONSOB warning notice no. 1/21 dated February 2021, 'COVID-19 – Measures on support for the economy – Reporting to be provided';
- ESMA statement dated 29 October 2021 "European common enforcement priorities for 2021 annual financial reports".

the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses;
- Quantification of employee benefits: the actuarial valuations performed to determine the value of provisions for employee benefits are based on economic and demographic-type assumptions and on other assumptions considered to be reasonable at the date of evaluation but which may change over time. Changes in actuarial assumptions will result in changes in the value of net liabilities recognised through other comprehensive income or profit or loss;
- Quantification of provisions for risks and charges: the estimate of provisions for risks and charges is the result of complex assessments and subjective judgements of the management. The assessments are based on different kinds of elements, including: the probability and expected timing of disbursements, the discount rates and the interpretation of standards, regulations and contractual clauses;
- Quantification of the bad debt provision, based on the present value of expected future cash flows.

The following description of the accounting policies used for the valuation of the main consolidated financial statement items provides details on the assumptions and assessments used in preparing the consolidated financial statements.

IFRS endorsed at 31 December 2021 and in force since 2021

As required by IAS 8 - “Accounting policies, changes in accounting estimates and errors”, details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2021, are provided below.

- Commission Regulation (EU) 2021/1421 of 30 August 2021, published in Official Journal L 305/17 of 31 August 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standards (IFRS) 16;
- Commission Regulation (EU) 2021/25 of 13 January 2021, published in Official Journal L 11/7 of 14 January 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standard (IAS) 39 and International Financial Reporting Standards (IFRS) 4, 7, 9 and 16;
- Commission Regulation (EU) 2020/2097 of 15 December 2020, published in Official Journal L 425 of 16 December 2020, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard (IFRS) 4.

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2022)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2021:

- Commission Regulation (EU) 2021/1080 of 28 June 2021, published in Official Journal L 234/90 of 2 July 2021, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 16, 37 and 41 and International Financial Reporting Standards (IFRS) 1, 3 and 9;
- Commission Regulation (EU) 2021/2036 of 19 November 2021 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17;
- Commission Regulation (EU) 2022/357 of 2 March 2022 amending Regulation (EC) No 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards (IAS) 1 and 8.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2021

Certain accounting standards, interpretations and amendments had been issued by the IASB but not yet endorsed by the European Union at the approval date of these consolidated financial statements:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

Restatement of the comparative figures at 31 December 2020

The restatement of the comparative figures of the income statement at 31 December 2020 was necessary following the potential disposal of the LatAM portfolio of the Terna Group, which includes the 6 investment vehicles (SPVs): the four subsidiaries in Brazil (SPE Santa Lucia Transmissora de Energia S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and SPE Transmissora de Energia Linha Verde I S.A.), Terna Perù and the Uruguay-based company Difebal S.A. Among the parties expressing interest, pension fund CDPQ (Caisse de dépôt et placement du Québec) was selected as Preferred Bidder. On 20 December 2021, a Memorandum of Understanding (MoU) was signed with CDPQ, defining the terms and principles of the potential transaction and setting 8 weeks as the exclusivity period in which to perform the due diligence activities (currently underway) and to formalise a binding offer. In the restated consolidated income statement of the CDP Reti Group at 31 December 2020, the impact of reclassification of assets held for sale pursuant to IFRS 5 was approximately 2.1 million euro.

The restatement of comparative figures of the income statement and balance sheet as at and for the year ended 31 December 2020 was necessary also as a result of the classification under operating costs, as of financial year 2021, of the charges relating to the periodic checks pursuant to the law of the volume conversion devices, where present in the meters installed at the re-delivery points. This restatement resulted in higher net income of 1.6 million euro at 31 December 2020, of which 0.5 million euro pertaining to the CDP RETI Group.

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2020 RESTATED

ASSETS

(thousands of euro)

Assets items	31/12/2020	31/12/2020 Adjusted	Differences
NON-CURRENT ASSETS			
Property, plant and equipment	36,400,626	36,400,626	
Inventories - compulsory stock	362,713	362,713	
Intangible assets	10,383,263	10,378,181	(5,082)
Equity investments	1,797,294	1,797,294	
Non-current financial assets	936,372	936,372	
Deferred tax assets	926,931	926,931	
Other non-current assets	237,137	237,137	
Total non-current assets	**51,044,336**	**51,039,254**	**(5,082)**
Non-current assets held for sale	**1,400**	**1,400**	
CURRENT ASSETS			
Current financial assets	655,178	655,178	
Income tax receivables	48,193	48,193	
Trade receivables	3,408,105	3,408,105	
Inventories	266,057	266,057	
Other current assets	456,346	456,346	
Cash and cash equivalents	6,469,798	6,469,798	
Total current assets	**11,303,677**	**11,303,677**	
TOTAL ASSETS	**62,349,413**	**62,344,331**	**(5,082)**

LIABILITIES AND EQUITY

(thousands of euro)

Liabilities and equity items	31/12/2020	31/12/2020 Adjusted	Differences
EQUITY			
Share capital	162	162	
Issue premium	1,315,158	1,315,158	
Retained earnings	843,228	841,671	(1,557)
Other reserves	2,029,921	2,029,921	
Valuation reserves	(95,903)	(95,903)	
Treasury shares			
Interim dividend	(285,696)	(285,696)	
Net income for the period (+/-)	583,872	584,375	503
Group equity	**4,390,742**	**4,389,688**	**(1,054)**
Non-controlling interests	11,368,834	11,366,269	(2,565)
Total Equity	**15,759,576**	**15,755,957**	**(3,619)**
NON-CURRENT LIABILITIES			
Provisions	1,172,287	1,172,287	
Provisions for employee benefits	206,607	206,607	
Loans	26,581,363	26,581,363	
Other financial liabilities	316,193	316,193	
Deferred tax liabilities	2,605,886	2,605,886	
Other non-current liabilities	1,563,482	1,563,482	
Total non-current liabilities	**32,445,818**	**32,445,818**	
Liabilities directly associated with non-current assets held for sale			
CURRENT LIABILITIES			
Short-term loans and current portion of long-term loans	3,180,746	3,180,746	
Trade payables	3,380,425	3,380,425	
Income tax liabilities	37,923	36,460	(1,463)
Current financial liabilities	5,615,694	5,615,694	
Other current liabilities	1,929,231	1,929,231	
Total current liabilities	**14,144,019**	**14,142,556**	**(1,463)**
TOTAL LIABILITIES AND EQUITY	**62,349,413**	**62,344,331**	**(5,082)**

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2020 RESTATED

(thousands of euro)

Consolidated income statement items	31/12/2020	31/12/2020 Adjusted	Differences
Revenues			
Revenues from sales and services	7,254,766	7,169,888	(84,878)
Other revenues and income	216,665	215,714	(951)
Total revenues	**7,471,431**	**7,385,602**	**(85,829)**
Operating Costs			
Raw materials and consumables used	(518,531)	(456,950)	61,581
Services	(938,942)	(937,151)	1,791
Staff costs	(762,631)	(761,108)	1,523
Amortisation, depreciation and impairment of property, plant and equipment and intangible assets	(2,131,094)	(2,117,601)	13,493
Net write-downs (write-backs) of trade receivables and other receivables	(2,190)	(2,190)	
Other operating costs	(224,651)	(224,982)	(331)
Total costs	**(4,578,039)**	**(4,499,982)**	**78,057**
Operating profit	**2,893,392**	**2,885,620**	**(7,772)**
Financial income (expense)			
Financial income	52,768	46,155	(6,613)
Borrowing expenses	(425,853)	(411,699)	14,154
Portion of income (expenses) from equity investments valued with the equity method	181,669	181,669	
Total financial income (expense)	**(191,416)**	**(183,875)**	**7,541**
Income before taxes	**2,701,976**	**2,701,745**	**(231)**
Taxes for the period	(728,050)	(728,289)	(239)
Net income (loss) from continuous operations	**1,973,926**	**1,973,456**	**(470)**
Net income (loss) from discontinued operations		2,093	2,093
Net income (loss) for the period	**1,973,926**	**1,975,549**	**1,623**
- pertaining to Shareholders of the Parent Company	583,872	584,375	503
- pertaining to non-controlling interests	1,390,054	1,391,174	1,120

OTHER INFORMATION

The Board of Directors meeting on 30 March 2022 approved the CDP RETI Group's consolidated financial statements as at 31 December 2021, authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP RETI.

I.1.3. Scope and methods of consolidation

Subsidiaries are consolidated on a line-by-line basis, while companies subject to joint control or significant influence are accounted for using the equity method. An exception is made for a number of minor controlling equity investments or those in subsidiaries in the start-up phase without assets and liabilities, whose contribution to the consolidated financial statements is immaterial for the correct representation of the assets, economic and financial situation of the CDP RETI Group.

The figures of the subsidiaries used for line-by-line consolidation are those at 31 December 2021, as approved by competent corporate bodies of the consolidated companies, adjusted as necessary to harmonise them with Group accounting policies.

The following statement shows the companies consolidated on a line-by-line basis.

Equity investments in subsidiaries

	Name	Operating office	Registered office	Type of relationship (1)	Equity investment		% of votes (2)
					Investor	% holding	
1	ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
2	AVVENIA THE ENERGY INNOVATOR S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100%	100%
3	Asset Company 10 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
4	Bludigit S.p.A.	Turin	Turin	1	Italgas S.p.A.	100%	100%
5	Brugg Cables (India) Pvt., Ltd.	Haryana	Haryana	1	Brugg Kabel GmbH	0.26%	0.26%
					Brugg Kabel AG	99.74%	99.74%
6	Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Shanghai	1	Brugg Kabel AG	100.00%	100.00%
7	Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Suzhou	1	Brugg Cables (Shanghai) Co., Ltd.	100%	100%
8	Brugg Cables Italia S.r.l.	Rome	Rome	1	Brugg Kabel Manufacturing AG	100%	100%
9	Brugg Cables Middle East DMCC	Dubai	Dubai	1	Brugg Kabel AG	100%	100%
10	Brugg Kabel AG	Brugg	Brugg	1	Brugg Kabel Services AG	90%	90%
11	Brugg Kabel GmbH	Schwieberdingen	Schwieberdingen	1	Brugg Kabel AG	100%	100%
12	Brugg Kabel Manufacturing AG	Brugg	Brugg	1	Brugg Kabel Services AG	100%	100%
13	Brugg Kabel Services AG	Brugg	Brugg	1	Terna Energy Solutions S.r.l.	100%	100%
14	Fratelli Ceresa S.p.A.	Beinasco	Turin	1	Seaside S.p.A.	100.00%	100.00%
15	Cubogas S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam 4 Mobility S.p.A.	100.00%	100.00%
16	Difebal S.A.	Montevideo	Montevideo	1	Terna S.p.A.	100%	100%
17	ESPERIA-CC S.r.l.	Rome	Rome	1	Terna S.p.A.	1%	1%
					Renerwaste S.r.l.	45.00%	45.00%
					Renerwaste Lodi S.r.l.	55%	55%
19	Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100%	100%
20	Enersi Sicilia	Caltanissetta	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100%	100%
21	Enura S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	55%	55%
22	Evolve S.p.A.	Milan	Milan	1	Renovit S.p.A.	100%	70%
23	GNL Italia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
24	Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100%	100%
25	Gaxa S.p.A	Milan	Milan	1	Italgas S.p.A.	52%	52%
26	Halfbridge Automation S.r.l.	Rome	Rome	1	LT S.r.l.	70%	70%
27	IES Biogas S.r.l.	Pordenone	Pordenone	1	Snam 4 Environment S.r.l.	100%	70%
					ASSET COMPANY 2 S.r.l.	100%	100%
29	Italgas Acqua S.p.A.	Caserta	Milan	1	Italgas S.p.A.	100%	100%
30	Italgas Newco S.r.l.	Milan	Milan	1	Italgas S.p.A.	100%	100%
31	Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100%	100%
					SNAM S.p.A.	13%	13%
					CDP Reti S.p.A.	26%	26%
33	LT Enerray S.r.l.	Milan	Milan	1	LT S.r.l.	100%	100%
34	LT S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	75%	75%
35	Laser TLC S.r.l.	Rome	Rome	1	Brugg Cables Italia S.r.l.	100%	100%
36	Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	52%	52%
37	Mieci S.p.A.	Milan	Milan	1	Renovit S.p.A.	100%	70%
38	PI.SA. 2 S.r.l. in liquidazione	Rome	Rome	1	Terna S.p.A.	100%	100%
39	Renerwaste Lodi S.r.l.	Bolzano	Bolzano	1	Renerwaste S.r.l.	100%	100%
40	Renerwaste S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam 4 Environment S.r.l.	100%	100%
41	Renovit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	60%	60%
42	Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100%	100%
43	SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
44	SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	4	CDP Reti S.p.A.	31%	31%
					Terna Chile S.p.A.	0%	0%
					TERNA PLUS S.r.l.	100%	100%
46	SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	Rio de Janeiro	1	TERNA PLUS S.r.l.	100%	100%
					Terna Chile S.p.A.	0%	0%
					TERNA PLUS S.r.l.	75%	75%
48	SPE TRANSMISSORA DE ENERGIA LINHA VERDE II S.A.	Belo Horizonte	Belo Horizonte	1	TERNA PLUS S.r.l.	100%	100%
					Terna Chile S.p.A.	0%	0%
49	Seaside S.p.A.	Casalecchio di Reno	Casalecchio di Reno	1	Toscana Energia S.p.A.	32.78%	32.78%
					Italgas S.p.A.	67.22%	67.22%
50	Snam 4 Environment S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.00%	100.00%
					SNAM S.p.A.	100.00%	100.00%
52	Snam International B.V.	Amsterdam	Amsterdam	1	SNAM S.p.A.	100%	100%
53	Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100.0000%	100.0000%
					Terna S.p.A.	100.0000%	100.0000%
55	TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100%	100%
56	TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100%	100%
57	Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100%	100%
58	Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100%	100%
59	Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	100%	100%
60	Tep Energy Solution S.r.l.	Milan	Rome	1	Renovit S.p.A.	100.00%	100.00%
					TERNA PLUS S.r.l.	99.99%	99.99%
					Terna Chile S.p.A.	0%	0%
62	Terna Chile S.p.A.	Santiago de Chile	Santiago de Chile	1	TERNA PLUS S.r.l.	100%	100%
					Terna S.p.A.	100%	100%
64	Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5%	5%
					Terna S.p.A.	65.00%	65.00%
65	Terna Peru S.A.C.	Lima	Lima	1	Terna Chile S.p.A.	0.01%	0.01%
					TERNA PLUS S.r.l.	99.99%	99.99%
66	Terna S.p.A.	Rome	Rome	4	CDP Reti S.p.A.	30%	30%
67	Tlux S.r.L.	Piancogno (BS)	Piancogno (BS)	1	Mieci S.p.A.	100%	85%
68	Toscana Energia S.p.A.	Firenze	Firenze	1	Italgas S.p.A.	51%	51%
69	UNIONE DI TAMINI - CERB – DZZD	Sofia	Sofia	1	Tamini Trasformatori S.r.l.	78%	78%

Key
(1) Type of relationship:
1 = Majority of voting rights in ordinary shareholders' meeting
2 = Dominant influence in ordinary shareholders' meeting
3 = Agreements with other shareholders
4 = Other form of control
5 = Unitary management pursuant to Article 26.1 of Legislative Decree 87/92
6 = Unitary management pursuant to Article 26.2 of Legislative Decree 87/92
(2) Actual percentage of votes in ordinary shareholders' meeting, distinguishing between effective and potential votes

The changes which occurred in the scope of consolidation compared with those in effect at 31 December 2020 are attributable to the following:

- with reference to the TERNA group:
  - on 26 January 2021 Terna, by means of its subsidiary Terna Energy Solutions S.r.l., finalised the acquisition from the minority quotaholder Avvenia S.r.l. of the remaining 30% of the capital of Avvenia the Energy Innovator S.r.l., thus making the company a single-quotaholder company wholly owned by Terna.
  - On 1 February 2021 Terna S.p.A.'s equity investment in Equigy increased from 25% to 20% of the capital, following the entry of APG (Austrian TSO) as the fifth European transmission system operator to cooperate with the Company.
  - On 31 March 2021 the reorganisation process of the Brugg group was completed. The process was undertaken in order to enhance the distinctive expertise in the terrestrial cable sector and to make the most of synergies with the businesses of the Terna group, following which Terna S.p.A.'s equity investment in the Group increased from 90% to 92.6%.
  - On 10 June 2021 Terna finalised, by means of its subsidiaries Terna Plus S.r.l. and Terna Chile S.p.A., the acquisition from the minority shareholder Construtora Quebec of the remaining 25% of the share capital of the

Brazilian joint-stock company SPE Transmissora de Energia Linha Verde II S.A., of which Terna Plus S.r.l. holds 99.9999994% of the capital and Terna Chile S.p.A. the remainder.

- On 5 August 2021 Terna, by means of its subsidiary Terna Energy Solutions S.r.l., finalised the acquisition of the remaining 30% of the capital of Tamini Trasformatori S.r.l., thus making the company a single-quotaholder company wholly owned by Terna.
- On 12 October 2021 Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the acquisition of 75% of the share capital of LT S.r.l. (LT Group), one of Italy's leading operators in the field of photovoltaic plant maintenance, is also active in the design and revamping and repowering of existing plants as well as in the construction of new plants for third parties.
- On 26 October 2021, the transaction for the repurchase of the entire equity investment in PI.SA. 2 S.r.l., held by Terna Interconnector S.r.l., by TERNA S.p.A. was concluded. On 10 December 2021 the company was placed in voluntary liquidation and the liquidation ended on 27 January 2022.
- On 24 December 2021 the merger of Elite S.r.l. into Rete S.r.l. was completed. It is recalled that that on 27 July 2021, Terna completed the acquisition of 100% of the shares in EL.IT.E. S.p.A., concurrently transformed into Elite S.r.l., the vehicle company that owns and operates (through a service agreement entered into with Repower) the approximately 4 km long 150 kV “Tirano - Campocologno” merchant line connecting Italy and Switzerland, and is currently the owner of the Tirano electrical station, as well as the 150 kV cable connection from the TIRANO ST electrical station to the state border with the relevant portion of tunnel.
- On 3 August 2021, Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the closing of the transaction for the sale of the entire share capital of Rete Verde 17 S.r.l., Rete Verde 18 S.r.l., Rete Verde 19 S.r.l. and Rete Verde 20 S.r.l. to Banca del Fucino, the entity selected at the end of a dedicated competitive process.
- On 16 September 2021, pursuant to Law no. 99/2009, Terna completed the sale of the entire share capital of Resia Interconnector S.r.l. to Interconnector Energy Italia S.c.p.a., Consorzio Toscana Energia S.p.A. and VDP Fonderia S.p.A., signing agreements for the construction and operation of the private part in Italy of the alternating current power line between Italy and Austria.
- On 11 November 2021, through the Brugg Group, Terna completed the acquisition of 100% of the quotas of Laser TLC S.r.l., a company active in the national and international market for optical fibre telecommunications systems and in the Energy sector, with installation of accessories on high-voltage cables and supervision during laying.

- with reference to the SNAM group:
  - inclusion in the scope of consolidation of Asset Company 10 S.r.l., a sub-holding wholly owned by Snam S.p.A.;
  - purchase on 8 January 2021 by Asset Company 10 S.r.l. of the equity investment in Industrie De Nora S.p.A. This very strategic partnership allows Snam to increase its exposure to the energy transition mega-trends, particularly for the production of green hydrogen and for water treatment, exploiting De Nora's leadership and technical skills in alkaline electrodes, key components for the production of alkaline electrolysers.
- with reference to the ITALGAS group:
  - the inclusion within the scope of consolidation of:
    - Bludigit S.p.A. wholly owned by Italgas S.p.A.;
    - Fratelli Ceresa S.p.A.: wholly owned by Seaside S.p.A.;
  - the removal of Toscana Energia Green S.p.A. from the scope of consolidation, as it merged into Seaside S.p.A.

Significant assessments and assumptions to determine the scope of consolidation and whether there is control, joint control or significant influence

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

The carrying value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset – against the assets and the liabilities of the investees – as a balancing entry of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well profits and losses between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary’s revenues and costs are consolidated starting from the date on which control is acquired. Revenues and costs of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, i.e. until the Group no longer controls the investee. The difference between the disposal price for the subsidiary and the carrying value of its net assets at the same date is recorded in the income statement.

Non-controlling interests are presented in the balance sheet under the item “Non-controlling interests”, separately from liabilities and equity pertaining to the Group. In the income statement, non-controlling interests are also presented separately under the item “Net Income (loss) pertaining to non-controlling interests”.

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, under "Other non-current liabilities", net of goodwill, if any, recognised in the financial statements of the acquirees. In accordance with IFRS3.45 et seq., the difference resulting from the transaction is allocated within twelve months of the acquisition date. If positive, the difference is recognised – after any allocation to the assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the investee is effectively acquired.

Accounting for companies using the equity method

Associates and joint ventures are accounted for using the equity method.

The equity method involves initial recognition of the equity investment at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity investment and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the equity investment is estimated, equal to the greater of the fair value and the value in use (present value of the future cash flows which may be generated by the investment, including the final disposal value). If the recoverable value is lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent (annual or interim) approved figures of the companies.

Significant assessments and assumptions to determine whether there is control, joint control or significant influence

The consolidated financial statements of the CDP RETI Group include the balance sheet and income statement figures of the Parent Company CDP RETI and the companies controlled directly or indirectly by it. The scope of consolidation is defined with reference to the provisions laid down by IFRS 10, IFRS 11, IFRS 12 and IAS 28.

Subsidiaries

Subsidiaries are entities, including structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group's capacity to exercise power in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:

- direct or indirect ownership – through a subsidiary – of over fifty per cent of voting rights of an entity, unless it can be demonstrated – in exceptional cases – that such ownership does not constitute control;
- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
- control of over half of voting rights by virtue of an agreement with other investors;
- power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
- power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;

- power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:

- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:

- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, also through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;
  - participation in the policy-making process, including in decision-making on dividends or other allocations;
  - existence of significant transactions;
  - exchange of managerial personnel;
  - provision of key know-how.

Equity investments in associates are measured at equity.

Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- non-controlling interests are greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

Non-controlling interests, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro) Company name	Registered office	% of non - controlling interests	Availability of votes of non - controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Italgas S.p.A.	Milan	69.63%	69.63%	156,189
2. SNAM S.p.A.	San Donato Milanese (MI)	67.80%	67.80%	564,324
3. Terna S.p.A.	Rome	70.10%	70.15%	390,287

(1) Available voting rights at Ordinary Shareholders' Meeting.
(2) including interim dividend

Equity investments in subsidiaries with significant non-controlling interests: accounting data

(thousands of euro) Company name	Non-current assets	Non-current assets held for sale	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Net income (loss)	Comprehensive income
1. Italgas S.p.A.	8.246.374	2.180	2.165.979	6.900.512	1.371.530	2.142.491	2.162.949	383.420	396.021
2. SNAM S.p.A.	22.276.375		5.079.078	12.142.499	7.973.329	7.239.625	3.297.422	1.499.676	1.553.666
3. Terna S.p.A.	16.532.230	375.518	5.482.626	10.029.612	7.389.982	4.712.979	2.606.268	825.849	878.221

I.1.4. Events subsequent to the reporting date

See the section "Significant Events After 31 December 2021" of the Report on Operations in the Consolidated Financial Statements.

I.1.5. Other issues

Intercompany transactions

In case of lack of specific indications provided by the IFRS and in accordance with IAS 8, which requires that, in the absence of a specific standard, the company must use its judgement in applying an accounting standard that provides relevant, reliable and prudent information that reflects the economic substance of a transaction, intercompany transactions are accounted for using predecessor basis as the same amounts of the purchased company are recognised in the financial statements of the acquiror.

As such, the contribution of the CDP controlling interest in TERNA has been recognised in the consolidated financial statements of CDP RETI since 2014, at the same amounts recognised in the consolidated financial statements of the transferor.

The spin-off of ITALGAS from SNAM in 2016 has also been accounted for in the same way, maintaining the same amounts when determining the carrying value of the ITALGAS equity investment in the financial statements of CDP RETI. The carrying value of the investment in SNAM before the spin-off has been allocated between the post-spin-off value of the investment in SNAM and the value of the investment in ITALGAS in accordance with the relative value approach, thus taking into account the weight that each CGU had at the acquisition date, based, in particular, on the data analysed at the time of the PPA.

COVID-19 note

In preparing the Annual Financial Report at 31 December 2021, in line with 2020, the companies were required to consider the impacts of the current economic situation as a result of the continuing effects of the COVID-19 pandemic, as well as the related accounting implications with regard to the measurement of assets and liabilities, and the disclosure and assessment on the going concern basis, taking also into account the guidance published by the ESMA, the IOSCO and CONSOB, specifically:

- ESMA 32-63-951 statement dated 25 March 2020, 'Accounting implications of the COVID-19 outbreak on the calculation of expected credit losses in accordance with IFRS 9';
- ESMA 32-63-972 statement dated 20 May 2020 'Implications of the COVID-19 outbreak on the half-yearly financial reports';
- IOSCO OR/02/2020 dated 29 May 2020 'Statement on Importance of Disclosure about COVID-19';
- CONSOB warning notice no. 6/20 dated 9 April 2020, 'COVID-19 - Drawing attention to financial reporting';
- CONSOB warning notice no. 8/20 dated 16 July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA 32-63-1041 statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- CONSOB warning notice no. 1/21 dated 16 February 2021, 'COVID-19 – Measures on support for the economy – Drawing attention to reporting that needs to be provided';
- ESMA 32-63-1186 statement dated 29 October 2021 'European common enforcement priorities for 2021 annual financial reports';

The aim of this paragraph is to illustrate the main areas of focus analysed by the management in order to prepare the consolidated Annual Financial Report at 31 December 2021, in consideration of the ongoing effects of the COVID-19 pandemic and the extension to the state of emergency until 31 March 2022.

Disclosure of going concern, significant uncertainties and risks linked to COVID-19

Going concern

Based on the operations of CDP RETI S.p.A. and the Group, considering all information available about capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing COVID-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue as a going concern for the CDP RETI Group.

Significant uncertainties and risks linked to COVID-19

Based on the current equity investment portfolio, CDP RETI S.p.A. does not have concentrations of activities in sectors most affected by the epidemic (i.e. airlines, hospitality, tourism) and is less exposed to the risk of a significant impact in the short term. There is a reasonable expectation that there will be no increases in operating costs or higher borrowing costs, at least in the short term: (i) due to the positive conclusion – in May 2020 – of the debt refinancing operation and (ii) because the Company has entered into an interest rate swap with CDP on the two floating-rate loans. In addition, the Parent Company is not expected to request a postponement to the payment date of future interest expenses (i.e. May 2022) nor, at this point in time – based on the strategic plans of the subsidiaries – does it expect changes in the cash inflow from dividends from the 2021 income. In this regard, moreover, note that CDP RETI S.p.A. has already collected advances on the 2021 dividend from both SNAM and TERNA.

Notwithstanding the above, it is not possible to completely exclude that the duration of the emergency could have adverse effects on CDP RETI S.p.A., which cannot be estimated based on the information available at present. Any additional future impacts on the Group's economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

With regard to the risks that the Parent Company is exposed to, the COVID-19 pandemic has not generated any additional risks or uncontrolled elements of risk. For further in-depth information, please refer to the clearly explained details in the COVID-19 Note contained in the "Other issues" section of the separate financial statements of CDP RETI S.p.A.

With regard to CDP RETI Group companies, the following is highlighted:

- TERNA: it should be noted that: i) the fair value measurement of financial assets and liabilities held by the Group has not incurred any changes in terms of an increase in the related risks and the change in the underlying assumptions has not generated any variations with reference to the sensitivity analyses associated with their measurement; ii) the management of credit risk is also driven by the provisions of ARERA Resolution no. 111/06 which introduced some instruments for the limitation of the risks related to the insolvency of dispatching customers both on a preventive basis and in the event an actual insolvency; the assessment conducted by TERNA has not provided evidence of the need to modify the model used, following an evaluation of the impacts of the pandemic; iii) in relation to the ability to obtain financing, TERNA did not identify any particular critical issues related to the pandemic, considering that the Group has sufficient liquidity to fulfil its obligations falling due coming the next 12 months and beyond;
- SNAM: business activities related to energy transition were indirectly impacted by COVID-19, mainly due to delays and interruptions in global production and supply chains. In particular, during 2021, there were difficulties in finding raw materials related to the sector, as well as delays in the launches of some construction sites (based on budget forecasts, due to slowdowns in processes and authorisation procedures);
- ITALGAS: the impacts deriving from the worsening macroeconomic scenario, resulting from the spread of the pandemic at global level, did not lead to significant effects on Italgas' financial instruments.
  With regard to the pool of customers/sales companies and their solvency, the rules for user access to the gas distribution service are established by the ARERA and are regulated in the Network Code. This Code sets out the rules, for each type of service, that govern the duties and responsibilities of the parties providing the services and the instruments for mitigating the risk of non-compliance by customers. As regards access to credit, ITALGAS does not expect significant negative impacts, considering the following: (i) the Company has available cash at leading banks amounting to about 1391.8 million euro at 31 December 2021; (ii) there are limited requirements for refinancing debt (in January 2022 the repayment of a bond took place for an amount equal to approximately 112 million euro and the subsequent repayment is envisaged during 2024); (iii) the bonds issued by Italgas at 31 December 2021, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.
  At 31 December 2021 the only loan agreement containing financial covenants, which appear to have been met, is the EIB loan for 90 million euro taken out by Toscana Energia.
  The successful "dual-tranche" bond issue maturing in February 2028 and February 2033, for a total of 500 million euro each in implementation of the EMTN Programme, as well as the confirmation of the rating by Moody's (Baa2, stable outlook) taking place on 25 November 2021 and Fitch (BBB+, stable outlook) on 6 December 2021, confirm the Company's financial solidity and its ability to access the capital market.

Financial instruments and measurement of Expected Credit Losses

Financial assets representing debt instruments, not measured at fair value through profit or loss, are subject to recoverability tests based on the so-called "Expected credit loss model" (ECL). In this regard, to determine the probability of default of counterparties, internal ratings were adopted that are based on the historical trend of counterparties' payments and the update of the analyses related to the need to support the exposure with guarantees.

For the financial instruments in the ECL calculation, and therefore with particular reference to trade and other receivables, the impacts of COVID-19 did not result in changes in the assumptions of the ECL estimates, and there were no changes in the ECL resulting from the transfer of assets from stage 1 to stage 2. The impacts of COVID-19 did not lead to changes in classifying financial instruments and, in particular, the reference business model for such instruments has not changed.

In this regard, as part of the credit and liquidity risk management strategy, at the level of each subsidiary, the pandemic did not generate the sale of receivables, or other financial assets. There have been no changes in the frequency or amount of revenues that have led to amendments to the business model. The companies' revenues were not subject to decrease due to impairment or reduced market liquidity. There have been no changes in the terms and conditions of the loan agreements leading to renegotiating the contractual terms of the financial relationships for both financial assets and liabilities and therefore the need to determine, pursuant to IFRS 9, the effects arising from any derecognition or modification of the financial instruments.

Impairment test

Introduction

It should be noted that the CDP RETI Group's core business is represented by the activities conducted by the subsidiaries (SNAM, TERNA and ITALGAS) under a regulated regime. The limited exposure of these sectors to the effects of COVID-19 has allowed the CDP RETI Group to consider the related impacts, which are such not to suggest the presence of trigger events that require a specific impairment test to be performed exclusively as a result of the outbreak of the pandemic. In this regard, the CDP RETI Group is a significant player in terms of capital invested for regulatory purposes (RAB) in the sectors in which its subsidiaries operate.

Considering that the RAB (Regulatory Asset Base) is calculated based on the rules defined by the Authority in order to determine the benchmark revenues for the regulated businesses, currently there are no effects that would suggest a reduction in the value of property, plant and equipment under concession[45] or intangible assets with finite or indefinite useful life (goodwill).

Impairment test on non-financial assets and equity investments

The corporate purpose of the Parent Company CDP RETI S.p.A. is the holding and ordinary and extraordinary management, directly and/or indirectly, of equity investments in TERNA, SNAM and ITALGAS, with the Company acting as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

At every annual or interim reporting date, objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed. An impairment test is performed when the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses. With regard to the equity investment portfolio, even though there is objective uncertainty around the extent and duration of the pandemic, there are currently no impairment losses, given that the listed prices for investee companies at 31 December 2021 are showing significant gains in relation to the amounts accounted for in the Company's financial statements.

In relation to the recoverable amount of the assets belonging to the scope of the RAB, the assessments carried out showed that the possible slowdown of the operating activities and the macroeconomic effects that are consequent to the outbreak of the pandemic did not produce impacts that suggest the presence of trigger events that would require an impairment test to be performed.

Information relating to Group companies is provided below:

- TERNA: the assessment of the effects linked to the pandemic has not generated trigger events calling for the need to test the existence of write downs of the value of property, plant and equipment owned by the Group or of intangible assets with finite useful life. This analysis confirms the results of the similar assessment carried out in 2020, since the

[45] The recoverable amount of property, plant and equipment is calculated considering: (i) the amount quantified by the Authority on the basis of the rules defining the tariffs to provide the services for which they are intended; (ii) the value that the Group expects to recover from the sale or at the end of the concession governing the provided service for which they are intended. Therefore, for each assessment of the regulated assets, reference should be made to the provisions of the applicable regulations.

expected cash flows incurred a marginal impact due to the pandemic, as they were mainly cash flows relating to concessions.
In relation to the recoverable amount of property, plant and equipment and the intangible assets with finite useful life belonging to the scope of the RAB, the assessment of estimated future cash flows generated by these assets has shown that the slowdown in operating activities, moreover already overtaken in the second half of 2020, and the macroeconomic effects of the outbreak of the pandemic have not given rise to impacts constituting triggering events requiring the Group to test for impairment. The same conclusions also apply to the recoverable amount of investments accounted for using the equity method, referring to companies for which the impacts of the pandemic have been marginally contained.
For the purposes of determining the recoverable amount of goodwill allocated to the scope of the Group's transmission activity, the fair value less cost of disposal approach was used, determined on the basis of the stock exchange quotation of the Terna shares, appropriately adjusted for the estimated fair value of assets and liabilities not attributable to the CGU group relating to the scope of the transmission activity. The recoverable amount determined during the impairment test was higher than the value recognised in the financial statements including goodwill.
The same conclusion also applies to the value of Goodwill allocated to the CGU related to the scope of production and commercialisation of transformers, where cash flows have only marginally been affected by the negative effects of the pandemic;

- SNAM: its core business is represented by transport, storage and regasification of natural gas activities, carried out by the companies operating under a regulated regime. The assessment of the effects associated with the spread of the pandemic highlighted the limited exposure of these sectors to the impacts of COVID-19, which meant that SNAM did not detect any impairment indicators at 31 December 2021. Despite the absence of impairment indicators, the company tests its significant CGUs for impairment at least once a year; in particular, the test conducted with reference to the financial statements at 31 December 2021 did not find any impairment. With reference to investment activities, SNAM implemented all the necessary actions aimed at completing the investment programme according to the Budget forecasts and, despite the difficulties mainly seen during the first half of 2021, due to the strict containment measures imposed to limit the spread of COVID-19, activities continued without delay; the actions undertaken by SNAM allowed the 2021 investment programme to be completed.
  The foreign and Italian investee companies of the SNAM Group mainly operate in the regulated sectors of natural gas transportation, storage, regasification (Teréga, Desfa, GCA, TAG, OLT and ITALGAS), which means they operate under long-term, ship or pay (TAP) contracts. As regards Interconnector UK, which operates under a regulated regime but derives its income from transport contracts signed with customers, the results for 2021, favoured by the positive trend in capacity demand, were higher than the budget forecasts;
- ITALGAS: following the impairment tests conducted, there are no effects that could lead to a presumption of a reduction in the value of property, plant and equipment under concession or intangible assets with finite or indefinite useful life (goodwill).
  In particular, regarding the value of the property, plant and equipment under concession and included in the regulated activities, their recoverable amount is calculated considering: (i) the amount quantified by the Authority on the basis of the rules defining the rate to provide the services for which they are intended; (ii) the value that the Group expects to recover from the sale or at the end of the concession governing the provided service for which they are intended.Therefore, for each assessment of the regulated assets, reference should be made to the provisions of the applicable regulations.
  At the end of 2019, ARERA issued Resolution No. 570/2019/R/gas, with which it approved the regulation of rates for gas distribution and metering services for the period 2020-2025. This resolution defined the method for calculating the RAB value (revalued historical cost and centralised assets) and the related WACC with related parameters (risk free rate, beta, inflation, gearing, cost of debt, tax rate) throughout the next five-year period. Considering the temporary interruption of some operating activities, mainly regarding worksites or user services, the stability of the regulatory framework meant that the effects on the company’s profitability and on the expected cash flows were significantly limited. Consequently, as at 31 December 2021 no evidence has emerged of impairment losses relating to the recoverable amount of the assets and goodwill.
  Similar conclusions apply to equity investments, both those in companies operating in regulated activities (whose recoverable amount is determined by taking into account the pro-quota RAB value net of the financial position and/or the reimbursement value valid for ATEM tenders) and those in companies whose activities are exclusively or partially unregulated (whose recoverable amount is calculated by considering the value determined on the basis of business evaluation methods - Discounted Cash Flows).

Other areas of focus

Revenues

The disclosure is provided with regard to the performance of revenues, solely with reference to the Group companies concerned:

- TERNA: The Group already assessed in 2020 the existence of possible effects due to the COVID-19 pandemic that might lead to a change in the fees received for performing its activity. Considering that the most significant part of the Group's revenues is associated with the performance of Regulated Activities and, thus, taking account how such revenues are determined, there is no evidence that the revenues recorded by the Group should be modified. Furthermore, the significant improvement in the final results for 2021 and in the related energy demand volumes confirmed the aforesaid assumptions.
- SNAM: any additional containment measures (though not currently foreseeable), imposed over the coming months to address the spread of variants, could lead to new interruptions of non-core production activities and the temporary closure of the construction sites. This could, to some extent, affect SNAM's ability to fully complete the 2022 investment programme for its core business. This could have impacts that cannot be precisely quantified at present, compared to the prospective assumptions made by SNAM. Similarly, the return of containment measures for prolonged periods of time, with consequent closure of plants and construction sites, could have more significant impacts, especially on companies involved in production, and on construction site activities, slowing down the completion of works and the consequent recognition of the corresponding revenues.
- ITALGAS: the most significant part of revenues from ITALGAS' core business regards regulated activities, whose income is governed by the regulatory framework defined by ARERA. Therefore, the financial conditions of the services provided are defined through regulatory frameworks and not on a negotiating basis. Taking into account the absence of significant insolvency situations with customers, at present there are no effects for ITALGAS induced by the COVID-19 pandemic capable of causing a revenues reduction with an impact on accounting records and estimates.

Fair value measurement

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

No significant impacts were reported related to the fair value measurement of financial instruments (e.g. cash flow hedges). Changes in fair value are disclosed in the notes to the financial statements (as required by IFRS 13) and in the section "Fair value measurement" in the description of the measurement techniques used.

Taxes

There are no significant issues to be reported referring to deferred tax assets and liabilities.

As regards current taxes, as provided for in the Communication from the European Commission dated 19 March 2020 "Temporary Framework for state aid measures to support the economy in the current COVID-19 outbreak", in 2020, certain ITALGAS Group companies benefited from the exemption from paying the first advance payment of the regional tax on productive activities (IRAP) relating to 2020. Pursuant to article 24 of Decree Law No. 34 of 19 May 2020, converted with amendments by Law No. 77 of 17 July 2020, this payment is not due by the Companies whose revenues did not exceed 250 million euro in the 2019 tax period. However, these provisions apply in compliance with the limits and conditions set out in the Communication from the European Commission on the "Temporary Framework for state aid measures to support the economy in the current COVID-19 outbreak" of 19 March 2020 as amended. Considering the uncertainty about the interpretation of these provisions, the legislator subsequently postponed the deadline of these payments to 30 April 2021 and then to 30 September 2021. The Companies of the ITALGAS Group, made the payment by the deadline of 30 September 2021, without penalties and interest, of the portion of the enjoyed benefit that exceeded the limits and conditions laid down in the above Communication from the European Commission.

Leases

There are no situations caused by the COVID-19 pandemic that resulted in contractual amendments, deferral of lease payments or the granting of discounts in the Group other than some renegotiations of a marginal impact finalised in 2021 by ITALGAS.

Contingent liabilities

There are no events that resulted in the need for the CDP RETI Group to make additional provisions for risks and charges and none of its current obligations are likely to result in cash outflows.

Disclosure on climate-related matters

In recent years, evidence of the impact of climate change on various industrial sectors has increased considerably. Many economic sectors will be adversely affected by permanent changes in temperature, rainfall, sea level and more generally by the magnitude and frequency of extreme weather conditions.

In the energy sector, changes in average and extreme temperatures could lead to an increase in demand for energy in the summer and a decrease in demand in the winter; the final balance will, of course, depend on geographical, socio-economic and technological factors. On the supply side, climate change could adversely affect energy production infrastructure in some geographical areas.

In general, climate risks are systemic risks that cascade across the whole of society. In its annual “Global Risks report” of 2021, the World Economic Forum considered extreme conditions and lack of action to address the climate crisis among the greatest dangers for humanity, both as probability of occurrence and as an impact.

The fight against climate change for an increasingly decarbonised economy is the main challenge facing the world today. The net-zero target for 2050, set by the European Union as part of the Green Deal, sets individual Member States the urgent task of decarbonising consumption and zeroing the carbon footprint of all production activities.

At European level, the key role played by gas in the energy transition is highlighted, in the light of both the recent proposal to revise the directive and the regulation on the gas market and on hydrogen, and the position of the European Commission regarding the inclusion of gas among the sources covered by the European taxonomy of sustainable investments, with reference to electricity generation and co-generation. Gas is expected to play a leading role in supporting the imminent coal exit and will continue to represent about 20% of European energy consumption by 2050, but with a renewed composition that will reflect a growing weight of renewable gases such as hydrogen, biomethane and synthetic methane (e-gas). In this scenario, the role of gas distribution networks will remain central. The gas infrastructure, thanks to its extension and presence across Europe, represents a key asset in the energy transition process. The networks that today distribute natural gas will soon be able to accommodate renewable, low-carbon gases, and subsequently synthetic gases and hydrogen: to do this, the infrastructure needs to be completely digitised. Digital transformation is therefore the main enabler of energy transition, or its precondition.

Based on the above scenario, in relation to the CDP RETI Group companies, the following is highlighted:

- Parent company CDP RETI: the Company, as an investment vehicle, is indirectly affected the risk/effect profiles related to climate change. In particular, the main impacts on the parent company are related to the assessment of the value of the controlling equity investments held in the portfolio.
- SNAM: in November 2021, SNAM presented the new 2021-2025 Strategic Plan and the Long-term Vision by 2030, highlighting its contribution to supporting the great transformation under way in the energy sector, leveraging the enabling role of the infrastructure to achieve a completely decarbonised economy through a growing investment plan.
- TERNA: in line with its role as director of the country's energy transition, it follows two main lines of action: a) investments in digitisation, resilience, inertia and voltage regulation, to strengthen the grid and interconnections with foreign countries; b) predictive, maintenance and renewal measures. The TERNA Group, as TSO operating in the transmission and dispatching services, is an player in supporting the system in achieving the challenging objectives related to the reduction of CO2 emissions. Indeed, in addition to emissions related to the consumption of electricity, the most significant component related to indirect emissions of TERNA, is linked to grid losses which in turn entail the indirect need to produce CO2 to compensate for these losses with new energy.
- ITALGAS: in order to support energy transition with the 2021-2027 Strategic Plan, the Group has committed to achieving a reduction of 30% of its CO2 equivalent emissions and 25% of energy consumption by 2027 compared to 2020. In 2020 Italgas joined the second edition of the Oil & Gas Methane Partnership (OGMP 2.0), the voluntary initiative aimed at helping companies reduce methane emissions in the Oil & Gas sector. The Company is also part of GD4S (Gas Distributors for Sustainability), the non-profit association of European gas distributors that aims to represent the position of the gas distribution sector with the European institutions, with specific regard to the role that this infrastructure can play in the energy transition process towards a low-carbon economy. The strategic guidelines, in terms of commitment and lines of action, are set out in Italgas' Sustainability Plan, developed in line with the United Nations Sustainable Development Goals. The entire Strategic Plan responds to the main sustainability challenges and incorporates ESG criteria, setting the Company new targets in terms of emission reduction, energy efficiency and development and enhancement of resources.

Disclosure on risks, uncertainties and other potential impacts of climate change

In preparing the annual financial report as at 31 December 2021 companies are required to consider what is set out by ESMA in its statement of October 2021 ('European common enforcement priorities for 2021 annual financial reports'), which, among other things, places particular attention on risks related to climate change, to the extent that the effects of these risks may be significant. Based on the requirements, therefore, it is appropriate to carry out an assessment in order to verify the climate risks to which each company could be exposed taking into account a longer-term time time horizon than that generally considered in the assessment of financial risks.

In accordance with the recommendations of the Task Force on Climate Related Financial Disclosures – TCFD, climate change subjects companies to two types of risk:

- physical risk, directly due to weather and climate changes;
- transition risk, linked to the company's socio-economic response to climate change.

Physical risks are divided into: (i) acute risks, associated with the increased severity of extreme weather events, which can cause material damage to infrastructure, with impacts on the continuity and quality of service; and (ii) chronic risks, which are more predictable.

