Adriatic LNG

Report on Operations and Financial Statements

2021

Report on Operations and Financial Statements

at December 31, 2021

(Pursuant to articles 2428 and 2423
of the Civil Code and following)
(Courtesy translation)

Terminale GNL Adriatico Srl

Registered office: Via Santa Radegonda, 8 - 20121 Milan
Capital stock: 200,000,000 euro fully paid up
Milan REA no. 1788519
Tax code and VAT no. 13289520150

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1.0

Operating report

Company Management

Terminale GNL Adriatico Srl is managed pursuant to art. 2475 of the Italian Civil Code and following, and sections IV and V of the By-laws, which govern the methods for appointment, duration of office, powers, meetings, and quorums for passing resolutions of the Board of Directors and the Sole Statutory Auditor.

Board of Directors

The members of the Board of Directors, appointed pursuant to section IV article 20 of the By-Laws and following sections, which approve this Report on Operations and Financial Statements, are the following:

Chairman	Mohamed Ibrahim A. Al Sada
Managing Director	Timothy Kelly
Directors	Dominic B.K. Genetti Ali Abdulla Al Mana Jagir Baxi Giovanni Murano Joseph A. Pergler
Sole Statutory Auditor	Maurizio de Magistris Appointed for the financial years 2020 to 2022.

External auditors

On June 15, 2020, the Quotaholders' meeting appointed PricewaterhouseCoopers SpA as external auditors for the financial years 2020 to 2022.

2021 Highlights

Dear Quotaholders,
the year 2021 highlights include:

- **effectively managed COVID-19 pandemic securing workforce's health and safety while ensuring terminal's operations continuity;**
- **zero Lost Time Incidents (LTI) and zero recordable incidents;**
- **no environmental incidents nor damages to the facilities;**
- **successful first new Open Season (long term capacity allocation), consolidation of short-term capacity allocation marketing policy launched early 2020 and successful launch of new gas delivery flexibility service;**
- **81 carriers safely berthed and unloaded;**
- **7.012 billion cubic meters of gas delivered into the national grid (representing 10.1% of gas imports to the Italian market);**
- **3.5 million Euro dividend paid and 68 million Euro equity reserve "Versamento Soci in conto capitale" returned to the Quotaholders thanks to positive earnings and cash generation.**

The Financial Statements at December 31, 2021 report loss of 1,123,912 Euro strongly influenced by the contingent COVID-19 costs and European Emission Trading System (ETS) CO_2 allowances market price increase.

2021 Operating and financial data

81 carriers
safely berthed
and unloaded

7
billion m^3
of gas

delivered into the national grid, representing 10.25% of gas imports to the Italian market

		2021	2020	Abs. Change	% Change
Operations highlights					
LNG cargos unloaded	[#]	81	75	6	8%
Volumes of gas redelivered	[M Standard cubic meters]	7,012	6,557	455	7%
Regassification reliability	[%]	97.9%	99.8%	(1.9%)	(1.9%)
Financial highlights					
Net profit	[kEuro]	(1,124)	3,463	(4,587)	(132%)
Income before taxes	[kEuro]	(1,466)	4,825	(6,291)	(130%)
Gross revenues	[kEuro]	169,174	166,805	2,369	1%
Gross operating margin	[kEuro]	71,515	77,736	(6,221)	(8%)
Net assets addition	[kEuro]	3,.838	939	2,899	309%
Safety and environmental highlights					
Total Recordable Incidents	[#]	-	1	(1)	(100%)
Process Safety Incidents	[#]	-	-	-	n.a.
Spills/Exceedences	[#]	-	-	-	n.a.
CO_2 emissions	[kTon]	92	91	1	1%

Company history and overview

Terminale GNL Adriatico Srl ("Adriatic LNG", "ALNG" or the "Company") was established in 2005 to develop and operate the offshore gravity based LNG receiving terminal ("Terminal") located in the Adriatic Sea. Since November 2nd, 2009 start-up, Adriatic LNG has achieved significant milestones in terms of operations reliability, regasifying and redelivering volumes into the national gas grid with 889 LNG carriers, the majority of which have been received under a 25 years service agreement with Edison SpA for 80% of the Company's regasification capacity.