Transition risk, on the other hand, is divided into: i) compliance risk, in terms of a tightening of the regulatory framework and the emerging regulatory framework to accelerate the reduction of pollutant and climate-altering emissions; ii) market risk, in terms of greater penetration of renewable energies to the detriment of natural gas, of alternative uses of gas and the development of new businesses (biomethane, etc.) and/or the CNG market, as well as behaviours of consumers, financiers and investors, increasingly oriented towards sustainable products; iii) technological risk, in terms of the spread of new technologies that facilitate the use of intermittent energy sources and the need to adapt to new technological standards.

With regard to the Group companies involved (as mentioned, the parent company CDP RETI, is for the most part affected indirectly by these effects), the climate risk assessments have led to the following considerations:

- SNAM: with reference to physical risks, SNAM continuously monitors the integrity of its infrastructure and plants as well as the condition and conservation status of the areas in which they are based, constantly updating the processes and systems used in order to identify, at an increasingly early stage, any critical issues through the introduction of new technologies capable of also reducing the environmental impact of the activities. These actions allow the company to limit its exposure to the risks associated with chronic natural events; moreover, in order to remedy unforeseeable extreme natural events, SNAM has adopted innovative intervention strategies and action plans aimed at ensuring the immediate safety and resumption of activities in the shortest possible time. In addition, SNAM has specific insurance contracts in place to cover some of these risks, in line with industry best practices.
  With regard to transition risks, in recent years SNAM has started repurposing its infrastructure, has developed its international presence, has entered into a large number of partnerships and has launched numerous energy transition initiatives. Strengthened by the consolidated capabilities in regulated businesses and the skills acquired on green gases and new trends in energy transition, the company is developing towards a concept of "multi-commodity" infrastructure, that is, capable of transporting and storing different types of gas, leveraging and continuing to develop the hydrogen, biomethane, mobility and energy efficiency businesses.
  As part of the integrated management of enterprise risks, SNAM adopts an Enterprise Risk Management (ERM) Model within which the risks related to climate change are also identified and managed after assessment taking into account different time horizons and related objectives: Short-term (0-1 year) with reference to the annual budget; Medium term (1-5 years) with reference to the Strategic Plan that covers a horizon of up to 5 years, and Long term (5-10 years) with main reference to the Ten-year Plan for the development of transport networks submitted to the Authority). During 2021, SNAM launched a project aimed at integrating ESG risk areas into the ERM model. This process was based on a Diagnostic Assessment activity, with the aim of identifying ESG risk areas on the basis of the sustainability issues identified in the materiality analysis, and assessing the level of maturity of the safeguards relating to the identified ESG risk areas.
- TERNA: with reference to the medium-long term, the company identified risks mainly related to the role it plays (TSO), deriving from the adaptation of the electricity grid in terms of actions aimed at increasing its resilience and allowing an adaptation to the new profile and mix of energy sources introduced into the grid. With specific reference to the grid and its transmission service, the actions defined require an effort to plan, authorise and implement investments such as, for example, interconnections with foreign countries and the development of infrastructure to enable the increasing integration of renewable energy sources.
  As part of the implementation of its Risk Framework, the risk related to the intensification of extreme weather events has been identified with consequent impacts on the continuity and quality of the service supplied by TERNA and/or damage to equipment, machinery, infrastructure and the grid. In response to these circumstances, TERNA continues to implement new investments to increase the resilience of the electricity grid and identify the tools to be used to mitigate these risks.

With reference to non-regulated activities, TERNA is committed to developing innovative and digital technological solutions to support the ecological transition. In particular, these activities include the offers of the investee companies operating in the field of power transformers and terrestrial cables, including through the development of skills along the entire value chain, as well as the services related to Energy Solutions and the connectivity offer. In addition, TERNA is engaged in investments aimed at digitisation and innovation, continuing the activities of remote control of power stations and major infrastructure, through the installation of sensor, monitoring and diagnostic systems, including predictive systems, for the benefit of the safety of the grid and the local area.

- ITALGAS: the company manages and monitors the risks and opportunities connected to its business through its Enterprise Risk Management model which has been appropriately supplemented following the identification of specific risks related to climate change. With reference to the Physical Risk, the company has implemented operational countermeasures that assist with the achievement of the objective of 30% reduction of greenhouse gas emissions and 25% reduction of energy consumption in the 2021-27 period, such as: i) use of Picarro Surveyor technology, advanced technology in the field of gas network monitoring activities, with significant advantages in terms of speed of execution, size of monitored areas and sensitivity in detecting gas in the air that is three times higher than in systems currently used by industry operators; ii) the process of transformation of the approximately 74,000 km of network into digital infrastructure to enable the distribution of gases other than methane, such as hydrogen, biomethane and e-gas.
  As regards Transition Risk, the main mitigation actions implemented include: i) development, implementation and deployment of digital applications for remote control of network and plant construction sites, development and maintenance; ii) conversion to methane of distribution networks powered by LPG, with consequent reduction in emissions compared to the current configuration; iii) measures for the modernisation of the network; iv) investments designed to increase the ITALGAS Group's presence in the water and energy efficiency sectors; v) promotion of sustainable mobility; vi) development of power-to-gas technology powered by renewable energy to produce renewable gas that can be used in existing networks; vii) initiatives to analyse the network and plants to assess their adequacy and actions to enable the transport of gases other than methane, such as hydrogen, biomethane and e-gas.

Impairment test

Climate risks could have an impact on the determination of the expected useful life of non-current assets and on the estimated residual value of properties. Companies are, consequently, called upon to assess, where relevant: (i) the existence of indications that non-financial assets have suffered impairment as a result of climate risk or of the measures implementing the Paris Agreement; (ii) the use of assumptions that reflect climate risks and (iii) the inclusion in sensitivity analyses of the effects of climate risk within the assumptions adopted. Changes in the environment in which an entity operates may be potential indicators of possible impairment of an asset.

For the Companies in the CDP RETI Group, it is generally held that at present there is limited exposure to the impacts that possible climate risks could have on the measurement of non-current assets and other assets.

Contingent liabilities and onerous contracts

In 2021, there were no events that resulted in the need to make additional provisions for risks and charges and there are no current obligations that are likely to result in future cash outflows, attributable to non-compliance with environmental requirements and/or failure to achieve the required climate objectives. In addition, due to the systematic monitoring of assets, and of the areas where they are located, companies are concretely committed to identifying in advance possible situations that could potentially lead to contingent liabilities related to climate risks.

In more general terms, it is also necessary to consider the risk associated with the supply chain due to significant changes in the strategy of key suppliers, exacerbated by the crisis in the global supply chain resulting from the pandemic and the energy transition process initiated in many countries, with a potential impact on construction and maintenance works and consequent impacts on the continuity and quality of the service and on the time frame to carry out the works.

GHG *emissions trading schemes*

The operating companies of the CDP RETI Group periodically report their performance with regard to emissions and the level of achievement of the GHG targets.

Disclosure on Article 8 of the Taxonomy Regulation

In relation to the disclosure obligations referred to in Article 8 of the European Taxonomy Regulation, a system set up to classify economic activities as environmentally sustainable on the basis of six environmental objectives, the operating companies of the CDP RETI Group have carried out assessments and in-depth analyses to establish the level of alignment of their economic activities with the taxonomy criteria.

I.2. MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The IFRS classification and measurement standards to be adopted in preparing the Reporting Package as at 31 December 2021, in preparation for drawing up the Annual Report of the CDP RETI Group, are shown below.

An asset or liability is classified as "current" when its trading, realisation or settlement are expected within twelve months from the reporting date or within the normal business cycle, if after twelve months; all other assets and liabilities are classified as "non-current".

Property, plant and equipment

Property, plant and equipment refers to non-current assets which are consistently used in the course of the Company's business.

Property, plant and equipment and other operating property, plant and equipment are governed by IAS 16. Investment property (land and buildings) is governed by IAS 40. Property acquired and held for subsequent resale is governed by IAS 2.

Property, plant and equipment includes: (i) with regard to the natural gas transport segment, the value referring to the quantity of natural gas fed into gas pipelines to make them operational and (ii) with regard to the natural gas storage segment, the portion of gas injected into the storage wells as cushion gas.

Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[46]. Property, plant and equipment are initially recognised at purchase cost and stated at the purchase or transfer price or production cost, inclusive of any directly attributable costs incurred to make the asset ready for use. This cost is increased by the present value of costs likely to be incurred to dismantle and remove the asset, should legal or implicit obligations so require. The corresponding liability is recognised under provisions for risks and charges.

The purchase/transfer price or the production cost also includes financial expenses directly linked to the acquisition, construction or production of the asset.

Repair and maintenance costs incurred after the acquisition date are recognised as an increase in the carrying value of the item they refer to if it is probable that future economic benefits associated with that item will flow to the entity and the cost of the item can be reliably measured. All other costs are recognised through profit or loss when incurred.

Costs for improvements, modernisation and transformation that increase the value of property, plant and equipment are recognised in the asset side of the balance sheet when it is probable that they will increase the expected future economic benefits. Items purchased for security or environmental purposes that, while not directly increasing the future economic benefits expected from existing assets, are necessary to obtain benefits from other property, plant and equipment, are also recognised under balance sheet assets.

The subsequent measurement of property, plant and equipment is at cost, net of accumulated depreciation and impairment (the latter in accordance with IAS 36).

The assets are systematically depreciated on a straight-line basis over their useful lives, from the date they become available for use in the production process. Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP RETI Group at the rates listed below, which are considered adequate to represent the residual useful life of each asset.

At every annual or interim reporting date, the recognised carrying amount of the asset is tested for impairment. If impairment indicators are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (that is the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

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[46] For the treatment relating to leased assets, reference should be made to the specific paragraph “Leases” in the “Other information” section.

Items/Figures %	Min.	Max
Buildings	2.0%	3.0%
Movables		6.0%
Electrical plant	10.0%	20.0%
Plant and machinery:		
Power lines		2.2%
Transformation stations	2.4%	6.7%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	1.7%	20.0%
Regasification	4.0%	4.0%
Industrial and commercial equipment	10.0%	33.3%
Other assets	5.0%	33.0%
Other plant and equipment	2.0%	33.3%

When an asset included under property, plant and equipment consists of significant components that have different useful lives, each of those components is depreciated separately (component approach). The useful life of the assets is reviewed annually and if expectations differ from previous estimates, changes in the depreciation schedule are accounted for prospectively.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

Assets under construction and advances are composed of advances or expenses incurred in respect of items of property, plant and equipment that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company’s production cycle, depreciation is suspended.

Property, plant and equipment items are derecognised on disposal or when no future economic benefits are expected from their use or disposal; any gain (loss) on disposal is recognised through profit or loss.

Intangible assets

According to IAS 38, intangible assets are identifiable assets without physical substance that are controlled by an entity and whose cost can be measured reliably and from which future economic benefits are expected to flow to the entity. Intangible assets, as defined above, are held to be used for a multi-year period or an indefinite period.

Intangible assets are initially recognised at cost including incidental expenses and are amortised over their estimated useful life (period over which an asset is expected to be available for use by an entity), which, at the end of each financial year, is assessed to check the adequacy of the estimate. The amortised value is the carrying amount, minus the expected net realisable value at the end of its useful life, if significant and reasonably measurable. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset that qualifies for capitalisation pursuant to IAS 23 are capitalised on the asset as part of its cost.

Development costs are capitalised only if: (i) they can be reliably measured, (ii) there is the technical possibility and intention to complete the intangible asset so that it can be available for use, (iii) there is the capacity to use the intangible asset, (iv) it is possible to demonstrate that it will generate probable future economic benefits.

All other development costs and all the research expenditure are recognised through profit or loss when incurred.

Subsequent measurement of intangible assets is at cost, net of accumulated amortisation and any impairment (the latter in accordance with IAS 36).

Intangible assets are amortised over a period representing the residual useful life, considering the high level of obsolescence of these assets.

If there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets include assets associated with public-private service concession agreements relating to the development, financing, management and maintenance of infrastructure under concession arrangements, under which the granting entity:

- controls or regulates the services provided through the infrastructure by the operator, and the prices charged;
- controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the concession.

This category of assets includes agreements under which the Italgas group undertakes to supply the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA, formerly AEEGSI), being the holder of the right to use the infrastructure controlled by the granting entity to provide such public service. It also includes the property, plant and equipment and intangible assets used by the Terna Group to dispatch electricity under concession arrangements.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP RETI Group, CGUs correspond to the individual legal entities. Goodwill is tested for the adequacy of its carrying amount. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable amount of the CGU, the difference is recognised in the income statement. Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and joint ventures is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets also include industrial patent and intellectual property rights, concessions, licenses, trademarks and similar rights and development costs.

The value of storage concessions, consisting of natural gas reserves in the fields ("Cushion Gas"), is determined in accordance with the Decree of 3 November 2005 of the Ministry for Productive Activities and recognised under "Concessions, licenses, trademarks and similar rights". This item is not amortised as the volume of gas is not modified by the storage activity and its economic value is not below the carrying amount.

Intangible assets are derecognised when future economic benefits are no longer expected from their use or when sold; any gain (loss) on disposal is recognised through profit or loss.

Equity investments

"Equity investments" includes investments in associates (according to IAS 28) and in joint arrangements (according to IFRS 11).

Equity investments are initially recognised at cost at the settlement date and subsequently measured using the equity method, where the original cost of the equity investment is adjusted (up or down) according to the change in the interest held by the investor in the equity of the investee.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying value of the equity investment ("equity method"). Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment (badwill) is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In this case, and in particular for CDP RETI, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment or objective evidence of impairment:

- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[47] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

If the recoverable amount is lower than the carrying amount, the difference is recognised through profit or loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement.

The recoverable value determined when running the impairment tests in the separate financial statements for equity investments in subsidiaries is used to assess the existence of possible impairments of the net assets pertaining to the cash flow generating units (CGUs) corresponding to those equity investments. This assessment is carried out in compliance with the provisions of IAS 36.104 and 36.105.

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses, in compliance with the provisions of IAS 28[48].

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

Financial assets

The following financial assets are recognised under current and non-current financial assets:

1. financial assets measured at fair value through profit or loss (FVTPL);
2. financial assets measured at fair value through other comprehensive income (FVTOCI);
3. financial assets measured at amortised cost;
4. hedging derivatives

[47] The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the half-yearly financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

[48] See Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28.

1. Financial assets measured at fair value through profit or loss (FVTPL)

This item includes the following financial assets measured at fair value through profit or loss:

- "Financial assets held for trading" including debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated as hedging instruments;
- "Financial assets designated at fair value" including debt securities and loans, measured at profit and loss in accordance with IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce an accounting mismatch;
- "Other financial assets mandatorily measured at fair value" including debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented by solely payments of principal and interest (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company aims to align the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can be both positive and negative, derivatives are classified among FVTPL financial assets if their fair value is positive and among FVTPL financial liabilities if their fair value is negative.

Financial assets measured at fair value through profit or loss are initially recognised on the trade date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Financial income (expense)" in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2. Financial assets measured at fair value through other comprehensive income (FVTOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this item are also recognised equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[49]) has been irrevocably exercised.

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised.

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the income statement.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included in the income statement.

No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:

- the amounts recognised in the Valuation reserves are never reclassified through profit or loss, even when they are derecognised;

[49] Fair Value Through Other Comprehensive Income option.

- all exchange rate differences are recognised in the equity reserve and are therefore charged to other comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3. Financial assets measured at amortised cost

The item "Financial assets measured at amortised cost" includes debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, this item includes receivables from banks, or other parties, deriving from loans, leases[50], factoring transactions, debt securities, etc.

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss. In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash

[50] For the treatment relating to leases, reference should be made to the specific paragraph "Leases" in the "Other information" section.

flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, it is necessary to determine whether the contractual amendments result in the derecognition of the original instrument, with consequent recognition of a new financial asset, or in the recognition through profit or loss of the difference between the gross carrying value of the pre-amended financial instrument and the restated financial asset (modification).

In the absence of specific guidance in IFRS 9, the analysis necessary to identify possible amendments that give rise to derecognition rather than modification may sometimes involve significant elements of valuation. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

On this basis, a list has been identified, by way of non-limiting example, of the main changes that represent a substantial change to the terms of the existing financial asset, introducing a different nature of the risks and resulting in derecognition.

The list is as follows:

- change in the counterparty: this includes novation or the replacement of the counterparty by another obligor (succession), because these changes lead to a change in the credit risk;
- change in the reference currency (because it introduces a different risk profile than the original exposure);
- debt-to-equity swap: the lender and the obligor may, as an alternative to other types of renegotiation, agree to extinguish the original debt through a substantial change in the nature of the debt-to-equity swap;
- introduction of new contractual clauses that result in failure of the SPPI test (e.g. leverage, indexing to parameters not related to the time value of money and credit risk, inverse rates, and financial covenants that result in failure of the test or other similar clauses);
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the obligor to new risk components, such as returns linked to equity or commodity components, leverage or other similar clauses;
- changes granted to performing customers, who do not show any economic and financial difficulties (not qualifying as forborne exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement.

Contractual changes to a financial asset for which the derecognition rules are applied will have the following accounting impacts:

- derecognition of the financial asset and recognition of a new financial asset;
- subjecting the new financial asset to a new assessment in terms of classification and measurement (business model and SPPI test);
- identification of the date of new recognition as the origination date;
- recognition of the new asset at its fair value; recognition of any gain or loss equal to the difference between the fair value of the new asset and its carrying value at the time of derecognition of the existing asset, except for level 3 fair value financial assets as envisaged by IFRS 9;

- classification of the new asset in the relevant stage, at the initial recognition date, and verification, in subsequent reporting periods, of any deterioration in credit risk.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification).

Below is a non-exhaustive list of the main changes to the previous contractual terms:

- reduction of the interest rate;
- extension of the maturity of the loan;
- reduction of part of the exposure;
- introduction of payment holidays (tolerance period/payment moratorium);
- payment of interest only;
- capitalisation of arrears/interest.

If there are contractual changes to a financial asset for which the rules of modification without derecognition apply, in accordance with IFRS 9:

- reassessment in terms of classification and measurement is not required: the SPPI test is only performed on initial recognition of the instrument and there is no subsequent reassessment of this initial assessment;
- the gains or losses resulting from the modification are calculated as the difference between the gross carrying value of the pre-modified financial asset and its restated gross carrying value (corresponding to the present value of the renegotiated or modified cash flows, discounted at the financial asset's original effective interest rate, i.e. before the modification), adjusted where applicable in the case of hedging transactions;
- any deterioration in the credit risk of the modified financial asset is analysed by comparing it with the credit risk at the asset's original recognition date, before the modification.

4. Hedging derivatives

Financial assets include derivatives which have a positive fair value at the reporting date. Derivatives with negative fair value are recognised in the balance sheet under other financial liabilities.

Hedging transactions

Hedging transactions are executed to hedge contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, CDP RETI has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP RETI Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

- exposes the company to the risk of a change in fair value or future cash flows;
- is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy;
- the methods to be used in order to verify the hedge effectiveness.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. More specifically:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in specific "Valuation reserves" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

In the case of highly likely future transaction hedges, if, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

In the case of cash flow hedges, if the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in the consolidated balance sheet (under financial assets or liabilities) is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in the income statement.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, net of any impairment losses recognised in specific bad debt provisions.

Impairment losses are calculated by applying the simplified approach under IFRS 9, based on which trade receivables, separated into specific clusters according to the regulatory framework, are applied an impairment model based on expected losses for collective assessment. For trade receivables deemed individually significant and with reference to which accurate information is available on the considerable increase in the credit risk, in the context of the simplified model, an analytical approach was applied. Impairment losses related to the impairment of trade receivables (and the related recoveries) are recognised through profit or loss in the item "Net impairment (recoveries) of trade receivables and other receivables".

Receivables due within normal commercial terms are not discounted.

Trade receivables are derecognised when the contractual rights to the associated cash flows have been realised, have expired or been sold.

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities. Cost is measured as the weighted average cost.

The net realisable value is the selling price in the ordinary course of business less the estimated completion costs and those necessary to sell the good.

Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount.

This item mainly includes cash in hand, cash at banks and other current financial assets due within three months from purchase, readily convertible into cash with no cashing expenses and subject to an insignificant risk of changes in value.

Cash and cash equivalents take account of the interest accrued on the amounts, albeit not yet paid.

Non-current assets held for sale

The balance sheet items "Non-current assets held for sale" and "Liabilities directly attributable to assets held for sale" include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. For these assets, the CDP RETI Group Companies must be committed to plans to dispose of the asset (or group of assets) and must have initiated programmes to locate potential buyers, such that a sale can be considered highly probable.

To be able to classify an asset (or group of assets) as available for sale, the following is also required:

- the asset can be readily exchanged in the market at a price considered reasonable in relation to its fair value at the current date;
- the sale is expected to be completed within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5;
- the actions required to complete the plan to dispose of the asset do not indicate that it is unlikely to be completed.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an investment exclusively acquired with a view to resale.

The non-current assets (or disposal groups) are presented separately from the balance sheet items "Other assets" and "Other liabilities". Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (net of costs to sell), without any depreciation/amortisation being recognised. The corresponding balance sheet values for the previous financial year are not reclassified.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets classified as held for sale through profit or loss.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item "Net income on discontinued operations".

Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated assets items "Deferred tax assets" and "Income tax receivables", and under consolidated liabilities items "Deferred tax liabilities" and "Income tax liabilities".

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term "deferred" tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under the item "Deferred tax assets", if they relate to "deductible temporary differences", which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under the item "Deferred tax liabilities", if they relate to "taxable temporary differences" representing liabilities because they are related to accounting entries that will become taxable in future tax periods.
- If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Provisions for risks and charges

This item consists of the provision set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date. Therefore, the provisions are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

When the time value is significant and the payment dates of the bonds can be estimated reliably, the allowance is made by discounting, at a rate that reflects the market valuations of the current value of money, the expected cash flows calculated considering the risks associated to the bond. Any increase in the provision relating to the passage of time is recognised in the income statement under "Financial income (expense)".

If the liability refers to items of property, plant and equipment (e.g. dismantling and restoration of sites), the provision is recognised as a balancing entry to the asset it refers to and is recognised in the income statement via the depreciation process. The costs which the entity expects to incur to implement a restructuring plan are recognised in the year in which the plan is formally approved and there is a settled expectation among the affected parties that the restructuring plan will be implemented.

Contingent – not probable – liabilities are not recognised to the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits.

Provisions for employee benefits

This item includes the staff severance pay (TFR) and other long-term benefits such as loyalty bonus, supplementary funds, other benefits, etc.

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a "Post-employment benefit" and is classified as:

- a "Defined benefit plan" for the portion of staff severance pay accrued by employees until 31 December 2006;
- a "Defined contribution plan" for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that the portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

Financial liabilities

Financial liabilities are included in the items "Loans", "Other financial liabilities", "Current portions of long-term loans" and "Current financial liabilities".

Non-current and current financial liabilities, represented by loans raised and securities issued, are recognised initially at cost, i.e. the fair value of the liabilities, less any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortised cost, using the effective interest rate method.

Financial liabilities also include hedging derivatives which have a negative fair value at the reporting date. See the previous paragraph "Hedging transactions" in section "4. Hedging derivatives" for a description of the financial reporting standards adopted for the recognition of hedging derivatives.

Financial liabilities are derecognised when settled or when the obligation specified in the contract has been satisfied, cancelled or has expired.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade payables are not discounted if the due dates are line with normal commercial terms.

Revenues

Revenues are recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:

- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

According to the type of transaction, revenue is recognised based on the specific criteria reported below:

- revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer and its amount can be measured reliably and collected;
- revenue from services is recognised with reference to the stage of completion of the activities. In case it is not possible to reliably measure the value of revenue, this is measured up to the amount of the costs incurred that is believed will be recovered;
- revenue accrued in the year for contract work in progress is recognised on the basis of the amounts agreed proportionate to the progress of the work, which is calculated using the cost-to-cost method. In addition to the amount of revenue agreed in the contract, contract revenue includes variations in contract work, reviewed prices and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Revenue may decrease also as a result of penalties arising from delays caused by group companies.

Revenue from regulated activities is governed by the regulations issued by the Italian Energy Networks and Environment Regulator (ARERA). Consequently, the financial terms and conditions relating to the services provided are not defined by negotiation but in accordance with the relevant regulatory frameworks and the tariffs are set periodically by ARERA and used as a basis to define the tariff criteria for the reference period.

In particular, the tariff system requires that the reference revenue to calculate the tariffs be recognised in order to cover the costs incurred by the operator and provide an equitable return on the capital invested.

There are three cost categories recognised:

- the cost of the net invested capital for RAB (Regulatory Asset Base) purposes through applying a rate of return on that invested capital;
- the economic - technical amortisation covering the investment costs;
- the operating costs covering the running costs.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Financial income (expense)

Financial income (expense) includes:

- interest income and expense;
- income and expense associated with hedging activities;
- gains (losses) on disposal or repurchase;
- income and expense associated with trading activities;
- the net gain (loss) on financial assets and liabilities measured at FVTPL;
- the net adjustments and recoveries for credit risk relating to financial assets measured at amortised cost or at FVTOCI;
- exchange rate differences.

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest rate method. The interest also includes the net balance, either positive or negative, of the differentials and margins relating to derivatives.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other information

Leases

Leases are recognised on the basis of the rules in IFRS 16, the standard that has replaced IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease", and at the same time has regulated new requirements for the accounting of leases.

The standard provides a new definition of lease and introduces a method whereby the control of right of use of an asset discriminates in the identification of contracts that are or contain a lease from those for the supply of services. The key features of this distinction are: the identification of the asset, the absence of substitution rights, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the leased asset. Thus, it follows that even rental and hire contracts and leases payable, that were previously excluded from the lease accounting scope, could now be included.

Further changes relate to accounting records; in particular, a single accounting and valuation model for leases was introduced for the lessee, who shall recognise a right-of-use asset underlying the lease and a lease liability consisting in the present value of outstanding lease payments. The main change, for the lessee, consists in overcoming the distinction, provided under IAS 17, between operating and finance leases: in fact, the lessee must recognise all leases in the same way, recognising an asset and a liability, which must then be depreciated over the life of the lease (this period includes any renewal or early termination options, if the exercising of these options is reasonably certain).

Essentially, the balance sheet liabilities show the Lease Liability, which consists of the present value of the payments which, at the valuation date, have yet to be paid to the lessor; the balance sheet assets, on the other hand, show the Right-of-Use Asset, calculated as the sum of the lease still payable, the initial direct costs, the payments made on or before the inception date of the contract (net of any lease incentives received) and the costs of dismantling and/or restoration.

Consequently, the method of recognition of the income statement items is amended: while under IAS 17 lease payments are recognised in "Administrative expenses", under IFRS 16 the expense accrued on the lease liability will be recognised in "Interest expense and similar expense", and the depreciation/amortisation of the Right-of-Use Asset in "Net adjustments to/recoveries on property, plant and equipment and intangible assets".

For leases involving low value assets and leases with a duration of 12 months or less (i.e. short-term leases), the introduction of IFRS 16 does not entail the recognition of financial liabilities and the relevant right of use, but lease payments shall continue to be recognised in the income statement on a straight line basis for the duration of the respective leases.

On first-time adoption the Group shall apply the standard according to the "Modified Retrospective Approach", which allows recognition of the cumulative effect of the initial application of the Standard on the first-time adoption date without restating the comparative information (IFRS 16 C5 b), in the option envisaged in paragraph C.8 b (ii).

More specifically, this approach provides for recognition of the following measurements:

- the lease liability calculated as the present value of the remaining payments due on the lease, discounted at the incremental borrowing rate at the date of initial application (IFRS 16.C8.a);

- the right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16.C8.bii).

In addition, some of the practical expedients and recognition exemptions provided by the standard have been adopted upon initial application. More specifically:

- use of the incremental borrowing rate as the discount rate to calculate the lease liability[51];
- exclusion of leases with a total or remaining lease term[52] of 12 months or less;
- exclusion of leases with a low value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application.

Uncertainty on the treatment for the purpose of income tax

An entity shall consider whether it is probable that the relevant taxation authority will accept every tax treatment, or group of tax treatments, it has used or plans to use in its tax return. If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax documentation. If the entity concludes that it is unlikely that a particular tax treatment will be accepted, the entity must use the most likely amount or the expected value from the tax treatment in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The judgement should be based on which method provides the best forecast of how to resolve the uncertainty.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item “Staff costs” over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

Capital grants provided by public entities are recognised when there is reasonable certainty that the conditions established by the granting authorities for obtaining the grant will be met. Their recognition reduces the purchase or transfer price or the production cost of the asset they refer to. Similarly, capital grants received from private parties are accounted for in accordance with the same accounting policies.

Grants for operating expenses can be recognised through profit or loss on an accruals basis when the related costs are incurred or, alternatively, in full when the conditions for their recognition have been met.

With particular reference to connection fees for private users, the remuneration component for the initial installation investment amount is recognised as revenue to be deferred over the useful life of the asset to which it refers, with a balancing entry among other liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or distress sale) at the measurement date. Fair value is a market-based

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[51] Rate which represents the rate of interest that a lessee “would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment”.
[52] For the purpose of determining the lease term, it was assumed that the contractual renewal is reasonably certain if:
• there is a clause that grants the lessee the right to renew the contract and there is a clause through which the lessor is obliged to not refuse the renewal request;
• there is a clause that grants the lessee the right to renew the contract and the lessor has not notified his/her desire to exercise the right of refusing the renewal within the contractually set terms.

measurement, not an entity-specific measurement. Underlying the definition of fair value is the assumption that the entity is operating its business normally without any intention to liquidate its own assets, significantly reduce the level of its own assets, or settle transactions at unfavourable conditions. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

As envisaged in IFRS 13, to measure the fair value, the effect of non-performance risk is also considered. This risk includes both the changes in the counterparty's credit risk and the changes in the issuer's own credit risk.

The fair value of financial instruments is calculated according to a hierarchy of criteria based on the origin, type, and quality of information used. In detail, this hierarchy assigns the highest priority to the prices quoted (and not changed) on active markets and lower importance to unobservable inputs. Three different input levels are identified:

- in the case of instruments listed on active markets, prices on financial markets are used (Level 1);
- in the case of instruments not listed on active markets, recourse is made, where possible, to valuation techniques that use observable market inputs other than quoted prices for the financial instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use unobservable market inputs that are therefore inevitably subjective to some degree (Level 3).

Since Level 1 inputs are available for numerous financial assets and liabilities, some of which are traded on more than one active market, the entity has to take special care when defining both of the following aspects:

- the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the entity can conclude a transaction involving the asset or liability at that price and on that market at the measurement date.

The CDP RETI Group believes that the principal market of a financial asset or liability can be identified as the market on which the Group normally operates.

A market is considered active if the quoted prices, representing effective and regular market transactions executed during an appropriate reference period, are readily and regularly available through stock exchanges, brokers, intermediaries, specialised firms, quotation services or authorised entities.

In the event of a significant reduction in the volume or level of ordinary activity for the asset or liability (or for similar assets or liabilities) flagged by certain indicators (number of transactions, insignificance of the prices given by the market, significant increase in the implicit premiums for liquidity risk, widening or increase in the bid-ask spread, reduction or total absence of a market for new issues, scanty information in the public domain), the transactions or quoted prices are analysed.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market inputs at different levels of complexity. For example, valuation techniques may involve, in addition to interpolations and extrapolations, the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The Group takes the following into consideration when selecting the valuation techniques to be used in Level 2 measurements:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the Group's systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

In some cases, in determining the fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, statistical or "expert-based" estimates by those carrying out the valuation (Level 3).

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the CDP RETI Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement in the years when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete. In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed. The following items are an exception and are measured in accordance with their applicable standard:

- deferred tax assets and liabilities within the scope of IAS 12;
- assets and liabilities for employee benefits within the scope of IAS 19;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree, as defined by IFRS 2;
- insurance contracts within the scope of IFRS 4;
- assets and liabilities arising from leases within the scope of IFRS 16 for which the acquiree is the lessee;
- assets held for sale and discontinued operations within the scope of IFRS 5.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree over the fair value at the acquisition date of the net assets acquired and the liabilities assumed. If the fair value at the acquisition date of the net assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree, the excess is recognised in the income statement as a gain from the transaction.

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement method is selected on a transaction basis.

Any contingent consideration provided in the business combination is measured at the acquisition-date fair value and included in the amount of the consideration transferred in the business combination for the purposes of calculating goodwill. Any subsequent changes in that fair value, which qualify as adjustments occurring during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed at the acquisition date, that has been obtained during the measurement period (which shall not exceed one year from the business combination).

In the case of business combinations achieved in stages, the equity investment previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, and thus between two or more entities already belonging to the same group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under common control"). These transactions are in fact considered to have no economic substance.

II - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown of the CDP RETI Group's property, plant and equipment, which show a net value of 37,320 million euro at 31 December 2021 (36,401 million euro at 31 December 2020).

Property, plant and equipment: breakdown

(thousands of euro)	31/12/2021			31/12/2020		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Land	395,798	(841)	394,957	392,143	(841)	391,302
Buildings	3,366,581	(1,192,416)	2,174,165	3,243,062	(1,132,129)	2,110,933
Plant and equipment	51,346,807	(21,990,550)	29,356,257	50,052,428	(20,947,540)	29,104,888
Other plant and equipments	2,739,905	(1,135,685)	1,604,220	2,534,604	(1,017,831)	1,516,773
Industrial and commercial equipment	474,119	(344,486)	129,633	455,422	(330,761)	124,661
Other assets	225,527	(173,611)	51,916	206,211	(164,270)	41,941
Assets under development and advances	3,542,967	(78,298)	3,464,669	3,006,261	(68,960)	2,937,301
Right of use acquired under leases ex IAS 17						
Land						
Buildings	720	(161)	559	720	(139)	581
Plant and equipment	6,799	(2,164)	4,635	6,810	(1,878)	4,932
Other plant and equipments						
Industrial and commercial equipment						
Other assets	1,853	(1,853)		205	(205)	
Assets under development and advances						
Right of use acquired under leases ex IFRS 16						
Land	13,723	(5,604)	8,119	12,222	(3,345)	8,877
Buildings	123,842	(40,727)	83,115	136,023	(27,591)	108,432
Plant and equipment						
Other plant and equipments	25	(23)	2	25	(9)	16
Industrial and commercial equipment	45,284	(24,994)	20,290	44,709	(18,063)	26,646
Other assets	43,967	(16,779)	27,188	33,044	(9,701)	23,343
Assets under development and advances						
Total	**62,327,917**	**(25,008,192)**	**37,319,725**	**60,123,889**	**(23,723,263)**	**36,400,626**

The item mainly includes investments made by the TERNA Group in power transport lines and transformation stations, investments made by the SNAM Group in transport infrastructure, gas storage and regasification, and the investments made by the ITALGAS Group in the gas distribution segment, limited to land and buildings that are not subject to IFRIC12. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees), equal to approximately 144 million euro at 31 December 2021.

During the year, the SNAM Group made investments for 1,122 million euro, mainly in the transport sector (888 million euro).

As regards the TERNA Group, investments during the period totalled 1,391.9 million euro, including 1,343.5 million euro in the Regulated sector. Investments in the Unregulated sector amounted to 48.4 million euro, mainly related to the Italy-France and Italy-Austria private interconnections and third-party variants.

During the period, investments of the ITALGAS Group amounted to approximately 45.7 million euro and mainly referred to buildings used for offices (19.3 million euro) and leased assets (14.9 million euro).

During the period, technical financial depreciation was recorded, determined on the basis of the useful life of the assets, i.e. on their residual useful lives, for a total of 1,563 million euro, substantially attributable to the SNAM Group for 720 million euro, to the TERNA Group for 589 million euro and for the residual part to the ITALGAS Group.

Commitments to purchase property, plant and equipment are listed in paragraph “IX. Guarantees and commitments”.

Property, plant and equipment: changes for the year

(thousands of euro) Items/Figures	Land	Buildings	Plant and equipments	Other plant and equipments	Industrial and commercial equipment	Other assets	Assets under development and advances	Total
Gross opening balance	404,365	3,379,805	50,059,238	2,534,629	500,131	239,460	3,006,261	60,123,889
of which Right of use ex IAS 17		*720*	*6,810*			*205*		*7,735*
of which Right of use IFRS 16	***12,222***	*136,023*		*25*	*44,709*	*33,044*		*226,023*
Provision for amortisation, depreciation and impairment - opening balance	(4,186)	(1,159,859)	(20,949,418)	(1,017,840)	(348,824)	(174,176)	(68,960)	(23,723,263)
of which Right of use ex IAS 17		*(139)*	*(1,878)*			*(205)*		*(2,222)*
of which Right of use ex IFRS 16	***(3,345)***	*(27,591)*		*(9)*	*(18,063)*	*(9,701)*		*(58,709)*
Net opening balance	**400,179**	**2,219,946**	**29,109,820**	**1,516,789**	**151,307**	**65,284**	**2,937,301**	**36,400,626**
of which Right of use ex IAS 17		**581**	**4,932**					**5,513**
of which Right of use IFRS 16	**8,877**	**108,432**		**16**	**26,646**	**23,343**		**167,314**
Gross amount: change for the period								
Change in opening balances								
of which Right of use ex IAS 17								
of which Right of use IFRS 16								
Investments	1,404	27,721	8,486		22,733	19,168	2,479,979	2,559,491
of which Right of use ex IAS 17								
of which Right of use IFRS 16		*5,962*			*4,031*	*12,086*		*22,079*
Contributions from business combinations		1,224	13,978		1,269	167		16,638
of which Right of use ex IAS 17								
of which Right of use IFRS 16					*92*			*92*
Transfers	1,920	102,777	1,638,817	94,579	12,723	14,757	(1,865,573)	
of which Right of use ex IAS 17								
of which Right of use IFRS 16								
Disposals	(648)	(31,896)	(270,585)	(6,980)	(22,422)	(3,557)	(6,340)	(342,428)
of which Right of use ex IAS 17								
of which Right of use IFRS 16		*(21,373)*			*(3,509)*	*(1,020)*		*(25,902)*
(Writedowns)/Writebacks								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Other changes	2,480	11,625	(96,328)	117,702	4,969	2,328	(71,360)	(28,584)
of which Right of use ex IAS 17			*(11)*			*1,648*		*1,637*
of which Right of use IFRS 16	*1,501*	*3,230*			*(39)*	*(143)*		*4,549*
Reclassifications		(113)				(976)		(1,089)
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Provision for amoirtsation, depreciation and impairment: change for the period								
Change in opening balances								
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Depreciation for the period	(2,474)	(94,394)	(1,281,640)	(131,608)	(38,504)	(14,534)		(1,563,154)
of which Right of use ex IAS 17		*(22)*	*(297)*			*(75)*		*(394)*
of which Right of use IFRS 16	*(2,474)*	*(20,241)*		*(14)*	*(10,020)*	*(8,334)*		*(41,083)*
Contributions from business combinations			10		(584)	220		(354)
of which Right of use ex IAS 17			*11*			*220*		*231*
of which Right of use IFRS 16					*(4)*			*(4)*
Disposals		14,971	258,276	5,560	22,284	3,350		304,441
of which Right of use ex IAS 17								
of which Right of use IFRS 16		*6,193*			*3,016*	*891*		*10,100*
(Writedowns)/Writebacks			(352)	(2,886)			(9,227)	(12,465)
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Other changes	215	5,964	(19,590)	11,066	(3,852)	(7,225)	(111)	(13,533)
of which Right of use ex IAS 17						*(1,793)*		*(1,793)*
of which Right of use IFRS 16	*215*	*912*			*77*	*365*		*1,569*
Reclassifications		14				122		136
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Gross closing balance	**409,521**	**3,491,143**	**51,353,606**	**2,739,930**	**519,403**	**271,347**	**3,542,967**	**62,327,917**
of which Right of use ex IAS 17		**720**	**6,799**			**1,853**		**9,372**
of which Right of use IFRS 16	**13,723**	**123,842**		**25**	**45,284**	**43,967**		**226,841**
Provision for amortisation, depreciation and impairment - closing balance	**(6,445)**	**(1,233,304)**	**(21,992,714)**	**(1,135,708)**	**(369,480)**	**(192,243)**	**(78,298)**	**(25,008,192)**
of which Right of use ex IAS 17		**(161)**	**(2,164)**			**(1,853)**		**(4,178)**
of which Right of use IFRS 16	**(5,604)**	**(40,727)**		**(23)**	**(24,994)**	**(16,779)**		**(88,127)**
Net closing balance	**403,076**	**2,257,839**	**29,360,892**	**1,604,222**	**149,923**	**79,104**	**3,464,669**	**37,319,725**
of which Right of use ex IAS 17		**559**	**4,635**					**5,194**
of which Right of use IFRS 16	**8,119**	**83,115**		**2**	**20,290**	**27,188**		**138,714**

2. Inventories – compulsory stock

Compulsory stock: breakdown

(thousands of euro)/(billions of cu.m.) Items/Figures	31/12/2021 Carrying amount	31/12/2021 Volumes (billions of cu.m.)	31/12/2020 Carrying amount	31/12/2020 Volumes (billions of cu.m.)
Compulsory stock	362,713	4.5	362,713	4.5
Total	**362,713**	**4.5**	**362,713**	**4.5**

Inventories - compulsory stock, equal to 363 million euro, includes the minimum natural gas quantities that the storage companies are required to hold under Presidential Decree no. 22 of 31 January 2001. The stock of gas, equivalent to approximately 4.5 billion standard cubic metres of natural gas, is determined by the Ministry of Economic Development on an annual basis.

3. Intangible assets

The following table shows the breakdown of "Intangible assets", which at 31 December 2021 amounted to 10,852 million euro (10,378 million euro at 31 December 2020).

Intangible assets: breakdown

(thousands of euro) Items/Figures	31/12/2021 Gross amount	31/12/2021 Provision for amortisation, depreciation and impairment	31/12/2021 Net value	31/12/2020 Gross amount	31/12/2020 Provision for amortisation, depreciation and impairment	31/12/2020 Net value
Goodwill	898,997		898,997	888,825		888,825
Service concession agreements	15,065,502	(6,869,304)	8,196,198	14,406,635	(6,580,350)	7,826,285
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	1,357,913	(357,624)	1,000,289	1,352,492	(343,824)	1,008,668
Other intangible assets	2,308,065	(1,638,884)	669,181	2,042,409	(1,490,631)	551,778
Assets under development and advances	87,475	(85)	87,390	104,772	(2,147)	102,625
Total	**19,717,952**	**(8,865,897)**	**10,852,055**	**18,795,133**	**(8,416,952)**	**10,378,181**

The main component of intangible assets consists of ITALGAS' service concession agreements, which concern public-private agreements relating to the development, financing, maintenance and operation of infrastructures under concession arrangements from the granting authority. The provisions on service concession agreements are applicable to ITALGAS in relation to the public service of natural gas distribution, i.e. agreements whereby the operator undertakes to provide the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA), with the right to use the infrastructure controlled by the granting authority in order to provide the public service.

In implementation of the "partial goodwill method" for the recognition of goodwill envisaged by IFRS 3, the item "Goodwill" represents the only share belonging to CDP RETI Group for the goodwill recorded in the consolidated financial statements of TERNA, SNAM, and ITALGAS, as well as the share recorded as a result of allocating the differences between the prices paid for the purchase of equity investments and the relevant equity.

Goodwill recognised in the financial statements as at 31 December 2021 in the amount of 899 million euro, consists of:

- 372 million euro for the TERNA group;
- 403 million euro for the SNAM group;
- 124 million euro for the ITALGAS group.

In relation to TERNA, SNAM and ITALGAS, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of the weighted average prices of the volumes traded in December. The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation.

Intangible assets: changes for the year

(thousands of euro) Items/Figures	Goodwill	Service concession agreements	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance	888,825	14,406,635	1,425,346	1,352,492	642,471	104,772	18,820,541
Provision for amortisation, depreciation and impairment - opening balance		(6,580,350)	(1,137,965)	(343,824)	(372,992)	(2,147)	(8,437,278)
Net opening balance	**888,825**	**7,826,285**	**287,381**	**1,008,668**	**269,479**	**102,625**	**10,383,263**
Gross amount: change for the period							
Change in opening balances			(1,425,346)		1,399,938		(25,408)
Investments		740,858		246	153,229	182,484	1,076,817
Contributions from business combinations	9,604	28,612			4,383		42,599
Transfers		38,902			72,338		111,240
Disposals		(71,365)			(119,646)	(1,880)	(192,891)
(Writedowns)/Writebacks							
Other changes	568	(78,140)		5,175	169,523	(197,853)	(100,727)
Reclassifications					(14,171)	(48)	(14,219)
Provision for amortisation, depreciation and impairment - change for the period							
Change in opening balances			1,137,965		(1,117,639)		20,326
Depreciation for the period		(417,738)		(13,333)	(177,632)		(608,703)
Contributions from business combinations		(1,666)			(2,533)		(4,199)
Disposals		56,641			118,942	2,095	177,678
(Writedowns)/Writebacks		(895)				(33)	(928)
Other changes		74,704		(467)	(88,716)		(14,479)
Reclassifications					1,686		1,686
Gross closing balance	**898,997**	**15,065,502**		**1,357,913**	**2,308,065**	**87,475**	**19,717,952**
Provision for amortisation, depreciation and impairment - closing balance		**(6,869,304)**		**(357,624)**	**(1,638,884)**	**(85)**	**(8,865,897)**
Net closing balance	**898,997**	**8,196,198**		**1,000,289**	**669,181**	**87,390**	**10,852,055**

Investments for the period mainly refer to service concession agreements (631 million euro) of the ITALGAS group.

The contractual commitments for the acquisition of intangible assets, as well as for the provision of services connected with their implementation, are reported in paragraph “IX - Guarantees and commitments”.

4. Equity investments

SNAM, TERNA, and ITALGAS’ equity investments are listed below, together with information on the investment relationships.

Equity investments in joint operations, associates and other companies: information on investments

(thousands of euro)

Items/Figures Name	Registered office	Equity investment Investor	% holding	Voting rights %	Carrying amount	Valuation method
A. Companies subject to joint control						
AS Gasinfrastruktur Beteiligung GmbH	Wien	SNAM S.p.A.	40.00%	40.00%	121,163	Equity method
ELMED Etudes S.a.r.l.	Tunisi	Terna S.p.A.	50.00%	50.00%	216	Equity method
Iniziative Biometano S.p.A.	San Donato Milanese (MI)	Snam 4 Environment S.r.l.	50.00%	50.00%	12,960	Equity method
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50.00%	50.00%	2,103	Equity method
OLT Offshore LNG Toscana S.p.A.	Milan	SNAM S.p.A.	49.07%	49.07%	10,187	Equity method
SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER S.A.	Salonicco	Terna S.p.A.	25.00%	25.00%	54	Equity method
Terega Holding S.A.S.	Pau	SNAM S.p.A.	40.50%	40.50%	360,510	Equity method
Trans Austria Gasleitung GmbH	Wien	SNAM S.p.A.	84.47%	84.47%	556,466	Equity method
Umbria Distribuzione GAS S.p.A.	Terni	Italgas S.p.A.	45.00%	45.00%	2,285	Equity method
B. Companies subject to significant influence						
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	42.70%	48,192	Equity method
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	22.09%	26,694	Equity method
CORESO S.A.	Bruxelles	Terna S.p.A.	15.84%	15.84%	709	Equity method
East Mediterranean Gas Company S.a.e.	Cairo	Snam International B.V.	25.00%	25.00%	40,524	Equity method
Enerpaper S.r.l.	Turin	Seaside S.p.A.	10.00%	10.00%	396	Equity method
Equigy B.V.	Arnhem	Terna S.p.A.	20.00%	20.00%	282	Equity method
Galaxy Pipeline Assets Holdco Limited	Jersey	SNAM S.p.A.	12.33%	12.33%	216,609	Equity method
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42.96%	42.96%	21,633	Equity method
Industrie De Nora S.p.A.	Milan	Asset Company 10 S.r.l.	35.63%	35.63%	463,838	Equity method
Interconnector Ltd	London	Snam International B.V.	23.68%	23.68%	61,321	Equity method
Interconnector Zeebrugge Terminal B.V.	Bruxelles	Snam International B.V.	25.00%	25.00%	566	Equity method
Senfluga energy infrastructure holdings S.A.	Athens	SNAM S.p.A.	60.00%	60.00%	138,440	Equity method
Trans Adriatic Pipeline AG	Baar	Snam International B.V.	20.00%	20.00%	309,952	Equity method
Valdarno S.r.l.	Pisa	Toscana Energia S.p.A.	30.04%	30.04%	5,461	Equity method
dCarbonX Ltd	London	Snam International B.V.	12.50%	12.50%	2,838	Equity method
C. Unconsolidated subsidiaries (1)						
ASSET COMPANY 7 B.V.	Amsterdam	SNAM S.p.A.	100.00%	100.00%	1	At Cost
Arbolia S.p.A. Societa' Benefit	Milan	SNAM S.p.A.	51.00%	51.00%	510	At Cost
Asset Company 11 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	10	At Cost
Asset Company 4 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	1,010	At Cost
Asset Company 9 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	10	At Cost
Copower S.r.l.	Rome	Tep Energy Solution S.r.l.	51.00%	51.00%	46	At Cost
IES Biogas S.r.l. (Argentina)	Buenos Aires	IES Biogas S.r.l.	95.00%	95.00%	10	At Cost
		Snam 4 Environment S.r.l.	5.00%	5.00%	-	
Snam Gas & Energy Services (Beijing) Co. Ltd.	Pechino	Snam International B.V.	100.00%	100.00%	1,829	At Cost
Snam International UK Limited	London	Snam International B.V.	100.00%	100.00%	1,800	At Cost
Snam Middle East BV BS Co	Riyadh	Snam International B.V.	100.00%	100.00%	3,455	At Cost
Snam North America LLC	New York	Snam International B.V.	100.00%	100.00%	1,500	At Cost
Tea Innovazione Due S.r.l.	Brescia	Tep Energy Solution S.r.l.	100.00%	100.00%	120	At Cost
D. Unconsolidated associates (1)						
Albanian Gas Service Company Sh.a.	Tirana	SNAM S.p.A.	25.00%	25.00%	7	At Cost
Energy Investment Solution S.r.l.	Brescia	Tep Energy Solution S.r.l.	40.00%	40.00%	743	At Cost
Latina Biometano S.r.l.	Rome	IES Biogas S.r.l.	32.50%	32.50%	-	At Cost

(1) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities

During the period, the value of the equity investments changed as follows:

Equity investments: changes for the period

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
A. Opening balance	**1,797,294**	**1,705,720**
B. Increases	**840,934**	**464,143**
B.1 Purchases	527,854	239,526
of which business combinations		
B.2 Writebacks		
B.3 Revaluations	249,189	196,442
B.4 Other increases	63,891	28,175
C. Decreases	**(223,778)**	**(372,569)**
C.1 Sales	(18,180)	
of which business combinations	(590)	
C.2 Writedowns	(1,849)	(3,996)
C.3 Other decreases	(203,749)	(368,573)
D. Closing balance	**2,414,450**	**1,797,294**

Revaluations made during the period mainly concern the equity investments in Trans Austria Gasleitung GmbH (66 million euro), Trans Adriatic Pipeline AG (58 million euro), Terega Holding S.A.S. (39 million euro), Galaxy Pipeline Assets HoldCo Limited (25 million euro), Senfluga (22 million euro) and De Nora (21 million euro).

The other positive changes are mainly referred to the acquisition, on 8 January 2021, of 37.47% of Industrie De Nora S.p.A.[53]

The other negative changes are mainly attributable to decreases for dividends distributed by the investee companies.

Other information on equity investments

Consistent with the provisions set out in IFRS 12 “Disclosure of interests in other entities”, the financial performance of joint operations and associates is summarised below.

Significant equity investments: carrying amount and dividends received

(thousands of euro) Names	Carrying amount	Total Net equity	Pro quota Net Equity	Goodwill	Other changes	Dividend paid
A.1 Joint ventures						
Trans Austria Gasleitung GmbH	556,466	623,701	556,466	11,424		30,695
AS Gasinfrastruktur Beteiligung GmbH	121,163	302,910	121,163			9,200
Terega Holding S.A.S.	360,510	890,234	360,510	1,199		20,290
A.2 Associates						
Trans Adriatic Pipeline AG	309,952	1,092,580	309,952			
Interconnector (UK) Ltd	61,321	505,682	61,321			6,967
Senfluga energy infrastructure holdings S.A.	138,440	510,287	138,440			22,734
Galaxy Pipeline Assets Holdco Limited	216,609	1,714,209	216,609			39,625
Industrie De Nora S.p.A.	463,838	453,962	463,838	63,226		22,208

[53] As of 31 December 2021, the equity investment in Industrie De Nora stood at 35.63% following: (i) the subscription of a share capital increase, with the exclusion of the option right, as part of a share incentive plan and (ii) the shareholders’ exercise of call options with the acquisition of 1.38% pursuant to the provisions of the SHA.

Significant equity investments: accounting data

(thousands of euro) Names	Cash and cash equivalent	Current assets	Non current asstes	Current financial liabilities	Non current financial liabilities	Current liabilities	Non current liabilities	Revenues
A.1 Joint ventures								
Trans Austria Gasleitung GmbH	80,946	48,989	1,129,099	132,207	280,480	85,704	148,366	290,043
AS Gasinfrastruktur Beteiligung GmbH	1,839		588,051	3,171	39,925	80	243,804	51
Terega Holding S.A.S.	20,492	85,236	2,988,062	18,601	1,792,901	95,453	297,800	439,994
A.2 Associates								
Trans Adriatic Pipeline AG	231,597	301,582	4,438,370	254,360	3,270,114	152,569	201,926	767,103
Interconnector (UK) Ltd	43,067	25,686	625,077		64,101	46,761	77,286	58,057
Senfluga energy infrastructure holdings S.A.	114,227	86,420	815,968	31,580	349,606	98,167	26,975	214,759
Galaxy Pipeline Assets Holdco Limited	194,975	515	8,418,268	45,770	6,801,570	52,209		
Industrie De Nora S.p.A.	73,843	445,515	404,156	259,363	3,784	209,514	60,117	655,211

Interest income	Interest expenses	Depreciation	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Taxes	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3)= (1)+(2)
2	4,352	61,465	98,761		(24,826)	73,935	198	74,133
1,409	6,810		14,160		(2)	14,158	1,632	15,790
	39,117	108,671	134,200		(38,043)	96,157	(900)	95,257
162	111,304	189,950	344,720		(55,538)	289,182		289,182
	445	23,375	34,237		(5,746)	28,491		28,491
	10,157		81,941		(19,707)	62,234	4,790	67,024
5,286	192,174		203,653			203,653		203,653
13,456	16,330	35,678	93,553		(27,108)	66,445	16,337	82,782

Non-significant equity investments: accounting data

(thousands of euro) Type of investments	Carryng amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1)+(2)
Joint ventures	26,036	877,389	134,527	836,411	450	5	4,109		4,109
Associates	147,294	957,513	613,543	119,913	(9,692)	3,724	(6,440)		(6,440)

Commitments relating to equity investments

The contractual commitments referring to equity investments are listed in paragraph "IX. Guarantees and commitments".

5. Non-current financial assets

Below is a breakdown of the CDP RETI Group's non-current financial assets, which had a net value of 697 million euro at 31 December 2021 (936 million euro at 31 December 2020).

Non-current financial assets: financial assets at fair value - breakdown and fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings								
Loans								
Trading derivatives								
Total								
A.2 Other financial assets at FVTPL								
Debt securities								
Equity securities								
Units in collective investment undertakings								
Loans	5,007			5,007				
Total	**5,007**			**5,007**				
B. Financial assets at FVTOCI								
Debt securities	23,066	23,066			22,464	22,464		
Equity securities	115,953	81,355		34,598	127,365	84,379		42,986
Loans								
Total	**139,019**	**104,421**		**34,598**	**149,829**	**106,843**		**42,986**
Total	**144,026**	**104,421**		**39,605**	**149,829**	**106,843**		**42,986**

Non-current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities	156	156			156	156		
Loans and receivables	545,386	2,692		542,694	687,725			687,725
of which finance lease								
Total	**545,542**	**2,848**		**542,694**	**687,881**	**156**		**687,725**

Non-current financial assets: hedging derivatives - breakdown and fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	7,231		7,231		98,662		98,662	
Total	**7,231**		**7,231**		**98,662**		**98,662**	

The main component of the item is represented by the financial assets measured at amortised cost of the SNAM group (301 million euro) and the TERNA group (241 million euro).

6. Deferred tax assets

Deferred tax assets recorded in the financial statements at 31 December 2021 amount to 936 million euro (927 million euro at 31 December 2020), of which 853 million euro were recorded in the income statement.

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Deferred tax assets		
- recognised in income statement	852,591	811,311
- recognised in equity	83,452	115,620
Total	**936,043**	**926,931**

Below is the breakdown of deferred tax assets:

Deferred tax assets: breakdown

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Deferred tax assets recognised in income statement	**852,591**	**811,311**
- losses carried forward	742	1,150
- non-repayable grants	62,477	64,690
- misc. impairment	14,548	14,230
- financial instruments		
- payables		
- site decommissioning and reinstatement	199,862	199,206
- provisions	71,694	89,757
- write-downs on receivables	22,604	28,297
- equity investments		
- property, plant and equipment/intangible assets	374,724	331,929
- employee benefits	16,046	28,899
- exchange rate differences		
- other temporary differences	89,894	53,153
Deferred tax assets recognised in equity	**83,452**	**115,620**
- financial assets at FVTOCI		
- exchange rate differences		
- cash flow hedge	61,868	88,531
- other	21,584	27,089
Total	**936,043**	**926,931**

The changes in deferred tax assets during the year, with the balancing entry in the income statement, are shown below:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**811,311**	**755,816**
Change in opening balance		
2. Increases	**107,332**	**100,758**
2.1 Deferred tax assets recognised during the year	69,087	77,446
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	69,087	77,446
2.2 New taxes or increases in tax rates		
2.3 Other increases	37,917	23,312
2.4 Business combinations	328	
3. Decreases	**(66,052)**	**(45,263)**
3.1 Deferred tax assets derecognised during the year	(66,052)	(41,964)
a) reversals	(55,799)	(41,960)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other	(10,253)	(4)
3.2 Reduction in tax rates		
3.3 Other decreases		(3,299)
3.4 Business combination transactions		
4. Closing balance	**852,591**	**811,311**

The changes in deferred tax assets during the year, with the balancing entry in equity, are shown below:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**115,620**	**87,333**
Change in opening balance		
2. Increases	**323**	**29,964**
2.1 Deferred tax assets recognised during the year	1	5,930
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		2,205
d) other	1	3,725
2.2 New taxes or increases in tax rates		
2.3 Other increases	322	24,034
2.4 Business combinations		
3. Decreases	**(32,491)**	**(1,677)**
3.1 Deferred tax assets derecognised during the year	(5,828)	(1,677)
a) reversals	(5,828)	(1,677)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	(26,663)	
3.4 Business combination transactions		
4. Closing balance	**83,452**	**115,620**

7. Other non-current assets

Other non-current assets at 31 December 2021 amounted to 209 million euro (237 million euro at 31 December 2020).

The following table shows the breakdown:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Accrued income and prepaid expenses from regulated activities	117,164	181,991
Accrued income and prepaid expenses	14,364	13,910
Guarantee deposits	24,535	24,272
Loans and advances to employees	10,435	11,303
Receivables for tax withholdings and direct taxes	21,180	
Advances to suppliers		
Other assets	21,812	5,661
Total	**209,490**	**237,137**

Accrued income and prepaid expenses from regulated activities of 117 million euro at 31 December 2021, which represent the majority of Other non-current assets, relate to the tariff adjustment recognised by the Authority as a consequence of the plan to replace traditional meters with electronic meters entered in the financial statements of the ITALGAS group.

8. Non-current assets held for sale

Assets held for sale at 31 December 2021 amounted to 378 million euro (1.4 million euro at 31 December 2020).

The following table shows the breakdown:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
A. Individual assets		
A.1 Financial assets		
A.2 Equity investments		
A.3 Tangible assets		1,331
A.4 Intangible assets		
A.5 Other assets		
Total A		**1,331**
B. Asset groups (discontinued operating units)		
B.1 Property, plant and equipment	3,133	69
B.2 Inventories	19,285	
B.3 Intangible assets	12,485	
B.4 Equity investments		
B.5 Financial assets	207,871	
B.6 Other assets	134,924	
Total B	**377,698**	**69**
Total	**377,698**	**1,400**

The item includes the balance sheet values of the net assets attributable to the companies included in the scope of the potential sale of the TERNA Group's LatAm portfolio, which includes six Special Purpose Vehicles (SPVs): the four Brazilian subsidiaries, Terna Peru and the Uruguayan company Difebal S.A. Among the parties that have expressed interest, the pension fund CDPQ (Caisse de dépôt et placement du Québec) has been selected as the Preferred Bidder. On 20 December 2021, a Memorandum of Understanding (MoU) was signed with CDPQ, defining the terms and principles of the potential transaction and setting 8 weeks as the exclusivity period in which to perform the due diligence activities (currently underway) and to formalise a binding offer.

Specifically, the transaction required the reclassification as per IFRS 5 of the consolidated net assets of the Brazilian companies SPE Santa Lucia Transmissora de Energia S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and SPE Transmissora de Energia Linha Verde I S.A., the Peruvian Terna Perù S.A.C. and the Uruguay-based company Difebal S.A.

Current assets

9. Current financial assets

Below is a breakdown of the CDP RETI Group's current financial assets, which had a net value of 992 million euro at 31 December 2021 (655 million euro at 31 December 2020).

Current financial assets: financial assets at fair value: breakdown and fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings								
Loans	6			6	981			981
Trading derivatives								
Total	**6**			**6**	**981**			**981**
A.2 Other financial assets at FVTPL								
Debt securities								
Equity securities								
Units in collective investment undertakings								
Loans	119			119				
Total	**119**			**119**				
B. Financial assets at FVTOCI								
Debt securities	974,370	974,370			614,479	614,479		
Equity securities					119			119
Loans								
Total	**974,370**	**974,370**			**614,598**	**614,479**		**119**
Total	**974,495**	**974,370**		**125**	**615,579**	**614,479**		**1,100**

Current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities								
Loans and receivables	13,256			13,256	39,574			39,574
Total	**13,256**			**13,256**	**39,574**			**39,574**

Current financial assets: hedging derivatives - fair value levels

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	4,285		4,285		25		25	
Total	**4,285**		**4,285**		**25**		**25**	

The increase in financial assets at fair value (359 million euro) refers essentially to the Government securities purchased by the TERNA Group.

10. Income tax receivables

Income tax receivables recorded in the consolidated financial statements at 31 December 2021 amounted to 38 million euro (48 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro)		
Items/Figures	31/12/2021	31/12/2020
Income tax receivables		
- Ires receivables	33,061	43,660
- Irap receivables	4,947	4,533
- other tax receivables	13	
Total	**38,021**	**48,193**

11. Trade receivables

Trade receivables recorded in the consolidated financial statements at 31 December 2021 amounted to 6,077 million euro (3,408 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Energy-related receivables	2,114,926	844,398
Grid transport consideration receivables	477,895	200,573
Gas sector trade receivables	2,642,165	1,817,380
Other trade receivables	756,037	427,468
Construction contracts	86,387	118,286
Total	**6,077,410**	**3,408,105**

Trade receivables are calculated net of amounts deemed unrecoverable which, therefore, are recorded as an adjustment to the bad debt provision.

The Gas sector trade receivables mainly relate to:

- SNAM Group receivables, mainly concerning the natural gas transport (2,108 million euro) and storage (155 million euro) sectors;
- trade receivables amounting to 389 million euro, recorded by the ITALGAS Group, mainly relating to gas distribution and related services and including amounts due from the Eni group (180 million euro) and the Enel group (41 million euro).

TERNA's trade receivables amounted to 2,777 million euro and mainly include the so-called "pass-through" items related to the activities performed by Terna pursuant to Resolution 111/06 (2,129 million euro) as well as receivables due from dispatching customers for user fees (25.6 million euro); this item also includes the receivable from Cassa per i Servizi Energetici e Ambientali (CSEA) related to service quality and output-based incentive regulation (42.2 million euro).

12. Inventories

Inventories at 31 December 2021 were recorded in the financial statements for 296 million euro (266 million euro at 31 December 2020) and are recognised net of the provision for impairment of 46 million euro (45 million euro at 31 December 2020).

Inventories: breakdown

(thousands of euro)	31/12/2021			31/12/2020		
Items/Figures	Gross amount	Provision for impairment	Net value	Gross amount	Provision for impairment	Net value
Raw materials, supplies and consumables	277,839	(13,446)	264,393	261,314	(13,236)	248,078
Finished products and goods	64,077	(32,193)	31,884	50,172	(32,193)	17,979
Total	**341,916**	**(45,639)**	**296,277**	**311,486**	**(45,429)**	**266,057**

Inventories of raw materials, supplies and consumables mainly consist of natural gas of the SNAM group (89 million euro). The item also includes 105 million euro for gas meters to be used in the ITALGAS group's replacement programme, plus approximately 70 million euro related to assets to be used in the operation, maintenance and construction of plants of the TERNA group.

Finished products inventories, equal to 32 million euro in total, net of the relevant provision (18 million euro at 31 December 2020), consist instead of natural gas in the storage network.

13. Other current assets

The breakdown of Other current assets, which at 31 December 2021 amounted to 1,031 million euro (456 million euro at 31 December 2020), is shown below.

Other current assets: breakdown

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Accrued income and prepaid expenses from regulated activities	23,703	39,763
Accrued income and prepaid expenses	44,952	25,846
Guarantee deposits	133	211
Loans and advances to employees	2,035	163
Receivables for tax withholdings and direct taxes	225,182	142,047
Advances to suppliers	42,594	30,601
Other assets	692,895	217,715
Total	**1,031,494**	**456,346**

The increase (+575 million euro) compared to December 2020 is attributable to the increase in receivables due from CSEA of the SNAM group mainly related to the transportation segment and primarily attributable to receivables for balancing neutrality and the interruptibility service.

14. Cash and cash equivalents

Cash and cash equivalents, which amounted to 4,387 million euro at 31 December 2021 (6,470 million euro at 31 December 2020) can be broken down as shown in the following table and refer mainly to:

- SNAM Group (1,337 million euro): mainly current accounts and bank deposits in euro with financial institutions, representing the use of cash held for the group's financial needs (1,278 million euro);
- TERNA Group (1,567 million euro): short-term, highly liquid deposits (1,383 million euro) and current accounts and cash in hand (183 million euro).
- ITALGAS Group (1,392 million euro): current account deposits held with banks.

Cash and cash equivalents: breakdown

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Current accounts and demand deposits	2,528,430	5,087,834
Short-term financial investments	1,856,463	1,380,795
Cash	2,007	1,169
Total	**4,386,900**	**6,469,798**

II. LIABILITIES

15. Equity

15 a.Group equity

Equity pertaining to the Group, amounting to 4,713 million euro (4,390 million euro at 31 December 2020) consisted of the following:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Share capital	**162**	**162**
Issue premium	**1,315,158**	**1,315,158**
Reserves	**3,022,542**	**2,871,592**
- Legal reserve	32	32
- Reserve for shareholder payments for investments	2,029,921	2,029,921
- Other reserves		
- Retained earnings	992,589	841,639
Valuation reserves	**(50,618)**	**(95,903)**
- Cash flow hedges	(47,147)	(75,631)
- Exchange rate differences	(8,667)	(18,293)
- Actuarial Profit (Loss) on defined-benefit pension plans	(5,778)	(8,373)
- Share of valuation reserves of equity investments accounted for using equity method	356	(10,439)
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	378	1,266
- Financial assets (equity securities) measured at fair value through other comprehensive income	10,240	15,567
Advances on dividends	**(311,297)**	**(285,696)**
Net income for the period (+/-)	**736,682**	**584,375**
Total	**4,712,629**	**4,389,688**

During the period, there were no changes to the shareholding structure and the number of shares, which remained the same compared to the prior year:

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59.10%
State Grid		56,530		35.00%
Cassa Forense			4,253	2.63%
Foundations and Savings Banks			5,273	3.27%
Total	**95,458**	**56,530**	**9,526**	**100.00%**

Shares outstanding at the reporting date consisted of 161,514 shares without nominal value, fully paid-up.

15 b. Non-controlling interests

A breakdown of the item Non-controlling interests is provided below:

(migliaia di euro) Denominazioni	31/12/2021	31/12/2020
1. Italgas S.p.A.	2,030,442	1,916,194
2. SNAM S.p.A.	6,207,903	5,777,814
3. Terna S.p.A.	3,811,408	3,672,261
Totale	**12,049,753**	**11,366,269**

Non-current liabilities

16. Provisions for risks and charges

The provisions for risks and charges recorded in the consolidated financial statements at 31 December 2021 amounted to 1,076 million euro (1,172 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
1. Provision for risks of legal disputes	45,476	47,742
2. Provision for early retirement incentives	43,176	55,028
3. Provision for site decommissioning and reinstatement	713,734	710,015
4. Provision for tax risks	8,339	13,808
5. Provision for environmental risks and charges	90,426	115,951
6. Provisions for credit risk on guarantees provided		
7. Other provisions	174,788	229,743
Total	**1,075,939**	**1,172,287**

The provisions for site decommissioning and remediation, which represent the majority of this item, were recorded by the SNAM Group companies to cover the costs they will presumably incur to remove and reinstate natural gas storage and transport facilities.

The changes to the provisions for risks and charges recorded during the year are detailed below:

(thousands of euro) Items/Figures	Provision for risks of legal disputes	Provision for early retirement incentives	Provision for site decommissioning and reinstatement	Provision for tax risks	Provision for environmental risks and charges	Provisions for credit risk on guarantees provided	Other provisions	Total
Opening balance	**47,742**	**55,028**	**710,015**	**13,808**	**115,951**		**229,743**	**1,172,287**
Change in opening balance								
Changes for business combinations (+/-)							18	18
Increases:								
Allocation in the year	13,868	10,634		1,610			16,315	42,427
Changes due to the passing of time			4,245		(44)			4,201
Changes due to changes to the discount rate			20,112					20,112
Other changes	49			631			16,894	17,574
Decreases:								
Use in the financial year	(16,181)	(22,191)	(20,638)	(5,161)	(19,827)		(46,729)	(130,727)
- to charges	*(11,033)*	*(22,137)*	*(20,638)*	*(4,568)*	*(13,733)*		*(34,460)*	*(106,569)*
- due to surplus	*(5,148)*	*(54)*		*(593)*	*(6,094)*		*(12,269)*	*(24,158)*
Changes due to changes to the discount rate								
Other changes	(2)	(295)		(2,549)	(5,654)		(41,453)	(49,953)
Closing balance	**45,476**	**43,176**	**713,734**	**8,339**	**90,426**		**174,788**	**1,075,939**

17. Provisions for employee benefits

Below is the breakdown of the provisions for employee benefits:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Severance pay	124,320	129,783
Long-term service award	4,969	4,739
Supplementary health funds	26,756	25,422
Energy discount	3,196	3,600
Other employee benefits	33,747	43,063
Total	**192,988**	**206,607**

The changes to the Provisions for employee benefits are shown below:

(thousands of euro)

Items/Figures	Severance pay	Long-term service award	Supplementary health funds	Energy discount	Other employee benefits	Totale
Opening balance	**129,783**	**4,739**	**25,422**	**3,600**	**43,063**	**206,607**
Changes for business combinations	849				480	1,329
Current cost	798	745	1,198		(1,548)	1,193
Interest expense	125	13	96		11	245
Revaluations:						
- actuarial profit and loss due to changes in financial assumptions	2,635		1,252	(208)	(259)	3,420
- actuarial profit and loss due to changes in demographic assumptions	(583)				(25)	(608)
- effect of past experience	1,472		(512)		(1,002)	(42)
Other changes	(1,895)	(528)	(448)	(196)	(236)	(3,303)
Paid benefits	(8,864)		(252)		(6,737)	(15,853)
Closing balance	**124,320**	**4,969**	**26,756**	**3,196**	**33,747**	**192,988**

The average actuarial assumptions used by the CDP RETI Group for the purpose of applying IAS 19 are provided below.

Items/Figures %	Min	Max
Discount rate	0.37%	0.98%
Expected rate of salary increases	1.00%	4.00%
Inflation rate	0.70%	1.75%

18. Long-term loans

Long-term loans recorded by the Group at 31 December 2021 amounted to 25,931 million euro (26,581 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
Bonds		
- EMTN programme	19,336,600	19,139,362
- other issues		749,490
Bank loans	6,279,523	6,359,920
Lease liabilities	92,910	111,370
Other lenders	222,399	221,221
Total	**25,931,432**	**26,581,363**

Long-term loans relate chiefly to bond issues (19.3 billion euro) by SNAM (around 8 billion euro), TERNA (6.9 billion euro) and ITALGAS (4.4 billion euro).

An analysis of bond issues, with an indication of the issuing company, the currency, the interest rate and maturity, is provided below:

(thousands of euro)

Loans/Bonds	year of issue	Maturity	Currency	Rate	Carrying amount at 31/12/2021		Maturity analysis (years)				
					Current	Non current	2023	2024	2025	2026	beyond
CDP RETI	2015	2022	EURO	1.88%	758,099						
SNAM SPA	2021	2022	EURO	5.25%	590,101						
SNAM SPA	2014	2024	EURO	3.25%	11,750	383,190		383,190			
SNAM SPA	2014	2023	EURO	1.50%	1,985	190,731	190,731				
SNAM SPA	2015	2023	EURO	1.38%	259	160,179	160,179				
SNAM SPA	2016	2026	EURO	0.88%	1,984	1,245,081				1,245,081	
SNAM SPA	2017	2025	EURO	1.25%	3,943	337,599			337,599		
SNAM SPA	2017	2022	EURO	0,60%+EUR	150,523						
SNAM SPA	2017	2022	EURO	0.00%	396,034						
SNAM SPA	2017	2024	EURO	0.84%		106,129		106,129			
SNAM SPA	2017	2027	EURO	1.38%	1,616	647,409					647,409
SNAM SPA	2018	2023	EURO	1.00%	1,411	519,358	519,358				
SNAM SPA	2019	2025	EURO	1.25%	2,106	497,550			497,550		
SNAM SPA	2019	2030	EURO	1.63%	3,985	247,922					247,922
SNAM SPA	2019	2024	EURO	0.00%		697,248		697,248			
SNAM SPA	2019	2034	EURO	1.00%	1,775	589,053					589,053
SNAM SPA	2020	2030	EURO	0.75%	3,036	755,254					755,254
SNAM SPA	2020	2028	EURO	0.00%		596,763					596,763
SNAM SPA	2021	2025	EURO	0.00%		499,589			499,589		
SNAM SPA	2021	2031	EURO	0.63%	1,575	492,498					492,498
TERNA SPA		2022	EURO	0.88%	999,931						
TERNA SPA		2022	EURO	0.88%	39,939						
TERNA SPA		2023	EURO	2.73%		622,900	580,800				42,100
TERNA SPA		2023	EURO	1.00%		997,800	1,000,000				(2,200)
TERNA SPA		2024	EURO	4.90%		889,800		800,000			89,800
TERNA SPA		2025	EURO	0.13%		496,600			500,000		(3,400)
TERNA SPA		2026	EURO	1.00%		498,500				500,000	(1,500)
TERNA SPA		2026	EURO	1.60%		79,400				80,000	(600)
TERNA SPA		2027	EURO	1.38%		1,013,700					1,013,700
TERNA SPA		2028	EURO	1.00%		763,700					763,700
TERNA SPA		2029	EURO	0.38%		596,700					596,700
TERNA SPA		2030	EURO	0.38%		496,100					496,100
TERNA SPA		2032	EURO	0.75%		470,437					470,437
ITALGAS S.p.A.	2017	2027	EURO	1.63%	9,309	747,607					747,607
ITALGAS S.p.A.	2017	2022	EURO	0.50%	112,826						
ITALGAS S.p.A.	2017	2024	EURO	1.13%	3,676	380,211		380,211			
ITALGAS S.p.A.	2017	2029	EURO	1.63%	11,819	746,616					746,616
ITALGAS S.p.A.	2019	2030	EURO	0.88%	3,972	592,921					592,921
ITALGAS S.p.A.	2019	2031	EURO	1.00%	452	495,567					495,567
ITALGAS S.p.A.	2020	2025	EURO	0.25%	1,179	495,725			495,725		
ITALGAS S.p.A.	2021	2028	EURO	0.00%	479	493,148					493,148
ITALGAS S.p.A.	2021	2033	EURO	0.50%	2,399	493,615					493,615

With reference to the analysis of the maturities of payables for loans, please refer to the following table:

(thousands of euro)					Carrying amount at 31/12/2021		Maturity analysis (years)				
Loans/Bonds	year of issue	Maturity	Currency	Rate	Current	Non current	2023	2024	2025	2026	beyond
Leasing IFRS 16	2020	2032	EURO	0.82%	28	281	30	30	30	30	161
Loan 2020	2020	2025	EURO	Euribor 6m + spread	560	935,092			935,092		
IFRS16 - others	2019	2040	EURO	0.00%	6,142	13,541	4,315	3,141	2,818	1,831	1,436
IFRS 16 RESIDUAL	2021	2024	EURO	0.51%		250,000		250,000			
BNL	2018	2023	EURO	0.71%	6	150,000	150,000				
Bayerische LB	2018	2023	EURO	0.84%	98	50,000	50,000				
BNL	2020	2022	EURO	0.00%	150,035						
BNL	2020	2023	EURO	0.10%		150,000	150,000				
Intesa Sanpaolo S.p.A.	2020	2022	EURO	0.00%	250,000						
Unicredit S.p.A.	2020	2022	EURO	0.00%	190,000						
Mediobanca S.p.A.	2021	2024	EURO	0.04%		100,000		100,000			
Intesa Sanpaolo S.p.A.	2021	2024	EURO	0.00%		250,000		250,000			
European Investment Bank	2009	2029	EURO	0.00%	20,000	140,000	20,000	20,000	20,000	20,000	60,000
European Investment Bank	2013	2033	EURO	0.52%	19,248	207,535	18,867	18,867	18,867	18,867	132,067
European Investment Bank	2015	2035	EURO	0.00%	13,333	166,665	13,333	13,333	13,333	13,333	113,333
European Investment Bank	2015	2035	EURO	0.00%	24,867	323,268	24,867	24,867	24,867	24,867	223,800
European Investment Bank	2013	2032	EURO	0.33%	4,358	43,332	4,333	4,333	4,333	4,333	26,000
European Investment Bank	2017	2037	EURO	1.50%	10,333	299,668	20,667	20,667	20,667	20,667	217,000
European Investment Bank	2019	2038	EURO	1.37%		135,210		9,000	9,000	9,000	108,210
European Investment Bank	2019	2031	EURO	0.55%	2,500	22,500	2,500	2,500	2,500	2,500	12,500
European Investment Bank	2019	2039	EURO	0.64%		105,000		3,500	7,000	7,000	87,500
Banca PopSo - EVOLVE	ND	2025	EURO	Euribor 1 m + 1.5%	120	253	120	121	12		
Mediocredito in pool - EVOLVE	ND	2023	EURO	2.00%	671	185	185				
Banco BPM - EVOLVE	ND	2022	EURO	Euribor 3 m + 0.90%	200						
BPER RINVENUTO - MIECI	ND	2025	EURO	Euribor 3 m + 0.551%	404	1,042	401	403	238		
MPS RINVENUTO - MIECI	ND	2024	EURO	0.50%							
Banca PopSo - TLUX	ND	2024	EURO	Euribor 3 m + 1.25%	1,592	2,805		1,542	1,263		
LEASING		2023	EURO		5,992	29,988	29,988				
European Investment Bank		2042	EURO	0.81%	20,500	833,500	20,500	24,600	47,700	47,700	693,000
TERNA SPA		2022	EURO	-0.01%	200,000						
European Investment Bank		2041	EURO	0.09%	112,719	945,915	113,900	115,300	115,300	115,300	486,115
TERNA SPA		2023	EURO	-0.01%	300,000	100,000	100,000				
TERNA SPA			EURO	0.00%	882	28	28				
IFRS16 residuale			EURO	vari	19,217	49,100	16,037	13,669	8,560	5,527	5,307
ITALGAS S.p.A. - EIB	2017	2037	EURO	0.35+Euribor 6M	10	359,819	24,000	24,000	24,000	24,000	263,819
ITALGAS S.p.A. - EIB	2015	2035	EURO	0.14+Euribor 6M	8,267	107,467	8,267	8,267	8,267	8,267	74,399
ITALGAS S.p.A. - EIB	2016	2032	EURO	0.47+Euribor 6M	25,000	249,837	25,000	25,000	25,000	25,000	149,837
TOSCANA ENERGIA S.p.A - EIB	2016	2031	EURO	1.05%	8,182	69,521	8,182	8,182	8,182	8,182	36,793
ITALGAS S.p.A.	2021	2024	EURO	0.00%		200,000		200,000			
ITALGAS S.p.A.	2021	2024	EURO	0.00%		300,000		300,000			
Italgas group			EURO	0.00%	727	3,280	3,280				

The table below shows the reconciliation of the liabilities arising from the loans, as required by IAS 7:

(thousands of euro) Items/Figures	31/12/2020	Changes from financing cash flows	No cash flow changes: Effect of changes in foreign exchange rates	No cash flow changes: Changes due to IFRS9	No cash flow changes: Changes arising from obtaining or losing control of subsidiaries or other businesses	31/12/2021
Cash and cash equivalents	6,469,798	(2,082,244)	(1,443)		789	4,386,900
Short-term financial debts	5,608,546	(1,154,897)		993,869	1,818	5,449,336
Long-term financial debts	29,618,581	1,035,293		(352,060)	17,483	30,319,297
Financial debts for leased goods	143,528	(37,002)		17,763		124,289
Gross financial debt	**35,370,655**	**(156,606)**		**659,572**	**19,301**	**35,892,922**
Net financial debt	**28,900,857**	**1,925,638**	**1,443**	**659,572**	**18,512**	**31,506,022**

19. Other non-current financial liabilities

Other non-current financial liabilities were recognised in the financial statements for a total amount of 91 million euro (316 million euro at 31 December 2020). The following table shows the breakdown of the item and the respective fair value levels.

(thousands of euro)	31/12/2021			31/12/2020		
Items/Figures	L1	L2	L3	L1	L2	L3
Fair value-related hedging derivatives						
a) interest rate risk						
b) exchange rate risk						
c) several risks						
Cash flow hedge-related derivatives		**46,408**			**225,484**	
a) interest rate risk		46,408			225,484	
b) exchange rate risk						
c) other						
Foreign investments hedging derivatives						
a) interest rate risk						
b) exchange rate risk						
c) other						
Non-hedging derivatives		**44,511**			**90,709**	
Totale		**90,919**			**316,193**	

20. Deferred tax liabilities

Deferred tax liabilities recorded at 31 December 2021 amounted to 2,152 million euro (2,606 million euro at 31 December 2020), and consist almost entirely of deferred tax liabilities entered as the balancing entry recognised in the income statement as detailed in the following table:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Deferred tax liabilities		
- recognised in income statement	2,147,088	2,602,126
- recognised in equity	5,300	3,760
Total	**2,152,388**	**2,605,886**

Below is the breakdown of deferred tax liabilities:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
Deferred tax liabilities recognised in income statement	**2,147,088**	**2,602,126**
- surplus paid in instalments	1,757	2,319
- staff severance pay	13,665	13,672
- leasing		
- property, plant and equipment	1,927,992	2,356,666
- own securities		
- equity investments	21,993	17,812
- other financial instruments		
- exchange rate differences		
- other temporary differences	181,681	211,657
Deferred tax liabilities recognised in equity	**5,300**	**3,760**
- financial assets at FVTOCI		
- other reserves	5,300	3,760
- Law 213/98 reserves		
- other reserves		
Total	**2,152,388**	**2,605,886**

The changes in deferred tax liabilities during the year, with the balancing entry in the income statement, are shown below:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**2,602,126**	**2,690,702**
Change in opening balance		
2. Increases	**27,736**	**70,317**
2.1 Deferred tax liabilities recognised during the year	16,863	20,404
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	16,863	20,404
2.2 New taxes or increases in tax rates	1,461	
2.3 Other increases	8,621	38,303
2.4 Business combination transactions	791	11,610
3. Decreases	**(482,774)**	**(158,893)**
3.1 Deferred tax liabilities derecognised during the year	(481,934)	(158,893)
a) reversals	(437,871)	(125,943)
b) due to change in accounting policies		
c) others	(44,063)	(32,950)
3.2 Reduction in tax rates		
3.3 Other decreases	(840)	
3.4 Business combination transactions		
4. Closing balance	**2,147,088**	**2,602,126**

The changes in deferred tax liabilities during the year, with the balancing entry in equity, are shown below:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**3,760**	**8,693**
Change in opening balance		
2. Increases	**2,014**	
2.1 Deferred tax liabilities recognised during the year	2,008	
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	2,008	
2.2 New taxes or increases in tax rates		
2.3 Other increases	6	
2.4 Business combination transactions		
3. Decreases	**(474)**	**(4,933)**
3.1 Deferred tax liabilities derecognised during the year	(474)	(871)
a) reversals	(474)	(871)
b) due to change in accounting policies		
c) others		
3.2 Reduction in tax rates		
3.3 Other decreases		(4,062)
3.4 Business combination transactions		
4. Closing balance	**5,300**	**3,760**

21. Other non-current liabilities

The table below provides a breakdown of Other non-current liabilities recognised at 31 December 2021 for a total amount of 2,136 million euro (1,563 million euro at 31 December 2020).

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
Accrued liabilities and deferred income	5,280	6,413
Payments on account and advances		
Accrued liabilities and deferred income from regulated activities	1,214,184	1,237,969
Other liabilities	916,060	319,100
Total	**2,135,524**	**1,563,482**

Other non-current liabilities mainly consist of the following:

- Accrued expenses and deferred income consisting of deferred income for grants related to plants of Terna S.p.A. (80 million euro), and the liability towards lenders financing the Italy-France, Italy-Montenegro and Italy-Austria private Interconnector (totalling 558 million euro). The item also includes accrued expenses and deferred income related to connection fees of the ITALGAS Group (532 million euro).
- Other liabilities, mainly relating to the security deposits received in favour of the Terna Group from the operators participating in the capacity market pursuant to Resolution 98/2011/R/eel (117 million euro), and the Interconnector Guarantee Fund established for Terna S.p.A. pursuant to the 2016 Stability Law (127 million euro) for the carrying out of interconnection work, pursuant to art. 32 of Law 99/09.

22. Liabilities directly attributable to assets held for sale

At 31 December 2021, the item amounted to 258 million euro relating to ‘Operating liabilities discontinued and held for sale’, which contains the balances for net assets attributable to the four subsidiaries of the TERNA Brazil Group, Terna Peru and the Uruguayan company Difebal S.A.

The following table shows the breakdown:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
C. Liabilities associated to individual assets held for sale		
C.1 Debts		
C.2 Securities		
C.3 Other liabilities		
Total C		
D. Liabilities associated to groups of individual assets held for sale		
D.1 Loans payable	220,369	
D.2 Financial liabilities	1,379	
D.3 Provisions		
D.4 Other liabilities	36,053	
Total D	**257,801**	
Total	**257,801**	

Current liabilities

23. Current portion of long-term loans

This item, which at 31 December 2021 amounted to 4,512 million euro (3,181 million euro at 31 December 2020) includes the current portion of long-term loans. The following table shows its composition:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Bonds		
- EMTN programme	1,962,030	1,686,164
- other issues	1,154,133	8,299
Bank loans	1,364,479	1,453,985
Lease liabilities	31,379	32,158
Other lenders	133	140
Total	**4,512,154**	**3,180,746**

A breakdown of this item is detailed in the tables set out in note 18.

24. Trade payables

Trade payables recorded at 31 December 2021 amounted to 5,171 million euro (3,380 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Payables due to suppliers	5,141,795	3,368,149
- energy-related payables	*2,353,462*	*1,187,149*
- non-energy-related payables	*893,155*	*1,017,947*
- GAS sector payables	*1,698,404*	*1,095,490*
- due to other suppliers	*196,774*	*67,563*
Payables for construction contracts	28,960	12,276
Total	**5,170,755**	**3,380,425**

Energy-related trade payables (2,353 million euro) recorded in TERNA's financial statements, relating to the financial effects of "pass-through" costs, principally related to TERNA's electricity dispatching operations, as well as to the transport fees due to other owners of portions of the national transmission grid.

Non-energy related trade payables of 893 million euro recorded in TERNA Group's consolidated financial statements refer to amounts owed to suppliers for invoices both already received and yet to be received for tenders, services and the purchase of materials and equipment.

Trade payables from the GAS segment of 1,698 million euro mainly related to the transport sector (1,132 million euro, of which 1,011 million euro related to balancing services) of the SNAM Group, and trade payables (301 million euro) of the ITALGAS Group.

25. Income tax liabilities

Current tax liabilities amounted to 81 million euro at 31 December 2021 (36 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2021	31/12/2020
Income tax payables		
- Ires payables	73,260	34,197
- Irap payables	8,031	2,259
- other tax payables	162	4
Total	**81,453**	**36,460**

26. Current financial liabilities

Current financial liabilities amounted to 5,456 million euro at 31 December 2021 (5,616 million euro at 31 December 2020).

Other financial liabilities amounted to 5,449 million euro at 31 December 2021 (5,609 million euro at 31 December 2020) and mainly related to uncommitted floating-rate credit facilities (610 million euro) and the issue of unsecured Euro Commercial Papers (2,503 million euro) of the SNAM group.

The following table shows the breakdown:

(thousands of euro)	31/12/2021				31/12/2020			
Items/Figures	Carring amount	L1	L2	L3	Carring amount	L1	L2	L3
Fair value-related hedging derivatives	**290**		**290**		**299**		**299**	
a) interest rate risk	290		290		299		299	
b) exchange rate risk								
c) several risks								
Cash flow hedge-related derivatives	**6,685**		**6,685**		**6,849**		**6,849**	
a) interest rate risk	6,685		6,685		6,849		6,849	
b) exchange rate risk								
c) other								
Hedging derivatives on foreign investment								
a) interest rate risk								
b) exchange rate risk								
c) other								
Non-hedging derivatives								
Other financial liabilities	**5,449,336**			**5,449,336**	**5,608,546**			**5,608,546**
Total	**5,456,311**		**6,975**	**5,449,336**	**5,615,694**		**7,148**	**5,608,546**

27. Other current liabilities

Other current liabilities amounted to 2,171 million euro at 31 December 2021 (1,929 million euro at 31 December 2020) and were broken down as shown in the following table:

(thousands of euro)

Items/Figures	31/12/2021	31/12/2020
VAT payables	32,430	626
Irpef withholdings on employees	15,425	16,288
Other duties and taxes	10,412	9,554
Accrued liabilities and deferred income	39,301	21,282
Advances	105,183	65,254
Payables due to pension and social security institutions	63,440	60,710
Payables due to employees	124,926	118,880
Accrued liabilities and deferred income from regulated activities	19,327	48,426
Other liabilities	1,760,621	1,588,211
Total	**2,171,065**	**1,929,231**

“Other liabilities” mainly refer to payables for investing activities (412 million euro, mainly related to natural gas transport, for 296 million euro, and natural gas storage, for 60 million euro) and payables due to CSEA (Cassa Conguaglio Settore Elettrico) by the SNAM Group (677 million euro).

III - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

A. REVENUES

28. Revenues from sales and services

Revenues from sales and services: breakdown

(thousands of euro)

Items/Figures	2021	2020
Revenues from electricity dispatching and distribution		
Grid transport consideration fees	2,040,991	1,938,081
CTR adjustments for previous years		441
Service quality	11,619	29,396
Other energy revenues	160,682	137,767
Other sales and performance	321,195	271,662
Total	**2,534,487**	**2,377,347**
- of which IFRIC 12 revenues	*46,933*	*28,454*
Revenues from storage, transportation, regasification and distribution of natural gas		
Storage	467,647	498,493
Distribution	2,032,664	2,027,971
Transport and dispatching	2,378,873	2,010,000
Regasification	19,493	20,923
Other sales and performance	484,428	235,154
Total	**5,383,105**	**4,792,541**
- of which IFRIC 12 revenues	*772,005*	*668,231*
Total revenues from sales and services	**7,917,592**	**7,169,888**

Revenues for the dispatching and distribution of electricity (2,534 million euro) increased (approximately +157 million euro compared to the previous year) essentially deriving from the following effects:

- the grid transmission fees (+102.5 million euro compared to the previous year): this item refers to the income for ownership and management of the National Transmission Grid (NTG) earned by Terna S.p.A. (1,892.4 million euro) and the subsidiaries Rete S.r.l. (132.7 million euro) and Terna Crna Gora d.o.o. (15.9 million euro). The increase in income for the transmission service is essentially attributable to the impact of the expansion of the RAB (+64 million euro) and the effects of the output-based incentive mechanisms[54] (+48.1 million euro, as per ARERA Resolutions 23/2022, 579/17, 884/17, 319/21, 395/21 and 25/2022);
- other sales and services (+50 million euro compared to the previous year): mostly referring to revenue generated by the non-regulated business of the TERNA Group. The increase compared with the previous year is mainly attributable to the contribution of the Tamini Group and the Brugg Group.

Revenues in the gas sector, which amounted to 5,383 million euro, refer to the following sectors of activities: transport and dispatching (2,379 million euro); distribution (2,033 million euro); natural gas storage (468 million euro); LNG regasification (19 million euro) and other sales and services (484 million euro). These revenues are recorded net of the tariff components, in addition to the tariff, which are meant to cover the general costs of the gas system. The amounts collected are then paid to Cassa per i Servizi Energetici e Ambientali (CSEA), for the same amount.

29. Other revenues and income

The table below shows the breakdown of Other revenues and income, which at 31 December amounted to 145 million euro (216 million euro at 31 December 2020):

[54] Efficiency bonus linked to the investment costs for ensuring transport capacity for the year 2020 (as per Resolution 23/2022), efficiency bonuses for development interventions completed by 30 September 2020, premiums linked to activities in preparation for the output-based regulation conducted in 2018 and 2019 and bonus for the NTG unification.

(thousands of euro)

Items/Figures	2021	2020
Other industrial revenues	**37,850**	**59,293**
Revenues from the sale of gas for the balancing service	2,475	20,770
Income from the sale of energy efficiency securities	232	
Contractual penalties and other income relating to trade transactions	35,143	38,523
Other revenues and incomes	**87,487**	**144,072**
Rental income	2,618	4,050
Lease of business unit		
Other contributions	28,571	27,803
Other income	56,298	112,219
Gains on disposal	**19,975**	**12,349**
Gains on disposal from property, plant and equipment	19,975	8,776
Gains on disposal from intangible assets		3,573
Total	**145,312**	**215,714**

B. OPERATING COSTS

30. Raw materials and consumables used

The breakdown of costs for raw materials is shown in the table below:

(thousands of euro)

Items/Figures	2021	2020
Raw materials, supplies, consumables and goods	977,496	587,614
Increases for internal work	(51,957)	(130,664)
Total	**925,539**	**456,950**

The item represents the value of materials and miscellaneous equipment consumed in ordinary plant operation and plant maintenance, as well as the consumption of materials for the fulfilment of orders.

31. Services

Costs for services recognised in the financial statements at 31 December 2021 amounted to 1,056 million euro (937 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro)

Items/Figures	2021	2020
Construction, planning and works management	484,476	431,370
IT services (Information Technology)	117,733	96,862
Purchase of transport capacity (interconnection)	11	
Maintenance services	44,563	44,831
Technical, legal, administrative and professional services	203,882	150,067
Personnel-related services	25,069	19,625
Telecommunications services	44,446	44,523
Electricity, thermal energy, water, etc.	32,144	30,688
Advertising and marketing expenses	20,478	15,584
Other services	130,709	142,211
Costs for leases and rentals	120,626	123,050
- fees, patents and user licenses	*84,502*	*80,477*
- leases and rentals	*36,124*	*42,573*
Increases for internal work	(172,831)	(164,800)
Commission expenses	4,803	3,140
Total	**1,056,109**	**937,151**

Costs for professional services include the 2021 fees for auditing, certification and other services provided to companies of the Group by the independent auditors of the parent company CDP RETI, namely Deloitte & Touche S.p.A.

The following disclosure is provided pursuant to Article 149-duodecies of CONSOB Issuers' Regulations:

(thousands of euro)

Items/Figures	Service Provider	2021
Auditing		2,333
Certification	Deloitte & Touche S.p.A.	380
Other		4
Total		**2,717**

32. Staff costs

A breakdown of staff costs is provided below:

(thousands of euro)

Items/Figures	2021	2020
1) Employees	**932,670**	**893,177**
a) salaries and wages	661,920	618,036
b) social security charges	4,982	4,399
c) staff severance pay	18,095	17,536
d) pension costs	177,052	168,464
e) provision for staff severance pay	3,138	1,495
f) provision for post-employment benefits:	13,168	
- defined contribution	13,168	
- defined benefits		
g) payments to external supplementary pension plans:	13,441	24,921
- defined contribution	9,907	21,759
- defined benefits	3,534	3,162
h) costs related to payment agreements based on own equity instruments		
i) other benefits for employees	40,874	58,326
2) Other personnel in service	**6,887**	**5,520**
3) Board of Directors and Board of Auditors	**14,046**	**13,682**
4) Retired personnel		
5) Increases for internal work	**(169,626)**	**(151,271)**
Total	**783,977**	**761,108**

The following table shows the average headcount of group employees by contractual level:

Items/Figures	2021	2020
Senior Managers	297	272
Middle Managers	1,628	1,497
Office staff	6,710	6,470
Manual workers	3,626	3,538
Total	**12,261**	**11,777**

With reference to the average figures of workforce per company, see paragraph “3.1 Organisational structure” of the consolidated report on operations.

33. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

Amortisation, depreciation and impairment, amounting to 2,185 million euro at 31 December 2021 (2,118 million euro at 31 December 2020) are broken down as follows:

(thousands of euro) Items/Figures	2021				2020			
	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)
Property, plant and equipment	**1,563,154**	**12,496**	**(31)**	**1,575,619**	**1,513,407**	**19,091**	**(1,143)**	**1,531,355**
- Owned	*1,521,677*	*12,496*	*(31)*	*1,534,142*	*1,478,049*	*19,091*	*(1,143)*	*1,495,997*
- Right of use acquired under leases ex IAS 17	*394*			*394*	*332*			*332*
- Right of use acquired under leases IFRS 16	*41,083*			*41,083*	*35,026*			*35,026*
Intangible assets	**608,703**	**928**		**609,631**	**585,313**	**933**		**586,246**
- Owned	*608,703*	*928*		*609,631*	*585,313*	*933*		*586,246*
- Right of use acquired under leases IFRS 16								
Total	**2,171,857**	**13,424**	**(31)**	**2,185,250**	**2,098,720**	**20,024**	**(1,143)**	**2,117,601**

33 a. Net impairment/ recoveries of trade receivables and other receivables

This item, introduced following the adoption of IFRS 9, is equal to -2.1 million euro and is attributable essentially to the SNAM Group.

34. Other operating costs

Other operating costs, which amounted to 174 million euro at 31 December 2021 (225 million euro at 31 December 2020), are shown in the table below:

(thousands of euro) Items/Figures	2021	2020
Indirect duties and taxes	32,782	29,208
Losses from cancellation of property, plant and machine and intangible assets	27,184	21,909
Net provisions for bad debts		
Methane gas consumption tax		
Service quality charges	8,590	16,587
Net provision for risks and charges	7,395	78,663
Net accruals to the provisions for credit risk on commitments and guarantees issued		
Other costs	97,920	78,615
Total	**173,871**	**224,982**

C. FINANCIAL INCOME (EXPENSE)

35. Financial income

Financial income, amounting to 101 million euro (46 million euro at 31 December 2020) was broken down as follows:

(thousands of euro) Items/Figures	2021	2020
Interest income and other financial income	47,277	40,403
- of which: interest income on finance lease		
Interest income on hedging derivatives	670	3,808
Income on trading activities	50,003	
Income on hedging transactions	1,188	9
Financial income on disposal and repurchase		
Fair value gains of financial assets measured at fair value	391	
Recoveries for credit risk relating to financial assets at fair value	809	1
Other financial income	302	1,934
Total	**100,640**	**46,155**

36. Financial expenses

Financial expenses recognised at 31 December 2021 amounted to 318 million euro (412 million euro at 31 December 2020) and are broken down as follows:

(thousands of euro) Items/Figures	2021	2020
Interest expenses and other charges	289,608	308,685
- of which: interest expenses on bonds	*233,043*	*246,706*
- of which: interest expense on finance lease	*1,133*	*1,380*
Interest expenses on hedging derivatives	7,480	2,799
Exchange rate differences		4,034
Financial expenses from trading activities		52,028
Financial expenses from hedging activities	14,002	25,239
Financial expenses on disposal and repurchase	6,623	18,007
Fair value losses of financial assets measured at fair value		
Adjustments for credit risk relating to financial assets	1	907
Other financial expenses		
Total	**317,714**	**411,699**

37. Portion of income / (expenses) from equity investments accounted for using the equity method

Income and expenses from equity investments, amounting to 247 million euro at 31 December 2021 (182 million euro at 31 December 2020) consisted of the following:

(thousands of euro)	2021				2020			
Items/Figures	Joint ventures	Associates	Other	Total	Joint ventures	Associates	Other	Total
A. Income	**113,436**	**135,825**	**152**	**249,413**	**131,616**	**64,826**	**1,655**	**198,097**
1. Income	113,436	135,601	152	249,189	131,616	64,826		196,442
- Net equity valued investments	113,436	135,601		249,037	131,616	64,826		196,442
- Other investments			152	152				
2. Gains on disposal								
3. Writebacks								
4. Other		224		224			1,655	1,655
B. Charges	**(1,650)**	**(214)**	**(500)**	**(2,364)**	**(11,230)**	**(4,365)**	**(833)**	**(16,428)**
1. Impairment	(1,650)	(199)		(1,849)		(3,996)		(3,996)
- Net equity valued investments	(1,650)	(199)		(1,849)		(3,996)		(3,996)
- Other investments								
2. Impairment adjustments								
3. Losses on disposal								
4. Other		(15)	(500)	(515)	(11,230)	(369)	(833)	(12,432)
Total	**111,786**	**135,611**	**(348)**	**247,049**	**120,386**	**60,461**	**822**	**181,669**

For further information see paragraph “4. Equity investments” of these notes.

37a. Other income (expenses) from equity investments

There was no other income (expenses) from equity investments at 31 December 2021.

D. TAXES FOR THE PERIOD

38. Taxes for the period

Taxes for the year amounted to 512 million euro (728 million euro at 31 December 2020) and were broken down as follows:

(thousands of euro)

Items/Figures	2021	2020
1. Current taxes (+/-)	998,164	911,006
2. Change in current taxes from previous years (+/-)	(18,342)	(4,776)
3. Reduction of current taxes for the year (+)	(1,218)	(2,089)
4. Change in deferred tax assets (+/-)	(3,035)	(32,652)
5. Change in deferred tax liabilities (+/-)	(463,610)	(143,200)
Taxes for the period	**511,959**	**728,289**

Reconciliation between theoretical and actual tax liability: IRES

(thousands of euro)

Items/Figures	2021	2020
Income (loss) before taxes	**2,966,045**	**2,701,745**
IRES theoretical tax liability (24.0%)	(711,851)	(648,419)
Increase in taxes	**(344,440)**	**(291,312)**
- non deductible interest expenses 4%	(5,426)	(7,012)
- temporary non deductible differences	(34,841)	(32,006)
- permanent non deductible differences	(84,836)	(30,654)
- equity investments impairment		
- adjustments on receivables		
- effect of different foreign rates (-)	(205)	(253)
- additional IRES tax (so called "Robin Hood tax")		
- technical reserves		
- exchange rate differences	(234)	
- other changes	(218,898)	(221,387)
Decreases in taxes	**213,245**	**179,997**
- dividends 95% exempt	158,924	140,781
- non-taxable income		
- ACE benefit	18,245	15,760
- temporary differences	526	781
- prior period deductible expenses		
- IRAP deduction	1,941	2,192
- staff bonuses		
- technical reserves		
- use of accruals	13,434	4,770
- exchange rate differences		251
- effect of different foreign rates (+)		
- other changes	20,175	15,462
IRES Actual tax liability	**(843,045)**	**(759,734)**

Reconciliation between theoretical and actual tax liability: IRAP

(thousands of euro)

Items/Figures	2021	2020
IRAP tax base	**3,125,704**	**3,077,209**
IRAP theoretical tax liability 5.57%	(174,102)	(171,382)
Increases in taxes	**(12,452)**	**(17,456)**
- non deductible interest expenses 4%	(108)	(67)
- other non deductible expenses	(5,124)	(10,121)
- effect of different regional tax rates (-)	(7,220)	(7,268)
Decreases in taxes	**31,729**	**37,565**
- prior period deductible expenses (+)		
- deductible employees costs		
- decreases	1,893	6,250
- effect of different regional tax rates (+)	29,836	31,315
- IRAP surcharge		
IRAP Actual tax liability	**(154,825)**	**(151,273)**

E. NET INCOME (LOSS) ON CONTINUING OPERATIONS

39. Net income (loss) from assets held for sale

The net income (loss) from assets held for sale at 31/12/2021, amounting to -12.8 million euro derives from the net result of the operations included within the scope of the potential transfer of the LatAm portfolio of the TERNA Group, which includes 6 special-purpose vehicles (SPVs): the four subsidiaries controlled by TERNA in Brazil, Terna Perù and the Uruguayan company Difebal S.A.

(thousands of euro)

Items/Figures	2021	2020
1. Income	50,670	91,935
2. Expenses	(48,162)	(89,427)
3. Results of valuations of the disposal groups and associated liabilities	(11,504)	
- Revaluations		
- Impairments	(11,504)	
4. Gains (losses) on disposal		
- Gains on disposal		
- Losses on disposal		
5. Duties and taxes	(3,848)	(415)
Totale	**(12,844)**	**2,093**

IV – BUSINESS COMBINATIONS

IV.1 TRANSACTIONS IN THE PERIOD

The following business combinations of relevance for the CDP RETI Group were carried out during 2021.

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Isgastrentatre	13/07/2021	755	52%	630	-1,443
EL.IT.E S.r.l.	27/07/2021	5,345	100%	133	17
Gruppo LT	12/10/2021	20,699	75%	16,823	982
Laser TLC S.r.l.	11/11/2021	4,000	100%	2,367	544
Fratelli Ceresa S.p.A.	01/12/2021	21,331	84%	16,146	1,372

(1) = Cost of transaction
(2) = Percentage of voting rights in the Ordinary Shareholders' Meeting
(3) = Total group revenues
(4) = Group net Profit (Loss)

Acquisition of Isgastrentatre

On 17 July 2021 Italgas, through its subsidiary Medea S.p.A., finalised the acquisition of the entire share capital of Isgastrentatrè, the company holding the concession for the management of the natural gas service in Basin 33 in Sardinia. The company was then merged into Medea S.p.A.

The table below shows the consideration paid for the acquisition of the business unit, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

(thousands of euro) Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	3		3
Property, plant and equipment	117		117
Intangible assets	25,173		25,173
Other assets	555		555
Total acquired assets	**25,848**		**25,848**
Liabilities			
Bank financial liabilities	17,395		17,395
Tax liabilities	376		376
Other liabilities	7,322		7,322
Total acquired liabilities	**25,093**		**25,093**
Acquired net assets	**755**		**755**
Badwill			
Business combination cost	**755**		**755**

Acquisition of EL.IT.E S.r.l.

On 27 July 2021, Terna S.p.A. completed the acquisition of 100% of the shares in EL.IT.E. S.p.A., transformed at the same time into EL.IT.E S.r.l., the corporate vehicle holding the following assets:

- the portion of Italian territory of the underground 150 kV “Tirano – Campocologno” connecting power line between Switzerland and Italy, for the transmission of electricity to the National Electricity Transmission Grid, measuring about 4 km and the related tunnel located on Italian soil and required for the line;
- 150/220 kV station in Tirano (SO);
- accessions, appurtenances, active and passive easements, rights, reasons and actions, authorisations, concessions, permits, licences and existing project documents relating to the assets;

The closing of the transaction was financed by Terna S.p.A. with its own resources. The final value for the acquisition of 100% of the equity investment was 5.3 million euro.

The amount of the expected consideration was lower than the value of the net assets at the acquisition date, resulting in the emergence of a gain from an acquisition at favourable prices of about 1.2 million euro, allocated under deferred tax assets as relating to the recognition of the tax effect calculated on the fiscally non-deductible portion of depreciation (pursuant to Article 102-bis of the Consolidated Income Tax Law, "TUIR"), prepaid taxes that the counterparty had been able to record in consideration of the expiry of the exemption[55].

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	3,648		3,648
Tax assets	85	1,185	1,270
Other assets	493		493
Total acquired assets	**4,226**	**1,185**	**5,411**
Liabilities			
Other liabilities	66		66
Total acquired liabilities	**66**		**66**
Acquired net assets	**4,160**	**1,185**	**5,345**
Goodwill			
Business combination cost	**4,160**	**1,185**	**5,345**

Acquisition of the LT Group

On 12 October 2021, Terna, through its subsidiary Terna Energy Solutions S.r.l., completed the acquisition of 75% of the share capital of **LT S.r.l.**. (LT Group). The acquisition established the first national operator in the Operation & Maintenance sector for photovoltaic plants, with about 1,000 MWp being managed, confirming the role of Terna as director and enabler of energy transition and as constant supporter in the growth of renewable energy sources. LT S.r.l. also operates in the designing and implementation of revamping and repowering works for existing plants, contributing to the improvements in production of the plants installed nationally and the achievement of the national objectives in energy transition. In addition, the company also operates in the construction of new photovoltaic plants for third parties.

LT S.r.l. in turn controls 100% of LT Enerray S.r.l. and 70% of Halfbridge Automation S.r.l., companies operating in the same sector.

There were 69 employees in the LT Group at 31 December 2021.

The closing of the transaction, which Terna funded with its own resources, was finalised via the subsidiary Terna Energy Solutions S.r.l. The final value for the acquisition of 75% of the equity investment was 16.9 million euro, plus a price adjustment mechanism (earn-out) of 1.5 million euro based on the Company's performance objectives for 2021.

The acquisition cost with parameters adjusted to 100% was set at 27.6 million euro.

The sale agreement also provides for an option to sell the subsidiary Halfbridge Automation S.r.l. ("HBA option"), that can be exercised by 24 March 2022 and establishes a price adjustment mechanism of 2,250,000 euro, if the right is exercised or of 1,000,000 euro, if the option is not exercised.

The table below shows the consideration paid for the acquisition of the business unit, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

[55] The acquired company had benefited for a period of ten years from the exclusive use of the electricity line pursuant to the Decree of the Italian Ministry of Economic Development 290/ML/2007. On 27 September 2019, the deadline for the right of exemption intervened and the line became to all intents and purposes part of the National Transmission Grid (NTG), subject to the relevant regulations.

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	980		980
Property, plant and equipment	252		252
Intangible assets	3,579		3,579
Other assets	13,087		13,087
Total acquired assets	**17,898**		**17,898**
Liabilities			
Financial liabilities	2,190		2,190
Tax liabilities	491		491
Other liabilities	10,308		10,308
Severance pay	456		456
Provision for risks and charges	13	1,168	1,181
Non controlling interests (+/-)	6,900		6,900
Total acquired liabilities	**20,358**	**1,168**	**21,526**
Acquired net assets	**(2,460)**	**(1,168)**	**(3,628)**
Goodwill		24,327	24,327
Business combination cost	**(2,460)**	**23,159**	**20,699**

Acquisition of Laser TLC S.r.l.

On 11 November 2021 Brugg Cables Italia S.r.l. (wholly-owned by Brugg Kabel Manufacturing AG[56], in turn a controlled company) acquired 100% of Laser TLC S.r.l., a company specialised in the installation, maintenance and emergency services of accessories for high voltage cables and telecommunications systems in optical fibre.

The transaction offers Brugg Cables Italia S.r.l. the opportunity to integrate key competences and personnel resources for the installation of high voltage cables and the related maintenance and emergency services, for the installation of monitoring systems for high voltage cable systems and for services related to optical fibre systems. There were 23 employees in the acquired company at 31 December 2021.

The closing of the transaction that Brugg Cables funded with its own resources, was finalised through the subsidiary Brugg Cables Italia S.r.l. The final amount for the acquisition of 100% was 4.0 million euro, provided that within 12 months from the date of closing, the amount owed by the significant creditors of Laser TLC has been received in full. More specifically, 2.0 million euro was paid on the date of closing and the remaining 2.0 million euro will be paid with a second and third instalment, respectively 6 months and 12 months after the date of closing, based on the situation of the amounts received for the receivables due from the significant creditors.

The table below shows the consideration paid for the acquisition of the business unit, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

[56] Indirect subsidiary of TERNA S.p.A., through Brugg Kabel Services AG, 100% shareholder, in turn a subsidiary of Terna Energy Solutions S.r.l..

(thousands of euro) Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	733		733
Property, plant and equipment	150		150
Financial assets	598		598
Tax assets			
Ather assets	2,838		2,838
Total acquired assets	**4,319**		**4,319**
Liabilities			
Financial liabilities	69		69
Tax liabilities	662		662
Other liabilities	1,114		1,114
Total acquired liabilities	**1,845**		**1,845**
Acquired net assets	**2,474**		**2,474**
Goodwill		1,526	1,526
Business combination cost	**2,474**	**1,526**	**4,000**

Fratelli Ceresa S.p.A.

On 1 December 2021, the Italgas Group, following the occurrence of the conditions specified in the sale agreement, finalised the acquisition transaction of 100% of the share capital of Fratelli Ceresa S.p.A., a company established in 1921 and specialised in the supply of energy services, with a portfolio of 3,700 customers (of which over 800 multi-occupancy buildings) located mainly in the Turin area.

The table below shows the consideration paid for the acquisition of the business unit, and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

(thousands of euro) Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	786		786
Property, plant and equipment	312		312
Intangible assets	1	13,555	13,556
Financial assets	3,387		3,387
Tax assets	328		328
Ather assets	12,234		12,234
Total acquired assets	**17,048**	**13,555**	**30,603**
Liabilities			
Financial liabilities	1,906		1,906
Tax liabilities	441	3,782	4,223
Other liabilities	9,626		9,626
Provision for risks and charges	18		18
Total acquired liabilities	**11,991**	**3,782**	**15,773**
Acquired net assets	**5,057**	**9,773**	**14,830**
Goodwill		6,501	6,501
Business combination cost	**5,057**	**16,274**	**21,331**

IV.2 BUSINESS COMBINATIONS CARRIED OUT AFTER THE REPORTING DATE

There were no business combinations completed in the period running from the reporting date of the consolidated financial statements to the date of their approval by the Board of Directors.

V – TRANSACTIONS WITH RELATED PARTIES

V.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides the remuneration amounts for 2021 paid to members of the management and control bodies, and key management personnel of the Parent Company and of the companies that are consolidated on a line-by-line basis.

Remuneration of key management personnel

(thousands of euro)	31/12/2021			
Items/Figures	Directors	Board of auditors	Key management personnel	Total
a) short-term benefits	8,722	1,921	13,261	23,904
b) post-employment benefits	333		672	1,005
c) other long-term benefits	531		3,927	4,458
d) severance benefits			6	6
e) share-based payments	2,335		1,435	3,770
Total	**11,921**	**1,921**	**19,301**	**33,143**

V.2 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

This paragraph provides the disclosures required pursuant to IAS 24 concerning transactions concluded in 2021 between the CDP RETI Group and related parties.

The related parties of the CDP RETI Group are:

- the Ministry of the Economy and Finance (MEF) and the Group's direct and indirect subsidiaries and associates;
- the companies of the CDP Group, including companies subject to joint control or under significant influence, and their subsidiaries;
- the companies of the CDP RETI Group subject to joint control or under significant influence, and their subsidiaries;
- the company State Grid Europe Limited, which exercises significant influence over the parent company CDP RETI;
- key management personnel of the CDP RETI Group, their close family members and any companies controlled by them, even jointly;
- post-employment benefit plans for employees of the CDP RETI Group.

The following table shows the assets, liabilities, guarantees and commitments as well as the financial transactions as at 31 December 2021, broken down by type of related party

Transactions with related parties

(thousands of euro) Items/values	CDP	CDP RETI Group subsidiaries and associates	CDP Group subsidiaries and associates	MEF and MEF subsidiaries and associates	Other	31/12/2021 Total transactions with related parties	Financial statement item Total	% Impact
Property, plant and equipment			305			305	37,319,725	0%
Intangible assets							10,852,055	0%
Non-current financial assets	4,971					4,971	696,799	1%
Other non-current assets							209,490	0%
Current financial assets		299,264				299,264	992,036	30%
Trade receivables	18	6,728	182,951	891,123	367	1,081,187	6,077,410	18%
Other current assets	3,095	11,491	26,804	21,829		63,219	1,031,494	6%
Cash and cash equivalents	12,401			116		12,517	4,386,900	0%
Total assets	**20,485**	**317,483**	**210,060**	**913,068**	**367**	**1,461,463**	**61,565,909**	**2%**
Loans	341,277		285			341,562	25,931,432	1%
Other financial liabilities	3,661					3,661	90,919	4%
Other non - current liabilities							2,135,524	0%
Current portion of long-term loans	221,398		28			221,426	4,512,154	5%
Trade payables	(138)	18,387	69,955	338,161		426,365	5,170,755	8%
Current financial liabilities	3,875	1,613		21		5,509	5,456,311	0%
Other current liabilities	101	167	1,459	15,408	2,326	19,461	2,171,065	1%
Total liabilities	**570,174**	**20,167**	**71,727**	**353,590**	**2,326**	**1,017,984**	**45,468,160**	**2%**
Revenues	3,038	8,286	680,837	3,093,237	437	3,785,835	8,062,904	47%
Operating costs	(1,345)	(11,071)	(50,767)	(127,546)	(4,968)	(195,697)	(5,126,834)	4%
Financial income (expense)	(10,255)	13,810	(751)	154		2,958	(217,074)	-1%
Income Statement items Total (before tax)	**(8,562)**	**11,025**	**629,319**	**2,965,845**	**(4,531)**	**3,593,096**	**2,718,996**	**n/s**
Guarantees issued		**1,133,791**	**91,409**	**762,405**		**1,987,605**		
Guarantees received	**275**					**275**		
Commitments								

Key transactions between the CDP RETI Group and its related parties concern trade relationships with the companies controlled by the MEF, as follows:

- Snam group's trade relationships with ENI and Enel referring, on one hand, to natural gas transportation, regasification and storage services at tariffs set by the Authority, and on the other hand, to electricity purchased from ENI to conduct its business operations. Transactions with related parties also include those with Gestore dei Servizi Energetici (Energy Services Operator - GSE) as counterparty for the commercial balancing of the transmission grid;
- Terna group's trade relationships with: (i) Enel concerning NTG remuneration, dispatching fees, services associated with leases, rentals, line maintenance, power line communications on owned power lines and services; (ii) Ferrovie dello Stato for the dispatching fee and for interventions for line shifts and crossing fees.
- Italgas group's trade relationships with: (i) Eni relating to natural gas distribution, real estate management services and IT-type services; (ii) Enel Energia relating to natural gas distribution; (iii) GSE arising from the acquisition of energy efficiency certificates.

A significant item of loans payable is the debt payable by CDP RETI to the direct Parent Company CDP. For more information, see Section "V. Transactions with related parties" of CDP RETI S.p.A.

VI - FINANCIAL RISK MANAGEMENT

With regard to the financial risks of the Parent Company CDP RETI, reference is made to the specific section of the notes to the financial statements.

With regard to enterprise risk, the main risks measured and managed at the level of the subsidiaries SNAM, ITALGAS and TERNA are indicated below.

SNAM GROUP

Financial risks

Market risk

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments.

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam Group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

See the "Risk management - Risk factors and uncertainty" section in the Report on Operations for further information on the other risks considered in the risk management process, including those associated with the COVID-19 pandemic.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks, according to the approach required by IFRS 7 – Financial Instruments: Disclosures.

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges.

Snam's objective is to optimise interest rate risk whilst pursuing the objectives set out in its Financial Plan.

The Snam Group has adopted a centralised organisational model. Under this model, Snam's business units cover their financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits.

As at 31 December 2021, the Snam Group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other Financial Institutions, in the form of medium- and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) – or at fixed rates. As at 31 December 2021, exposure to interest rate risk, considering outstanding hedges, amounted to approximately 28% of total group exposure (33% at 31 December 2020). As at 31 December 2021, Snam had Interest Rate Swaps (IRSs), for an overall notional amount of 256 million euro, hedging a floating-rate bond of 106 million euro, maturing in 2024, and a floating-rate bilateral loan amounting to 150 million euro, maturing in 2023. The IRS derivative contracts are used to convert the floating-rate loans into fixed-rate loans.

While the Snam Group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the Snam Group's business and balance sheet and cash flow situation. Although the Snam Group's exposure to changes in interest rates is limited to 28% of the Group's total exposure and is fully linked to the Euribor rate, a change in the method of calculating the Euribor rate and any related fallback clauses that may be introduced, could result in the need for the Snam Group to amend the financial agreements affected by the change and/or the management of future cash flows.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam's Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the Group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

The financial market is characterised by an increasing availability of sources of funding for companies that are able to improve the environmental impact of their investments. The interest of investors is linked and subject to the ability of these companies to achieve specific environmental sustainability goals.

With a view to ensuring the proper management of the liquidity risk, the diversification of sources of funding, including through use of sustainable financial instruments, is therefore vital to ensure that companies have wide access to financial markets at competitive conditions, with resulting positive effects on their financial position and performance of operations.

Likewise, Snam's failure to meet the KPIs for ESG - within the scope of the Group's general goal to make its business more sustainable over the medium-long term - could in future result in higher borrowing costs or lack of access to certain sources of funding.

The mitigation of this risk is further aided by Snam's strong focus on ESG issues, which traditionally form an important and structured part of its business strategy.

In line with this approach, in 2018 Snam converted syndicated credit facilities worth 3.2 billion euro into a sustainability-linked loan - the third largest sustainability-linked loan ever to be entered into in the world and the largest by a gas utility. The loan includes bonus / malus mechanisms subject to meeting specific KPIs for ESG (Environment, Social, Governance). Snam also issued (i) its first Climate Action Bond for 500 million euro, in February 2019, (ii) its first Transition Bond, the second in Europe and the first to be issued by a gas transport utility, for a further 500 million euro in June 2020, (iii) a second Transition Bond for 600 million euro, the longest zero-coupon bond issued by an Italian issuer, in December 2020, (iv) a dual-tranche Transition Bond for a total of 750 million euro in February 2021 and (v) the fourth Transition Bond for 500 million euro in June 2021. The bonds will finance investments in environmental sustainability and energy transition. Lastly, in 2020, Snam renewed its Euro Commercial Paper programme, increasing it from 2 billion euro to 2.5 billion euro and linking it to environmental and social sustainability objectives in line with the sustainable loan and obtaining an ESG rating of EE for the instrument from the ESG rating company Standard Ethics, also confirmed in 2021. Lastly, during 2021 Snam signed new ESG-linked term loans for a total of 600 million euro at a cost equal to approximately 0% per year and linked to environmental and social sustainability objectives in line with the sustainable loan. As noted in the paragraph 26.2 "Interest rate risk", the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB, bonds and Commercial Papers).

Snam's objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam's business profile and regulatory framework.

As at 31 December 2021, Snam had unused long-term committed credit facilities totalling approximately 3.35 billion euro, of which 150 million euro relating to the framework loan signed with the EIB in June 2021. Moreover, at the same date Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 12 billion euro, used for approximately 8.7 billion euro, as well as a Euro Commercial Paper (ECP) Programme for an overall maximum nominal value of 2.5 billion euro, fully used at 31 December 2021.

Snam's cash and cash equivalents mainly refer to current accounts and promptly collectable bank deposits.

The Group's main long-term financial debt instruments contain covenants typically used in international practice, which include negative pledge and pari passu clauses. Failure to comply with these clauses or the occurrence of other events, e.g. cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the related loan, resulting in additional costs and/or problems of liquidity. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Among the factors that determine the risk perceived by the market, the credit rating, assigned to Snam by the rating agencies, plays a decisive role because it affects the company's ability to access sources of funding and the related financial conditions. A deterioration of this credit rating could therefore limit access to the capital market and/or result in an increase in the cost of sources of funding, with consequent adverse effects on the Group's earnings, cash flows and financial position.

Snam's long-term rating is: (i) Baa2 with stable outlook, confirmed on 13 January 2022 by Moody's Investors Services; (ii) BBB+ with positive outlook, confirmed on 29 October 2021 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 26 January 2022 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, Fitch and Standard & Poor's is one notch above that of the Italian Republic. Based on the methodology adopted by Moody's and S&P, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of Snam's current rating.

Snam's short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam Group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam Group's business and financial position and performance.

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact Snam's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Snam's business units and of its centralised functions in charge of debt collection and dispute management. As regards the regulated activities, which currently account for almost all its business, Snam provides its business services to 230 gas sector operators. The top 10 operators represent approximately 67% of the whole market (Eni, Edison and Enel Global Trading hold the top three positions in the ranking). The rules governing the customers' access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the current balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network.

With regard to non-regulated activities, which will become increasingly significant over the plan period, the company, through its centralised functions, carries out a prior analysis of the financial soundness of the counterparties in order to minimise this risk.

The net carrying value of the trade receivables past-due at 31 December 2021 and not written down, of 317 million euro, mainly relates to: (i) the transport sector (143 million euro), mainly concerning receivables due from customers relating to items of the balancing and settlement service; (ii) the storage sector (77 million euro), primarily linked to VAT invoiced to users for the use of strategic gas unduly charged and not repaid to them in 2010 and 2011 in accordance with the terms established by the Storage Code.

About 53% of trade receivables (34% at 31 December 2020) refers to highly reliable customers, such as Eni, which represents 9% of the total trade receivables (11% at 31 December 2020).

Financial covenants and negative pledge contractual clauses

As at 31 December 2021, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues.

At 31 December 2021, the financial debt subject to these restrictive clauses amounted to approximately 3.1 billion euro.

Bond loans issued by Snam as at 31 December 2021, with a nominal value of approximately 9.1 billion euro, mainly referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

TERNA GROUP

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2021 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the Parent Company.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

	31/12/2021			31/12/2020		
(millions of euro)	Loans carried at amortized cost	Hedging derivatives	Total	Loans carried at amortized cost	Hedging derivatives	Total
Assets						
Derivative financial instruments		1.6	1.6		94.2	94.2
Cash and equivalent	1,566.8	958.5	2,525.3	2,689.0	611.4	3,300.4
Trade receivables	2,777.4		2,777.4	1,245.2		1,245.2
Total	**4,344.2**	**960.1**	**5,304.3**	**3,934.2**	**705.6**	**4,639.8**

	31/12/2021			31/12/2020		
(millions of euro)	Payables carried ad amortised cost	Hedging derivatives	Total	Payables carried ad amortised cost	Hedging derivatives	Total
Liabilities						
Long-term debt	10,475.0		10,475.0	11,248.2		11,248.2
Derivative financial instruments		83.7	83.7		253.8	253.8
Trade payables	3,275.6		3,275.6	2,217.3		2,217.3
Total	**13,750.6**	**83.7**	**13,834.3**	**13,465.5**	**253.8**	**13,719.3**

Financial risks

Market and financial risks of the group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk comprises three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.

The Terna Group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (level 2) by means of appropriate valuation models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest Rate Risk

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.
In conducting its operations, the Group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna's borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company's assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company's policies. At the end of 2021, the fixed-rate group debt was 91%.

As at 31 December 2021, interest rate derivatives are fair value hedge derivatives and cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with long-term loans.

The following table shows the notional amounts and the fair value of derivatives entered into by the Terna Group:

	31/12/2021		31/12/2020		Change (+ / -)	
(millions of euro)	Notional	Fair value	Notional	Fair value	Notional	Fair value
FVH derivatives	1,700.0	1.6	1,600.0	94.2	100.0	(92.6)
CFH derivatives	3,241.0	(83.7)	4,079.9	(253.8)	(838.9)	170.1

The notional amounts of CFH derivatives as at 31 December 2021, amounting to 3,241.0 million euro, are broken down as follows:

- 300.0 million euro (fair value equal to -0.1 million euro) maturing in 2022;
- 100.0 million euro (fair value equal to 0.1 million euro) maturing in 2023;
- 641.0 million euro (fair value equal to 2.3 million euro) maturing in 2024;
- 1,100.0 million euro (fair value equal to -47.0 million euro) maturing in 2027;
- 1,100.0 million euro (fair value equal to -39.0 million euro) maturing in 2028.

The notional amounts of FVH derivatives as at 31 December 2021, amounting to 1,700.0 million euro, are broken down as follows:

- 450.0 million euro (fair value equal to +8.1 million euro) maturing in 2027;
- 750.0 million euro (fair value equal to +19.7 million euro) maturing in 2028;
- 500.0 million euro (fair value equal to -26.2 million euro) maturing in 2032.

Sensitivity to interest rate risk

To manage its interest rate risk, after restructuring its derivatives portfolio, Terna has implemented interest rate swap transactions to neutralise the risk inherent in expected future cash flows.
Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.
The following table shows: the amounts recognised in the income statement and in "Other comprehensive income" in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in "Other comprehensive income". A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

(millions of euro)	Net income or loss			Comprehensive income		
	Current rates +10%	Current values	Current rates -10%	Current rates +10%	Current values	Current rates -10%
31 December 2021						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	1.4	1.3	1.2	169.5	167.7	165.9
Hypothetical change	*0.1*		*(0.1)*	*1.8*		*(1.8)*
31 December 2020						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	(4.0)	(4.1)	(4.2)	(85.1)	(93.4)	(101.7)
Hypothetical change	*0.1*		*(0.1)*	*8.3*		*(8.3)*

Global regulators have begun reforming the IBOR (Interbank Offered Rates) indices, which are the benchmark indices for most financial instruments traded worldwide, in order to restore the reliability and robustness of the benchmarks. Given the high levels of uncertainty regarding the timing of the reform during the transition phase, the Group continues to closely monitor the market and the results generated by the various industry working groups managing the transition to the new benchmark rates, including the announcements made by the regulators regarding the transition from LIBOR to SOFR (Secured Overnight Financing Rate) and from EURIBOR to ESTER (Euro Short-term Rate). Management is aware of the associated risks and accordingly activities are planned to complete the transition in parallel with the changes in the applicable regulations. In addition, all new financial agreements include fallback clauses governing the transition period.

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the Company used an inflation-linked bond issue, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company's profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group's exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, such as forward contracts and options. The group's existing contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.

As at 31 December 2021, the Group's Income Statement exposure to exchange rate risk was residual and due to the subsidiaries Tamini and Brugg.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2021, the group had approximately 769 million euro available in short-term credit lines (out of total credit lines of around 1,216 million euro), 3,150 million euro in revolving credit lines and around 300 million euro in loans signed, but not yet disbursed.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.

Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit standing, and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by ARERA where necessary.

At the end of the year, this exposure was as follows:

(millions of euro)	31/12/2021	31/12/2020	Change (+ / -)
FVH derivatives	1.6	94.2	(92.6)
Cash and cash equivalents and other financial assets	1,566.8	2,689.0	(1,122.2)
Trade receivables	2,777.4	1,245.2	1,532.2
Total	**4,345.8**	**4,028.4**	**317.4**

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk.

Bank Guarantees

The amount of bank guarantees issued to third parties on behalf of the Group companies as at 31 December 2021 totalled 328.1 million euro, subdivided as follows: 97.2 million euro on behalf of Terna S.p.A., 78.3 million euro on behalf of the company Tamini Trasformatori S.r.l., 55.3 million euro on behalf of the company Terna Rete Italia S.p.A., 39.2 million euro on behalf of the company Terna Interconnector S.r.l., 38.6 million euro on behalf of the Brugg Group companies, 0.1 million euro on behalf of the company Terna Plus S.r.l., 5.1 million euro on behalf of the company Santa Lucia S.A., 4.5 million euro on behalf of the company Difebal S.A., 4.4 million euro on behalf of the company Terna Perù SAC, 1.0 million euro on behalf of the company Santa Maria SA, 4.3 million euro on behalf of the company Terna Energy Solutions S.r.l. and 0.1 million euro on behalf of the company Terna Chile S.p.A.

ITALGAS GROUP

The main risks subject to analysis and monitoring by the Italgas group are detailed below.

Financial risks

Interest rate risk

Interest rate fluctuations affect the market value of the company’s financial assets and liabilities and the level of net financial charges.

Any increase in interest rates not included wholly or partly in the regulatory WACC could have negative effects on the business, financial position and results of the Italgas Group for the variable component of the outstanding debt and for future loans.

Italgas’ aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates.

At 31 December 2021, 7.3% of the financial debt was carried at a floating rate and 92.7% was carried at a fixed rate.

Fixed-rate financial liabilities amounted to 5,910.9 million euro and consisted mainly of bonds (4,591.5 million euro), EIB loans (712.4 million euro), amounts due to banks (537.0 million euro) and financial liabilities pursuant to IFRS 16 (70.0 million euro).

Fixed-rate financial liabilities increased by 1,234.6 million euro on 31 December 2020, mainly due to the "dual-tranche" bond issue with maturities in February 2028 and February 2033 for a total amount of 1,000 million euro, partly offset by the buy-back of bond with maturities in January 2022 and March 2024, for a total of 255.7 million euro, and the subscription in October 2021 of two bank loans for a total of 500.0 million euro, with a duration of 3 years at zero interest. Taking into account the net liquidity deriving from the dual tranche bond issue, on 12 March 2021 Italgas cancelled the 500-million-euro "Revolving Credit Facility" maturing in October 2021 and completely unused.

Floating-rate financial liabilities decreased by 262.8 million euro due to the lower use of bank credit lines, partly due to increased cash and cash equivalents.

At 31 December 2021, there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan for a nominal amount of 90 million euro taken out by Toscana Energia which requires compliance with particular financial covenants.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2021, these commitments had been met.

Credit risk

Credit risk is the exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact the performance and financial situation of Italgas.

The rules governing customers' access to the services offered are established by ARERA and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and specify the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees.

In addition, in order to manage credit risk, the Group has defined procedures for the monitoring and assessment of its customer portfolio. The reference market is Italy.

For additional considerations on the impacts associated with COVID-19, as well as the relative accounting implications with regard to measurement of assets and liabilities, refer to the subsequent note "Coronavirus Emergency".

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Italgas does not expect significant negative impacts, considering the following: (i) the Company has available cash at leading banks amounting to about 1,391.8 million euro at 31 December 2021; (ii) there are limited requirements for refinancing debt (in January 2022 the repayment of a bond took place for an amount equal to approximately 112 million euro and the subsequent repayment is envisaged during 2024); (iii) the bonds issued by Italgas at 31 December 2021, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.

The financial objective of Italgas is to set up a financial structure that, consistently with its business goals, will guarantee an adequate level for the group in terms of duration and composition of the debt. That financial structure will be realised by monitoring certain key indicators, such as the ratio between debt and RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed-rate and floating-rate debt, and the ratio between firm commitment bank credit and used bank credit.

Rating risk

On 25 November 2021 and 6 December 2021, the rating agencies Fitch and Moody's confirmed their rating assigned to Italgas S.p.A., respectively at BAA2 with stable outlook and BBB+ with stable outlook, for the long-term debt of the company. Based on the methodologies adopted by the rating agencies, a downgrade by one notch of the Italian Republic's current rating could trigger a downgrade in Italgas' current rating, which in turn could have impacts on the future cost of debt.

Default risk and debt covenants

At 31 December 2021 there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia for an amount of 90 million euro, which requires compliance with particular financial covenants. Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. In regard to the EIB loan of Toscana Energia, see the note “Short-term financial liabilities and long-term financial liabilities”. For all other loans, at 31 December 2021, these commitments had been met.

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

The failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, result in defaults by Italgas and could cause the related loan to become immediately due.

As concerns EIB financing, the contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, this must be notified to the EIB, leading to a consultation period after which the EIB may demand early repayment of the loan.

These cases are carefully monitored by the Group in the context of financial management and business performance.