During 1997 and 1998, Edison Gas commenced a feasibility study for the construction of an LNG terminal in the Northern Adriatic Sea. The positive outcome of these studies led the Company to begin the procedures to obtain the necessary authorizations to build and operate it.
On December 15, 2000, the company Edison LNG SpA was incorporated. On November 20, 2003, in Doha – Qatar, the so-called "Participation Agreement" was signed, whereby Edison Gas SpA, Qatar Petroleum and ExxonMobil expressed their intent to become Quotaholders of Edison LNG SpA.
On May 2, 2005, the various agreements to develop and operate the LNG terminal were executed and Qatar Terminal Limited and ExxonMobil Italiana Gas Srl became Quotaholders of Edison LNG Srl with a joint control. At the same time the Company changed its name to Terminale GNL Adriatico Srl.
On October 13, 2017, Edison SpA and Snam SpA announced the respective sale and purchase of the 7.297% equity quota of Terminale GNL Adriatico Srl. Current Quotaholders include Snam SpA along with Qatar Terminal Limited and ExxonMobil Italiana Gas Srl. The Company completed the design and built offshore of Porto Levante (located in the Rovigo's province), about 15 kilometers off the coastline, a liquefied natural gas (LNG) regasification terminal with a nominal capacity of 8 billion cubic meters/year – 775 million cubic feet per day, that can cover more than 10% of the national demand for natural gas – the first concrete Gravity Based Structure (GBS) in the world for LNG regasification. The regasification terminal project included the construction of a 40 kilometers gas pipeline, part underwater and part onshore, and the Cavarzere metering station. The Company is set up to operate until October 2052 under the fifty-year maritime concession issued by the Ministry of Infrastructures and Transport in October 2002.
On May 2, 2005, Adriatic LNG executed with Edison SpA a 25 years regasification service agreement (expiring in 2034) for 80% of the regasification capacity to regasify the LNG imported from Qatar. The Company commenced commercial operations on November 2, 2009.
Since then, Adriatic LNG has played a strategic role in Italy's gas infrastructures, under its vision to "Be a world class LNG terminal enabling new energy to Italy and beyond". The company considers its vision to be realistic and achievable, being strategic not only in Italy but also potentially beyond it – to be a gas gateway to Europe.
The pathway to this vision is Adriatic LNG mission: the objective to be safe, reliable, and efficient in order to maximize value for the stakeholders through a strategy that relies on four pillars – People, Relationships, Technology and Reliability – that will be further referenced to in the following sections of this Report on Operations and Financial Statements.
In Adriatic LNG's view, People and Relationships are meant as the ability to enhance individuals "internally" and to build teams that collaborate effectively, but also as the development of strategic "external" relations with its shareholders and with local and national institutions. Through them Adriatic LNG can guarantee solidity to the national and potentially international energy market. Technology, a strategic asset to support competitiveness and ensure safety. Finally, ensuring reliability to its clients and end users by supplying timely and valuable services is a key aspect.

By the end of 2021, 889 LNG carriers had been discharged. Terminal capacity booking in 2021 was 93% and its utilization was about 88%. This is higher than 2020 capacity utilization and significantly higher than the average utilization factor of LNG terminals in Europe (during 2021, monthly average between 29% and 40%[1]). The capacity utilization rate of the Italian competitors is around 24.5%[2].

Starting from 2020, Adriatic LNG is the first and only Italian terminal to be able to accept the so-called "large scale carriers" with capacity up to 217,000 cubic meters liq.

During 2021, 81 LNG cargos were received, with unloaded LNG volumes of 11.56 million cubic meters. The capacity allocation rate (regulated and exempted from the rules for third party access) in 2021 was around 93% of the 8 billion cubic meters/year capacity considering the Thermal Year 2020/2021 – while current Thermal Year 2021/2022 capacity utilization estimate rise to 99.2% of the 8 billion cubic meters/year capacity, considering the service reductions for maintenance in August 2022.

At the time of drafting this Financial Statements, Adriatic LNG obtained on March[15th], 2022 the final authorization from the Ministry of Ecological Transition to its project to increase the regasification capacity of the Adriatic LNG terminal from 8 to 9 billion cubic meters/year. The increase in regasification capacity at the Adriatic LNG terminal will be achieved through the optimization of the operating conditions of the infrastructure, without any structural changes to the current configuration.

In 2021, the Company launched a public procedure known as Open Season for the allocation of long-term LNG regasification capacity by tender. The 2021 Open Season successfully closed in December with the allocation of regasification capacity for a total amount of about 2 billion cubic meters over a period of about 3 years starting in 2023.

In the same year, starting from mid-October, Adriatic LNG launched a new gas delivery Flexibility Service, opened not only to regasification users, but also to grid transportation users who are not regasification users. This enhanced service has been subscribed since by 5 customers, most of them are transportation users only.

To ensure the integrity of its operations and compliance with applicable regulations and industry standards regarding Safety, Security, Health and Environmental Management System (SHEMS), the Company has initiated an enhancement of its management systems.

Within its relationship pillar, the Company always promote cooperation and dialogue with local communities and national authorities, the respect of the environment and support of sustainable resources, and aims continuously in consolidating its positive reputation and strengthen its visibility in the region.

Adriatic LNG is recognized as a reliable partner by the local authorities, associations and no-profit organizations and it is actively involved in several economic and cultural initiatives in the areas of safety and health, social and education, and sports.