VII – SHARE-BASED PAYMENTS

Incentive plans for executives based on Snam shares

2017-2019 Long-term Performance Share Plan

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company’s financial performance or who are strategically important in terms of achieving Snam’s multi-year objectives. The plan provides for three cycles of annual assignment of three-yearly targets (so-called Rolling Plan) for the years 2017, 2018 and 2019.

At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied.

The maximum number of shares backing the plan is 3,500,000 shares for each year of the Plan. The Plan will end in 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019).

The number of shares vested is subject to meeting the performance targets, which are measured as the average yearly performance against the parameters established for the three-year vesting period, with impact on EBITDA, adjusted net income and sustainability.

2017 award	Vesting period and performance			2020 free share award
	2017	2018	2019	

2018 award	Vesting period and performance			2021 free share award
	2018	2019	2020	

2019 award	Vesting period and performance			2022 free share award
	2019	2020	2021	

At the end of the Plan’s vesting period, the beneficiaries will also receive a Dividend Equivalent, consisting in a number of additional shares equivalent to the ordinary and extraordinary dividends distributed by Snam in the vesting period, which would have accrued on the number of shares effectively assigned to the beneficiaries on the basis of their performance and in accordance with the terms and conditions set out in the Plan. The Chief Executive Officer and the other eligible executives will be subject to a lock-up period of two years on 20% of the shares assigned, as recommended in the Corporate Governance Code.

With reference to the 2017-2019 long-term performance share plan, as approved by the Shareholders' Meeting of Snam on 11 April 2017, a total of 5,385,372 shares have been assigned, of which 1,368,397 shares in relation to 2017 (1,511,461 shares were assigned in July 2020 at the end of the vesting period), 2,324,413 shares in relation to 2018 (2,441,742 shares were assigned in July 2021 at the end of the vesting period) and 1,692,562 shares in relation to 2019.

With respect to the assignments still outstanding, the costs recognised in 2021 as a component of labour cost against a corresponding equity reserve, amounted to around 4 million euro.

2020-2022 Long-term Performance Share Plan

On 18 June 2020, the shareholders' meeting of Snam, in the ordinary session, approved the 2020-2022 Long-term Performance Share Plan, giving the powers necessary to implement the Plan to the board of directors.

The Plan provides for three annual awards over the period 2020-2022. Each award is subject to a three-year vesting period. As a result, the shares, if any, are granted between 2023 and 2025, as shown below.

	Vesting period and performance			
2020 award	2020	2021	2022	2023 free share award

	Vesting period and performance			
2021 award	2021	2022	2023	2024 free share award

	Vesting period and performance			
2022 award	2022	2023	2024	2025 free share award

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company's financial performance or who are strategically important in terms of achieving Snam's multi-year objectives, as well as any additional positions identified in relation to the performance achieved, the available skills or with a view to retention, up to a maximum of 100 beneficiaries.

The board of directors set the maximum number of shares backing each three-year period of the Plan to 3,500,000. The Plan will end in 2025, that is, on expiry of the vesting period of the last assignment set for 2022.

The Plan includes free shares granted in variable numbers in relation to the individual assignment and the degree to which the performance targets of the Plan are met. The number of shares vested is subject to meeting the performance targets, verified for all the beneficiaries at the end of each three-year vesting period, upon completion, by the Remuneration Committee, of a thorough process of assessment of the results achieved.

The Plan's performance targets, measured according to a linear interpolation criterion among the minimum, target and maximum values, are linked to the following parameters:

- accumulated adjusted net income in the three-year period corresponding to the Performance Period, with a weight of 50%;
- added value which reflects the value generation of the regulated business, calculated as a change in the RAB in the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt;
- ESG Metric, with a weight of 20%, measured through the results achieved with regard to 2 indicators, aiming to:
  1) reduce natural gas emissions in the three-year period corresponding to the Performance Period (weight of 10%);
  2) ensure fair representation of the least present gender in Snam's management team (weight of 10%), in terms of % of senior and middle manager positions of the least represented gender on the total of senior and middle manager positions of the group.

An additional number of shares is also envisaged - defined as dividend equivalent - to be allocated based on the shares actually granted at the end of the vesting period. The number of additional shares to be assigned is determined by dividing the sum of the dividends distributed during the vesting period by the average share price recorded in the month preceding the allocation. For the Chief Executive Officer and the other beneficiaries of the Plan, 20% of the granted shares, gross of those necessary to comply with the tax expense, will be subject to a lock-up period.

For more information see the "2020-2022 Long-term Performance Share Plan Information Document" prepared pursuant to article 84-bis of the Issuers' Regulation, available on Snam's website.

A total of 1,277,996 shares have been assigned under the Plan in relation to 2020, and 1,245,854 in relation to 2021.

The costs for the financial year 2021, equal to the sum of the number of shares expected to vest at maturity multiplied by their fair value at the grant date, were recognised as a component of labour cost against a corresponding equity reserve, and amounted to 4 million euro.

2021-2025 long-term performance share plan of Terna S.P.A.

On 16 June 2021, the Board of Directors approved the Regulation concerning the 2021-2025 Performance Share Plan, implementing the terms set by the Ordinary Shareholders' Meeting on 30 April 2021.

The ESG-linked treasury shares buy-back programme (to service the 2021-2025 Performance Share Plan) was completed on 23 June 2021. Terna purchased 1,569,292 treasury shares (0.078% of share capital) under the programme, for a total value of approximately 10 million euro. In line with Terna's commitment to sustainability and social and environmental issues, the treasury shares buy-back programme includes a reward/penalty mechanism linked to the company meeting specific environmental, social and governance (ESG) targets.

Long-term performance share plan of Italgas S.p.A.

On 19 April 2018 the Shareholders' Meeting of ITALGAS approved the 2018-2020 long-term performance share plan, for the Chief Executive Officer, General Manager and key managers able to influence the Company's performance, with an annual assignment of three-year targets. At the end of the three-year performance period, beneficiaries will be entitled to the free assignment of company shares if the conditions underlying the Plan are satisfied. The maximum number of shares backing the Plan is 4,000,000 shares. In relation to the above-mentioned Plan, the Board of Directors, on the proposal of the Nomination and Remuneration Committee and in accordance with the 2018 Remuneration Policy, granted rights to receive 341,310 Italgas shares for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unit fair value of the shares, which equates to the price of the Italgas shares at the grant date, was 4.79, 5.58 and 4.85 euro per share respectively. The cost of the Long-Term Incentive Plan is recognised during the vesting period as a labour cost with a balancing entry in equity reserves.

On 10 March 2021, the Board of Directors of Italgas resolved on the free assignment of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan and carried out the first tranche of the capital increase approved by the same Shareholders' Meeting, for a nominal amount of 784,736.48 euro drawn from the retained earnings reserve. Following the increase, the Company's share capital amounts to 1,002,016,254.92 euro consisting of 809,768,354 shares.

Moreover, on 20 April 2021, the Shareholders' Meeting of Italgas approved the 2021-2023 Incentive Plan and the proposal for free share capital increase, in one or more tranches, to back the 2021-2023 Incentive Plan for a maximum nominal amount of 5,580,000.00 euro through the issuance of a maximum number of 4,500,000 new ordinary shares to be assigned free of charge, pursuant to art. 2349 of the Civil Code, for a corresponding maximum amount taken from the retained earnings reserve, exclusively to the beneficiaries of the Plan, i.e. employees of the Company and/or Group Companies. In relation to the Plan, the Board of Directors, on the proposal of the Nomination and Remuneration Committee and in accordance with the 2021 Remuneration Policy, granted rights to receive 254,765 Italgas shares for the 2021-2023 Co-Investment Plan. The unit fair value of the share was 5.55 euro per share.

VIII – OPERATING SEGMENTS

This section of the Notes to the consolidated financial statements has been prepared in compliance with IFRS 8 "Operating Segments", which came into force on 1 January 2009 and replaces IAS 14 "Segment Reporting".

The corporate purpose of CDP RETI is the holding and management, both ordinary and extraordinary, of equity investments in SNAM, TERNA and ITALGAS, monitoring the appropriate development/maintenance of the managed infrastructures, and developing specific skills in the sectors of transport, dispatching, distribution, regasification, gas storage and electricity transmission, in order to better control its investments.

The segments that CDP RETI and its subsidiaries operate in essentially consist of:

- gas transport, regasification and storage by the companies of the SNAM group;
- gas distribution by the companies of the ITALGAS group;
- dispatch and transmission of electricity by the companies of the TERNA group.

The table below shows the results of the CDP RETI Group's operating segments at 31 December 2021, together with a reconciliation with the Group's results.

(million of euro)	2021							2020 (*)
Items	CDP RETI	SNAM	TERNA	ITALGAS	Intercompany adj.	Other adj.	Group	Group
Revenues from sales and services		3,285	2,534	2,098			7,918	7,255
Other revenues and income		12	72	64	(3)		145	217
Revenues from financial statement		**3,297**	**2,606**	**2,163**	**(4)**		**8,063**	**7,386**
Reclassifications			(1)	(792)			(793)	(685)
Revenues from sectors		**3,297**	**2,605**	**1,371**	**(4)**		**7,270**	**6,701**
Costs from financial statement (not included Depreciation and Amortization)	**(2)**	**(1,055)**	**(750)**	**(1,134)**	**3**	**(4)**	**(2,942)**	**(2,382)**
Reclassifications				773			772	665
Costs from sectors (not included Depreciation and Amortization)	**(2)**	**(1,055)**	**(750)**	**(362)**	**3**	**(4)**	**(2,169)**	**(1,717)**
EBITDA	**(2)**	**2,243**	**1,855**	**1,009**	**(1)**	**(4)**	**5,100**	**4,984**
EBITDA margin		*68%*	*71%*	*74%*			*70%*	*74%*
Ammortisation, depreciation and impairment		(820)	(656)	(445)	1	(264)	(2,185)	(2,118)
Reclassifications			1	20			21	19
Operating profit (EBIT)	**(2)**	**1,423**	**1,200**	**583**		**(268)**	**2,936**	**2,885**
EBIT margin		*43%*	*46%*	*43%*			*40%*	*43%*
Financial income	493	33	63	5		(493)	101	46
Borrowing expenses	(23)	(134)	(96)	(65)			(318)	(411)
Portion of income (expenses) from equity investments valued with the equity method		294		2		(49)	247	182
Reclassifications								
Taxes for the period	3	(115)	(329)	(142)		71	(512)	(728)
Profit from discontinued operations			(13)				(13)	3
Reclassifications								
Net income from sectors	**471**	**1,500**	**826**	**383**		**(739)**	**2,441**	**1,976**

(*) The figures at 31 December 2020 have been restated in accordance with paragraph "I.1.2 General principles of preparation - Restatement of comparative data at 31 December 2020 ".

The balance sheet information analysed by Top Management does not refer directly to the individual segment operations, but rather to the overall valuation and representation of Equity, Net Financial Debt and Technical Investments.

IX - GUARANTEES AND COMMITMENTS

Guarantees and commitments, amounting in total to 10.9 billion euro at 31 December 2021 (8.2 billion euro at 31 December 2020), are broken down as follows:

Guarantees and commitments: breakdown

Items/Figures	31/12/2021	31/12/2020
Guarantees pledged	**2,138,314**	**1,939,195**
Trade guarantees	681,214	542,762
Financial guarantees	1,457,100	1,394,300
Assets held as guarantee for third-party services		2,133
Commitments	**4,802,330**	**4,411,722**
Commitments for the purchase of goods and services	4,769,130	4,266,927
Commitments for associates		113,009
Other	33,200	31,786
Risks	**3,996,750**	**1,799,977**
For third-party assets held for safekeeping	3,652,827	1,457,440
For damages and claims	343,923	342,537
Total	**10,937,394**	**8,150,894**

IX.1 GUARANTEES

Guarantees given, for a total amount of 2,138 million euro, refer to indemnities issued to third parties against sureties and other guarantees issued in the interest of subsidiaries or associates to guarantee the performance of works and in relation to tenders and credit facilities mainly associated with the distribution of natural gas. The financial guarantees given, totalling 1,456 million euro, include the guarantee provided by Snam for the subsidiary Snam International B.V. in relation to the TAP project (1,129 million euro).

IX.2 COMMITMENTS

Commitments undertaken towards suppliers to purchase property, plant and equipment and for the supply of services relating to investments in property, plant and equipment and intangible assets under construction/development totalled 4,769 million euro.

IX.3 RISKS

Risks for third-party assets held, amounting to 3,653 million euro, refer to approximately 7 billion cubic metres of natural gas held at storage facilities by the beneficiaries of the service. This amount was determined by measuring the quantities of stored gas at the presumed unitary repurchase cost[57], amounting to around 0.54 euro per normal cubic metre (0.18 euro per normal cubic metre at 31 December 2020). The amount recorded is due mainly to the gradual rise in the market price of gas which influenced the aforementioned valuation.

Risks associated with compensation and claims, totalling 344 million euro, refer to compensation potentially payable but not probable in relation to ongoing disputes with low probability of verification of the related business risk.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

On first-time adoption the CDP RETI Group applied the new standard according to the "Modified Retrospective Approach", which allows recognition of the cumulative effect of the application of the standard on the first-time adoption date without restating the comparative information.

As a result of this decision, upon first-time adoption no impact on the book equity was recognised at 1 January 2019. Property, plant and equipment includes 81 million euro in right-of-use assets against Operating lease liabilities of 73.4 million euro. Total lease liabilities recognised upon FTA amounted to 73.9 million euro.

The Group has decided to adopt some of the practical expedients and recognition exemptions provided by the standard. In particular:

- exclusion of leases with a total or remaining lease term of 12 months or less;

57 Value calculated on the basis of the CCI price, i.e. the wholesale price, set quarterly by the ARERA.

- exclusion of leases with a low underlying asset value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application;
- exclusion of leases of intangible assets (IFRS 16.4).

For further details, please refer to paragraph "I.2 Main items of the consolidated financial statements" in the Notes to the consolidated financial statements.

Quantitative disclosures

Classification by time band of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	31/12/2021 Lease payables	31/12/2020 Lease payables
Up to 1 year	31,930	32,827
Between 1 and 2 years	52,212	65,863
Between 2 and 3 years	16,784	19,234
Between 3 and 4 years	11,305	11,128
Between 4 and 5 years	7,309	6,862
Over 5 years	6,959	10,240
Total lease payments to be made	**126,499**	**146,154**
Reconciliation with lease liabilities	**(2,210)**	**(2,626)**
Unearned finance income (+)	(2,210)	(2,626)
Unguaranteed residual value (+)		
Lease liabilities	**124,289**	**143,528**

Exceptions to IFRS 16 (short term, low value, etc.) - Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2021 Lease payments to be made	31/12/2020 Lease payments to be made
Up to 1 year	5,992	12,722
Between 1 and 2 years	29,988	47,200
Between 2 and 3 years		3,507
Between 3 and 4 years		2,418
Between 4 and 5 years		2,047
Over 5 years		2,278
Total	**35,980**	**70,172**

X.2 LESSOR

Qualitative disclosures

The CDP RETI Group has operating leases outstanding for which the related lease payments are recognised in the income statement on a straight-line basis over the term of the contract.

Quantitative disclosures

Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2021 Lease payments to be received	31/12/2020 Lease payments to be received
Up to 1 year	124	394
Between 1 and 2 years	37	288
Between 2 and 3 years	37	162
Between 3 and 4 years	37	121
Between 4 and 5 years	37	85
Over 5 years		
Total	**272**	**1,050**

ANNEXES

ANNEX 1: SCOPE OF CONSOLIDATION

Company name	Registered office	Share capital (euro)	Investor	% holding	Consolidation method
Parent company					
CDP Reti S.p.A.	Rome	161,514	Cassa depositi e prestiti S.p.A.	59.10%	
			State Grid Europe Limited	35.00%	
			Cassa Nazionale di Previdenza e Assistenza Forense	2.63%	
			Soci terzi	3.27%	
Consolidated companies					
AS Gasinfrastruktur Beteiligung GmbH	Wien	35,000	SNAM S.p.A.	40.00%	Equity
ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	10,000,000	SNAM S.p.A.	100.00%	Line-by-line
ASSET COMPANY 7 B.V.	Amsterdam	1	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
AVVENIA THE ENERGY INNOVATOR S.r.l.	Rome	10,000	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Albanian Gas Service Company Sh.a.	Tirana	171,557,303 (i)	SNAM S.p.A.	25.00%	Unconsolidated subsidiary
Arbolia S.p.A. Societa' Benefit	Milan	10,000	SNAM S.p.A.	51.00%	Unconsolidated subsidiary
Asset Company 10 S.r.l.	San Donato Milanese (MI)	10,000	SNAM S.p.A.	100.00%	Line-by-line
Asset Company 11 S.r.l.	San Donato Milanese (MI)	10,000	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Asset Company 4 S.r.l.	San Donato Milanese (MI)	100,000	SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Asset Company 9 S.r.l.	San Donato Milanese (MI)	10,000	SNAM S.p.A.	100.00%	Unconsolidated
Bludigit S.p.A.	Turin	11,000,000	Italgas S.p.A.	100.00%	Line-by-line
Brugg Cables (India) Pvt., Ltd.	Haryana	48,000,000 (g)	Brugg Kabel GmbH	0.26%	Line-by-line
			Brugg Kabel AG	99.74%	
Brugg Cables (Shanghai) Co., Ltd.	Shanghai	1,600,000 (f)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables (Suzhou) Co., Ltd.	Suzhou	32,000,000 (k)	Brugg Cables (Shanghai) Co., Ltd.	100.00%	Line-by-line
Brugg Cables Italia S.r.l.	Rome	10,000	Brugg Kabel Manufacturing AG	100.00%	Line-by-line
Brugg Cables Middle East DMCC	Dubai	100,000 (m)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel AG	Brugg	22,000,000 (l)	Brugg Kabel Services AG	90.00%	Line-by-line
Brugg Kabel GmbH	Schwieberdingen	103,000	Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel Manufacturing AG	Brugg	7,000,000 (l)	Brugg Kabel Services AG	100.00%	Line-by-line
Brugg Kabel Services AG	Brugg	1,000,000 (l)	Terna Energy Solutions S.r.l.	100.00%	Line-by-line
CESI S.p.A.	Milan	8,550,000	Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	155,108,283	Terna S.p.A.	22.09%	Equity
CORESO S.A.	Bruxelles	1,000,000	Terna S.p.A.	15.84%	Equity
Fratelli Ceresa S.p.A.	Turin	260,000	Seaside S.p.A.	100.00%	Line-by-line
Copower S.r.l.	Rome	80,000	Tep Energy Solution S.r.l.	51.00%	Unconsolidated
Cubogas S.r.l.	San Donato Milanese (MI)	1,000,000	Snam 4 Mobility S.p.A.	100.00%	Line-by-line
Difebal S.A.	Montevideo	42,000 (b)	Terna S.p.A.	100.00%	Line-by-line
ELMED Etudes S.a.r.l.	Tunisi	2,700,000 (h)	Terna S.p.A.	50.00%	Equity
ESPERIA-CC S.r.l.	Rome	10,000	Terna S.p.A.	1.00%	Line-by-line
East Mediterranean Gas Company S.a.e.	Cairo	147,000,000 (f)	Snam International B.V.	25.00%	Equity
Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	1,000,000	Renerwaste S.r.l.	45.00%	Line-by-line
			Renerwaste Lodi S.r.l.	55.00%	
Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	1,000,000	Renerwaste S.r.l.	100.00%	Line-by-line
Energy Investment Solution S.r.l.	Brescia	100,000	Tep Energy Solution S.r.l.	40.00%	Unconsolidated subsidiary
Enerpaper S.r.l.	Turin	10,000	Seaside S.p.A.	10.00%	Equity
Enersi Sicilia	San Donato Milanese (MI)	400,000	Renerwaste S.r.l.	100.00%	Line-by-line
Enura S.p.A.	San Donato Milanese (MI)	3,700,000	SNAM S.p.A.	55.00%	Line-by-line
Equigy B.V.	Arnhem	50,000	Terna S.p.A.	20.00%	Equity
Evolve S.p.A.	Milan	1,450,000	Renovit S.p.A.	100.00%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	17,300,000	SNAM S.p.A.	100.00%	Line-by-line
Galaxy Pipeline Assets Holdco Limited	Jersey	1,979,221,357 (f)	SNAM S.p.A.	12.33%	Equity
Gasrule Insurance D.A.C.	Dublin	20,000,000	SNAM S.p.A.	100.00%	Line-by-line
Gaxa S.p.A	Milan	50,000	Italgas S.p.A.	51.85%	Line-by-line
Gesam Reti S.p.A.	Lucca	20,626,657	Toscana Energia S.p.A.	42.96%	Equity
Halfbridge Automation S.r.l.	Rome	10,000	LT S.r.l.	70.00%	Line-by-line
IES Biogas S.r.l.	Pordenone	100,000	Snam 4 Environment S.r.l.	100.00%	Line-by-line
IES Biogas S.r.l. (Argentina)	Buenos Aires	100,000 (j)	IES Biogas S.r.l.	95.00%	Unconsolidated
			Snam 4 Environment S.r.l.	5.00%	
Industrie De Nora S.p.A.	Milan	16,786,723	Asset Company 10 S.r.l.	35.63%	Equity
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	10,000,000	ASSET COMPANY 2 S.r.l.	100.00%	Line-by-line
Iniziative Biometano S.p.A.	San Donato Milanese (MI)	18,000,000	Snam 4 Environment S.r.l.	50.00%	Equity
Interconnector Ltd	London	12,754,680 (a)	Snam International B.V.	23.68%	Equity
Interconnector Zeebrugge Terminal B.V.	Bruxelles	123,946	Snam International B.V.	25.00%	Equity
Italgas Acqua S.p.A.	Milan	50,000	Italgas S.p.A.	100.00%	Line-by-line
Italgas Newco S.r.l.	Milan	160,000	Italgas S.p.A.	100.00%	Line-by-line
Italgas Reti S.p.A.	Turin	252,263,314	Italgas S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Milan	1,002,016,255	SNAM S.p.A.	13.49%	Line-by-line
			CDP Reti S.p.A.	26.02%	
LT Enerray S.r.l.	Rome	100,000	LT S.r.l.	100.00%	Line-by-line
LT S.r.l.	Rome	400,000	Terna Energy Solutions S.r.l.	75.00%	Line-by-line
Laser TLC S.r.l.	Rome	12,000	Brugg Cables Italia S.r.l.	100.00%	Line-by-line
Latina Biometano S.r.l.	Rome	10,000	IES Biogas S.r.l.	32.50%	Unconsolidated
Medea S.p.A.	Sassari	95,500,000	Italgas Reti S.p.A.	51.85%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	200,000	Italgas S.p.A.	50.00%	Equity
Mieci S.p.A.	Milan	200,000	Renovit S.p.A.	100.00%	Line-by-line

Company name	Registered office	Share capital (euro)		Investor	% holding	Consolidation method
OLT Offshore LNG Toscana S.p.A.	Milan	40,489,544		SNAM S.p.A.	49.07%	Equity
PI.SA. 2 S.r.l. in liquidazione	Rome	10,000		Terna S.p.A.	100.00%	Line-by-line
Renerwaste Lodi S.r.l.	Bolzano	10,000		Renerwaste S.r.l.	100.00%	Line-by-line
Renerwaste S.r.l.	San Donato Milanese (MI)	1,151,391		Snam 4 Environment S.r.l.	100.00%	Line-by-line
Renovit S.p.A.	San Donato Milanese (MI)	4,375,000		SNAM S.p.A.	60.05%	Line-by-line
Rete S.r.l.	Rome	387,267,082		Terna S.p.A.	100.00%	Line-by-line
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	1,200,000,000		SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	2,735,670,476		CDP Reti S.p.A.	31.35%	Line-by-line
SOUTHEAST ELECTRICITY NETWORK	Salonicco	200,000		Terna S.p.A.	25.00%	Equity
SPE Santa Lucia Transmissora de Energia S.A.	Rio de Janeiro	153,714,431	(d)	Terna Chile S.p.A.	0.01%	Line-by-line
				TERNA PLUS S.r.l.	99.99%	
SPE Santa Maria Transmissora de Energia S.A.	Rio de Janeiro	42,474,716	(d)	TERNA PLUS S.r.l.	99.99%	Line-by-line
				Terna Chile S.p.A.	0.01%	
SPE TRANSMISSORA DE ENERGIA LINHA VERDE I S.A.	Belo Horizonte	74,999,313	(d)	TERNA PLUS S.r.l.	75.00%	Line-by-line
SPE TRANSMISSORA DE ENERGIA LINHA VERDE II S.A.	Belo Horizonte	177,018,162	(d)	TERNA PLUS S.r.l.	100.00%	Line-by-line
				Terna Chile S.p.A.	0.00%	
Seaside S.p.A.	Casalecchio di Reno	89,254		Toscana Energia S.p.A.	32.78%	Line-by-line
				Italgas S.p.A.	67.22%	
Senfluga energy infrastructure holdings S.A.	Athens	20,125,050		SNAM S.p.A.	60.00%	Equity
Snam 4 Environment S.r.l.	San Donato Milanese (MI)	5,000,000		SNAM S.p.A.	100.00%	Line-by-line
Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	2,320,000		SNAM S.p.A.	100.00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	Pechino	15,493,800	(k)	Snam International B.V.	100.00%	Unconsolidated
Snam International B.V.	Amsterdam	6,626,800		SNAM S.p.A.	100.00%	Line-by-line
Snam International UK Limited	London	1,800,000	(a)	Snam International B.V.	100.00%	Unconsolidated
Snam Middle East BV BS Co	Riyadh	15,000,000	(o)	Snam International B.V.	100.00%	Unconsolidated
Snam North America LLC	New York	1,500,000	(f)	Snam International B.V.	100.00%	Unconsolidated
Stogit S.p.A.	San Donato Milanese (MI)	152,205,500		SNAM S.p.A.	100.00%	Line-by-line
TERNA Crna Gora d.o.o.	Podgorica	208,000,000		Terna S.p.A.	100.00%	Line-by-line
TERNA PLUS S.r.l.	Rome	16,050,000		Terna S.p.A.	100.00%	Line-by-line
TERNA RETE ITALIA S.p.A.	Rome	300,000		Terna S.p.A.	100.00%	Line-by-line
Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	13,175,000	(g)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Transformers USA L.L.C.	Sewickley	52,089	(f)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	4,285,714		Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Tea Innovazione Due S.r.l.	Brescia	20,000		Tep Energy Solution S.r.l.	100.00%	Unconsolidated
Tep Energy Solution S.r.l.	Rome	1,000,000		Renovit S.p.A.	100.00%	Line-by-line
Terega Holding S.A.S.	Pau	505,869,374		SNAM S.p.A.	40.50%	Equity
Terna 4 Chacas S.A.C.	Lima	9,133,600	(e)	TERNA PLUS S.r.l.	99.99%	Line-by-line
				Terna Chile S.p.A.	0.01%	
Terna Chile S.p.A.	Santiago de Chile	2,224,052,500	(c)	TERNA PLUS S.r.l.	100.00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	2,000,000		Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	10,000		TERNA RETE ITALIA S.p.A.	5.00%	Line-by-line
				Terna S.p.A.	65.00%	
Terna Peru S.A.C.	Lima	116,813,900	(e)	Terna Chile S.p.A.	0.01%	Line-by-line
				TERNA PLUS S.r.l.	99.99%	
Terna S.p.A.	Rome	442,198,240		CDP Reti S.p.A.	29.85%	Line-by-line
Tlux S.r.L.	Piancogno (BS)	50,000		Mieci S.p.A.	100.00%	Line-by-line
Toscana Energia S.p.A.	Firenze	146,214,387		Italgas S.p.A.	50.66%	Line-by-line
Trans Adriatic Pipeline AG	Baar	1,145,293,650	(l)	Snam International B.V.	20.00%	Equity
Trans Austria Gasleitung GmbH	Wien	76,566		SNAM S.p.A.	84.47%	Equity
UNIONE DI TAMINI - CERB – DZZD	Sofia	-	(n)	Tamini Trasformatori S.r.l.	78.48%	Line-by-line
Umbria Distribuzione GAS S.p.A.	Terni	2,120,000		Italgas S.p.A.	45.00%	Equity
Valdarno S.r.l.	Pisa	5,720,000		Toscana Energia S.p.A.	30.05%	Equity
dCarbonX Ltd	London	3	(a)	Snam International B.V.	12.50%	Equity

(a) values in GBP
(b) values in Uruguayan Pesos
(c) values in Chilean Pesos
(d) values in Real
(e) values in Nuovo Sol
(f) values in Dollar
(g) values in Indian Rupees
(h) values in Tunisian Dinar
(i) values in Albanian ALL
(j) values in Argentine Pesos
(k) values in Renminbi Chinese
(l) values in Swiss Francs
(m) values in Dirham
(n) values in Lev
(o) values in Saudi Riyal

ANNEX 2: DISCLOSURE PURSUANT TO LAW 124 OF 4 AUGUST 2017, ARTICLE 1, PARAGRAPHS 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding “Transparency in the system of public funding: analysis of the rules and interpretation guidance”.

According to the contents of Article 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2021 by the fully-consolidated subsidiaries of the CDP RETI Group basis that fall within the subjective scope of the law in question, as presented in their respective separate or sub-consolidated financial statements.

Public payments received pursuant to art.1 c.125 Law no.124/2017

Beneficiary	Licensor Name/Company name	Fiscal code	VAT number	Causal	Amount €/thousand
ITALGAS RETI S.P.A.	CONDOFURI	162630800	162630800	(*)	95
ITALGAS RETI S.P.A.	VICO EQUENSE	82007510637	1548611217	(*)	1,937
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	516370673	(*)	14
ITALGAS RETI S.P.A.	BARANO D'ISCHIA	83000730636	83000730636	(*)	1,754
ITALGAS RETI S.P.A.	MASSA LUBRENSE	637560632	637560632	(*)	390
ITALGAS RETI S.P.A.	META	423370634	423370634	(*)	224
ITALGAS RETI S.P.A.	PIANO DI SORRENTO	385130638	385130638	(*)	559
ITALGAS RETI S.P.A.	SANT' AGNELLO	82007930637	82007930637	(*)	277
ITALGAS RETI S.P.A.	SORRENTO	82001030632	82001030632	(*)	705
ITALGAS RETI S.P.A.	CASTEL SAN GIORGIO	80021560653	80021560653	(*)	552
ITALGAS RETI S.P.A.	PINETO	159200674	159200674	(*)	2
ITALGAS RETI S.P.A.	ALBI	80002220798	80002220798	(*)	179
ITALGAS RETI S.P.A.	BIVONGI	81000470807	81000470807	(*)	183
ITALGAS RETI S.P.A.	BONIFATI	390090785	390090785	(*)	152
ITALGAS RETI S.P.A.	CARAFFA DEL BIANCO	81001190800	81001190800	(*)	96
ITALGAS RETI S.P.A.	CICALA	296280795	296280795	(*)	330
ITALGAS RETI S.P.A.	COLOSIMI	375660784	375660784	(*)	446
ITALGAS RETI S.P.A.	GERACE	81002190809	81002190809	(*)	405
ITALGAS RETI S.P.A.	GIMIGLIANO	296900798	296900798	(*)	163
ITALGAS RETI S.P.A.	GROTTERIA	282690809	282690809	(*)	546
ITALGAS RETI S.P.A.	PANETTIERI	391660784	391660784	(*)	77
ITALGAS RETI S.P.A.	PAZZANO	81001230804	81001230804	(*)	47
ITALGAS RETI S.P.A.	PENTONE	220810790	220810790	(*)	187
ITALGAS RETI S.P.A.	SANT'AGATA DEL BIANCO	720540806	720540806	(*)	55
ITALGAS RETI S.P.A.	SANT'ANDREA APOSTOLO DELLO IONIO	356330795	356330795	(*)	220
ITALGAS RETI S.P.A.	SANTA CATERINA DELLO IONIO	245050794	245050794	(*)	125
ITALGAS RETI S.P.A.	SAN SOSTI	395970783	395970783	(*)	267
ITALGAS RETI S.P.A.	SAMO	81002530806	81002530806	(*)	126
ITALGAS RETI S.P.A.	SANGINETO	401810783	401810783	(*)	68
ITALGAS RETI S.P.A.	SIMERI CRICHI	296790793	296790793	(*)	137
ITALGAS RETI S.P.A.	STIGNANO	81001010800	81001010800	(*)	79
ITALGAS RETI S.P.A.	STILO	81001070804	81001070804	(*)	336
ITALGAS RETI S.P.A.	BAGALADI	283390805	283390805	(*)	87
ITALGAS RETI S.P.A.	SELLIA	311650790	311650790	Contributions for plants and equipments Legge 784/80	50
MEDEA S.P.A.	VILLAPERUCCIO	81005130927	81005130927	(**)	542
MEDEA S.P.A.	MONASTIR	82001930922	82001930922	(**)	157
MEDEA S.P.A.	NURAMINIS	82002130928	82002130928	(**)	140
MEDEA S.P.A.	SAN SPERATE	1423040920	1423040920	(**)	360
MEDEA S.P.A.	SESTU	80004890929	80004890929	(**)	692
MEDEA S.P.A.	USSANA	82001730926	82001730926	(**)	149
MEDEA S.P.A.	ALA' DEI SARDI	81000550905	81000550905	(**)	2,300
MEDEA S.P.A.	ANELA	237220900	237220900	(**)	300
MEDEA S.P.A.	BENETUTTI	289880908	289880908	(**)	2,119
MEDEA S.P.A.	NULE	81001030907	81001030907	(**)	753
MEDEA S.P.A.	BITTI	80006550919	80006550919	(**)	324
MEDEA S.P.A.	DORGALI	160210910	160210910	(**)	1,838
MEDEA S.P.A.	ONANI	80003810910	80003810910	(**)	494
MEDEA S.P.A.	OSIDDA	80006560918	80006560918	(**)	251
MEDEA S.P.A.	ORUNE	161070917	161070917	(**)	282
MEDEA S.P.A.	GALTELLI	80003250919	80003250919	(**)	21
MEDEA S.P.A.	IRGOLI	80005110913	80005110913	(**)	885
MEDEA S.P.A.	LOCULI	80006160917	80006160917	(**)	257
MEDEA S.P.A.	ONIFAI	80006610911	80006610911	(**)	406
MEDEA S.P.A.	OROSEI	134670918	134670918	(**)	1,134
MEDEA S.P.A.	BARRALI	80019570920	80019570920	(**)	995
MEDEA S.P.A.	GESICO	80015830922	80015830922	(**)	17
MEDEA S.P.A.	GONI	80010850925	80010850925	(**)	17
MEDEA S.P.A.	GUAMAGGIORE	80008970925	80008970925	(**)	576
MEDEA S.P.A.	SAN BASILIO	80016750921	80016750921	(**)	150
MEDEA S.P.A.	SELEGAS	80018170920	80018170920	(**)	1,217
MEDEA S.P.A.	SENORBI'	80008070924	80008070924	(**)	2,616
MEDEA S.P.A.	SUELLI	80016870927	80016870927	(**)	1,145
MEDEA S.P.A.	GIBA	81002090926	81002090926	(**)	449
MEDEA S.P.A.	MASAINAS	81002530921	81002530921	(**)	432
MEDEA S.P.A.	NARCAO	535840920	535840920	(**)	698
MEDEA S.P.A.	PISCINAS	90005610929	90005610929	(**)	605
MEDEA S.P.A.	PERDAXIUS	81002390920	81002390920	(**)	168
MEDEA S.P.A.	SANT'ANNA ARRESI	81001910926	81001910926	(**)	755
MEDEA S.P.A.	TRATALIAS	81001590926	81001590926	(**)	577
TERNA SPA	Regione Siciliana	80012000826	02711070827	State Aid	8,823
TERNA SPA	Ministero dello Sviluppo Economico	80230390587	80230390587	State Aid	22,903

(*) Contributions for plants and equipments - L.R. 3 APRILE 1995, N. 25 e - LEGGE REGIONALE 27.12.2001, N. 84

(**) Contributions for plants Deliberation 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5

Public grants pursuant to art.1 c.126 Law no.124/2017

Beneficiary	Beneficiary			Causal	Amount €/thousand
	Name/Company name	Fiscal code	VAT number		
TERNA SPA	Fondazione Intercultura Onlus	IT91016300526	IT91016300526	Educational project for the training to internationality of young students s.y. 2022/2023	45
TERNA SPA	FONDAZIONE CAMPAGNA AMICA	IT10569111007	IT10569111007	Families in Need Donation - Christmas 2021	25
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	IT06073831007	IT06073831007	Caravan of Prevention in the Company - 3rd day of prevention	20
TERNA SPA	Save the Children Italia Onlus	IT07354071008	IT07354071008	"Riscriviamo il futuro" project	20
TERNA SPA	Comune di Chiaramonte Gulfi	IT00068940881	IT00068940881	Support recreational activities Chiaramonte Gulfi Municipality	10
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	IT06073831007	IT06073831007	CAROVANA OF PREVENTION IN CORPORATE (second edition 2021)	15
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	IT06073831007	IT06073831007	In-Company Prevention Caravan	13
TERNA SPA	UNIVERSITA' CATTOLICA SACRO CU(	IT02133120150	IT02133120150	Support of institutional, scientific and research activities	10
TERNA SPA	Consiglio Regionale dell'Abruzzo	IT80003630664	IT80003630664	Restoration of Pineta Dannunziana	15

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
CDP Reti S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of CDP Reti S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2021, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 , and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of CDP Reti S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Investments for the operation of infrastructures and for service concession agreements	
Description of the key audit matter	The consolidated balance sheet of the CDP Reti Group as at and for the year ended 31 December 2021 presents "property, plant and equipment" for a value of 37,320 million euro and "intangible assets" for a value of 10,852 million euro. The items mainly include infrastructure investments made by the Group companies which operate in regulated sectors, in particular: (i) from the TERNA group, with regards to electricity transmission grid and transformer substations ; (ii) from the SNAM group with regards to natural gas transportation, storage and regasification of natural gas; and (iii) from ITALGAS group with regards to natural gas distribution. During the year "properties, plants and equipment" increased by 2,559 million euro whereas "intangible assets" by 1,077 million euro. They experienced decreased for depreciation and amortization respectively by 1,563 million euro and 609 million euro. In view of the significant amount of infrastructure investments carried out during the year by Group companies and, given that, according to the *Regulatory Asset Based* mechanism, the changes recorded by these investments affect the determination of the revenues to be recognized by the Italian Regulatory Authority for Energy, Networks and Environment ("ARERA"), we have considered as a key audit matter the accuracy of the capitalizations, disposals and depreciations and amortization recorded in the financial year. Paragraph I.2 and notes 1 and 3 of paragraph II of the consolidated financial statements describe the accounting policies applied by the Group and the changes for the year.
Audit procedures performed	Our audit procedures concerning investments for operation and development of infrastructures and for service concession agreements included for the Group companies, among others, the following: • understanding the processes for recognition of such investments in the financial statements; • understanding the relevant controls implemented by the Group in relation to these processes and assessment of their operating effectiveness; • critical analysis of the composition of the investments of the year of the "property, plant and equipment" and "intangible assets" captions, including the analysis of any unusual item; • selection of a sample of items and test that depreciation and amortisation of the assets began when the assets were available for use and that rates of depreciation and amortisation were applied correctly based on useful life and asset class;

- with reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards.

Finally, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements and its compliance with the relevant accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP Reti S.p.A. has appointed us on May 10, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP RETI S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of CDP RETI Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98, with the consolidated financial statements of CDP RETI Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of CDP RETI Group as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As described in the report on operations, the Directors of CDP Reti S.p.A. made use of the exemption from the preparation of the non-financial statement pursuant to art. 6, paragraph 2 of Legislative Decree 30 December 2016, no. 254.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 14, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2021.
2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2021 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.
3. In addition, it is hereby certified that:

   3.1 the consolidated financial statements at 31 December 2021:
   - have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the information in the books and other accounting records;
   - give a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation.

   3.2 the report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 14 April 2022

The Chief Executive Officer	Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

3

REPORT ON OPERATIONS OF CDP RETI S.P.A.

1. OPERATING PERFORMANCE OF CDP RETI S.P.A.

1.1 KEY MANAGEMENT FIGURES

Key Management Figures

Key financial figures

Items		31/12/2021	31/12/2020
Dividends	(thousand of euros)	492,619	463,084
- of which SNAM	*(thousand of euros)*	*268,165*	*255,415*
- of which TERNA	*(thousand of euros)*	*166,080*	*153,720*
- of which ITALGAS (1)	*(thousand of euros)*	*58,375*	*53,949*
Pofit (loss) on operations (2)	(thousand of euros)	(24,475)	(31,177)
Net income (loss)	(thousand of euros)	471,193	436,148
Comprehensive income	(thousand of euros)	480,232	434,834

Key balance sheet and cash flow figures

Items		31/12/2021	31/12/2020
Equity investments carrying amount	(thousand of euros)	5,023,065	5,023,065
- of which SNAM	*(thousand of euros)*	*3,086,833*	*3,086,833*
- of which TERNA	*(thousand of euros)*	*1,315,200*	*1,315,200*
- of which ITALGAS	*(thousand of euros)*	*621,032*	*621,032*
Receivables for dividends not yet collected	(thousand of euros)	110,427	*105,158*
Equity	(thousand of euros)	3,533,218	3,514,735
Net financial debt (2)	(thousand of euros)	(1,604,931)	(1,620,193)

Other key figures and ratios

Items			31/12/2021	31/12/2020
Equity investments market value (2) (3)		(thousand of euros)	11,164,684	9,716,143
Dividends collected		(thousand of euros)	487,351	458,026
Dividends distributed		(thousand of euros)	461,749	428,723
Dividend per share		euros	2,917.35	2,700.37
	Interim	euros	*1,927.37*	*1,768.86*
	Final	euros	*989.98*	*931.51*
Net cash flow for the period		(thousand of euros)	19,245	(3,083)
ROE (2)		(%)	13%	12%
Dividends/Borrowing expenses (2)		(numbers)	21.78	15.49
Net financial debt/Equity investments carrying amount (2)		(%)	32%	32%
Net financial debt/Equity (2)		(numbers)	0.45	0.46
Net financial debt/Dividends (2)		(numbers)	3.26	3.48

(1) Company established on 1 June 2016 and previously called ITG Holding S.p.A. (as of 7 November 2016 renamed Italgas S.p.A.)
(2) NON GAAP ratios.
(3) Product of the number of CDP RETI shares for the official price per share at the end of the period by Snam, Terna and Italgas

1.2 FINANCIAL PERFORMANCE

To facilitate the reading of the Income statement, in view of the fact that CDP RETI S.p.A. is an investment vehicle, the following reclassified income statement has been prepared, first presenting the items that relate to the financial operations, as this is the most significant component of income[58].

The income statement results of CDP RETI S.p.A. for 2021, compared with the previous year, are summarised in the management Income statement reported below.

Reclassified Income Statement CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2021	31/12/2020
Dividends	492,619	463,084
Pofit (loss) on core business	**492,619**	**463,084**
Financial income and expenses	(22,609)	(29,217)
Depreciation	(48)	(14)
Administrative expenses	(1,818)	(1,946)
Pofit (loss) on operations	**(24,475)**	**(31,177)**
Other revenues and income	20	22
Operating income	**468,164**	**431,929**
Income taxes	3,029	4,219
NET INCOME (LOSS)	**471,193**	**436,148**

The main positive components of CDP RETI's income are related to the **dividends accruing** from SNAM, TERNA and ITALGAS, totalling 493 million euro, up from 2020 (+30 million euro, +6.4%) due to changes in the dividend policy (in terms of dividend per share) of SNAM (+12.7 million euro), TERNA (+12.4 million euro) and ITALGAS (+4.4 million euro).

More in detail, this item consists of dividends received from:

- **SNAM**: equal to 268 million euro (54% of total dividends) – 255 million euro in 2020 – of which (i) 158 million euro (collected in June 2021) and relating to the 2020 final dividend and (ii) 110 million euro (collected on 26 January 2022) as 2021 interim dividend (resolved by the Board of Directors of Snam S.p.A. on 3 November 2021[59]);
- **TERNA**: equal to 166 million euro (34% of total dividends) – 154 million euro in 2020 – of which (i) 107 million euro (collected in June 2021) and relating to the 2020 final dividend and (ii) around 59 million euro (collected on 24 November 2021) as 2021 interim dividend (resolved by the Board of Directors of Terna S.p.A. on 10 November 2021[60]);
- **ITALGAS**: equal to 58 million euro (12% of total dividends) – 54 million euro in 2020 – collected in May 2021 and relating to the 2020 dividend.

Among the negative income statement items instead, **borrowing expenses** are worth noting, totalling about 23 million euro and mainly referring to the interest expense on Term Loans (about 8 million euro also considering the settlement of the interest connected to the Swap Transactions) and the Bond (about 14 million euro). The improvement compared to 2020 was attributable to the effects of the debt restructuring in May 2020[61].

Administrative expenses mainly comprise staff costs (including the remuneration of directors and statutory auditors) and the fees paid to the parent company/third party suppliers for the services received in the period.

Income taxes, positive for about 3 million euro and slightly down (-1 million euro) compared to the end of 2020, primarily refer to the estimated tax consolidation income deriving from the surplus compensation of the ACE benefit (0.4 million

[58] This statement has been prepared on the basis of the suggestions set out in Consob Communication no. 94001437 of 23 February 1994.

[59] Based on the results of the first nine months and the forecasts for the entire 2021, the Board of Directors of SNAM resolved on the distribution to the shareholders of an interim dividend, equal to 0.1048 euro per share, with payment starting from 26 January 2022, with coupon due on 24 January and record date 26 January.