The 2021 operating results reflect the investments made in infrastructure and organization, the safety values, ethics, integrity, creative client-oriented marketing approach, and excellence in operations. The Adriatic LNG terminal is recognized for its strategic role in diversifying in Italy and in Europe's energy supply sources, safety and safeguarding the environment. Adriatic LNG has built a solid foundation of reliability and is therefore prepared to handle the challenges and opportunities arising from the continued evolution of the market and regulatory environment in which it operates.

1 Source: Report on European Gas Market 4Q2021 – EU Commission.

2 Source: https://alsi.gie.eu/ - Historical data, ratio of daily Send Out e DTRS (Declared Total Reference Sendout) for year 2021.

1.1 Adriatic LNG regasification terminal and company offices set up – Main characteristics

The Adriatic LNG terminal is the first offshore concrete structure in the world designed for the reception, storage, and regasification of LNG. The terminal is located offshore of Porto Levante, in the northern Adriatic Sea, standing on the seabed at about 15 kilometers offshore of the Veneto coastline, in the province of Rovigo. The structure is 375 meters long and 115 meters wide; the main deck is 18 meters above sea level. A 30-inch diameter 40-km long pipeline transports the gas to the entry point of the national transportation grid at the Cavarzere metering station, in the province of Venice. From here another pipeline, owned by Snam through Infrastrutture Trasporto Gas SpA, carries the gas a further 84 km to the Minerbio's hub, in the province of Bologna.

The main element of Adriatic LNG terminal is the large concrete structure (Gravity Based Structure or GBS) built with 90,000 cubic meters of concrete and 30,000 tons of steel frames, resting on the seabed at a depth of about 29 meters. Inside the GBS there are two LNG storage tanks, each one with an operational capacity of 125,000 cubic meters, made of 9% nickel steel to withstand the extremely low temperatures needed for storage of LNG.

The regasification plant is located on top of the GBS and includes four LNG Open Rack Vaporizers, which use the heat naturally contained in the seawater to warm up the LNG, a Waste Heat Recovery Vaporizer, which uses heat from the gas turbine exhausts, two boil-off gas compressors, four pumps for discharging LNG from the storage tanks, and five high-pressure booster pumps, to send the LNG to the vaporizers at enough pressure to allow the gas to flow into the national grid.

The terminal also houses auxiliary equipment, such as the module for generation of electricity with three gas turbines and the electrical and instrumental substation.

The LNG is discharged from the carriers to the storage tanks via four unloading arms installed on the north side of the terminal.

The terminal includes the LNG carrier mooring structures, the so-called "Mooring Dolphins". Each mooring structure consists of a base, a concrete box of about 7 meters high, surmounted by two columns of reinforced concrete (about 28 meters high), connected between them by a steel bridge (about 63 meters long and 8.5 meters wide).

The personnel that operate the terminal reside in living quarter designed to provide a safe and comfortable environment. This facility accommodates up to sixty people to support 24 hours a day, 7 days a week operation, and also includes the control room, from which operators monitor the terminal, the pipeline and the gas metering station in Cavarzere.

The headquarters and the Rovigo offices

The Company headquarters are in Milan downtown, close to the Duomo. One of its aims is to be a representation office to accommodate meetings with clients, main contractors' management, and national authorities.

A new office – 'Work Hub' – has been set in Rovigo to accommodate operations on shore and all the functions close to operations (e.g. SSHE).

The shore base

The shore base is a support facility managed through a third-pParty service provider. The facility is located along the Po di Levante, in the municipality of Porto Viro, in the province of Rovigo. It plays a key role in supporting the offshore terminal and serves to coordinates all the logistics and warehousing activities, including the transport of supplies, material, and personnel, either employees or contractors, to and from the offshore terminal.

This base is equipped with its own mooring dock for support vessels and includes a warehouse for supplies and spare parts.

1.2 Operating environment and outlook

1.2.1 Commercial performance – Market regulatory

In 2021, around 93% of the 8 billion cubic meters regasification capacity was booked by 4 different customers. Then Adriatic LNG delivered 7.012 billion cubic meters of gas into the national transportation grid.
The Company launched in April 2020 a new marketing policy for short term capacity allocation. Among the results of the new policy, the Company received and safely off-loaded large scale LNG carriers with new clients, including some Q-Flex-type carriers hence expanding the flexibility of the terminal berthing facilities.
After successful intense advocacy towards the authorities with jurisdiction on the gas market, on February 2, 2021, the Company launched a public consultation on a first of its kind procedure known as Open Season for the allocation of long-term LNG regasification capacity. The tender was successfully closed in mid-December with the allocation of LNG regasification capacity for a total amount of about 2 billion cubic meters over a period of about 3 years starting in 2023.

The following section provides details of the commercial performance and market regulated environment in which the Company operates and describes the recent evolutions of Italian gas market.

Overview on commercial performance

The expiration of the long-term BP contract in December 2019 has been partially offset by the capacity allocated through the new short term capacity marketing launched in April 2020.
Notwithstanding the difficult market situation in Italy *vs* Europe and Asia, especially from June 2021 on, in year 2021 around 93% of the LNG regasification capacity was booked on take or pay basis. 80% of the capacity was booked by Edison and 20% booked by different clusters of clients, diversifying the client type exposure of the company. Because of the company capability to catch a window opportunity, the short-term capacity was fully booked for the whole thermal year by February 2021. In 2022, the Company plans to switch from a manual management of the short-term allocation to a more automatized and web-based auction.
Then, following the customers will to confirm berthing or not, in 2021 Adriatic LNG terminal utilization, based on send-out, was approximately 87.6% of its total capacity, berthing 81 carriers.
In 2021 Adriatic LNG delivered 7.012 billion cubic meters of gas into the national transportation grid at the Cavarzere metering station, contributing for about 10.1% of the total country import.
In mid-December 2021 was successfully concluded the first of its kind 2021 *Open Season*, with the allocation by tender of regasification capacity for a total amount of about 2 billion cubic meters over a period of about 3 years from 2023. The procedure was announced in early September, after intense and positive advocacy towards the authorities with jurisdiction on the gas market and a long and comprehensive public consultation process that began in early February 2021. The tender was conducted in a manner similar to those used by the tough competition from LNG terminal operators in Europe with some notable improvements to benefit competition in the gas market (e.g. the organization of two auction sessions with different products). Another *Open Season* will be announced in March 2022, carried out and closed by mid-2022.
Starting from mid-October, Adriatic LNG offered a new Flexibility Service opened not only to regasification users, but also to transport users who are not regasification users. This service is offered through auction on a web portal and has been successfully subscribed by 5 customers, of which 4 are users only of transport system. The web portal will be improved in 2022.
Furthermore, in late December 2021, the Ministry of Ecological Transition has approved subject to conditions the Company to increase the maximum LNG regasification capacity of the Adriatic LNG terminal from 8 to 9 billion cubic meters/year. The authorization was subject to some preconditions that were cleared on March[15th], 2022[3]. The increase in regasification capacity at the Adriatic LNG terminal will be achieved through the optimization of the operating conditions of the infrastructure, without any structural changes to the current configuration.

Overview on market regulated environment

The Company markets and manages its regasification capacity within the rules defined by the European Union (either adopted by European Parliament or European Commission), Ministry of Economic Development (now Ministry Ecological Transition), "MoET" and by the Italian Regulatory Authority for Energy, Networks and Environment ("ARERA").
In 2004, the Ministry of Economic Development, upon positive opinion of the EU Commission, granted to the Company a 25-year exemption from the "Third-Party Access" rules for 80% of the terminal regasification capacity, while the remaining 20% of the capacity (1.6 bcm/y, now – with a 9 bcm/y maximum capacity - 2.6

3 In all cases, because of the maintenance and shut down in August 2022, the Company could not have proposed 9 bcm/y capacity in 2022.

bcm/y equal to 28.8% of the total capacity) is fully regulated including the maximum tariff for the regasification service, approved by the ARERA. The exempted TPA capacity has been allocated long term to Edison SpA[4]; the regulated TPA capacity is on the market, offered and allocated to the market operator through the TPA rules.
The Regasification Code implements the regulation for the access to the regasification services as well as the management of the capacity once allocated (e.g. LNG carriers scheduling and redelivery of gas). Users requesting access to the services offered by the Company must comply with, and maintain, the requirements provided for in the Regasification Code. The Regasification Code was cleared by ARERA with the resolution ARG/gas 57/11 pursuant to art. 24, paragraph 5, of Legislative Decree 164/2000 on May 12, 2011, as subsequently amended. The Regasification Code defines its amendment process, whose modifications are cleared by ARERA upon the Company's proposal and public consultation process. The version from time to time in force of the Code is published on the Company's website.

Regulated tariffs

ARERA defines all regulated services' tariffs including the one for regasification services[5]. The regulated tariff approved by ARERA is a maximum tariff that can be discounted by the LNG terminal operator[6].

Tariff definition is a two-step process where first ARERA defines the framework of the regulated tariff for the multi-year regulatory period and then a tariff per unit (for regasification) or the whole market (for gas transportation or storage) is approved - or defined unilaterally - by ARERA on yearly basis. The tariff provides a remuneration based, among others but mainly, on the Weighted Average Cost of Capital (WACC). The WACC was 6.8% till end 2021 and is down to 6.1% for year 2022 per resolution ARERA 614/2021/R/Com dated December 23rd, 2021. WACC is subject to yearly revision by ARERA.

Regasification tariffs, including the percentage of gas discharged that regasification capacity users provide in kind to cover the terminal's losses and consumption, are published on the Company website.

The ARERA, as part of its drive to unbundle the businesses, has separated gas measurement activities from those of regasification and transportation7 in order to promote competition in the energy market.