[60] Based on the results of the first six months and the forecasts for the entire 2021, the Board of Directors of TERNA resolved on the distribution to the shareholders of an interim dividend, equal to 0.0982 euro per share, with payment starting from 24 November 2021, with coupon due on 22 November 2021 and record date 23 November 2021.

[61] In this regard, note that the year 2020 takes into account certain negative impacts mainly related to the early closure of the two previous IRS hedging derivatives and the consequent reversal to the income statement of the Cash Flow Hedge Reserve (previously recorded in equity).

euro) and the surplus compensation (2.7 million euro) of the interest expense non-deductible on an individual basis and transferable to tax consolidation[62].

The income components above resulted in Net income for the year of 471 million euro, up (35 million euro; +8%) compared to 2020 (436 million euro), mainly due to (i) the increase in dividends for the year (+30 million euro) and (ii) lower borrowing expenses (about 7 million euro)[63].

1.3 STATEMENT OF FINANCIAL POSITION

CDP RETI S.p.A.'s statement of financial position as at 31 December 2021 and 31 December 2020 is summarised in the following tables.

Reclassified Assets CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2021	31/12/2020
Equity investment in Snam	3,086,833	3,086,833
Equity investment in Terna	1,315,200	1,315,200
Equity investment in Italgas	621,032	621,032
Other assets	119,023	121,656
Cash and cash equivalents	92,089	72,844
TOTAL ASSETS	**5,234,177**	**5,217,565**

As at 31 December 2021, total assets stood at 5,234 million euro and mainly consisted of balance sheet items relating to **equity investments** (about 96% of total assets) in SNAM, TERNA and ITALGAS (for an overall amount of 5,023 million euro and unchanged compared to 2020).

The increase in total assets of around 17 million euro is due mainly to the greater cash and cash equivalents (+19 million euro), only partly offset by the reduction in other assets, as analysed below.

With specific reference to the value of the equity investments held, please note that, also in light of the latest stock market values recorded:

- **SNAM**: closing price as at 31 December 2021 equal to 5.30 euro, weighted average with price volumes of the last month before 31 December 2021 equal to 5.15 euro;
- **TERNA**: closing price as at 31 December 2021 equal to 7.11 euro, weighted average with price volumes of the last month before 31 December 2021 equal to 6.90 euro;
- **ITALGAS**: closing price as at 31 December 2021 equal to 6.05 euro, weighted average with price volumes of the last month before 31 December 2021 equal to 5.81 euro;

above the carrying amount (equal to 2.93 euro for **SNAM**, 2.19 euro for **TERNA** and 2.95 euro for **ITALGAS**), as well as the information currently available, no impairment indicators are highlighted that are such to compromise the maintenance of the carrying amount of the equity investments held.

Other assets, totalling 119 million euro (-3 million euro compared to 2020), mainly refer to:

- the receivable from SNAM (110 million euro) for the 2021 interim dividend approved in November 2021 by its Board of Directors (and collected by CDP RETI in January 2022), up compared to 2020 (105 million euro collected in January 2021);
- the value (about 5 million euro) of the Interest Rate Swap (IRS) derivative contract signed by the company in May 2020 with the purpose of hedging the Term Loan Facilities. Compared to 2020 (negative value of 8 million euro), there was a positive mark-to-market value with consequent recognition of an asset;
- the receivable (around 3 million euro and down from 4 million euro in 2020) from the parent company CDP by way of compensation of the ACE benefit (0.4 million euro) and the interest expense (2.7 million euro) that can be transferred to the tax consolidation. In this regard, it should be noted that the receivable at 31 December 2020 from the parent company CDP was collected by the Company in December 2021, following filing of the tax consolidation return, as envisaged in the National Fiscal Consolidation for the three-year period 2019-2021[64].

[62] The final amount will be calculated and settled, when preparing the consolidated income tax return.
[63] Including the negative effects (about 4 million euro), which had an impact in 2020, related – as part of the liability management transaction in May 2020 – to the early repayment of previous loans and related termination of hedging derivatives.
[64] The consolidation agreement was tacitly extended for the three-year period 2022-2025.

Also with regard to other assets, compared to the end of 2020, the trend of the mark to market of the derivative entered into in May 2020 – as said, positive for 5 million euro at the end of 2021 – also affect this item, with the consequent lack of:

- the receivable from the parent company CDP (more than 9 million euro as at 31 December 2020) for the margin paid to it under the guarantee agreement (Credit Support Agreement) entered into when the cash flow hedge derivative was taken out;
- the deferred tax assets recognised at 31 December 2020, amounting to around 2 million euro, attributable to the derivative.

The breakdown of cash and cash equivalents refers mainly to bank current accounts (80 million euro) and, to a lesser extent, to the irregular deposit (around 12 million euro) with the parent company CDP[65]. On this point, it is worth remembering that, in terms of allocating the liquidity held in bank current accounts, the Company opened (July 2017) a current account with a leading credit institution, also with a view to diversifying the counterparty risk.

To better understand the changes in cash and cash equivalents, please refer to the subsequent section "Net Financial Debt".

Reclassified Equity abd Liabilities CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2021	31/12/2020
Equity	3,533,218	3,514,735
- Share capital and reserves	*3,062,025*	*3,078,587*
- Net income for the period	*471,193*	*436,148*
Loans	1,694,059	1,693,037
- of which owed to Cdp	*562,675*	*562,680*
Other liabilities	6,900	9,793
- of which owed to Cdp	*3,661*	*8,260*
TOTAL LIABILITIES	**5,234,177**	**5,217,565**

As at 31 December 2021, **equity** (equal to 3,533 million euro), in addition to the net income for the period, mainly includes: i) the item *Shareholders' payment reserve for investments*, representing the value of the payment of about 3.5 billion euro made in 2012 by CDP and intended to finance the purchase of the equity investment in SNAM, net of the portion of this reserve distributed to CDP in 2014 (about 1.5 billion euro), ii) the item *Share premium account* deriving from the transfer in 2014 of TERNA (about 1.3 billion euro), iii) the item *Valuation reserve* (positive for 4 million euro) representing the measurement at fair value of the Interest Rate Swap (IRS) derivative, net of the connected deferred taxes, and iv) the 2021 interim dividend equal to 311 million euro distributed in November 2021.

Compared to the end of 2020 (when it amounted to 3,515 million euro), the item in question benefited from (i) the net income for the period (471 million euro) and (ii) the improvement (around 9 million euro) in the Valuation Reserve, only partly absorbed by dividends distributed during the period to the shareholders (totalling about 462 million euro) as the 2020 final dividend[66] and 2021 interim dividend[67].

The **Loans** at 31 December 2021, considering the current portion and the non-current portion, consist of the following:

Loan

(thousand of euros)

	31/12/2021		31/12/2020	
Items	Non current	current	Non current	current
Bond		758,099	749,490	8,299
Lease liabilities	281	28	314	
Term Loan Facility	935,092	560	934,341	593
Total	**935,373**	**758,687**	**1,684,145**	**8,892**

[65] Compared to the deposit agreement "under which a party (depositary) receives from the other (depositor) a movable asset with the obligation to safeguard and return it in kind" (art. 1766 of the Italian Civil Code), in the irregular deposit (concerning cash or other interchangeable assets), the depositary is not obliged to return exactly the same assets but must return just as many of them of the same kind and quality. Therefore, the depositary becomes, at the time of delivery, the owner of the assets delivered to it (art. 1782 of the Italian Civil Code).

[66] 150 million euro distributed in the form of 931.51 euro for each of the 161,514 shares.

[67] 311 million euro distributed in the form of 1,927.37 euro for each of the 161,514 shares. This interim dividend was approved (by the Board of Directors on 18 November 2021) on the basis of the Company's accounting situation at 30 June 2021, prepared in accordance with IFRS. The Company ended the period with a net income of approximately 311 million euro and available reserves of approximately 3,369 million euro.

Total indebtedness at 31 December 2021, amounting to 1,694 million euro (also taking into account interest accrued after 31 December 2021) and substantially in line with the previous period, refers to:

- Term Loans (935 million euro, for a total nominal amount of 938 million euro) granted by a pool of banks (for a total nominal amount of 716 million euro) and by the parent company CDP (for a total nominal amount of 222 million euro);
- the bond (for a total nominal value of 750 million euro), listed on the Irish Stock Exchange, subscribed by institutional investors (about 412.5 million euro, equal to 55%) and the Parent Company (about 337.5 million euro, equal to 45%).

To better understand the Overall financial debt, please refer to the subsequent section "Net Financial Debt".

Other liabilities, amounting to 7 million euro and down 3 million euro compared to 2020, refer, among other things, (i) to the payable to the parent company CDP (about 3 million euro at 31 December 2021) for the margin received from it under the guarantee agreement (Credit Support Agreement) entered into when the cash flow hedge derivative was taken out, (ii) to the recognition of deferred tax liabilities (totalling 3 million euro), referring for about 2 million euro to the deferred tax liabilities related to the derivative and for about 1 million euro to the 2021 interim dividend approved by SNAM in November 2021 and received in January 2022, and (iii) to trade payables and payables to the Parent Company CDP, primarily in relation to the current service agreements. In terms of variances, this item is also affected by (i) the release of the deferred tax liability recognised as at 31 December 2020 (amounting to 1 million euro) in relation to the receipt of the 2020 interim dividend from SNAM in January 2021, (ii) and the lack of the value (negative for 8 million euro) – recognised at the end of 2020 – of the Interest Rate Swap (IRS) derivative contract due to the trend of the mark to market (as said, positive for 5 million euro at the end of 2021).

1.4 NET FINANCIAL DEBT AND CASH FLOWS

Net financial debt, calculated in accordance with Consob Communication no. DEM/6064293 of 2006, as amended on 5 May 2021[68] following implementation of ESMA[69] recommendations 32-232-1138 of 4 March 2021 concerning the Net financial position, breaks down as follows in comparison with year-end 2020:

Net Financial Debt

(thousand of euros)

	Items	31/12/2021	31/12/2020
A	Cash (1)	92,089	72,844
B	Cash equivalents (1)		
C	Other current financial assets		
D	**Liquidity (A + B + C)**	**92,089**	**72,844**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt) (2)	(2,960)	
F	Current portion of non-current financial debt (*) (2)	(758,687)	(8,892)
G	**Current financial debt (E + F)**	**(761,647)**	**(8,892)**
H	**Net current financial debt (G - D)**	**(669,558)**	**63,952**
I	Non-current financial debt (excluding current portion and debt instruments) (*) (3)	(935,373)	(934,655)
J	Debt instruments (3)		(749,490)
K	Trade payables and other non-current payables		
L	**Non-current financial debt (I + J + K)**	**(935,373)**	**(1,684,145)**
M	**Total financial debt (H + L)**	**(1,604,931)**	**(1,620,193)**

(*)They include financial liabilities for leased assets recognised in accordance with IFRS 16 "Leases", of which 281 thousands euros are long-term and 28 thousands euros are short-term portions of long-term financial liabilities.
In the balance sheet of CDP RETI S.p.A.:
(1) The balance is included in the item "Cash and cash equivalents"
(2) The balance is included in the item "Current portion of long-term loans "
(3) The balance is included in the item "Loans"

Net financial debt at 31 December 2021, totalling 1,605 million euro (also taking into account interest accrued after 31 December 2021), was down compared to 31 December 2020 (1,620 million euro, including the current portion of loans), mainly due to the higher liquidity resulting from the dividends received during the year.

[68] Therefore, in line with the Consob amendments, the calculation of net financial debt excludes other current financial assets not classified as cash and cash equivalents (e.g. short-term financial receivables). Accordingly, the related value at 31 December 2020 was restated, generating an increase in net debt of 9 million euro due to the exclusion of short-term financial receivables (no longer considered when netting financial debt).
[69] European Securities and Markets Authority.

At 31 December 2021, the net financial debt towards the parent company CDP amounted to 553 million euro and was down slightly (3 million euro) on 31 December 2020 (556 million euro), mainly due to the higher liquidity held in the irregular deposit with CDP.

With regard to the detailed items, the following is noted.

Liquidity as at 31 December 2021 (92 million euro) consists mainly of the sums of deposits held at leading banks (80 million euro) and, to a residual extent, the irregular deposit (12 million euro) with the parent company CDP.

In comparative terms, the increase (+19 million euro) compared to the end of 2020 is mainly due to dividends received in the period from subsidiaries (487 million euro), the settlement of margins received from the parent company CDP in accordance with the guarantee agreement signed at the same time as the hedging derivatives (with a positive cash flow for the period of around 12 million euro) and the collection (4 million euro) of the receivable from CDP for joining the tax consolidation, only partially absorbed by:

- the dividends – 2020 final dividend and 2021 interim dividend – distributed to shareholders (462 million euro);
- the payment of the bond coupon (14 million euro) and interest expense (also taking into account the settlement of interest related to the Swap Transactions) related to the overall Term Loan of 938 million euro (7 million euro);
- additional outflows connected to ordinary operations.

Overall, please note that the receivable from SNAM for the 2021 interim dividend (about 110 million euro, collected in January 2022), in line with the approach adopted in previous years, is considered by CDP RETI as cash flow generated by its operating activity and consequently excluded from calculation of the Net Financial Debt.

Current financial debt (762 million euro) mainly refers to the amount of the Bond[70] maturing in May 2022 (nominal value of 750 million euro) as well as the interest due on the Bond (about 8 million euro) and on the Term Loan, totalling 938 million euro, both with financial impacts that will be felt in May 2022. The significant increase (over 750 million euro) compared with 2020 is due almost entirely to the reclassification to the current portion of the Bond due in the following 12 months (i.e. May 2022). In this respect, please refer:

- to section “IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES” (paragraph “Liquidity and credit risk”) of the notes to the separate financial statements for a more detailed description of the risk profiles;
- to section “5. BUSINESS OUTLOOK” of the Report on Operations of the Group for a description of the refinancing strategy.

Non-current financial debt (935 million euro), down compared to 2020 due to the aforementioned reclassifications to current financial debt, does not consider the merely accounting effects deriving from the measurement at fair value of the derivative and refers almost entirely to the Term Loan (935 million euro, equal to the nominal value of around 938 million euro, less the costs associated to it, which are amortised along its duration), granted in May 2020 by a pool of banks (76%) and the parent company CDP (24%) and maturing in 2025.

The main economic terms of the new loan agreement entered into in May 2020 (overall amounting to 938 million) may be summarised as follows:

- total amount financed of 937,634,700 euro, of which:
  - 715,634,700 euro from a pool of banks;
  - 222,000,000 euro from the parent company CDP;
- floating interest rate, equal to the 6-month Euribor increased by a spread of 105 bps;
- application of a zero floor to the entire interest rate (Euribor + spread);
- interest periods of six months (in May and November);
- arrangement fee equal to 40 bps.

Furthermore, in order to mitigate the variability of the 6-month Euribor rate and the related cash flows and their impact on net income for the period, for these loans the rate was converted from floating to fixed[71] by contracting a derivative - at market conditions[72] - to hedge the future cash flows associated with the Term Loans (i.e. Interest Rate Swaps with the parent company CDP hedging against the interest rate risk associated with the Term Loans, in other words minimising the changes in the cash outflows generated by the loans and associated with the floating rates).

The economic and financial characteristics of the hedging derivative are entirely aligned with those of the hedged items, and in particular:

- the notional amount is equal to the nominal value of the respective debts;

[70] Subscribed in May 2015 by institutional investors (about 412 million euro, equal to 55%) and the parent company CDP (about 338 million euro, equal to 45%).
[71] The annual fixed rate resulting from the hedging derivative contracted in May 2020 for the overall Term Loan of 938 million was 0.796%.
[72] That is to say, with a fair value upon the signing of the contract of near zero or else of an insignificant amount in terms of negative fair value as a percentage of the nominal value of the transaction.

- the maturity (May 2025) and the settlement dates of the differentials of the derivative (on a half-yearly basis and in arrears[73]) are aligned with the two loan agreements;
- the underlying variable rate and the spread coincide: 6-month Euribor + 105 bps.

The total mark to market of the IRS derivative, which is not listed on an active market, as calculated on a daily basis by the parent company CDP[74], amounted to a positive value for CDP RETI of approximately 5 million euro at 31 December 2021. This amount has been classified among financial assets, whereas changes in the value of the effective component of the derivative have been classified to a specific equity reserve (the "Cash Flow Hedge valuation reserve"), net of deferred tax effects, since the conditions for the application of hedge accounting have been satisfied[75].

As at 31 December 2021, the Net Financial Debt/Equity ratio (leverage) stood at 0.45 and was in line with 2020.

When compared to 2020, the Net Financial Debt/Dividends ratio (representing the profit or loss on the company's core business) is lower instead (from 3.48 to 3.26) due mainly to the higher dividends due.

Cash flows

(thousand of euros)

Items	31/12/2021	31/12/2020
Cash and cash equivalents at the start of the year	**72,844**	**75,927**
Cash flows from operating activities	481,014	433,377
Cash flows from investing/disinvesting activities	(20)	(110)
Cash flows from financing activities	(461,749)	(436,350)
Cash and cash equivalents at year end	**92,089**	**72,844**

The cash flow from operating activities in 2021 was positive (481 million euro) and was up (+48 million euro) on 2020 mainly due to the higher dividends received, the settlement of the margins received from the parent company CDP under the guarantee agreement signed at the same time as the hedging derivative (with a positive cash flow in the period) and the lower interest paid on financial debt.

The *cash flow from investing/disinvesting activities* refers to the outlays incurred for the purchase of licences and the lease for the premises in Via Alessandria, 220 (Rome).

The *cash flow from financing activities*, which absorbed a total of 462 million euro in liquidity, refers entirely to the payment of dividends to shareholders (+33 million euro compared to 429 million euro in 2020). The increase compared to 2020 (+25 million euro) takes into account the absence of the negative effects (7 million euro) in 2021 related to debt refinancing, which had an impact in 2020.

[73] The differentials are settled in arrears on 19 May and 19 November of each year and calculated by comparing the following elements:
• the receive leg for CDP RETI: 6-month Euribor (fixed on the second business day prior to the beginning of the period) + a spread of 1.05%;
• the pay leg for CDP RETI: a fixed rate of 0.796%.

[74] On the basis of generally accepted valuation models and techniques, which refer to inputs (the Euribor interest rate curve for the entire period of reference of the contract) observable on the market.

[75] On 1 January 2018, CDP RETI adopted IFRS 9 as for the rules for classification, measurement and impairment. With regard to the rules on hedge accounting, the Company has exercised the option of maintaining the rules set out under IAS 39, applying the regulatory/accounting choices made by the Parent Company CDP.

2. REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF CDP RETI PURSUANT TO ARTICLE 123-BIS, PARAGRAPH 2, LETTER B) OF THE CONSOLIDATED LAW ON FINANCE

With regard to the “Report on corporate governance and ownership structure: main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis, pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Finance”, it is possible to refer to the contents of paragraph 8 of the Report on Operations of the consolidated financial statements, also applicable to the separate financial statements of CDP RETI S.p.A..

4

2021 SEPARATE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

The separate financial statements at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

- Balance Sheet;
- Income Statement;
- Statement of comprehensive income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- the Notes to the financial statements;

The Notes consist of the following:

- Introduction
- I - Basis of presentation and accounting policies
- II - Information on the balance sheet
- III - Information on the income statement
- IV - Information on risks and related hedging policies
- V - Transactions with related parties
- VI – Non-recurring events and significant transactions
- VII – Operating segments

The section “Annexes”, which is an integral part of the financial statements, also includes the analytical list of equity investments owned by CDP RETI and the separate financial statements at 31 December 2020 of the parent company Cassa Depositi e Prestiti S.p.A.

With reference to the report to be made regarding the obligations introduced by Law no. 124 of 4 August 2017, concerning the transparency of public funds, we can state there is nothing that needs reporting.

SUMMARY

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2021

BALANCE SHEET - ASSETS

(euros) Assets	Notes	31/12/2021	*of which from related parties*	31/12/2020	*of which from related parties*
Non-current assets					
Property, plant and equipment	1	305,306	305,306	333,887	333,887
Intangible assets	2	69,175		88,638	
Equity investments	3	5,023,064,811		5,023,064,811	
Non-current financial assets	4	4,970,701	4,970,701		
Deferred tax assets	5	20,074		2,225,081	
Other non-current assets					
Total non-current assets		**5,028,430,068**	**5,276,007**	**5,025,712,417**	**333,887**
Current assets					
Current financial assets	6			9,445,750	9,445,750
Income tax receivables	7	109,566		109,566	
Other current assets	8	113,547,836	113,532,088	109,452,547	109,443,159
Cash and cash equivalents	9	92,089,301	12,400,953	72,844,243	5,884,406
Total current assets		**205,746,703**	**125,933,042**	**191,852,106**	**124,773,315**
Total assets		**5,234,176,771**	**131,209,049**	**5,217,564,523**	**125,107,202**

BALANCE SHEET - LIABILITIES

(euros) Liabilities and equity	Notes	31/12/2021	*of which from related parties*	31/12/2020	*of which from related parties*
Equity					
Share capital	10	161,514		161,514	
Reserves:	11	3,369,431,217		3,369,430,791	
Share premium reserve		1,315,158,486		*1,315,158,486*	
Income reserves		24,352,709		*24,352,284*	
Other reserves		2,029,920,022		*2,029,920,022*	
Valuation reserves	12	3,729,738		(5,309,748)	
Interim dividends	13	(311,297,238)		(285,695,654)	
Net income for the period (+/-)		471,193,008		436,147,986	
Total Equity		**3,533,218,239**		**3,514,734,890**	
Non-current liabilities					
Provisions					
Provision for employee benefits	14	998			
Loans	15	935,372,510	221,679,179	1,684,145,226	558,804,623
Other financial liabilities	16			7,793,121	7,793,121
Deferred tax liabilities	17	2,875,058		1,261,902	
Other non-current liabilities					
Total non-current liabilities		**938,248,566**	**221,679,179**	**1,693,200,248**	**566,597,744**
Current liabilities					
Current portion of long-term loans	18	758,686,576	341,304,721	8,892,078	3,875,009
Trade payables	19	81,120	4,119	87,529	1
Income tax liabilities					
Current financial liabilities	20	2,959,826	2,959,826		
Other current liabilities	21	982,444	873,637	649,778	466,788
- Tax payables		*74,593*		*12,512*	
- Payables to parent companies		*700,783*	*700,783*	*465,457*	*465,457*
- Payables due to pension and social security institutions		*4,973*		*5,167*	
- Other payables		*202,095*	*172,854*	*166,643*	*1,331*
Total current liabilities		**762,709,966**	**345,142,303**	**9,629,385**	**4,341,798**
Total liabilities and equity		**5,234,176,771**	**566,821,483**	**5,217,564,523**	**570,939,542**

INCOME STATEMENT

(euros) Income statement items	Notes	31/12/2021	*of which from related parties*	31/12/2020	*of which from related parties*
Revenues					
Revenues from sales and services					
Other revenues and income	22	19,719	19,719	21,777	
Total revenues		**19,719**	**19,719**	**21,777**	
Costs					
Services	23	(1,340,072)	(578,673)	(1,391,693)	(713,568)
Staff costs	24	(466,714)	(288,593)	(520,879)	(129,816)
Amortisation, depreciation and impairment on property, plant and equipment and intangible assets	25	(48,043)	(28,581)	(13,568)	
Net impairment (recoveries) of trade receivables and other receivables					
Other operating costs	26	(11,017)		(33,653)	
Total costs		**(1,865,846)**	**(895,847)**	**(1,959,794)**	**(843,384)**
Profit (loss) on operations		**(1,846,127)**	**(876,128)**	**(1,938,017)**	**(843,384)**
Financial income	27	492,626,165	492,619,189	463,760,273	463,084,008
- of which dividends from subsidiaries		*492,619,189*	*492,619,189*	*463,084,008*	*463,084,008*
Borrowing expenses	28	(22,616,341)	(10,257,048)	(29,893,028)	(15,963,767)
Total financial income (expenses)		**470,009,825**	**482,362,141**	**433,867,245**	**447,120,241**
Income before taxes		**468,163,698**	**481,486,013**	**431,929,228**	**446,276,858**
Income taxes, current and deferred taxes	29	3,029,310		4,218,758	
NET INCOME FOR THE YEAR		**471,193,008**	**481,486,013**	**436,147,986**	**446,276,858**

STATEMENT OF COMPREHENSIVE INCOME

(euros)

Comprehensive income items	Notes	31/12/2021	31/12/2020
Income (loss) for the year		**471,193,008**	**436,147,986**
Other comprehensive income net of taxes not transferred to income statement			
Property, plant and equipment			
Defined benefit plans			
Other comprehensive income net of taxes transferred to income statement			
Financial assets at FVTOCI			
Cash flow hedges	11-15	9,039,486	(1,314,180)
Total other comprehensive income net of taxes		**9,039,486**	**(1,314,180)**
COMPREHENSIVE INCOME		**480,232,493**	**434,833,806**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2020		**161,514**	**32,303**	**1,315,158,486**	**(5,309,748)**
Change in opening					
Total equity at 1 January 2021		**161,514**	**32,303**	**1,315,158,486**	**(5,309,748)**
Net income (loss) for the year					
Other comprehensive income:	12				
- cash flow hedges					9,039,486
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**9,039,486**
Comprehensive income					**9,039,486**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2020	13				
- dividends					
- retained earnings	11				
Interim dividend 2021	13				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2021		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2019		**161,514**	**32,303**	**1,315,158,486**	**(3,995,568)**
Change in opening					
Total equity at 1 January 2020		**161,514**	**32,303**	**1,315,158,486**	**(3,995,568)**
Net income (loss) for the year					
Other comprehensive income:	12				
- cash flow hedges					(1,314,180)
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**(1,314,180)**
Comprehensive income					**(1,314,180)**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2019	13				
- dividends					
- retained earnings	11				
Interim dividend 2020	13				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2020		**161,514**	**32,303**	**1,315,158,486**	**(5,309,748)**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,319,981**	**436,147,986**	**(285,695,654)**	**3,514,734,890**
2,029,920,022	**24,319,981**	**436,147,986**	**(285,695,654)**	**3,514,734,890**
		471,193,008		471,193,008
				9,039,486
				9,039,486
		471,193,008		**480,232,493**
		(285,695,654)	285,695,654	
		(150,451,906)		(150,451,906)
	426	(426)		
			(311,297,238)	(311,297,238)
	426	**(436,147,986)**	**(25,601,584)**	**(461,749,144)**
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,318,412**	**410,032,315**	**(267,003,639)**	**3,508,623,845**
2,029,920,022	**24,318,412**	**410,032,315**	**(267,003,639)**	**3,508,623,845**
		436,147,986		436,147,986
				(1,314,180)
				(1,314,180)
		436,147,986		**434,833,806**
		(267,003,639)	267,003,639	
		(143,027,107)		(143,027,107)
	1,569	(1,569)		
			(285,695,654)	(285,695,654)
	1,569	**(410,032,315)**	**(18,692,015)**	**(428,722,762)**
2,029,920,022	**24,319,981**	**436,147,986**	**(285,695,654)**	**3,514,734,890**

STATEMENT OF CASH FLOWS

(euros)	Notes	31/12/2021	31/12/2020
Net income		**471,193,008**	**436,147,986**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	25	48,043	13,568
Recoveries (impairment) on financial assets	28		
Provisions for staff severance pay	24	352	(293)
Net writedowns (revaluations) from hedging activities		5,112	8,037
Effect of accounting using the equity method			
Net losses (gains) on disposals, cancellations and eliminations of assets			
Dividends	27	(492,619,189)	(463,084,008)
Interest income	27	(6,976)	(676,265)
Interest expense	28	22,615,989	29,917,406
Income taxes	29	(3,029,578)	(4,218,758)
Changes in working capital:			
- Inventories			
- Trade receivables			
- Trade payables		6,369	69,734
- Provisions			
- Current financial assets	6	9,445,891	(2,559,949)
- Other assets and liabilities		3,288,834	(39,668)
Cash flow from working capital		**12,741,093**	**(2,529,883)**
Change in provisions for employee benefits	14	89	(33,597)
Dividends received	27	487,350,729	458,026,286
Interest received	27	319	676,265
Interest paid	28	(21,557,523)	(25,337,555)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism	8	4,273,013	4,467,694
Cash flow from operating activities		**481,014,480**	**433,376,884**
- with related parties		*493,743,736*	*444,762,190*
Investing activities:			
- Property, plant and equipment	1	(7,500)	(30,000)
- Intangible assets	2	(12,778)	(80,188)
- Companies in the scope of consolidation and business units			
- Equity investments			
- Change in payables and receivables relative to investing activities			
Cash flow from investing activities		**(20,278)**	**(110,188)**
Divestments:			
- Property, plant and equipment			
- Intangible assets			
- Equity investments			
- Change in payables and receivables relative to divestments			
Cash flow from divestments			
Net cash flow from investing activities		**(20,278)**	**(110,188)**
- with related parties			
Assumption of long-term financial debt			930,007,622
Repayments of long-term financial debt			(187,634,700)
Increase (decrease) in short-term financial debt			(750,000,000)
Net equity capital injections			
Dividends distributed to shareholders	10-12	(461,749,144)	(428,722,762)
Net cash flow from financing activities		**(461,749,144)**	**(436,349,839)**
- with related parties		*(434,515,453)*	*(608,137,101)*
Net cash flow for the year		**19,245,058**	**(3,083,143)**
Cash and cash equivalents at start of year	9	**72,844,243**	**75,927,386**
Cash and cash equivalents at end of year	9	**92,089,301**	**72,844,243**

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the financial statements

The financial statements of CDP RETI have been prepared in accordance with the IFRS and comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these notes to the financial statements, as well as the Directors' report on operations.

The financial statements clearly present, and give a true and fair view of, the Company's financial performance and results of operations for the year.

The financial statements correspond with the company's accounting records and fully reflect the transactions conducted during the financial year.

All figures in the financial statements and in the tables in the notes are in euros. In the income statement, revenues are indicated without a sign, while costs are shown in brackets. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

As detailed below, the notes to the financial statements provide all information required by law, as well as any supplemental information deemed necessary in order to give a true and fair view of the company's financial performance and standing.

Starting from the financial year 2020, the items which make up the statement of changes in equity were restated in order to provide a clearer reporting.

Auditing of the financial statements

The financial statements of CDP RETI have been audited by Deloitte & Touche S.p.A., as per the engagement assigned by the shareholders in their meeting of 10 May 2019 to carry out the audit for the period 2020-2028.

Management and coordination by CDP S.p.A.

CDP RETI is 59.10% owned by CDP. The Company is subject to management and coordination by CDP. Management and coordination is performed in such a way as to avoid infringing European regulations on state aid.

I - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I. GENERAL INFORMATION

Declaration of compliance with the International Financial Reporting Standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2021, taking into account also the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include the IFRS issued by the IASB, the IAS still in force issued by the IASC and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC).

General preparation principles

The financial statement formats used to prepare the financial statements are consistent with the provisions of IAS 1 – Presentation of Financial Statements (hereinafter, IAS 1).

More specifically:

- the items on the balance sheet are classified by distinguishing assets and liabilities as "current / non-current";
- the income statement has been prepared by classifying costs by their nature, insofar as this form of presentation is deemed the most appropriate for representing the actual situation of the Group, and is consistent with the established practice of firms operating on international markets;
- the statement of comprehensive income shows income inclusive of the revenues and costs that are recognised directly in equity pursuant to IFRS;
- the statement of changes in equity presents the total income (loss) for the year, transactions with shareholders and other changes in equity;
- the statement of cash flows is drafted by using the "indirect" method, adjusting net income for the effects of non-cash transactions.

It is believed that these statements present an adequate view of the Company's financial position and performance of operations.

Reference is made to the section "Transactions with related parties" for information about the net amounts of receivables and payables and transactions with related parties.

The financial statements have been prepared in accordance with the IFRS issued by the IASB (including the SIC and IFRIC interpretations) and endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002, published in Official Journal L. 243 of 11 September 2002.

For the purposes of interpretation and to provide support in applying these standards, the following documents have also been considered, although they have not been endorsed by the European Commission:

- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo italiano di contabilità (Italian Accounting Board, OIC);
- Documents issued by ESMA, IOSCO and CONSOB with regard to assessments and disclosures required in respect of the impacts of the COVID-19 outbreak[76].

Where the information required by the IFRS is deemed to be inadequate in presenting the company's financial standing in a true and fair manner, the explanatory notes also provide supplemental information for such purpose.

The financial statements have been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, CDP RETI has conducted an assessment of the Company's ability to continue to operate as a going concern, considering all available information over the medium term.

Based on analysis of this information, CDP RETI feels that it is appropriate to prepare its financial statements on a going concern basis. For further details, see the information provided in the section "COVID-19 note".

No assets have been offset against liabilities, nor income against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

[76] These references are:

- ESMA Communication dated 25 March 2020 "Public Statement. Accounting implications of the COVID 19 outbreak on the calculation of expected credit losses in accordance with IFRS 9";
- Document of the IFRS Foundation dated 27 March 2020 "IFRS 9 and covid-19 - Accounting for expected credit losses applying IFRS 9 Financial Instruments in the light of current uncertainty resulting from the covid-19 pandemic";
- ECB Letter dated 1 April 2020 "IFRS 9 in the context of the coronavirus (COVID-19) pandemic" addressed to all significant entities;
- CONSOB warning notice no. 6/20 of April 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA Communication dated 20 May 2020 "Implications of the COVID-19 outbreak on the half-yearly financial reports";
- CONSOB warning notice no. 8/20 dated July 2020, 'COVID-19 - Drawing attention to financial reporting';
- ESMA statement dated 28 October 2020 'European common enforcement priorities for 2020 annual financial reports';
- CONSOB warning notice no. 1/21 dated February 2021, 'COVID-19 – Measures on support for the economy – Reporting to be provided';
- ESMA statement dated 29 October 2021 'European common enforcement priorities for 2021 annual financial reports'.

Use of estimates

The application of International Financial Reporting Standards in preparing the financial statements requires the company to make accounting estimates for certain balance sheet items that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, and the disclosures on contingent assets and liabilities at the reporting date, as well as the amounts reported for revenues and costs for the reporting period. The management estimates and judgments are based on past experience and other factors that are considered to be reasonable in the circumstances. They are used when the carrying value of the assets and liabilities cannot be readily determined from other sources. The actual results may therefore differ from these estimates. Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future earnings results.

The main areas in which management is required to make subjective assessments are:

- the recoverable amount of equity investments: at least annually, the Company assesses the presence of impairment indicators for each equity investment and, if any are identified, it conducts impairment tests on those assets;
- the quantification of impairment losses/reversals of impairment loss on financial assets: at each reporting date, the Company makes a provision for expected losses based on assumptions regarding the risk of default;
- the fair value of interest rate swap hedging derivatives (unlisted financial instruments) using specific valuation techniques;
- leases: in the absence of observable inputs, the Company calculates the present value of the lease payments by estimating the incremental borrowing rate – at the lease inception date – based on assumptions that reflect the duration and contractual conditions of the lease.
- the value of current and deferred tax;

The description of the accounting policies used for the main financial statement items provides details on the main assumptions and assessments used in preparing the financial statements.

Events subsequent to the reporting date

During the period between the reporting date for these financial statements and the date of their approval by the Board of Directors on (30 March 2022), no events occurred that would require an adjustment to the figures approved nor did any significant events occur that would have required providing additional information or additional reporting.

For more details, see the section "SIGNIFICANT EVENTS AFTER 31 DECEMBER 2021" of the Report on Operations in the Consolidated Financial Statements.

Other issues

New international financial reporting standards endorsed and in force from 2021, and new financial reporting standards and interpretations issued and endorsed by the European Union, but not yet in force (entry into force for financial years beginning from 1 January 2022)

As regards the new international financial reporting standards endorsed and in force from 2021, and the new standards and interpretations already issued and endorsed by the European Union, but not yet in force (date of entry into force for financial years beginning from 1 January 2022), reference is made to the Notes to the consolidated financial statements.

COVID-19 note

Disclosure of going concern, significant uncertainties and risks linked to COVID-19

Introduction

In preparing the Annual Financial Report at 31 December 2021, the Company mainly assessed (i) the financial sustainability of the business, (ii) the recoverability of the assets and (iii) the determination of any liabilities related to costs resulting from the COVID-19 outbreak.

The assumptions used, the uncertainties identified and the assessments carried out, with their effects on the main areas of the financial statements, are reported below, based on the information currently available.

Going concern

With regard to CDP RETI S.p.A., considering all information available about capital structure, available liquidity and financial performance over the medium term, even in the context of the ongoing COVID-19 outbreak, there is no evidence of factors that might in any way affect the ability to continue operating as a going concern for a period of at least twelve months after the end of the financial year.

It should be noted that the going concern assumption has been reassessed to verify the existence of significant uncertainties, taking into account the current situation characterised by the evolution of the COVID-19 epidemic. In this regard, in February 2022 the business plans (approved by the Board of Directors on 17 February 2022) were reviewed. This review confirmed that, currently, the dividends expected over the time period examined (the three-year period 2022-2024) are able to meet the requirements of the existing loans/covenants.

For further details on the assessments carried out, see the Report on Operations “5. Business outlook for 2022”.

Significant uncertainties

Despite the actual objective uncertainties about the extent and duration of the pandemic, the most significant financial items of CDP RETI S.p.A. (i.e. dividends and financial charges) are not expected to be distressed. Based on the information currently available, there is no evidence that could predict significant changes to the 2022 Budget assumptions included in the 2022-2024 Business Plan approved on 17 February 2022.

Indeed, it is not expected to have any significant impact on the strategy and objectives of the Company, on its ability to distribute dividends to Shareholders, nor on the Net Financial Position or cash flow, or more generally on liquidity risk. There are currently no distressed conditions affecting debt or equity (nor are they reasonably foreseeable) or a financial situation of the Company that would require support from the Shareholders.

With regard to the main asset (i.e. equity investments in the portfolio), based on the stock market values at 31 December 2021 and the information currently available, no indication of impairment has been found that could affect the book value of the equity investments held nor elements of discontinuity with respect to the values reflected in the 2022 Budget.

Lastly, the maturities (May 2022 for the Bond and May 2025 for the Term Loan) and the composition of the financial debt are fully confirmed, as there is no indication of liquidity distress and the ability to comply with obligations and covenants for existing loans is confirmed.

Risks linked to COVID-19

With regard to the risks that the Company is exposed to, the COVID-19 pandemic has not generated any additional risks or new elements of risk not already addressed.

Based on the current equity investment portfolio, the Company does not have concentrations of activities in sectors most affected by the epidemic (i.e. airlines, hospitality, tourism) and is less exposed to the risk of a significant impact in the short term. There is a reasonable expectation that there will be no increases in operating costs or higher borrowing costs, at least in the short term: (i) due to the positive conclusion in May 2020 of the debt refinancing operation and (ii) because the Company has entered into an interest rate swap with CDP on the two floating-rate loans. In addition, the Company is not expected to request a postponement to the payment date of future interest expenses (i.e. May 2022) nor, at this point in time – based on the latest strategic plans of the subsidiaries – does it expect changes in the cash inflow from dividends from the 2021 income. In this regard, moreover, note that CDP RETI has already collected advances on the 2021 dividend from both SNAM and TERNA.

Notwithstanding the above, it is not possible to completely exclude that the duration of the emergency could have adverse effects on CDP RETI S.p.A., which cannot be estimated based on the information available at present. Any additional future impacts on the Company’s economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

For details of the risk monitoring and management policies, see the section “IV - Information on risks and related hedging policies”.

Impairment testing of financial assets

The corporate purpose of the Parent Company CDP RETI S.p.A. is the holding and ordinary and extraordinary management, directly and/or indirectly, of equity investments in SNAM, TERNA and ITALGAS, with the Company acting as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

At every annual or interim reporting date, the existence of trigger events indicating that the carrying value of the equity investments might not be fully recoverable is assessed. An impairment test is performed when one or more of these events exist, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses.

In principle, it should be noted that the CDP RETI Group’s core business is represented by the activities conducted by the subsidiaries (SNAM, TERNA and ITALGAS) under a regulated regime and that the stock exchange prices of those subsidiaries at 31 December 2021 were well above their carrying amounts in the Company’s financial statements.

In view of the Company’s current operations, there is no significant impact on other financial assets (e.g. receivables related to derivative transactions), also with respect to the measurement of expected credit losses according to IFRS 9.

Other areas of focus

Hedge Accounting

Existing hedging relationships have not changed in terms of compliance with hedge effectiveness requirements and, currently, no changes are envisaged on a prospective basis, connected to the situation generated by the COVID-19 pandemic. There is no evidence of situations that would require the early termination of the interest rate swap entered into with the parent company CDP.

Fair value measurement

The Company has no significant impacts to report related to the fair value measurement of financial instruments (e.g. cash flow hedges). Changes in fair value are disclosed in the notes to the financial statements (as required by IFRS 13) and in the section “Fair value measurement” in the description of the measurement techniques used.

Taxes

CDP RETI S.p.A. has not benefited from any of the tax incentives (e.g. tax credits, extension of deadlines for tax payments, funding through grants, etc.) provided for in the COVID-19 measures enacted by the Government.

There has been no impact on the deferred tax assets (whose recoverability has been assessed) or the deferred tax liabilities.

Leases

There are no situations caused by the impacts of COVID-19 that resulted in contractual amendments, suspensions or requests for deferral of lease payments or the granting of discounts.

Contingent liabilities

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

Suspension of dividend distribution

No suspensions of dividend distributions on the 2021 profit have been announced and no significant impacts are expected on the strategy and objectives of the Company or its ability to distribute dividends to Shareholders. In this regard, moreover, note that CDP RETI already distributed the advance on the 2021 dividend to its shareholders in November.

II. THE MAIN FINANCIAL STATEMENT ITEMS

The accounting policies used to prepare the separate financial statements of CDP RETI S.p.A., with reference to the main financial statement items, are described in the Notes to the consolidated financial statements, to which reference should be made, except for the accounting policies relating to the treatment of equity investments in subsidiaries, described below.

An asset or liability is classified as "current" when its trading, realisation or settlement are expected within twelve months from the reporting date or within the normal business cycle, if after twelve months; all other assets and liabilities are classified as "non-current".

Equity investments

The equity investments held at 31 December 2021 are listed individually in Annex 1 “Analytical list of equity investments”, which is an integral part of these Notes to the financial statements.

Equity investments are initially recognised at cost as at the settlement date.

The existence of objective evidence that the carrying amount of the equity investments might not be fully recoverable is assessed at every annual or interim reporting date.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies of the Parent company CDP, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with the carrying value to determine the recognition of any impairment losses.

The following are considered possible indicators of impairment:

- the recognition of losses or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend than the income for the period and the existing income reserves;
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies) in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40% or for more than 24 months;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information.

The recoverable amount of the unit is the higher between fair value less costs of disposal and the value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying value and if there is persistent or significant impairment, the difference is recognised in the income statement as an impairment loss. If the reasons that led to the recognition of the impairments cease to exist, the impairment losses are reversed, while recognising the effect of this adjustment in the income statement under “Income (expenses) from equity investments”.

The investor’s interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

The dividends are recognised when the investor has the right to receive payment for it (resolution to distribute dividends passed by the shareholders' meeting of the investee or the board of directors, if an advance on the dividend is received). The dividends resolved by the subsidiaries are recognised in the income statement when they are resolved and recognised as financial income regardless of the nature of the distributed reserves (equity or profit reserves and, in this latter case, even when these profits derive from the distribution of profit reserves that were established before the acquisition of the equity investment). In any event, considering that the distribution of those reserves represents an event implying a reduction in the value of the equity investment, the Company verifies the recoverability of the carrying value of the equity investment and, if appropriate, recognises an impairment.

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when the financial asset is sold, transferring substantially all risks and rewards connected with it.

Cash and cash equivalents

Cash and cash equivalents include on-demand or near term deposits, as well as short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They are measured at their nominal amount, which corresponds to fair value.

Financial liabilities measured at amortised cost

This item mainly includes loans granted to the Company by the parent company or by banks, as well as the issuance of the bond in May 2015 which is listed on regulated markets. Financial liabilities other than derivative instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when settled or when the contractual obligation has been satisfied, cancelled or has expired. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, that replacement or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognised in the income statement.

Hedging derivatives and hedge accounting

Derivatives, including embedded derivatives, are assets and liabilities recognised at fair value. A derivative is a financial instrument or other contract:

- whose value changes in relation to variations in a parameter defined as the “underlying”, such as an interest rate, security or commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable;
- that requires an initial net investment of zero, or less than what would be required for contracts with a similar response to changes in market conditions;
- that is settled at a future date.

In order to classify a transaction as a fair value hedge or a cash flow hedge, formal documentation is prepared at the inception of the hedge that describes the risk management strategies and objectives and identifies the hedging instrument, the instrument hedged, the nature of the hedged risk and how it will be assessed to determine whether the hedging relationship meets the hedge effectiveness requirements. In May 2020, the Company has entered into a derivative contract with its parent company CDP S.p.A. that hedges the risk of changes in the cash flows of the hedged instruments (cash flow hedge). Changes in the fair value of derivatives that are considered effective are initially recognised in the equity reserve relating to other comprehensive income and subsequently recognised in profit or loss in accordance with the income effects produced by the hedged transaction. The ineffective portion of the hedge is recognised through profit or loss for the year.

Income taxes

Current income taxes are calculated on the basis of the estimated taxable income. With regard to corporate income tax (IRES), CDP RETI, as a consolidated entity, has exercised the option of participating in the national fiscal consolidation together with its parent company CDP S.p.A. Under the group taxation rules, subsidiaries with taxable income are required to pay the tax due to the parent company CDP S.p.A. This taxable income is adjusted to take into account the recovery – based on the Group’s capacity – of negative components that would have been non-deductible without the consolidation (e.g. interest expense) and the ACE benefit.