Market regulatory context - Capacity allocation and use

On September 28, 2017, the ARERA, with the resolution 660/2017/R/Gas, adopted new rules on regasification capacity allocation whereby, among others, the short-term capacity is allocated through competitive auctions.
On July 8, 2020, the Ministry of Economic Development adopted a new law decree on long term capacity allocation. The main features of the new law decree are:

- auction of all the available capacity;
- 25 years duration contract;
- premium for the greatest volume requested;
- continuity (i.e. premium for single user vs multiple users);
- premium for the availability to invest in additional capacity;
- premium for the bidders who own at the time of the bid less than 25% of import capacity (regasification and pipeline) in Italy.

Such decree has been implemented by ARERA through *ad hoc* regulation (e.g. Resolution n. 576/2020/R/Gas dated December 22, 2020) and the Company through amendments to the regasification code completed in year 2021. The long-term allocation of capacity through the new process has been completed by mid-December 2021 (see above *Open Season* 2021). This last new long-term allocation is carried out in the wave of successful long term regasification capacity allocation in 2019 and 2020 by LNG terminals in Belgium, France, and the U.K.
Since April 2020, the Company has been implementing a new short and mid-term regasification capacity marketing policy through a new Company in house process, in compliance with ARERA resolution n. 97/2020/R/Gas.

Security of supply - Peak Shaving

The National Gas Emergency Plan provides a set of actions to be carried out in case of major interruption of gas supply during a period of high demand, including the LNG regasification terminals among the assets which can provide support. Such support request is decided year on year by the National Gas Emergency Committee (where the Company is represented) based on the expected market and supply conditions in the coming winter. MoET on ARERA's technical inputs is requested to define for each winter season the reserve prices for the LNG terminals Peak Shaving service, which envisages the possibility for a supplier to store LNG in an LNG terminal for the January-March period and make it available to the Transmission System Operator. The transmission operator can request the stored LNG regasification on short notice, in order to cover any gas supply shortage.
The Company made itself available to provide the Peak Shaving service requested for the winter 2021/2022 by the MoET. The tender procedure was completed with success on December 15, 2021. The tariff to be paid by the successful user is the maximum regulated tariff as published on the Company website. In case of emergency, this service will allow to regasify up to 60,000 cubic meters of LNG stored in the tanks of the terminal and available to the Transmission System Operator (Snam Rete Gas) until February 28, 2022.

Market overview
(a) Demand and offer

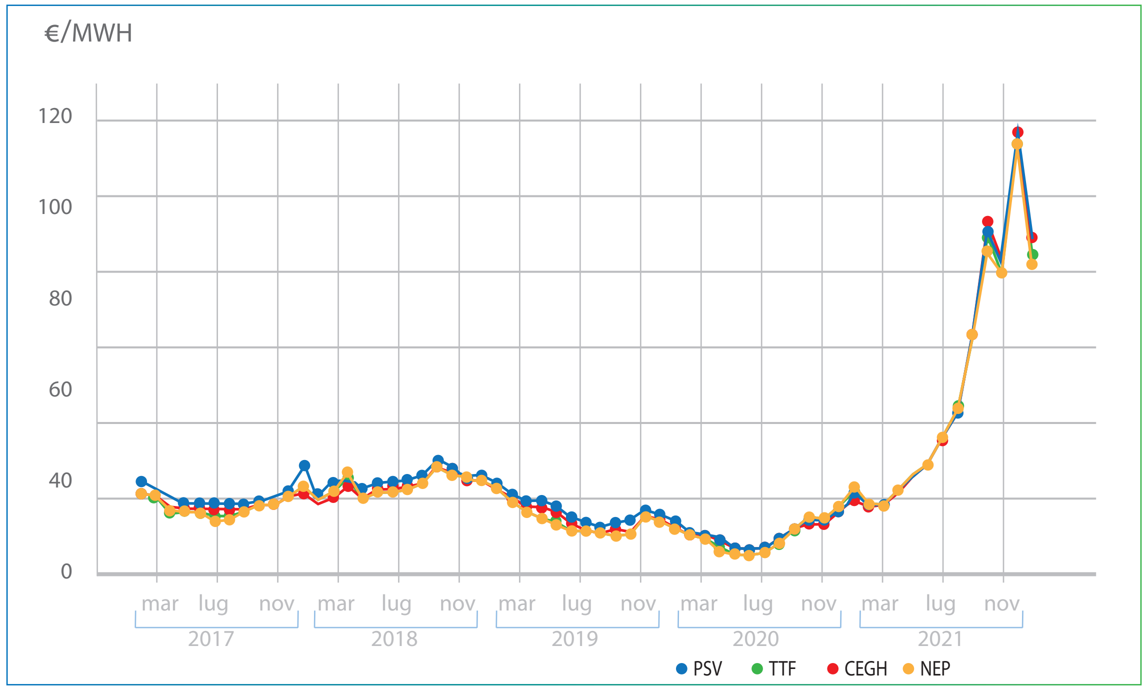
Italy is the second largest gas market after Germany in the European Union, the third in Europe after Germany and U.K.[8] and the first importing country after Germany[9]. Italy is heavily dependent on imports for its gas supply (95% full year 2021), i.e. of 76.11 billion of cubic meters consumption, 72.5 billion of cubic meters have been imported[10].
National production is in constant decline over the years and in 2021 was accounting only for around 5% of total demand[11]. Natural gas imports via regasification terminals decreased compared to 2020, with a share on the total import of 13.5% (vs 18% in 2020[12]) except for the contribution of Adriatic LNG (+7.5% in 2021 vs 2020)[13].

4 Till November 2034.
5 According to Law n. 481 dated November 14, 1995.
6 The LNG terminal operator can discount the tariff if it does not perceive the revenue guarantee factor per applicable tariff and accessto the service regulation.
7 Source: ARERA Resolution n. 11/07.

8 Source: https://www.indexmundi.com/map/?v=137&r=eu&l=it.
9 Source: https://www.indexmundi.com/map/?v=139&r=eu&l=it.
10 Source: MoET.
11 Source: GME Newsletter January 2022 MoET.
12 Source: MoET https://dgsaie.mise.gov.it/bilancio-gas-naturale.

The gas market is generally seasonal, with peak demand occurring during the first quarter of the year, when gas storage fields are almost depleted and household heating system are at maximum.
Italian gas demand in 2021 was at 76.11 billion of cubic meters, + 7.2% vs 2020 (5.1 bcm).
It is worth nothing that the spread between the price of wholesale gas in NW Europe and Italy is a key driver to import gas in Italy, i.e. if there's a substantial premium for Italy it is worth importing. From this perspective, the market trend was critical because the spread PSV-TTF kept decreasing in 2021; a trend started in 2020, to become negative in Q4 2021 in a context of very high prices in Europe.

Gas price spike in 2021[14]



Legend: PSV (Italy), TTF (NL and Germany), NBP (UK) CEGH (Austria)

Note that a premium PSV-TTF lower than 1 Euro/MWh is below the level considered profitable to import gas from NW Europe. The switch from positive to negative spreads PSV-TTF is becoming structural since end 2020, providing for arbitrage opportunity among European markets. However, on average, Italian gas market is at premium for now. Notwithstanding the critical market conditions, the Company was successful in allocating the capacity according to the new marketing policy exploiting windows of opportunity.

(b) Import infrastructures (pipeline and LNG terminals)

The import infrastructures for the Italian gas market are: (i) six pipelines from North-West Europe (Transitgas), Russia (TAG and Gorizia interconnection point), Libya (Greenstream), Algeria (TTPC), and Azerbaijan (TAP), and (ii) three LNG terminals: GNL Italia (3.5 bcm/y), OLT Offshore LNG Toscana (3.75 bcm/y), and Adriatic LNG (8 bcm/y and 9 bcm/y by mid-2022).
In 2021, Italy's major supplier was Russia, with about 39.9% of natural gas imports injected into the national network at the TAG and Gorizia interconnection point. The second most important supplier is Algeria with 29.1%[15].

14 Source: GME Newsletter February 2022.
15 Source: MoET.

In addition to the Company, two other LNG terminals are operating in Italy: OLT Offshore LNG Toscana (3.75 bcm/y) and GNL Italia SpA (3.5 bcm/y). The first is jointly controlled by Snam SpA and First State Investment; the second is fully controlled by Snam SpA Both LNG terminals are fully regulated TPA and have revenue almost fully guaranteed by the gas system/State per applicable tariff regulation.