Deferred income tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes based on the rates and regulations, applicable in the years when the temporary difference will reverse, approved at the end of the reporting financial year. Deferred tax assets are recognised when their recovery is considered likely and their recoverability is verified at least annually. When the results of operations are recognised directly in equity, the current taxes and the deferred tax assets and liabilities are also recognised in equity.

II - INFORMATION ON THE BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown of property, plant and equipment, which had a net value of 305 thousand euro at 31 December 2021, referring to the rights of use acquired through lease (RoU)[77]. More specifically, the item includes the value of the right of use following the execution - in the last quarter of 2020 - of the lease contract (entered into with CDP IMMOBILIARE as lessor) regarding portions of the property situated at Via Alessandria 220 (Rome). The property is used for office and management purposes.

See section "X - Disclosure of leases" for additional information on the accounting method and note 14 "Loans" for liabilities connected to leased assets.

Property, plant and equipment: breakdown

(euros)	31/12/2021			31/12/2020		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Right of use acquired under leases ex IFRS 16						
Buildings	343,127	(37,821)	305,306	343,127	(9,240)	333,887
Plant and equipment						
Other plant and equipments						
Other assets						
Assets under development and advances						
Total	**343,127**	**(37,821)**	**305,306**	**343,127**	**(9,240)**	**333,887**

[77] Right of Use (by the Lessee) of an asset for a specific period of time upon paying consideration to the lessor. To this end, we remind you that adoption of the new IFRS 16 (Leases) from 1 January 2019 requires lease contracts to be recorded by recognising a financial liability in the balance sheet, equal to the present value of future lease payments, upon recognition under assets of the right of use of the leased asset.

Property, plant and equipment: changes for the year

(euros) Items/Figures	Buildings	Plant and equipments	Other plant and equipments	Other assets	Assets under development and advances	Total
Gross opening balance	343,127					343,127
of which Right of use IFRS 16	343,127					343,127
Provision for amortisation, depreciation and impairment - opening balance	(9,240)					(9,240)
of which Right of use ex IFRS 16	(9,240)					(9,240)
Net opening balance	**333,887**					**333,887**
of which Right of use IFRS 16	**333,887**					**333,887**
Gross amount: change for the period	**333,887**					
Investments						
of which Right of use IFRS 16						
Provision for amortisation, depreciation and impairment: change for the period						
Depreciation for the period	(28,581)					(28,581)
of which Right of use IFRS 16	*(28,581)*					*(28,581)*
Provision for amortisation, depreciation and impairment - closing balance	**(37,821)**					**(37,821)**
of which Right of use IFRS 16	***(37,821)***					***(37,821)***
Net closing balance	**305,306**					**305,306**
of which Right of use IFRS 16	***305,306***					***305,306***

2. Intangible assets

The following table illustrates the breakdown of intangible assets at 31 December 2021, entirely referring to "*Concessions, licenses, trademarks and similar rights*". The gross value, equal to about 93 thousand euro, remained constant compared to 31 December 2020 but changed in its composition following the conclusion of the design part for the implementation of the software purchased in 2020. Consequently, as at 31/12/2021 the net value totals 69 thousand euro and includes costs incurred to purchase software applications and user licences and the relative portion of the design and implementation phase. Amortisation, amounting overall to 24 thousand euro, is calculated on a straight-line basis over the remaining useful life (no more than five years).

Intangible assets: breakdown

(euros)	31/12/2021			31/12/2020		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Goodwill						
Service concession agreements						
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	92,966	(23,791)	69,175	45,140	(4,328)	40,812
Other intangible assets						
Assets under development and advances				47,826		47,826
Total	**92,966**	**(23,791)**	**69,175**	**92,966**	**(4,328)**	**88,638**

Intangible assets: changes for the year

(euros) Items/Figures	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance		45,140		47,826	92,966
Provision for amortisation, depreciation and impairment - opening balance		(4,328)			(4,328)
Net opening balance		**40,812**		**47,826**	**88,638**
Gross amount: change for the period					
Investments					
Transfers		47,826		(47,826)	
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Provision for amortisation, depreciation and impairment - change for the period					
Depreciation for the period		(19,462)			(19,462)
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Gross closing balance		**92,966**			**92,966**
Provision for amortisation, depreciation and impairment - closing balance		**(23,791)**			**(23,791)**
Net closing balance		**69,175**			**69,175**

3. Equity investments

The net amount of this item refers to the value of controlling equity investments that CDP RETI owns in SNAM S.p.A., Terna S.p.A., and Italgas S.p.A. When impairment indicators are identified, the recoverable amount is verified, considering the higher of fair value and value in use. The fair value is generally determined based on stock market prices. The value in use estimate is determined based on valuation practice deemed to be in line with the best practices identified on a case-by-case basis. The estimate of recoverable amount of the equity investments recognised in the financial statements was made by determining the fair value. In this respect, please note that the equity investments in question passed the impairment tests.

There were no changes in the value of equity investments in the period and the breakdown of the item is as follows:

Equity investments: breakdown

(euros) Names	31/12/2021	31/12/2020
Italgas SpA	621,032,150	621,032,150
SNAM SpA	3,086,832,661	3,086,832,661
Terna SpA	1,315,200,000	1,315,200,000
Total	**5,023,064,811**	**5,023,064,811**

Equity investments in subsidiaries, joint operations and companies subject to significant influence: information on investments

Names	Registered office	% Holding
1. Italgas S.p.A.	Milan	26.02%
2. SNAM S.p.A.	San Donato Milanese (MI)	31.35%
3. Terna S.p.A.	Rome	29.85%

Note that, following the capital increase carried out by the ITALGAS Board of Directors on 10 March 2021 by issuing 632,852 new shares for the beneficiaries of the 2018-2020 Co-Investment Plan, the share capital of ITALGAS as at 31 December 2021 consists of 809,768,354 shares. This capital increase led to a reduction in CDP RETI's share (from 26.04% to 26.02%).

Equity investments in subsidiaries, joint operations and companies subject to significant influence: accounting information

(millions of euro)

Names	Total assets (1)	Total revenues (1)	Net income (loss) (1)	Equity (1)	Carrying amount	Type of transaction
Italgas SpA	10,152	2,163	383	2,142	621	Control
SNAM SpA	27,161	3,297	1,500	7,240	3,087	Control
Terna SpA	22,359	2,606	791	4,713	1,315	Control

(1) Data from the 2021 Annual Report - Consolidated Financial Statements

The table below shows the changes in equity investments:

Equity investments: changes for the year

(euros)

Items/Figures	31/12/2021	31/12/2020
A. Opening balance	**5,023,064,811**	**5,023,064,811**
B. Increases		
B.1 Purchases		
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Writedowns		
C.3 Other decreases		
D. Closing balance	**5,023,064,811**	**5,023,064,811**
E. Total revaluations		
F. Total impairments		

The share certificates (dematerialised) of equity investments in Italian subsidiaries held by CDP RETI S.p.A. are kept at the premises of the parent company CDP S.p.A. based on a securities custody and administration deposit contract signed by the parties.

4. Non-current financial assets

Non-current financial assets originate from the fair value measurement (level 2) of the cash flow hedge derivative contract entered into by the company to hedge the interest-rate risk connected to the Term Loan Facility, both concluded in May 2020. During the financial year, the overall Mark to market of the IRS derivative was positive for 4,971 million euro, in contrast with the previous year when the overall valuation showed a negative balance of 7,793 million euro.

The characteristics of the derivative contract are described in the Report on operations, in the Net financial debt section.

(euros)

	31/12/2021				31/12/2020			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	4,970,701		4,970,701					
Total	**4,970,701**		**4,970,701**					

5. Deferred tax assets

Following below is a breakdown of "Deferred tax assets" recognised at 31 December 2021 for a total amount of 20 thousand euro (2,225 thousand euro at 31 December 2020).

Deferred tax assets: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
Deferred IRES	19,369	19,560
Deferred tax assets recognized in equity	705	2,205,521
Total	**20,074**	**2,225,081**

Deferred IRES is calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

The deferred tax assets with an impact on shareholders' equity are instead attributable to the deferred tax recognised on the cash flow hedge reserve arising from the payment of a fee to the counterparty (i.e. the parent company CDP) in order to offset the difference in value (so-called Mark to Market) between the IRS derivative calculated with the EONIA rate (used until 4 May 2021 as the discount rate for the purposes of valuing the derivative) and the IRS value calculated with the €STR rate (used as the new discount rate). In this regard, in fact, CDP and CDP RETI opted to proceed with the early implementation – starting in May 2021 – of the reform of the interest rates of the European money market **(**Regulation 2016/1011 - Benchmark Regulation, BMR, which, starting from 03/01/2022, no longer provides for the publication of EONIA rates by the ECB).

The following tables indicate the change in deferred tax assets during the financial year:

Change in deferred tax assets (recognised in the income statement)

(euros)

Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**19,560**	**23,786**
2. Increases	**19,019**	**19,420**
2.1 Deferred tax assets recognised during the year	19,019	19,420
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	19,019	19,420
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**19,211**	**23,646**
3.1 Deferred tax assets derecognised during the year	19,211	23,646
a) reversals	19,211	23,646
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**19,369**	**19,560**

Change in deferred tax assets (recognised in equity)

(euros) Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**2,205,521**	**1,677,537**
2. Increases	**705**	**2,205,521**
2.1 Deferred tax assets recognised during the year	705	2,205,521
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	705	2,205,521
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**2,205,521**	**1,677,537**
3.1 Deferred tax assets derecognised during the year	2,205,521	1,677,537
a) reversals	2,205,521	1,677,537
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**705**	**2,205,521**

The reduction in deferred tax assets, recognised at 31 December 2020 for approximately 2 million euro and attributable to the IRS derivative, is due to the changed value of the derivative (at the end of 2021 positive for approximately 5 million euro, resulting in the recognition of deferred tax liabilities) compared to 2020 (negative for approximately 8 million euro, resulting in the recognition of deferred tax assets).

Current assets

6. Current financial assets

The Current financial assets as at 31 December 2021 show a balance of 0 euro (9,446 thousand euro as at 31 December 2020). The negative change of approximately 9.5 million euro compared to 2020 is due to the loss of receivables from the parent company CDP[78] due to the mark-to-market dynamics of the hedging derivative.

Current financial assets: breakdown

(euro) Items/Figures	31/12/2021	31/12/2020
Loans to CDP for CSA		9,445,750
Total		**9,445,750**

7. Income tax receivables

The balance of “Income tax receivables” includes assets related to current taxes, and in particular the tax receivables for IRAP, whose amount is unchanged from the previous financial year.

Income tax receivables: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
IRAP receivables	109,566	109,566
Total	**109,566**	**109,566**

8. Other current assets

The following table shows the breakdown of “Other current assets”, which at 31 December 2021 amounted to 113,548 thousand euro (109,453 thousand euro at 31 December 2020):

[78] For the margin paid to it in fulfilment of the Credit Support Agreement entered into when the cash flow hedge derivative was taken out

Other current assets: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Receivables from CDP for tax consolidation	3,092,991	4,283,676
Receivables from CDP for tax consolidation: withholdings	1,686	1,008
Receivables from SNAM for interim dividend	110,426,935	105,158,474
Other current assets	26,225	9,389
Total	**113,547,836**	**109,452,547**

As at 31 December 2021, the amount due from SNAM S.p.A. was recognised under other current assets. The receivable refers to the advance on the 2021 dividend, which was approved by the investee on 4 November 2021 and amounts to 0.1048 euro per share. CDP RETI received the advance on 26 January 2022.

Current assets also include the net amount due from the parent company CDP as a result of the tax consolidation mechanism, including:

- receivables of 380 thousand euro resulting from the excess 2021 ACE (aid to economic growth tax incentive) transferable to tax consolidation;
- receivables of 2,713 thousand euro resulting from excess interest expense that cannot be deducted at individual level but can be transferred to tax consolidation.

The other current assets mainly refer, instead, to the deferral of costs arising during the financial year but related to the following financial year.

9. Cash and cash equivalents

"Cash and cash equivalents" of CDP RETI, equal to 92 million euro and up (+19 million) with respect to the comparable period due to the cash flow generated by operations (481 million), which was higher than the cash flow used in financing activities (462 million), consisted of the following at 31 December 2021:

- balance of bank current accounts;
- balance of the interest-bearing demand deposit held with the parent company CDP.

The table below summarises cash and cash equivalents at 31 December 2021 including interest accrued and not yet paid.

Cash and cash equivalents: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Deposit with CDP	12,400,770	5,884,319
Banks	79,688,530	66,959,924
Total	**92,089,301**	**72,844,243**

II. LIABILITIES

Equity

10. Share capital

Share capital: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Share capital	161,514	161,514
Total	**161,514**	**161,514**

At 31 December 2021, the share capital consisted of 161,514 shares without par value (likewise at 31 December 2020), fully paid in.

During the year there were no changes to the ownership structure, which is therefore unchanged from the following situation resulting from the introduction, at the shareholders' meeting of 24 November 2014, of three separate categories of shares giving holders different rights concerning corporate governance:

Share capital: categories of shares

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59%
State Grid		56,530		35%
Cassa Forense			4,253	3%
Foundations and Savings Banks			5,273	3%
Total	**95,458**	**56,530**	**9,526**	**100%**

11. Reserves

At the end of the year, "Reserves" were as follows:

Reserves: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Income reserves	24,352,709	24,352,284
Legal reserve	*32,303*	*32,303*
Retained earnings (losses carried forward)	*24,320,407*	*24,319,981*
Share premium reserve	1,315,158,486	1,315,158,486
Reserve for shareholder payments for investments	2,029,920,022	2,029,920,022
Total	**3,369,431,217**	**3,369,430,791**

The item "Reserve for shareholder payments for investments" included the residual value of the payment made by CDP to fund the purchase of the equity investment in SNAM.

At 31 December 2021, the company did not hold treasury shares directly or indirectly through its subsidiaries or intermediaries.

Information required by Article 2427, point 7-bis, of the Italian Civil Code on the individual details of equity items is given, specifying their origin, possible use and possible distribution.

Statement pursuant to Article 2427 of the Italian Civil Code

(euros) Items/Figures	Balance at 31/12/2021	Possible uses (*)	Amount available
Share capital	161,514		
Reserves			
- Legal reserve	32,303	B	32,303
- Retained earnings	24,320,407	A, B, C	24,320,407
- Share premium reserve (**)	1,315,158,486	A, B, C	1,315,158,486
- Shareholder payments for investments	2,029,920,022	A, B, C	2,029,920,022
Valuation reserves			
- CFH reserve	3,729,738		
Advances on dividends	(311,297,238)		
Total	**3,062,025,231**		**3,369,431,217**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders
(**) Share premium reserve is fully available for distribution since Legal reserve reached a fifth of Share capital

12. Valuation reserves

Valuation reserves recorded a change mainly as a result of the measurement of the cash flow hedge derivative entered into by the Company in May 2020, net of deferred tax, and marginally as a result of the recognition of a reserve following the replacement of the Eonia rate with the €STR rate.

Valuation reserves: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Valuation reserves CFH Swap	3,729,738	(5,309,748)
Total	**3,729,738**	**(5,309,748)**

13. Advances on dividends

Having satisfied the requirements of Article 2433-bis of the Italian Civil Code, on 18 November 2021 the Company resolved to distribute advances on dividends for 2021, amounting to 1,927.37 euro per share, for a total of 311,297,238.18 euro to be paid on 29 November 2021.

Advances on dividends: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Interim dividend	(311,297,238)	(285,695,654)
Total	**(311,297,238)**	**(285,695,654)**

Non-current liabilities

14. Provisions for employee benefits

At 31 December 2021, the Company's non-current liabilities included provisions for employee benefits of 998 euro relative to the staff severance pay provision made in accordance with current regulations for employees.

Compared to the previous year, when the Company had settled all the non-current liabilities in the provisions for employee benefits following the resignation of employees receiving their respective severance pay, the provision increased as a result of the amounts set aside in the period.

For further details, reference should be made to section "3. Organisational structure" in the "Group's Report on Operations".

Staff severance pay: annual changes

(euros) Items/Figures	31/12/2021	31/12/2020
A. Opening balance		**25,587**
B. Increases	**998**	**4,089**
B.1 Allocation in the year	998	4,089
B.2 Other increases		
C. Decreases		**29,676**
C.1 Payments made		29,676
C.2 Other decreases		
D. Closing balance	**998**	

15. Loans

The total of "Loans" at 31 December 2021, considering the current portion and the non-current portion, amounted to 1,695 million euro (1,693 million euro at 31 December 2020).

The breakdown of loans is shown in the table below.

Loans: breakdown

(euros)	31/12/2021		31/12/2020	
Items/Figures	Non current	Current	Non current	Current
Bond		758,098,877	749,489,627	8,299,180
Lease liability	281,420	27,619	313,981	
Term loan facility 2020	935,091,090	560,080	934,341,618	592,898
Total	**935,372,510**	**758,686,576**	**1,684,145,226**	**8,892,078**

At 31 December 2021, the amount of 935 million euro included the overall Term Loan Facility signed in May 2020, and the non-current portion of the lease liability linked to the lease of the property portions in Via Alessandria 220. At 31 December 2021, the total of cash outflow for leases (including the option to extend the contract) included: (i) payments for the principal repayments of the liability for leased assets of 322 thousand euro; (ii) payments for interest expense of 13 thousand euro.

Regarding the breakdown of the current portion of loans, there was an increase compared to 2020 due to the transfer of the bond maturing in May 2022 to current liabilities. For more information on the strategies and methods for refinancing the latter, see section "5. BUSINESS OUTLOOK" of the Report on Operations of the Consolidated Financial Statements.

The breakdown of non-current loans into loans agreed or subscribed by the parent company CDP or by the lending banks or by other institutional investors is provided in the table below:

Non-current loans: breakdown by type of creditor

(euros) Items/Figures	31/12/2021 CDP	31/12/2021 Other Istitutional Investors	31/12/2021 Pool of Banks	31/12/2020 CDP	31/12/2020 Other Istitutional Investors	31/12/2020 Pool of Banks
Bond				337,270,332	412,219,295	
Lease liability		281,420			313,981	
Term loan facility 2020	221,397,760		713,693,330	221,220,310		713,121,308
Total	**221,397,760**	**281,420**	**713,693,330**	**558,490,642**	**412,533,276**	**713,121,308**

16. Other financial liabilities

Other financial liabilities: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Cash-flow hedge derivative contract		7,793,121
Total		**7,793,121**

“Other financial liabilities” showed a balance of 0 euro (7,793 million euro at 31 December 2020) as the overall Mark to market of the IRS derivative was positive during the year.

The features of the derivative contracts are described in the Report on operations, in the Net financial debt section.

17. Deferred tax liabilities

Deferred tax liabilities amounted to 2,875 thousand euro (1,262 thousand euro at 31 December 2020) and are broken down as follows:

Deferred tax liabilities: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Deferred tax liabilities recognized in equity	1,549,934	
Deferred tax liabilities recognized in PL	1,325,123	1,261,902
Total	**2,875,058**	**1,261,902**

Deferred tax liabilities with an impact on equity resulted from the recognition of the Interest Rate Swap (IRS) derivative contract entered into to hedge the Term Loan Facility. Compared to the previous period, the item includes deferred taxation following the trend of the Mark to Market, which had an overall positive value of 4,971 thousand euro at the end of 2021.

Deferred tax liabilities recognised in the income statement originate from the recognition of tax on the 2021 dividend advance approved by SNAM in November 2021 and collected in January 2022.

The table below shows the changes in deferred tax liabilities.

Deferred tax liabilities recognised in Equity: changes

(euros) Items/Figures	31/12/2021	31/12/2020
1. Opening balance		
2. Increases	**1,549,934**	
2.1 Deferred tax liabilities recognised during the year	1,549,934	
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	1,549,934	
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases		
3.1 Deferred tax liabilities derecognised during the year		
a) reversals		
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,549,934**	

Deferred tax liabilities recognised in the Income Statement: changes

(euros) Items/Figures	31/12/2021	31/12/2020
1. Opening balance	**1,261,902**	**1,201,209**
2. Increases	**1,325,123**	**1,261,902**
2.1 Deferred tax liabilities recognised during the year	1,325,123	1,261,902
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	1,325,123	1,261,902
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**1,261,902**	**1,201,209**
3.1 Deferred tax liabilities derecognised during the year	1,261,902	1,201,209
a) reversals	1,261,902	
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,325,123**	**1,261,902**

Current liabilities

18. Current loans

This item includes the current portion of the loans described above, as well as coupons maturing and expiring within the following year, the liability related to the bond and the lease liabilities due within the following year. The table below shows the breakdown of the item at 31 December 2021:

Current loans: breakdown by type of creditor

(euros)	31/12/2021			31/12/2020		
Items/Figures	CDP	Other Istitutional Investors	Pool of Banks	CDP	Other Istitutional Investors	Pool of Banks
Bond	341,144,495	416,954,382		3,734,631	4,564,549	
Lease liability		27,619				
Term loan facility 2020	132,608		427,472	140,378		452,520
Total	**341,277,103**	**416,982,001**	**427,472**	**3,875,009**	**4,564,549**	**452,520**

The increase, which went from 8,892 thousand euro at 31 December 2020 to 759 thousand euro at 31 December 2021, is the result of the transfer of the bond maturing in May 2022 to current liabilities. For further details see section "5. BUSINESS OUTLOOK" of the Report on Operations of the Consolidated Financial Statements.

Regarding the current Term Loan portions, a balance in line with 2020 is recorded.

19. Trade payables

"Trade payables" at 31 December 2021 refer to payables to suppliers related to normal company operations and are broken down as follows:

Trade payables: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
Trade payables	18,943	5,301
Trade payables for invoices to receive	62,177	82,228
Total	**81,120**	**87,529**

20. Current financial liabilities

"Current financial liabilities" at 31 December 2021 amounted to 2,960 thousand euro and refer to the payable with the parent company CDP for the margin received from it under the guarantee agreement (Credit Support Agreement) entered into when the cash flow hedge derivative contract was taken out. The negative balance and the related recognition under liabilities is due to the trend of the mark to market of the hedge derivative.

Furthermore, note that at 31 December 2021, CDP RETI did not have any credit facilities available. For information on financial covenants, see the paragraph "Default risk and debt covenants" in section "IV - INFORMATION ON RISKS AND RELATED HEDGING POLICIES".

(euros)

Items/Figures	31/12/2021	31/12/2020
Loans to CDP for CSA	2,959,826	
Total	**2,959,826**	

21. Other current liabilities

"Other current liabilities" refer to short-term payables that will be paid within the financial year following the reporting date. The item mainly includes payables to the parent company CDP S.p.A. for existing service agreements, payables to corporate bodies, remuneration to be paid to members of the Board of Directors and tax payables.

Other current liabilities: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
Tax payables	74,593	12,512
Payables to parent companies	700,783	465,457
Payables due to pension and social security institutions	4,973	5,167
Other payables	202,095	166,643
Total	**982,444**	**649,778**

The table below shows the breakdown of tax payables, mainly consisting of VAT payable (net of the VAT advance paid in December 2021) and the tax withheld by the Company on behalf of its employees and independent contractors, which is paid to the revenue authorities the month after they arise.

Tax payables: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Irpef withholdings on employees	7,854	6,966
Irpef withholdings on professionals	744	387
Other tax payables	65,994	5,159
Total	**74,593**	**12,512**

The table below provides a breakdown of payables to the parent company, which are mostly related to the service agreements with CDP in order to provide the Company with all the skills and services that are key for the correct performance of its business, recognised by the Company in the financial statements at 31 December 2021:

Payables to parent companies: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Administrative services	568,100	306,129
Seconded personnel	84,663	85,751
Payables to directors to pay to CDP	38,740	39,891
Other payables	9,281	33,686
Total	**700,784**	**465,457**

Payables to pension and social security institutions as at 31 December 2021 amounted to 5 thousand euro, in line with the previous year, and refer to payables to INPS recognised in December 2021 with reference to the fixed and variable remuneration of employees, as shown in the table below.

Payables due to pension and social security institutions: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Payables to INPS	4,973	5,167
Payables to INAIL		
Total	**4,973**	**5,167**

Other payables amounted to 202 thousand euro (166 thousand euro at 31 December 2020) and are broken down as follows:

Other payables: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Due to company bodies	137,385	141,540
Payables to employees	63,275	23,756
Payables to pension fund	1,436	1,347
Total	**202,096**	**166,643**

Payables to corporate bodies refer to remuneration accrued by members of the Board of Directors during the year that is transferred to the shareholder SGEL, as well as the remuneration due to the Board of Statutory Auditors.

Payables to employees primarily originate from recognition under CDP RETI liabilities of deferred remuneration accrued by employees (including employees on secondment), and from year-end adjustments of the provision for vacation accrued but not used. Compared to the previous year, the increase is due to the higher number of personnel on partial secondment (7 resources vs. 3 at the end of 2020) as a result of the new organisational structure of the Company – approved in 2021 – and consequent revision of the secondment model.

Disclosures on the fair value measurement of financial instruments

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

(euros)	31/12/2021			31/12/2020		
Items/Figures	L1	L2	L3	L1	L2	L3
Non-current financial assets		4,970,701				
Current financial assets						
Total		**4,970,701**				
Non-current financial liabilities						
- Other financial liabilities					7,793,121	
Current financial liabilities						
- Current financial liabilities						
Total					**7,793,121**	

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euros)	31/12/2021				31/12/2020			
Items/Figures	CA	L1	L2	L3	CA	L1	L2	L3
Non-current assets								
Current assets								
- Current financial assets					*9,445,750*			*9,445,750*
- Cash and cash equivalents	*92,089,301*			*92,089,301*	*72,844,243*			*72,844,243*
Total	**92,089,301**			**92,089,301**	**82,289,993**			**82,289,993**
Non-current liabilities								
- Loans	*935,372,510*			*935,372,510*	*1,684,145,226*	*749,489,627*		*934,655,599*
Current liabilities								
- Current portion of loans	*758,686,576*	*758,098,877*		*560,080*	*8,892,078*	*8,299,180*		*592,898*
- Current financial liabilities	*2,959,826*			*2,959,826*				
Total	**1,697,018,911**	**758,098,877**		**938,892,416**	**1,693,037,304**	**757,788,807**		**935,248,496**

Other information

Guarantees issued and commitments

The Company did not issue any guarantees or make commitments recognised in the memorandum accounts.

Assets pledged as collateral for own debts and commitments

No collateral or guarantees were pledged either directly or indirectly in the interest of third parties.

Owned securities deposited with third parties

The 1,053,692,127 shares of SNAM S.p.A., the 599,999,999 shares of Terna S.p.A., and the 210,738,424 shares of Italgas S.p.A. owned by CDP RETI are held at the parent company CDP.

III - INFORMATION ON THE INCOME STATEMENT

REVENUES

22. Other revenues and income

This item, with a balance of 20 thousand euro (22 thousand euro at 31 December 2020), refers for 15 thousand euro to the charge-back to State Grid International Development of the costs incurred by CDP RETI for the audit performed (by the independent auditors Deloitte) on behalf of State Grid on the reporting package at 31 December 2020, and for the remaining part to the charge-back to the company State Grid Europe Limited of expenses for legal consulting incurred by CDP RETI but subject to re-invoicing under the agreements in place.

Other revenues and income: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
Other income	19,719	21,777
Rounding		
Totale	**19,719**	**21,777**

OPERATING COSTS

23. Services

Costs for services incurred in 2021, equal to 1,340 thousand euro (1,392 thousand euro in 2020), refer mainly to service agreements with CDP SPA and costs for professional services received during the year (e.g. translation, legal, notary, auditing services).

Overall, this item shows a balance in line with the previous year.

Services: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
Professional and financial services	614,371	671,390
Outsourcing CDP	637,743	611,630
General and administrative services	74,723	57,116
Utilities and other expenses	13,236	51,557
Total	**1,340,072**	**1,391,693**

The 2021 fees for the independent auditors Deloitte & Touche S.p.a., as provided by Article 149 - duodecies, paragraph 2, of Consob Resolution no. 11971 of 14 May 1999, as amended, are summarised below:

Independent auditors' fees:

(euros)

Type of service/Values	Service Provider	Fees for the year
Auditing	Deloitte & Touche S.p.A.	64,088
Certification		28,893
Other services		-
Total		**92,981**

24. Staff costs

Staff costs at 31 December 2021 amounted to 467 thousand euro (521 thousand euro at 31 December 2020) and are broken down as shown in the table below:

Staff costs: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Employees	184,508	270,550
Other personnel in service		
Board of Directors and Board of Auditors	163,494	164,578
Retired personnel		
Recovery of expenses for employees seconded to other companies		
Reimbursement of expenses for third-party employees seconded to the Company	118,712	85,751
Total	**466,714**	**520,879**

The reduction in “Employees” compared to the previous year is due to the drop in the average number of employees (1 employee in 2021 compared to 2 in 2020).

With regard to the reimbursement of expense for third-party employees seconded (by CDP and CDP EQUITY) to the Company, the increase is mainly due to the new model of secondments and the new organisational structure.

For further information on the organisational structure, reference is made to paragraph “3.1. The organisational structure” in the report on operations.

Average number of employees

The average number of employees broken down by job category is illustrated in the following table:

Average number of employees

Items/Figures	31/12/2021	31/12/2020
Senior Managers		
Middle Managers	1	2
Office staff		
Manual workers		
Total	**1**	**2**

25. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

The balance of depreciation/amortisation and impairments is 48 thousand euro (14 thousand euro at 31 December 2020) and is broken down as shown in the table below:

Amortisation, depreciation and impairment of property, plant and equipment and intangible assets: breakdown

	31/12/2021				31/12/2020			
(euros) Items/Figures	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)
Property, plant and equipment	**28,581**			**28,581**	**9,240**			**9,240**
- Owned								
- Right of use acquired under leases IFRS 16	*28,581*			*28,581*	*9,240*			*9,240*
Intangible assets	**19,462**			**19,462**	**4,328**			**4,328**
- Owned	*19,462*			*19,462*	*4,328*			*4,328*
- Right of use acquired under leases IFRS 16								
Total	**48,043**			**48,043**	**13,568**			**13,568**

The balance of depreciation/amortisation consists of 28 thousand euro related to the depreciation charge pursuant to IFRS 16 of the leased property located in Via Alessandria, while 20 thousand euro is the 2021 amortisation charge for the purchase of the license to use a software application.

26. Other operating costs

Other operating costs incurred by the company in 2021 amounted to 11 thousand euro (34 thousand euro in 2020) and are broken down as follows:

Other operating costs: breakdown

(euros) Items/Values	31/12/2021	31/12/2020
AGCM Contribution	7,478	7,400
Taxes	436	230
Other operating costs	3,103	26,023
Total	**11,017**	**33,653**

27. Financial income

At 31 December 2021, financial income amounted to 492,626 thousand euro (463,760 thousand euro at 31 December 2020) and is broken down as follows:

Financial income: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Interest income on deposit contract with CDP	493	
Interest income on CDP Commercial paper		
Interest income on current bank account	6,483	3,877
Interest income on CFH		672,388
Dividends	492,619,189	463,084,008
Total	**492,626,165**	**463,760,273**

The breakdown of dividends to be distributed by the investee companies, as approved during the financial year, is shown in the following table:

Dividends: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Italgas S.p.A. dividend	58,374,543	53,949,037
SNAM S.p.A. dividend	268,164,646	255,414,972
Terna S.p.A. dividend	166,080,000	153,720,000
Total	**492,619,189**	**463,084,008**

All dividends were collected in the period, except for the advance on the 2021 dividend approved by SNAM S.p.A. in November 2021, equal to 110,427 thousand euro, which was collected in January 2022.

28. Financial expenses

Financial expenses relate mainly to interest expense for the period, as detailed in the table below.

Financial expenses: breakdown

(euros) Items/Figures	31/12/2021	31/12/2020
Interest on Term facility 2014		1,917,042
Interest on Term facility 2017		1,455,212
Interest on Term Facility 2020	5,835,671	5,454,529
Interest on Bond	14,372,569	14,383,417
Other interest expense	2,407,748	6,683,123
Impairment losses on financial assets	352	(293)
Total	**22,616,341**	**29,893,028**

Other interest expense amounting to 2,408 thousand euro were mainly recognised with reference to:

- the cash flow hedge derivative for 2,377 thousand euro;

- interest expense accrued in fulfilment of the guarantee agreement (CSA) for 27 thousand euro;
- interest expense accrued on the lease liability following the lease in Via Alessandria for 3 thousand euro.

The calculation of impairment losses on financial assets takes into account their rating, recovery rate and probability of default and is broken down as follows:

Impairment losses on financial assets

(euros)

Items/Figures	31/12/2021	31/12/2020
Adjustments to financial assets:		
- recognised under cash and cash equivalents	(492)	344
- recognised under other current financial assets	140	(51)
Total	**(352)**	**293**

INCOME TAXES, CURRENT AND DEFERRED TAXES

29. Income taxes, current and deferred taxes

Taxes for 2021 are detailed below:

Income taxes: breakdown

(euros)

Items/Figures	31/12/2021	31/12/2020
1. Current taxes (-)	3,092,991	4,283,676
- of which income from participation in the tax consolidation mechanism	*3,092,991*	*4,283,676*
2. Change in current taxes from previous years (+/-)		
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	(192)	(4,226)
5. Change in deferred tax liabilities (+/-)	(63,490)	(60,693)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**3,029,310**	**4,218,758**

Current income taxes reflect the "income from participation in the tax consolidation mechanism" arising from payment of the excess ACE incentive (380 thousand euro) and the excess payment of interest expenses (2,713 thousand euro) that cannot be deducted on an individual basis but can be transferred to the tax consolidation mechanism in accordance with the provisions of the tax consolidation agreement.[79] As a balancing entry for this income, the Company recognised a receivable for the same amount from the parent company CDP.

The "change in deferred tax liabilities" refers to the recognition of deferred tax liabilities on the 2021 dividend approved by SNAM in November 2021 and yet to be collected at the end of the year.

The reconciliation between the theoretical and actual tax liability is shown below:

[79] In consequence of its participation since 2013 in the national tax consolidation mechanism of the CDP Group, which allows calculation of IRES on a consolidated basis for the companies that exercised the option for group taxation, CDP RETI may transfer to the tax consolidation mechanism the excess ACE incentive not used on an individual basis (i.e. deducting it from its own taxable income), consequently obtaining a gain compared to the tax rate in force at that time (24% beginning from 2017). Moreover, again in consequence of its participation in the tax consolidation mechanism, CDP RETI may transfer any excess interest expenses not deductible on an individual basis if and to the extent to which other entities (participating in the tax consolidation mechanism) report excess GOP (Gross Operating Profit) for the same tax period transferable to the Group. In exchange for the transfer of these interest expenses, CDP RETI obtains a gain resulting from lower IRES at the Group level and equal to 50% of the applicable tax year. The agreement relating to the tax consolidation mechanism was tacitly renewed for the period 2022-2024.

Reconciliation between theoretical and actual tax liability: IRES

(euros) Items/Figures	31/12/2021	Tax rate
Income (loss) before taxes	**468,163,429**	
IRES theoretical tax liability (rate 24%)	**(112,359,223)**	**-24.00%**
Increases in taxes	**(6,707,967)**	**0.00%**
- non-deductible temporary differences	(1,280,921)	0.00%
- non-deductible permanent differences on interest expenses	(5,426,163)	-1.00%
- non-deductible permanent differences	(883)	0.00%
Decreases in taxes	**122,160,182**	**0.00%**
- dividends 95% exempt	113,642,298	24.00%
- ACE benefit	5,785,590	1.00%
- excess financial expenses	2,713,082	1.00%
- other	19,211	0.00%
IRES Actual tax liability	**3,092,991**	**1.00%**

Reconciliation between theoretical and actual tax liability: IRAP

(euros) Items/Figures	31/12/2021	Tax rate
Difference between revenues and production costs	**(1,668,459)**	
IRAP Theoretical tax liability (5.57% rate)	**92,933**	**-5.57%**
Increases in taxes	(63,551)	n.s.
Decreases in taxes	1,276,204	n.s.
IRAP Actual tax liability		**n.s.**

IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Concerning risk exposure and the related uncertainties, it should be highlighted that, as a holder of significant equity investments, CDP RETI is exposed to the risks typically associated with investee companies. Such risks are monitored through a rigorous risk measurement and control process, which is carried out in first instance by the Directors as part of their assessment of the recoverability of the investments made. Their assessment is then reflected in the carrying amount shown in the financial statements for the related equity investments. Moreover, risk profiles are measured constantly on the basis of market price volatility of the related shares.

The Company is also supported by the parent company CDP, pursuant to the service agreements entered into. In particular, risk management is coordinated at group-level in synergy with the competent structures of CDP.

The main risks identified are listed below.

Market risk

In conducting its business, CDP RETI is exposed to the market risk and, in particular, to the interest rate risk, which is the risk that the fair value or the cash flows of financial instruments may fluctuate due to changes in market interest rates or may lead to unexpected changes in net financial charges in relation to the portion of debt with floating rate.

The Company's policy in the management of interest rate risk is achieved essentially through the definition of an optimal financial structure with the dual objective of stabilisation of expenses and containment of the cost of funding. The Company aims, in particular, to contain financial expenses and their volatility by entering into OTC derivatives ("floating to fixed" Interest Rate Swaps with the parent CDP) with reference maturity and notional principal[80] aligned with those of the underlying financial liability.

The table below shows the breakdown of financial debt by fixed-rate and floating-rate type, as at 31 December 2021 and as at 31 December 2020:

[80] Amount according to which the cash flows are exchanged.

(euros)	31/12/2021		31/12/2020	
Items/Figures	Total	%	Total	%
Fixed interest	758,407,915	44.8%	758,102,788	44.8%
Variable interest	935,651,170	55.2%	934,934,516	55.2%
Total	**1,694,059,086**	**100.0%**	**1,693,037,304**	**100.0%**

Starting from the month of May 2020, the Company has one Interest Rate Swap contract linked to the overall Term Loan (nominal value 937.6 million), used to convert floating-rate loans into fixed-rate loans. The outstanding derivative has a total notional value coinciding with the total Term Loan (as mentioned, subscribed in May 2020), and a positive mark to market as of 31 December 2021 equal to 4,971 thousand. Reference is made to the "Net Financial Debt" section of the Report on Operations for a detailed description of the item.

Risk related to climate change

With regard to transition risk, the risk profiles that may be significant for CDP RETI, as an investment vehicle, are essentially of an indirect nature, i.e. risks that may affect the value of the controlling shareholdings held in its portfolio.

In this regard, note that all the subsidiaries are accelerating investments related to energy transition projects in order to meet the emission targets set by the European Union. These investments, which are expected to grow over the coming years, may affect the financial indebtedness levels of the subsidiaries. On the other hand, they will improve the quality and ultimately the value of their networks, with a positive impact on their company profile.

For more information on the risks related to climate change, please see the more detailed information in the specific section of the Notes to the Consolidated Financial Statements.

Risk related to the financial performance and the profit or loss of SNAM, Terna and Italgas

Given its nature as a financial holding company, the performance and liquidity of the Company are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the SNAM Group, the TERNA Group and the ITALGAS Group. Consequently, any material change in the two parameters above could have negative effects on the financial performance and profit or loss of CDP RETI.

Through its subsidiaries, CDP RETI is active in the gas transport, regasification and storage sector (SNAM), the electricity dispatching and transmission sector (TERNA) and the gas distribution sector (ITALGAS). Therefore, CDP RETI is exposed to the risks typical of those markets and sectors in which its investees operate. Furthermore, in line with its mission, CDP RETI has an undiversified equity investment portfolio, though concentrated in terms of country (ITALY) and regulatory authority (ARERA).

The dividend policies of the investee companies, which are based on the provisions of the respective strategic plans, are outlined below.

TERNA (2021-2025 Plan presented on 24/03/2022): five-year dividend policy. The dividend policy confirms its forecast of a CAGR for dividend per share (DPS) of 8% in 2022 and 2023, compared to the dividend paid for 2021. For 2024 and 2025 expectations for the payout ratio are confirmed to be 75%, with a guaranteed minimum dividend equal to the dividend paid for 2023;

SNAM (2021-2025 Plan presented on 29/11/2021): a 5% increase in the dividend is envisaged over the 2021-2025 plan up to 2022, with an additional minimum growth of 2.5% in the 2022-2025 period. Based on 2021 profits, SNAM expects to distribute in 2022 a total dividend of 0.2620 euro per share (of which 40% as an advance payment in January 2022 as approved by the Board of Directors on 3 November 2021, and the remaining balance of 60% paid in June 2022);

ITALGAS (2021-2027 Plan presented on 15/06/2021): Italgas confirms the dividend policy announced in October 2020 (at the publication of the 2020-2026 Strategic Plan) for the period 2020-2023, which provides for the distribution of a dividend equal to the higher of (i) the amount resulting from the 2019 DPS (0.256 euro) plus 4% per year, and (ii) the DPS equivalent to 65% of the adjusted EPS.

Risk related to restrictions on the transfer of financial resources from Snam, Terna and Italgas

As said, the financial position and operating results of CDP RETI are dependent on the flow of funds received, in the form of dividends, from SNAM, TERNA and ITALGAS. This availability depends not only on the ability of SNAM, TERNA and ITALGAS to generate sufficient cash flow, but also on the ability of the three groups to overcome any legal and contractual restrictions on the distribution of dividends. By way of example, such restrictions might include: i) regulatory restrictions on increasing tariffs, ii) requests for significant investments in the infrastructure managed by the three groups, including those related to the achievement of the objectives in response to the risks related to climate change, iii) the requirement to comply with the covenants of loan agreements. Another restriction, generally speaking, could be the extent of future taxation.

These restrictions, and the resulting fall in inflows, could have significant negative effects on the Parent Company's ability to make the required financial payments related to the existing loan agreements.

Liquidity and credit risk

In relation to its own business activity, the parent company is exposed to the liquidity risk, which is the risk that, due to the inability to raise new funds or liquidate assets on the market, it is not able to fulfil its own payment commitments or can only fulfil them at unfavourable economic conditions also due to situations of tension or systemic crisis (e.g. crisis in sovereign debt), resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk. Notwithstanding the Company's goal to implement a financial structure that guarantees an adequate level of liquidity and an optimal profile in terms of debt maturity and composition, the effects of external factors cannot be excluded, including, for example, the effects of a negative market or a considerable tightening of bank credit access conditions. In such a scenario, the Company might find it difficult to make the required payments related to the existing loan agreements.

Access to the capital market and other forms of financing, and the associated costs, also depend on the Company's credit rating assigned by the rating agencies. A downgrade in its credit rating could limit the Company's access to the capital market and increase the cost of funding. This would negatively affect the Company's financial position and performance. During 2021, CDP RETI maintained its "investment grade" long-term credit rating. In this regard, it should be noted that on 20 December 2021, the Fitch rating agency raised the long-term rating of CDP RETI from BBB- to BBB, with stable outlook. On 8 February 2022, for the Moody's rating agency the long-term rating was Baa3 and the outlook was stable. Ratings and outlooks are in line with those of the parent company, Cassa Depositi e Prestiti S.p.A.

The Company's current policy is to maintain available liquidity invested in demand or very short-term bank deposits or other readily liquid instruments, with investments allocated over a reasonable number of counterparties. The management of the CDP RETI liquidity risk is also aimed at maintaining cash and cash equivalents sufficient to meet expected commitments over a given time horizon (especially in light of the financial covenants under the existing loan agreements), as well as maintaining prudent liquidity reserves, sufficient to cope with any unexpected commitments. Debt management also provides for a diversified structure of funding sources (Term Loan and bond issue) and a balanced calendar of due dates (2025 for the Term Loan; 2022 for the bond).

In view of its current business, CDP RETI is not significantly exposed to credit risk, i.e. the possibility of a deterioration in creditworthiness of counterparties that might lead to adverse effects on the expected value of the credit position and/or an increase in collection times. For the Company, the exposure to credit risk is mainly a question of the collection of dividends, approved by the subsidiaries, and the trading of derivatives (for which there is an exchange of cash collateral), bank deposits and irregular deposits with the parent CDP.

CDP RETI's entire debt is in the form of bullet loans, which means that there is no risk of having to resort to refinancing transactions, at least until May 2025, when the overall Term Loan of 938 million euro taken out in May 2020 falls due for repayment. With regard to the refinancing strategy of the bond with maturity in May 2022, please see section "5. BUSINESS OUTLOOK" for a more detailed description of the refinancing strategy.

The table below shows the undiscounted contractual cash flows (as at 31 December 2021) of the gross financial debt at the nominal repayment amounts, and the related interest flows. Interest flows are calculated in accordance with the following terms and interest rates:

- as regards the bond[81], the annual coupon is equal to 1.875% (payment in May);
- as regards the Term Loan totalling 938 million euro, the floating interest rate (payment in May and November) is indexed to the 6-month Euribor (value as at 31 December 2021) and increased by the contractually-agreed margin.

[81] On 21 May 2015, CDP RETI concluded the placement of an unsubordinated and unsecured fixed-rate bond, 45% of which is currently held by the parent CDP S.p.A. The bonds - listed at the Irish stock exchange and reserved for institutional investors - have a term of 7 years, annual coupon of 1.875% and an issue price equal to 99.909%. The transaction, structured by Banca Imi, BNP Paribas, HSBC, Mediobanca, Société Générale and UniCredit, was concluded with 150 institutional investors who submitted requests worth over 2 billion.

Financial liabilities - Analysis by due date of the contractually agreed payments.