1.2.2 Current year overview

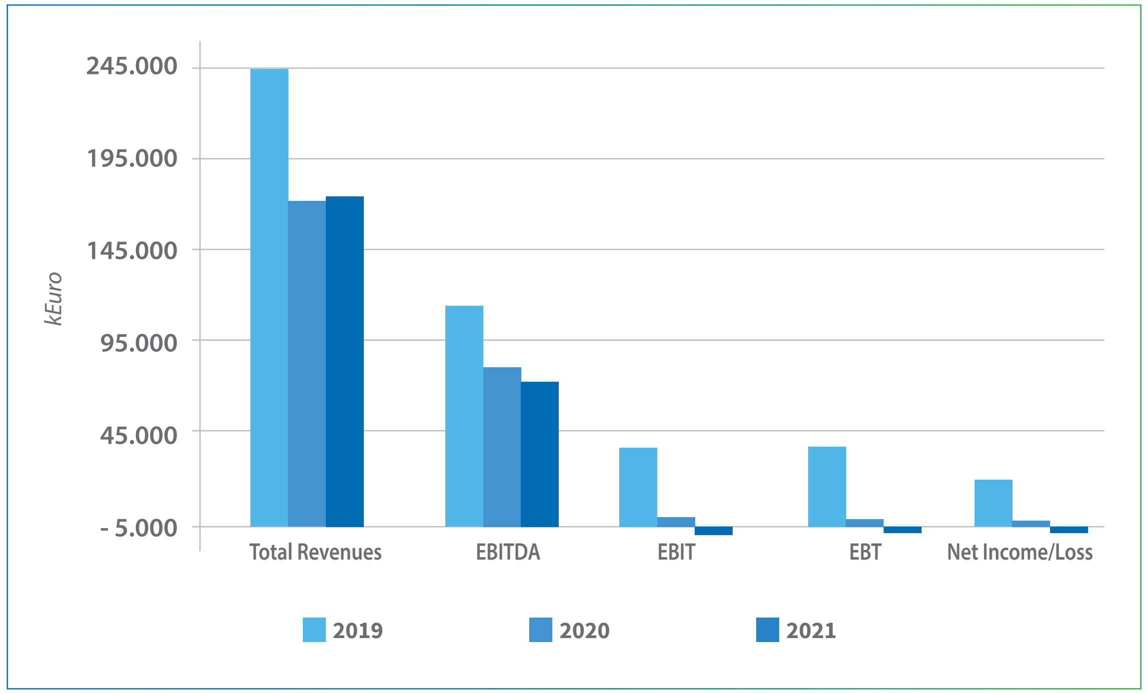
In 2021 the company suffered a loss equal to 1,124k Euro, mainly due to the impact of CO_2 emissions, triggered by European Union allowances market price increase, and COVID-19 costs, partially offset by additional revenues generated by new merchant short/mid-term capacity allocation activities and new flexibility service.

- ***73 million Euro cash flow generated from operations;***
- ***71.46 million Euro cash distributed to Quotaholders through dividend and equity reserve repayment;***
- ***4.6 million Euro of cash spent for investments.***

The following analysis of Company financial results are intended to provide an overview and to highlight the significant business events that occurred during the year. Company statements in this analysis are based on a forward-looking basis. Some of the financial indicators are included with the aim to enhance the description of 2021 performance and are more detailed in the Notes to Financial Statements.

In the graph below, the 2021 financial performance is compared with the previous two years.

2019 - 2021 Earnings



Summary financial information

Summary Income Statement

The Income Statement is reclassified following the value-added approach.

RECLASSIFIED INCOME STATEMENT (thousands of euro)	2021	2020	Absolute change	%
A. SALES REVENUE				
Revenue from sales and services	**168,963**	**166,497**	**2,466**	**1%**
Other revenue	211	308	(97)	(31%)
NET REVENUE	169,174	166,805	2,369	1%
Inventory change for raw materials, semi-finished and finished goods	-	-	-	-
Increase in capitalized expenses for internal works	-	-	-	-
Total revenues	169,174	166,805	2,369	1%
B. Cost of goods sold				
Material and services consumption (-)	**(95,020)**	**(74,282)**	**(20,738)**	**28%**
Other Expenses (-)	(5,372)	(2,446)	(2,926)	181%
Risk and charges provision allocation (-)	-	-	-	-
Inventory change	15,371	293	15,078	5,146%
Total cost of goods sold	(85,021)	(76,435)	(8,586)	13%
C. Added value	84,153	90,370	(6,217)	(9%)
Labor costs (-)	(12,638)	(12,634)	(4)	0%
D. Gross operating margin (EBITDA)	71,515	77,736	(6,221)	(10%)
Depreciation and amortisation (-)	(72,948)	(72,906)	(42)	0%
E. Net operating income (EBIT)	(1,433)	4,830	(6,263)	(161%)
Net financial income (expenses)	(33)	(5)	(28)	560%
Dividends	-	-	-	-
Revaluation (devaluation) of financial assets	-	-	-	-
F. Earnings before taxes (EBT)	(1,466)	4,825	(6,291)	(161%)
Income tax for the period	342	(1,362)	1,704	(101%)
G. Profit (loss) for the period	(1,124)	3,463	(4,587)	(185%)

Revenues

Gross revenues were 169,174 thousand Euro in 2021, 2,369 thousand Euro higher than 2020, thanks to revenues generated by the new merchant activities, despite the valorization of additional use and loss in kind to give back to the user for 14,464 thousand Euro, as revenues reduction, as per Italian Energy Market regulation, as reported in section "A.1 Revenues from sales and Services and Obligations".

REVENUES (thousands of euro)	2021	2020	Absolute change	%
A. Revenue from sales				
Revenues related to regasification service (*)	144,870	143,578	1,292	1%
National grid revenues	24,093	22,919	1,174	-
Revenues from ordinary operations	168,963	166,497	2,466	-
Other revenues and income	**211**	**308**	**(97)**	-
Total production value	**169,174**	**166,805**	**2,369**	-

(*) Including regasification revenues in kind

Costs

The 2021 production cost was 170,605 thousand Euro, 8,630 thousand Euro higher than 2020.
The 2021 OpEx increase was mainly due to CO_2 emissions costs, triggered by European Union allowances market price escalation, and increase in COVID-19 costs, incurred to secure continued operations in the pandemic situation.
The significant increase in gas prices in 2021 affected the cost lines of inventory variation and costs of services (which includes use and loss in kind from users): since both lines are offset by corresponding in-kind revenues, they do not affect Company financials.