(thousands of euro) Items/Figures		2022	2023	2024	2025
Bond	Principal	(750,000)			
	Interests	(14,063)			
Loans (*)	Principal	0	0	0	(937,635)
	Interests	(5,293)	(8,549)	(11,270)	(5,635)

(*) Financial flows from hedging derivatives are not included

The cash flows related to the Term Loan do not take into account receipts and payments linked to the derivative hedging instruments, which are analysed in the table hereunder.

(thousands of euro) Items/Figures		2022	2023	2024	2025
Cash Flow Hedge	Payments	(7,464)	(7,464)	(7,464)	(3,442)
	Collections	5,293	8,549	11,270	5,635
	Net	**(2,170)**	**1,085**	**3,807**	**2,193**

Default risk and debt covenants

Default risk and debt covenants relate to the possibility that loan agreements or bond rules to which CDP RETI is a party may contain provisions that entitle the counterparty to call in such loans immediately upon the occurrence of certain events, thereby generating a liquidity risk.

CDP RETI's long term loans include covenants that are common in international practice. Such covenants refer to:

- the Company's bond debt, entered into in May 2015 for a nominal amount of 750 million euro, falling due in 2022;
- the bank debt, contracted in May 2020 for a nominal value of approximately 715.6 million euro, as part of the Term Loan established with a pool of banks;
- the debt with the parent CDP, entered into in May 2020 for a nominal amount of 222 million euro, always as part of the Term Loan.

The main covenants associated with the bond issues can be summarised as follows:

- "negative pledge" clauses, under which the issuing entity is subject to limitations on the creation or maintenance of restrictions on all or part of its assets or on its revenues in order to guarantee current or future borrowing, except for specifically permitted circumstances;
- "change of control" clauses, under which bondholders have the option of requiring the issuing entity to redeem their securities in the event that Cassa Depositi e Prestiti no longer has control over the company;
- "event of default" clauses, under which, on the occurrence of certain predetermined events (such as, for example, failure to pay, failure to fulfil contractual obligations, etc.), an event of default occurs and the loan in question becomes immediately due; in addition, under the "cross default" clauses, if an "event of default" occurs on any financial borrowing (above certain amounts) issued by the issuer, an event of default also occurs on the loan in question, which becomes immediately due.

On the other hand, the main covenants in the loan agreements signed by CDP RETI in May 2020 with the parent company CDP and a pool of banks are summarised below:

- "pari passu" clauses, under which the Company, for the entire duration of the loans, will ensure that the payment obligations rank pari passu with those of all other unsubordinated unsecured creditors, subject to any privileges assigned by law;
- disclosure obligations, on both a periodic and an occasional basis, upon the occurrence of certain predetermined events;
- mandatory cancellation or early repayment of the loan in the case of, inter alia: (i) unlawfulness, (ii) change of control or (iii) sale, by the Company, of an equity investment in a significant subsidiary if this exceeds the threshold defined with CDP and the Bank Lenders (10%);
- observance of the following financial covenants to avoid an event of default:
    - *Loan to Value*: ratio, expressed as a percentage, between (i) Financial Debt (net of Cash and cash equivalents) and (ii) the market value (in the 180 days prior to the measurement date) of SNAM, TERNA and ITALGAS shares. This ratio must not exceed 50%;
    - Dividend Interest Coverage Ratio (DICR): ratio, with reference to the 12 months prior to the measurement date, between (i) the cash deriving from dividends received and (ii) interest paid on the Financial Debt. This ratio must not be less than 1.25;

- Total D*ebt Service Amount* (TDSA): at all times, CDP RETI must have cash or cash equivalents in an amount not less than interest, fees, commissions and other costs related to the Financial Debt to be paid in the following 6 months.

During the year, the Company complied with the capital and economic-financial requirements deriving from loan agreements.

CDP RETI mitigates the foregoing risks by monitoring any aspects that might have negative effects on its financial position and performance, also with a view to ensuring compliance with the covenants envisaged in the existing loans. With regard to the subsidiaries TERNA, SNAM and ITALGAS, CDP RETI closely monitors their market value, with particular attention to all aspects that might have an impact on their dividend distribution policies.

With regard to liquidity, discussions are held periodically with the parent CDP to assess the need to apply for credit lines. There are no liquidity difficulties to be reported as at 31 December 2021; CDP RETI collected around 487 million in dividends from its subsidiaries in the period and the balance of its cash and cash equivalents was approximately 92 million at 31 December 2021.

V – TRANSACTIONS WITH RELATED PARTIES

Information on the remuneration of key management personnel

Remuneration of key management personnel

(euros) Items/Figures	Board of Directors	Board of Auditors	Key management personnel
a) short-term benefits	98,740	101,209	239,415
b) post-employment benefits			
c) other long-term benefits			
d) severance benefits			
e) share-based payments			
Total	**98,740**	**101,209**	**239,415**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(euros)

Name	Position	Period in office	Expiry of office (1)	Compensation and bonuses	
Directors in office as at 31 December 2021					
Giovanni Gorno Tempini	Chairman	20/01/2021-31/12/2021	2023	20,000	
Dario Scannapieco	Chief Executive Officer	01/07/2020-31/12/2021	2023	10,082	(2)
Coletti Sabrina	Director	20/01/2021-31/12/2021	2023	20,000	(2)
Yanli Liu	Director	20/01/2021-31/12/2021	2023	20,000	(3)
Qinjing Shen	Director	18/11/2021-31/12/2021	2023	2,356	(3)
Outgoing Directors in 2021					
Fabrizio Palermo	Chief Executive Officer	20/01/2021-07/06/2021	2021	8,658	(2)
Yunpeng He	Director	20/01/2021-18/11/2021	2021	17,644	(3)
Statutory Auditors in office as at 31 December 2021					
Florinda Aliperta	Chairman	20/01/2021-31/12/2021	2023	35,909	(4) (5)
Paola Dinale	Auditor	20/01/2021-31/12/2021	2023	29,895	(4) (5)
Paolo Sebastiani	Auditor	20/01/2021-31/12/2021	2023	31,581	(4)
Outgoing Statutory Auditors in 2021					
Guglielmo Marengo	Chairman	01/01/2021-20/01/2021	2021	2,086	(4) (6)
Benedetta Navarra	Auditor	01/01/2021-20/01/2021	2021	1,738	(4) (6)

(1) Appointed by Shareholders' Meeting of 20 January 2021 and in office up to the date of the Shareholders' Meeting called for the approval of the financial statement for the year ended 31 December 2023

(2) Compensation paid to Cassa depositi e prestiti S.p.A.

(3) Compensation is paid to State Grid International Development Limited

(4) The amounts include remuneration accrued by members of the Board of Statutory Auditors and the Supervisory Body

(5) In office since the Shareholders' Meeting of 20 January 2021

(6) In office up to the date of Shareholders' Meeting of 20 January 2021

Information on transactions with related parties

The Company is subject to management and coordination by CDP, the majority shareholder.

It should be noted that the Company did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the Company. All transactions with related parties were carried out on an arm's length basis (i.e. at the conditions that would be applied between two independent parties) and form part of the ordinary operations of CDP RETI.

Transactions with the parent company

(euros) Items/Figures	31/12/2021	31/12/2020
Assets	**20,466,331**	**19,614,754**
- Deposit balance	12,400,953	5,884,319
- Receivable for tax consolidation (withholding tax)	1,686	1,008
- Receivable for tax consolidation	3,092,991	4,283,676
- Receivable for CSA financial transactions		9,445,750
- CFH derivative agreement	4,970,701	
Liabilities	**(566,335,472)**	**(570,624,229)**
- Payables for seconded personnel	(84,663)	(85,751)
- Payables for directors' compensation to pay to CDP	(38,740)	(39,891)
- Payables for outsourced services	(568,100)	(306,129)
- Other payables	(9,281)	(33,686)
- CFH derivative agreement		(7,793,121)
- Loans to CDP for CSA	(2,959,826)	
- Loans:		
included in current liabilities	*(341,277,103)*	*(3,875,009)*
included in non-current liabilities	*(221,397,760)*	*(558,490,642)*
Revenues	**493**	**672,388**
- Interest income on deposit contract		
- Interest income on CSA financial transactions	493	
- Interest income on CFH		672,388
Costs	**(11,020,697)**	**(16,739,076)**
- Interest expense on loan	(7,849,345)	(13,133,953)
- Interest expense on CFH	(2,377,849)	(2,799,179)
- Interest expense on CSA	(27,341)	(30,635)
- Impairment of financial assets	44	(8)
- Outsourced services rendered to CDP RETI	(624,295)	(611,542)
- Costs for personnel seconded to CDP RETI	(84,663)	(85,751)
- Costs for directors' compensation to pay	(38,740)	(39,891)
- Other personnel costs		(4,174)
- Other costs	(18,509)	(33,943)
- Commissions for loan structuring		
Cash flows	**(273,987,082)**	**(471,300,832)**
Cash flow from operating activities	(1,084,115)	(13,216,963)
Net cash flow from investing activities		
Net cash flow from financing activities	(272,902,967)	(458,083,869)

Transactions with CDP in 2021, which are summarised in the preceding table, concerned the following:

- the irregular deposit agreement with the parent company CDP;
- the cash flow hedge derivative contract with regard to which, at 31 December 2021, the related liability and interest expense were recognised at fair value;
- the receivables arising from the participation of CDP RETI in the tax consolidation mechanism;
- the payable for the loan and the bond (with respect to the amounts subscribed by CDP) and the respective portions of interest accrued as at 31 December 2021;
- the payable deriving from the CSA financial transactions related to the derivative contract;
- outsourcing services provided by CDP to CDP RETI;
- the remuneration of directors paid to the Parent Company;
- the contracts of the CDP employees partially seconded to CDP Reti.

Transactions with other related entities

(euros) Items/Figures	31/12/2021	31/12/2020
Assets	**110,742,717**	**105,492,361**
- Property, plant and equipment - RoU IFRS 16	305,306	333,887
- Receivables from SNAM for interim dividend	110,426,935	105,158,474
- 'IFRS 16 Prepaid expenses	10,476	
Liabilities	**(348,626)**	**(315,312)**
- Lease liability	(313,157)	(313,981)
- Payables for pension fund	(1,420)	(1,331)
- Payables for seconded personnel	(34,049)	
Revenues	**492,638,908**	**463,105,785**
- Dividends from subsidiaries	492,619,189	463,084,008
- Other income from cost recharge to SGEL	4,441	
- Other income from cost recharge to SGID	15,278	21,777
Costs	**(99,252)**	**(68,083)**
- Outsourced services rendered to CDP RETI	(47,497)	
- Rental costs from FINTECNA		(41,320)
- Ifrs 16 costs	(44,176)	(19,477)
- Costs related to pension fund	(7,579)	(7,286)
Cash flows	**325,595,131**	**307,946,251**
Cash flow from operating activities	487,215,117	457,999,483
Net cash flow from investing activities	(7,500)	
Net cash flow from financing activities	(161,612,486)	(150,053,232)

The net cash flows from operating activities are substantially attributable to the collection of dividends from subsidiaries. Conversely, the net cash flows from financing activities relate to the distribution of dividends to SGEL based on the amount approved during the financial year.

Financial highlights of the company performing management and coordination

In compliance with Article 2497-bis, paragraph 4, of the Italian Civil Code, the financial highlights from last year's financial statements of the parent company Cassa Depositi e Prestiti S.p.A. are shown in Annex 2.

VI – NON-RECURRING EVENTS AND SIGNIFICANT TRANSACTIONS

Pursuant to Consob memorandum no. DEM/6064293 of 28 July 2006, there were no non-recurring events and significant transactions during the year, that is transactions whose occurrence is not recurrent or transactions or events that are not frequently repeated in the course of ordinary operations.

VII – OPERATING SEGMENTS

In accordance with the guidelines provided in IFRS 8 – Operating Segments, for those companies that publish the group consolidated financial statements and the separate financial statements of the parent company in a single document, segment reporting is given only in reference to the consolidated financial statements. Therefore, reference is made to the analogous part of the Notes to the financial statements of the CDP RETI Group.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

Leases falling within the scope of IFRS 16 consist of the lease relating to parts of the property located in Via Alessandria, 220 in Rome. The property is used for office and management purposes.

CDP RETI S.p.A. has calculated the duration of the lease, considering the “non-cancellable” period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, among which, in particular, is the possible presence of:

- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

The contract provides for a rental period of 6 years, renewable automatically for a further 6 years, and the possibility of early termination with 12 months’ notice. There is no option to purchase the property at the end of the lease period.

In accordance with the accounting standard which provides that “the underlying asset can be of low value only if:

- the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and
- the underlying asset is not highly dependent on, or highly interrelated with, other assets”.

CDP RETI S.p.A. applies the exemption for lease contracts when the value of the asset on the purchase date is lower than 5,000 euro.

CDP RETI S.p.A. considers a lease to be “short-term” when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight line basis for the corresponding duration.

Quantitative disclosures

Classification by time band of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	Total 31/12/2021 Lease payables	Total 31/12/2020 Lease payables
Up to 1 year	30,000	7,500
Between 1 and 2 years	30,000	30,000
Between 2 and 3 years	30,000	30,000
Between 3 and 4 years	30,000	30,000
Between 4 and 5 years	30,000	30,000
Over 5 years	172,500	202,500
Total lease payments to be made	**322,500**	**330,000**
Reconciliation with lease liabilities	**(13,462)**	**(16,019)**
Unearned finance income (+)	(13,462)	(16,019)
Unguaranteed residual value (+)		
Lease liabilities	**309,038**	**313,981**

X.2 LESSOR

At 31 December 2021, this item did not appear in the financial statements of CDP RETI S.p.A..

PROPOSAL FOR ALLOCATION OF THE NET INCOME FOR THE YEAR

For 2021, the Board of Directors is proposing to distribute a total dividend of 471,192,867.90 euro, of which 311,297,238.18 euro relating to the advance approved on 18 November 2021.

The Board of Directors therefore proposes to allocate the 2021 net income of CDP RETI S.p.A., equal to 471,193,007.69 euro, as follows:

- 311,297,238.18 euro to cover the advance on the dividend paid by 30 November 2021;
- 159,895,629.72 euro to pay the balance of the dividend to be distributed, equal to 989.98 euro for each of the 161,514 shares;
- 139.79 euro as retained earnings.

The ordinary Shareholders' Meeting has been called to approve the separate financial statements of CDP RETI S.p.A. as at 31 December 2021 and to resolve on the proposed allocation of net income.

ANNEXES

ANNEX 1

Analytical list of equity investments

ANNEX 2

Separate financial statements at 31 December 2020 of Cassa Depositi e Prestiti S.p.A.

ANNEX 1

Analytical list of equity investments

(euros)

A. Listed entities	Names	Registered office	% holding	Carryng amount	Type
	Italgas S.p.A.	Milano	26.02%	621,032,150	Control
	SNAM SpA	San Donato Milanese (MI)	31.35%	3,086,832,661	Control
	TERNA S.p.A.	Roma	29.85%	1,315,200,000	Control

ANNEX 2

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

BALANCE SHEET

(euro)

Assets	31/12/2020	31/12/2019
10. Cash and cash equivalents	1,319	2,945
20. Financial assets measured at fair value through profit or loss	3,374,567,520	2,877,621,143
a) Financial assets held for trading	238,759,810	132,354,188
b) Financial assets designated at fair value		
c) Other financial assets mandatorily measured at fair value	3,135,807,710	2,745,266,955
30. Financial assets measured at fair value through other comprehensive income	13,064,270,807	12,132,370,946
40. Financial assets measured at amortised cost	357,881,982,696	337,105,174,693
a) Loans to banks	39,226,451,312	27,030,998,423
b) Loans to customers	318,655,531,384	310,074,176,270
50. Hedging derivatives	444,687,053	381,346,407
60. Fair value change of financial assets in hedged portfolios (+/-)	2,531,833,125	1,467,342,668
70. Equity investments	31,892,214,338	30,708,619,338
80. Property, plant and equipment	373,384,458	352,570,349
90. Intangible assets	42,583,786	30,778,670
- of which goodwill		
100. Tax assets	461,763,488	470,532,581
a) current tax assets	23,944,203	78,805,161
b) deferred tax assets	437,819,285	391,727,420
120. Other assets	278,875,476	325,097,376
Total assets	**410,346,164,066**	**385,851,457,116**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

(euro)

Liabilities and equity	31/12/2020	31/12/2019
10. Financial liabilities measured at amortised cost	378,819,556,956	356,166,295,137
a) due to banks	45,259,543,320	30,219,811,671
b) due to customers	312,007,319,904	305,895,813,522
c) securities issued	21,552,693,732	20,050,669,944
20. Financial liabilities held for trading	209,820,434	128,929,516
30. Financial liabilities designated at fair value		
40. Hedging derivatives	4,320,965,184	2,682,554,691
50. Adjustment of financial liabilities in hedged portfolios (+/-)	10,352,100	18,698,844
60. Tax liabilities	208,176,217	285,024,331
a) current tax liabilties	19,823,143	105,092,507
b) deferred tax liabilties	188,353,074	179,931,824
70. Liabilities associated with non-current assets and disposal groups held for sale		
80. Other liabilities	803,194,183	789,434,298
90. Staff severance pay	1,017,134	962,548
100. Provisions for risks and charges	475,625,125	828,826,174
a) guarantees issued and commitments	328,619,764	219,382,082
c) other provisions	147,005,361	609,444,092
110. Valuation reserves	653,173,211	902,073,725
140. Reserves	15,962,320,645	15,371,824,233
150. Share premium reserve	2,378,517,244	2,378,517,244
160. Share capital	4,051,143,264	4,051,143,264
170. Treasury shares (-)	(322,220,116)	(489,110,970)
180. Net income (loss) for the year (+/-)	2,774,522,485	2,736,284,081
Total liabilities and equity	**410,346,164,066**	**385,851,457,116**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

INCOME STATEMENT

(euro)

Items		2020	2019
10.	Interest income and similar income	7,719,754,617	6,988,054,591
	of which: interest income calculated using the effective interest rate method	*7,994,809,421*	*7,242,285,057*
20.	Interest expense and similar expense	(4,565,186,464)	(4,462,007,713)
30.	**Net interest income**	**3,154,568,153**	**2,526,046,878**
40.	Commission income	409,655,062	391,782,321
50.	Commission expense	(1,408,788,670)	(1,483,724,319)
60.	**Net commission income (expense)**	**(999,133,608)**	**(1,091,941,998)**
70.	Dividends and similar revenues	1,089,038,325	1,423,995,543
80.	Profits (losses) on trading activities	(21,084,673)	(22,386,973)
90.	Fair value adjustments in hedge accounting	23,920,623	(31,274,015)
100.	Gains (losses) on disposal or repurchase of:	873,666,735	743,604,178
	a) financial assets measured at amortised cost	736,876,810	632,736,830
	b) financial assets measured at fair value through other comprehensive income	136,789,925	110,867,348
	c) financial liabilities		
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	(100,426,355)	(7,804,414)
	a) financial assets and liabilities designated at fair value		23,869
	b) other financial asstes mandatorily measured at fair value	(100,426,355)	(7,828,283)
120.	**Gross income**	**4,020,549,200**	**3,540,239,199**
130.	Net adjustments/recoveries for credit risk relating to:	(151,277,092)	76,749,381
	a) financial assets measured at amortised cost	(151,001,121)	80,839,149
	b) financial assets at fair value through other comprehensive income	(275,971)	(4,089,768)
140.	Gains/losses from changes in contrats without derecognition	(15,223)	(496,967)
150.	**Financial income (expense), net**	**3,869,256,885**	**3,616,491,613**
160.	Administrative expenses	(190,416,437)	(177,078,353)
	a) staff costs	(123,068,383)	(110,968,473)
	b) other administrative expenses	(67,348,054)	(66,109,880)
170.	Net accruals to the provisions for risks and charges	(66,911,478)	(60,517,547)
	a) guarantees issued and commitments	(92,017,421)	(10,304,725)
	b) other net accruals	25,105,943	(50,212,822)
180.	Net adjustments to/recoveries on property, plant and equipment	(13,144,005)	(9,057,661)
190.	Net adjustments to/recoveries on intangible assets	(8,900,816)	(5,678,147)
200.	Other operating income (costs)	7,704,767	13,329,498
210.	**Operating costs**	**(271,667,969)**	**(239,002,210)**
220.	Gains (losses) on equity investments		61,346,965
250.	Gains (losses) on disposal of investments	(48,432)	(43,487)
260.	**Income (loss) before tax from continuing operations**	**3,597,540,484**	**3,438,792,881**
270.	Income tax for the year on continuing operations	(823,017,999)	(702,508,800)
280.	**Income (loss) after tax on continuing operations**	**2,774,522,485**	**2,736,284,081**
300.	**Net income (loss) for the year**	**2,774,522,485**	**2,736,284,081**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items		2020	2019
10.	**Net Income (loss) for the tear**	**2,774,522,485**	**2,736,284,081**
	Other comprehensive income net of tax not transferred to income statement	**(241,923,764)**	**61,837,532**
20.	Equity securities designated at fair value through other comprehensive income	(241,923,764)	61,837,532
	Other comprehensive income net of tax transferred to income statement	**(6,976,750)**	**300,381,496**
120.	Cash flow hedges	(67,229,211)	(8,951,269)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	60,252,461	309,332,765
170.	**Total other comprehensive income net of tax**	**(248,900,514)**	**362,219,028**
180.	**Comprehensive Income (Items 10+170)**	**2,525,621,971**	**3,098,503,109**

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT OF THE BOARD OF STATUTORY AUDITORS TO SHAREHOLDERS' MEETING, IN ACCORDANCE WITH ARTICLE No. 153 OF THE LEGISLATIVE DECREE No. 58/1998 (CONSOLIDATED FINANCE ACT), AND ARTICLE No. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

As a preliminary point, we hereby remind you that during the accounting period related to year 2021, the Board of Statutory Auditors was made up of the following members: Mrs Florinda Aliperta, Mrs Paola Dinale, and Mr Paolo Sebastiani; all of them appointed by Ordinary Shareholders' Meeting held on January 20th 2021. Hence, the so appointed Board of Statutory Auditors, will reach its ordinary deadline on occasion of Shareholders' Meeting concerning approval of the Financial Statements closed on December 31st 2023.

Through this report, drawn-up in accordance with article 2429, paragraph 2, of the Italian Civil Code (hereinafter C.C.), the Board of Statutory Auditors of the company named CDP RETI S.P.A., hereby reports to the Ordinary Shareholders' Meeting – summoned for the approval of Financial Statements related to the accounting period closed on December 31st 2021 – on the outcome of the above mentioned accounting period, and on the activity carried out by the Board of Statutory Auditors in fulfilling its duties, by paying attention to behaviour rules of the Board of Statutory Auditors recommended by National Board of Chartered Accountants and Accountancy Experts, as well as recommendations released by CONSOB (Italian Stock-Exchange Authority), and information included in the Self-Regulatory Code.

Furthermore, we hereby remind you that, during the accounting period related to year 2021, the office of Legal Auditor – according to article 13 of the Legislative Decree No. 39 dated January 27th 2010 – was carried out by the Auditing Company named "Deloitte & Touche S.P.A." (Deloitte), according to the assignment received from Ordinary Shareholders' Meeting held on May 10th 2019, for the years as from 2020 until 2028.

Therefore, this report summarizes activity concerning provisions included in article 2429, paragraph 2, of the C.C.; more precisely:

- on the outcome of the accounting period;
- on the activity carried out in fulfilling duties, as envisaged by proivisions of law;
- on observations and propositions related to Financial Statements, in particular with reference to the possible use by the administrative body of the derogation rule included in article 2423, paragraph 4, of the C.C.;
- on any possible reports submitted by shareholders to this Board, in accordance with article 2408 of the C.C.

1. Meetings of the Board of Statutory Auditors

Over the accounting period related to year 2021, the Board of Statutory Auditors met twelve times.

Activity carried out by the Board of Statutory Auditors concerned, from the temporal point of view, the whole accounting period, and, during said period, meetings pursuant to article 2404 of the C.C. have regularly been held; with regard to such meetings, regular minutes have been drawn-up.

Furthermore, the Board of Statutory Auditors attended Shareholders' Meetings, as well as meetings of the Board of Directors held during the accounting period.

2. Supervision activity concerning respect of provisions of law, of the Memorandum of Association, and of the principles of correct management

The Board of Statutory Auditors supervised, pursuant to article 2403 of the C.C., on respect of provisions of law and of the Memorandum of Association, on respect of the principles of correct management, and on adequacy of the organizational, administrative and accounting system, adopted by the company so as to carry out its own activity. Such a supervision activity has been carried out by the Board of Statutory Auditors, also by attending at meetings of the Board of Directors, as well as through meetings and exchange of information with persons in charge of the main company departments (in particular, with the Executive in charge of drawing-up of corporate accounting documents, and Internal Auditing and Operations' structures, as well as with the Auditing Company).

The Board of Statutory Auditors has received – pursuant to the frequency set out by provisions of law, and article 19, paragraph 11, of the Corporate ByLaws – pieces of information concerning management general trend and its foreseeable evolution, as well as on the more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries.

According to the foregoing, neither irregularities nor meaningful critical events arisen.

Decisions taken by Shareholders' Meeting and by the Board of Directors conform with provisions of law and the Corporate ByLaws, and they have been neither hazardous nor unwary; in other words, integrity of company's assets has always been safeguarded.

Transactions have always been carried out in compliance with provisions of law and the Memorandum of Association, and not in potential conflict with resolutions taken by Shareholders' Meeting; in other words, integrity of company's assets has always been safeguarded.

Moreover, no reports concerning any irregularities and/or infringements – drawn-up pursuant to article 2408 of the C.C. – have been received by the Board of Statutory Auditors.

It hasn't been necessary for the Board of Statutory Auditors to undertake any specific actions due to omissions by the Board of Directors pursuant to article 2406 of the C.C.

No reports pursuant to article 2409, paragraph 7, of the C.C. have been received by the Board of Statutory Auditors.

The Board of Statutory Auditors has not submitted any notice to the Board of Directors, pursuant to article 15 of the Law Decree No. 118/2021.

3. Supervision activity concerning adequacy of the organizational system, and on internal auditing and risk management

The Board of Statutory Auditors has supervised on the adequacy of company's organizational system and the way it actually works, through meetings and exchange of information with persons in charge of the main supervised activities.

Furthermore, the Board of Statutory Auditors has supervised on the efficiency of the internal auditing system and risk management, in order to assess their effectiveness. The Board of Statutory Auditors also operates as Supervisory Body.

Through meetings held with corporate departments and through documents collected, necessary information has been drawn with reference to correct application of the Organizational, Management, and Control Model, pursuant to Legislative Decree no. 231/2001. The Supervisory Body, in its six-month reports for the year 2021, has also reported that – pursuant to inspections carried out – no critical elements with a meaningful impact arisen.

4. Supervision activity carried out on the administrative and accountancy system, and on the financial information process

The Board of Statutory Auditors monitored the process concerning financial information, and also supervised on the adequacy of company's administrative and accountancy system and its reliability in timely and correctly describing management events, also through meetings held with the Executive in charge of drawing-up of corporate accounting documents, as well as through analysis of other types of corporate documents, and analysis of the outcome concerning activity carried out by the Auditing Company.

Furthermore, the Board of Statutory Auditors supervised on respect of provisions of law concerning drawing-up of Financial Statements and the Management Commentary, by collecting pieces of information from the Auditing Company. In particular, from the additional report drawn-up by the Auditing Company pursuant to article 11 of the EU Regulation No. 537/2014, do not arise any meaningful gaps of the internal auditing system in relation with financial information process.

According to inspections carried out, no meaningful impact critical points arisen, which could undermine the adequacy judgement and the appropriate application of the administrative and accountancy procedures.

5. Financial Statements

The Board of Statutory Auditors analysed the project concerning Financial Statements of the company named CDP RETI S.P.A. closed on December

31st 2021, approved by said company's Board of Directors during the meeting held on March 30th 2022.

Since the office of Legal Auditor is not included within Board of Statutory Auditors' purposes, the Board itself supervised on general setting of Financial Statements, on its compliance with current provisions of law with regard to its drawing-up methods; on this point there are no particular aspects to talk about. Furthermore, the Board of Statutory Auditors checked on respect of provisions of law concerning drawing-up of the Management Commentary; in this case too, there are no particular aspects to talk about. Directors, in their Financial Report, described the various items which led to computation of the economic result, as well as the events that gave rise to said items.

Moreover, the Board of Statutory Auditors analysed the Report of the Auding Company, drawn-up in accordance with article 14 and 16 of the Legislative Decree No. 39/2010, in which said Company released a judgement with neither remarks nor emphasis of disclosure, with regard to Financial Statements.

On this issue, the Board of Statutory Auditors reports as follows:

- Financial Statements of the company named CDP RETI S.P.A., closed on December 31st 2021, have been drawn-up in accordance with "IFRS" international accounting standards (which include International Accounting Standards – IAS), released by the International Accounting Standard Board (IASB), in force on December 31st 2021, and approved by European Commission;
- The correct description of the management events in the accounting records, and their indication in Financial Statements – pursuant to

IFRS standards – has been supervised by Deloitte & Touche S.P.A., which is responsible of the Legal Auditing of accounts;

- Financial Statements closed on December 31st 2021 highlight a net profit corresponding to € 471,193,008.00, and an Equity corresponding to € 3,533,218,239.00, including said profit.

In accordance with article 154-bis of the Legislative Decree No. 58/1998, both the Managing Director and the Executive in charge of drawing-up of CDP RETI's corporate accounting documents have stated – through a specific report attached to the Financial Statements' project related to year 2021 – as follows: (i) adequacy and appropriate application of the administrative and accountancy procedures, in order to draw-up said Financial Statements; (ii) compliance of the Financial Statements' contents with the applicable international accounting standards approved by European Union, pursuant to EU Regulation No. 1606/2002; (iii) matching of the Financial Statements to accounting books and accounting records, and their appropriateness in truly and correctly describing assets, liabilities, equity, incomes, expenses, and financial issues; (iv) that the Management Commentary – attached to Financial Statements – includes a detailed analysis of the management trend and the management performance, together with a description of the main threats and risks the company is going to go through.

Schemes used in drawing-up Financial Statements, conform with provisions indicated in IAS No. 1 "Presentation of the Financial Statements".

Financial Statements comply with provisions of law with regard to the structure, drawing-up, and presentation of pieces of information to the Shareholders' Meeting.

Management Commentary has been drawn-up in accordance with provisions of law.

As far as we know, The Board of Directors, in drawing-up Financial Statements, didn't derogate to provisions of law pursuant to article 2423, paragraph 4 and 5, of the C.C.

In compliance with provisions stated in "IAS No. 1 – revised", CDP RETI effected an assessment of the company's ability to keeping on operating as a going concern, by paying attention to available information related to a medium term scenario. In particular, by referring to said information, the company reckons as appropriate to effect Financial Statements' assessments by referring to the going concern concept, even though the present economic context is rather uncertain with regard to future trends because of the spreading of Covid-19 virus, and the direct/indirect impact which could be provoked by the present geopolitical context.

With regard to this point, enough information has been provided for in the section named "Events arisen subsequently to December 31st 2021", included in the Annual Financial Report for the year 2021.

Financial Statements correspond to events and information as checked out by the Board of Statutory Auditors in fulfilling its duties.

The Board of Statutory Auditors hereby states that Directors, when drawing-up Management Commentary, with reference to trends for the year 2022, highlighted the impossibility to assess with complete accuracy impacts arising from healthcare emergency due to Covid-19 virus and from the present geopolitical context, even though – according to available information – relevant impacts on strategies and objectives of the company are not expected. Anyway, in more comprehensive terms, since the company owns some meaningful participations, we hereby highlight how it is impacted by risks affecting its subsidiary companies. Therefore, any impact on economic and financial situation of the subsidiary companies, could negatively affect financial condition and operating result of CDP RETI S.P.A..

6. Supervision activity carried out in accordance with article 19 of the Legislative Decree No. 39/2010

Pursuant to its office of Internal and Accounting Auditing Committee, in accordance with article 19 of the Legislative Decree No. 39/2010, the Board of Statutory Auditors monitored the activity concerning legal auditing of the accounts.

On this issue, the Board of Statutory Auditors has met over and over again with representatives of the Auditing Company – also with regard to article 2409-septies of the C.C. – in order to exchange information concerning activity carried out by said Auditing Company. During periodical exchange of information between the Board of Statutory Auditors and the Auditing Company's representatives, no relevant events to report of arisen. In particular:

- the Board of Statutory Auditors met representatives of the Auditing Company on occasion of drawing-up of the six-month report referred to 2021's first six months. On September 21st 2021, the Auditing Company released its own report on accountancy auditing, with regard to the abridged form of the six-month Financial Statements of the CDP RETI Group, closed on June 30th 2021, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;
- on April 14th 2022, the Auditing Company released, pursuant to

article 14 of the Legislative Decree No. 39/2010, and to article 10 of the EU Regulation No. 537/2014, the Auditing Report related to Financial Statements closed on December 31st 2021, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;

- on April 14th 2022, the Auditing Company also delivered to the Board of Statutory Auditors the additional report pursuant to article 11 of the EU Regulation No. 537/2014, which is *i)* coherent with the positive judgement released in the Auditing Report on Financial Statements closed on December 31st 2021; *ii)* doesn't include any recommendations on possible meaningful gaps in the internal auditing system and/or the accountancy system; *iii)* doesn't include any elements which need to be highlighted in this report. The additional report will be forwarded by the Board of Statutory Auditors to the administrative body, along with its own possible observations, in compliance with provisions included in article 19, paragraph 1, letter a) of the Legislative Decree No. 39/2010.

Moreover, the Board of Statutory Auditors has checked out and monitored independence of the Auditing Company, in particular with reference to the adequacy in providing for non-auditing services, in compliance with provisions stated in article 4 and 5 of the EU Regulation No. 537/2014.

On this issue, we hereby point out that – in attachment to the aforesaid additional report – Deloitte & Touche S.P.A. submitted to the Board of Statutory Auditors a statement concerning independence – as requested by article 6 of the EU Regulation No. 537/2014 – from which neither situations suskeptible to undermine independence, nor conflicts of interest arise.

Furthermore, the Board of Statutory Auditors acknowledged about the transparency report drawn-up by Deloitte & Touche S.P.A., in accordance with article 18 of the Legislative Decree No. 39/2010.

7. More relevant transactions, transactions carried out with related parties, and unusual transactions

Within the context of information flows – pursuant to article 19, paragraph 11, of the Corporate ByLaws – the Board of Statutory Auditors has periodically received – pursuant to a requested regular basis – information related to more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries; such transactions are exhaustively described in explanatory notes to Financial Statements concerning "Transactions carried out with related parties" (to which we explicitly refer in order to identify the kind of transactions, and related asset, economic, and financial impact).

On this issue, the Board of Statutory Auditors reckons as detailed enough, information delivered by the Board of Directors. In particular, the Board of Statutory Auditors has not identified any unusual transactions which – according to their meaningfulness or relevance, nature of the counterparts, subject and/or amount – could give rise to doubts with regard to accuracy and completness of pieces of information indicated in Financial Statements, or could be considered as explicitly unwary or hazardous, or carried out by infringing provisions on conflict of interest.

8. More relevant events, and meaningful facts

With regard to the main relevant events which affected the company, by highlighting that said events belong to specific information included in the document named "Annual Financial Report for the year 2021", with reference to those aspects falling within responsibilities of the Board of Statutory Auditors, we hereby report the following relevant facts occurred during 2021, in particular:

- the Board of Directors held on November 18th 2021, took the resolution to distribute an advance payment on dividends of €311mn for the accounting period related to year 2021;
- on January 11th 2021, the Chairman of the Board of Directors called for the Ordinary Shareholders' Meeting of CDP RETI, in order to take resolutions on renewal either of the Board of Directors and of the Board of Statutory Auditors (they both reached their ordinary deadline on May 2020, and they both remained on prorogation office until January 20th 2021);
- Shareholders' Meeting held on January 20th 2021, given that the Board of Directors reached its own ordinary deadline, appointed a new Board of Directors – made up of five Directors – which takes office for three accounting periods, and whose deadline will correspond to the date of the Shareholders' Meeting called for in 2024 for the approval of Financial Statements related to the accounting period corresponding to year 2023. Directors – who can be re-elected – have been appointed pursuant to two lists of candidates, submitted by CDP's shareholders (representing 59.1% of company's share capital) and State Grid Europe Limited ("SGEL", representing 35.0% of company's share capital). During the same meeting, and pursuant to the list vote, the Board of Statutory Auditors (whose deadline is the same of the new BoD) has also been renewed. On January 25th 2021, the Board of Statutory Auditors has also received the office of Supervisory Body, in accordance with provisions stated in the company's Organization, Management and Control Model, pursuant to Legislative Decree No.

231/2001.

- the Board of Directors held on July 1st 2021, because of resignation handed in by Director Mr Fabrizio Palermo, has taken the resolution to appoint – through cooptation pursuant to article 2386, paragraph 1 of the C.C. – Mr Dario Scannapieco as a member of the BoD. Shareholders' Meeting held on March 31st 2022, confirmed Mr Scannapieco as a member of the Board of Directors, with the deadline corresponding to that of the other Directors in office. Furthermore, the Board of Directors held on the same date, appointed Mr Scannapieco as Managing Director of the company.

- the Board of Directors held on November 18th 2021, because of resignation handed in by Director Mr Yunpeng He, has taken the resolution to appoint – through cooptation pursuant to article 2386, paragraph 1 of the C.C. – Mr Shen Qinjing as a member of the BoD. Shareholders' Meeting held on March 31st 2022, confirmed Mr Shen as a member of the Board of Directors, with the deadline corresponding to that of the other Directors in office.

With regard to relationships with subsidiary companies:

- on January 25th 2021 CDP RETI's Board of Directors has entrusted the Managing Director with a mandate (with the possibility of sub-delegation of authority) to set out voting instructions to be respected in the Extraordinary Shareholders' Meeting of Snam, called for on February 2nd 2021, which is to take resolution on some propositions concerning modification of the Corporate ByLaws. Such propositions refer to: (i) widening of corporate purposes; (ii) deletion of the Shareholders' Meeting authorization so as to execute some specific operations; (iii) transposition of the new provisions of law concerning gender equality;

- on March 11th 2021, as a result of the incentive plan named "Co-investment

Plan 2018-2020" – approved by Ordinary and Extraordinary Shareholders' Meeting held on April 19th 2018 – and by decision taken by ITALGAS's BoD to assign for free No. 632,852 new ordinary shares of the Company to beneficiaries of said Plan, participation held by CDP RETI in ITALGAS decreased as from 26.04% down to 26.02%.

- on April 12th 2021 the Board of Directors approved voting instructions to be given – pursuant to Corporate ByLaws – to members of the Consultation Committe whereof to shareholders' agreement of Italgas, in view of the Ordinary Shareholders' Meeting of ITALGAS called for on April 20th 2021, and having as subject – among other things – the increase for free of the share capital (and the consequent amendment of the Corporate ByLaws), for an amount of maximum € 5,580,000.00 (face value) through assignment – until the deadline of June 30th 2026 – of ordinary shares to beneficiaries of the Co-investment Plan 2018-2023. Should the increase for free of the share capital be entirely effected, there will be a slight decrease of CDP RETI's participation in ITALGAS; as from about 26.04% down to about 25.90%;

- because of the healthcare emergency due to Covid-19 virus, CDP RETI enacted several measures, so as to favour operational continuity, health protection, and corporate staff safety. In particular, pursuant to provisions released by competent authorities, CDP RETI granted smooth running of its own activity, by mainly adopting remote working solutions.

In such a context, the Board of Statutory Auditors, also acting as Supervisory Body, has received enough information concerning measures and initiatives undertaken by the company in order to counteract and contain spreading of Covid-19 virus, at the workplace environment.

9. Advisory activity carried out by the Board of Statutory Auditors

In carrying out advisory activity in accordance with current provisions of law, Corporate ByLaws, and other internal governance instructions, the Board of Statutory Auditors – during the year 2021 – released its own opinion with reference to:

- the appointment of Mr Alessandro Uggias as the Executive in charge of drawing-up of corporate accounting documents of CDP RETI's, pursuant to article 19 of Corporate ByLaws; as well as on establishing of the persistence in office of the Executive in charge for the whole lasting in office of the present Board of Directors and, anyway, until the third meeting (included) of the new Board of Directors.
- the cooptation of the Director Mr Dario Scannapieco;
- the cooptation of the Director Mr Shen Qinjing;
- the assignment to the entrusted Auditor of a different office rather than that of the Auditing Activity.

10. Events occurred after the approval date of the project concerning Financial Statements.

With reference to the main events occurred after the closing date of the accounting period, we hereby point out:

- collection occurred on January 26th 2022 of the advance payment referred to SNAM dividend for the year 2021, corresponding to about €110mn;
- as from February 24th 2022, grave tensions arising between Russia and Ukraine, led to the russian invasion of Ukraine. On this point, we preliminarily point out that relevant events related to Russia-Ukraine conflict do not impact on determination of the economic result and on Equity – as reported in Financial Statements closed on December 31st 2021 – because they're included among "non-adjusting events", pursuant to definition

provided by International Accounting Standard (IAS) No. 10. With regard to CDP RETI S.P.A. exposure to any risk profiles, we hereby point out that the company owns no production units in Ukraine, and no staff members of the company are located in Russia or Ukraine; furthermore the company owns no participations (including joint ventures) in russian companies, and doesn't conduct any business and/or financial relationships with said countries. Also with reference to tensions on financial markets, the company is not exposed to exchange rate risk. Now, therefore, in wider terms, we hereby point out that since the company is a financial holding company, any impact on economic/financial situation of the subsidiary companies, arising from the continuation of the conflict, could negatively impact on financial condition and on operating result of CDP RETI S.P.A..

- the Board of Directors held on January 27th 2022, approved the issue of a new bonded loan. Proceeds arising from such an issue, will be used to totally refund debt arising from the bonded loan issued by CDP RETI in 2015, whose deadline is May 29th 2022. The new bonded loan is not subordinated, and is not backed by a tangible guarantee. It'll be issued in one or more tranches; it'll be assigned to institutional investors; and it'll be listed on the regulated market of the Irish Stock Exchange (Euronext Dublin).

11. Conclusions

Within the context of the supervision activity carried out by the Board of Statutory Auditors, neither infringements nor irregularities arisen.

With specific regard to the Financial Statements' project related to the accounting period closed on December 31st 2021, drawn-up by the Board of Directors, including Management Commentary, and submitted to Shareholders' Meeting approval, the Board of Statutory Auditors, by paying attention to specific tasks carried out by the Auditing Company, concerning accountancy supervision and inspection on Financial Statements' reliability, and after having acknowledged the contents of the reports released by said Auditing Company together with statements jointly released by the Managing Director and the Executive in charge, has no observations to deliver to Shareholders' Meeting. Therefore, the Board of Statutory Auditors unanimously reckons that there are no impediments to the approval of Financial Statements closed on December 31st 2021 by Shareholders' Meeting; furthermore, it is in agreement with the Board of Directors' proposition concerning allocation of profit for the year.

Rome, dated April 14th 2022

For the Board of Statutory Auditors

President

Mrs Florinda Aliperta

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
CDP Reti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CDP Reti S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021 , and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to communicate in this report.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

* evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP Reti S.p.A. has appointed us on May 10, 2019, as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP Reti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure of CDP Reti S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and the ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98 with the financial statements of CDP Reti S.p.A. as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the the report on corporate governance and the ownership structure are consistent with the financial statements of CDP Reti S.p.A. as at December 31, 2021 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 14, 2022

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements during 2021.

2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2021 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.

3. In addition, it is hereby certified that:

   3.1 the separate financial statements at 31 December 2021:
   - have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the information in the books and other accounting records;
   - give a true and fair view of the performance and financial position of the issuer.

   3.2 The report on operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 14 April 2022

The Chief Executive Officer	Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

5

RESOLUTION
OF THE SHAREHOLDERS' MEETING

RESOLUTION OF THE SHAREHOLDER'S MEETING

The Ordinary Shareholders' Meeting of CDP RETI, held on 3 May 2022 and chaired by Giovanni Gorno Tempini, approved the separate financial statements for 2021. In particular, the shareholders' meeting resolved:

"(...) to approve the following allocation of profit for the period, amounting to 471,193,007.69 euro:

- 311,297,238.18 euro, to cover the 2021 interim dividend, paid by 30 November 2021;
- 159,895,629.72 euro, to pay the balance of the 2021 dividend, equal to 989.98 euro, before tax, for each of the 161,514 shares, to be paid no later than 31 May 2022;
- 139.79, as retained earnings."

Summary table of the allocation of net income for the year

Below is the summary table of the allocation of net income for the year:

(euro)	
Net Income	471,193,007.69
Total Dividend	471,192,867.90
Advance on the dividend	*311,297,238.18*
Balance of the dividend	*159,895,629.72*
Retained earnings	139.79
Dividend per share	2,917.35
Advance on the dividend	*1,927.37*
Balance of the dividend	*989,98*

CDP RETI S.p.A.

Registered office

Via Goito 4

I - 00185 Rome

Share capital euro 161.514,00 fully paid-in

Rome Chamber of Commerce REA 1349016

Fiscal Code, Company Registrar and VAT no.12084871008

The company is managed and coordinated by Cassa depositi e prestiti società per azioni, Via Goito n. 4, 00185 Rome – Share capital euro 4.051.143.264,00 fully paid-in – Rome Chamber of Commerce REA 1053767, Fiscal code and Company Registrar 80199230584 – VAT no. 07756511007

cdp CDP Reti