COSTS (thousands of euro)	2021	2020	Absolute change	%
B. Costs of production				
Consumption of raw materials and services	(95,018)	(74,282)	20,736	28%
of which:	-	-	-	-
Third party costs of raw materials	(5,278)	(4,254)	1,024	24%
Costs of services (*)	(56,531)	(38,287)	18,244	48%
National grid costs	(24,093)	(22,919)	1,174	5%
Marine services costs	(9,116)	(8,822)	294	3%
Labour costs	(12,638)	(12,634)	4	0%
Other costs	(5,372)	(2,446)	2,926	120%
Depreciation and amortisation	(72,948)	(72,906)	42	0%
Inventory variation	**15,371**	**293**	**(15,078)**	**5.146%**
Total production costs	**(170,605)**	**(161,975)**	**8,630**	-

(*) Including use & loss in kind from users

Summary Balance Sheet

The Company Balance Sheet is reclassified following the "functional criteria". This approach applies the concept that the Company solvency is based on its ability to generate the necessary and sufficient resources, in quantity, quality, and time to meet its financial needs. The reclassified Balance Sheet compares the net investments against total of equity and net financial position.

SUMMARY BALANCE SHEET (thousands of euro)	2021	2020	Absolute change
A. Capital assets			
Intangible	2,443	2,257	186
Tangible	1,702,500	1,770,339	(67,839)
Financial	-	-	-
	1,704,943	1,772,596	(67,653)
B. Net working capital			
Inventory	**31,294**	**15,923**	**15,371**
Receivables	17,571	11,854	5,717
Other assets	2,307	2,360	(53)
Payables (-)	(21,385)	(11,508)	(9,877)
Other liabilities (-)	(17,227)	(4,665)	(12,561)
Provision for risks and charges (-)	-	-	-
	12,560	**13,964**	**(1,403)**
C. Invested capital excluded liabilities for the period (A+B)	**1,717,503**	**1,786,560**	**(69,056)**
	-	-	-
D. Provision for staff severance indemnity (-)	**(441)**	**(490)**	**49**
	-	-	-
E. Net capital invested (C-D)	**1,717,062**	**1,786,070**	**(69,007)**
	-	-	-
Financed by:	-	-	-
F. Net Equity	**1,735,475**	**1,808,059**	**(72,584)**
G. Net financial borrowing (availabilities):	-	-	-
Mid and long-term loans	-	-	-
Short-terms loans	-	-	-
Cash (-)	(18,413)	(21,989)	3,576
	(18,413)	(21,989)	3,576
	-	-	-
H. Total sources of funding (F+G)	**1,717,062**	**1,786,070**	**(69,008)**

Net invested capital as at December 31, 2021 was 1,717,062 thousand Euro, down by 69,008 thousand Euro from previous year. The decrease is primarily due to the reduction in fixed assets net book value (67,653 thousand Euro), mainly reflecting the yearly depreciation.

Capital assets

In 2021 the Company started technical activities and progressed those started in 2020, related to assets design life extension up to the license to operate expiration date, with the aim of optimizing life-cycle costs and defined long term maintenance strategies ensuring long term reliability of key equipment on the topside facilities, while sustaining strategy for capacity increase.

During the year, minor project activities were undertaken for approximately 5,369 thousand Euro, mainly related to the completion of the Flare KO drum drainage investment and the new Milan and Rovigo offices' refitting. Moreover, capital projects prepayments in the year were related to the gas turbine generator new module and rotor, new loading arms and other minor capital projects. Fixed asset disposals amounted to 175 thousand Euro in net book value.

Equity

Quotaholders' equity was 1,735,475 thousand Euro, down by 72.6 million Euro from 2020. Equity reduction was mainly due to the partial refund to Quotaholders of the equity reserve "Versamento Soci in conto capitale" totaling 68 million Euro, to the distribution of 2020 result for 3.5 million Euro, and by the 2021 loss.

Partial refund of the equity reserve, without prejudice to creditors, and dividends payment were in line with Quotaholders' resolutions passed on January 27, 2021 and June 30, 2021 and as detailed in the 2021 Financial Plan approved by Board of Directors' resolutions of October 1, 2020.

EQUITY (thousands of euro)	2021	2020	Absolute change
Capital stock	**200,000**	**200,000**	**-**
Legal reserve	40,000	40,000	-
Reserve for Quotaholders capital contributions	**1,485,802**	**1,553,802**	**(68,000)**
Other reserves	10,797	10,794	3
Loss carried forward	-	-	-
Gain / (Loss) for the period	(1,124)	3,463	(4,587)
Total	**1,735,475**	**1,808,059**	**(72,584)**

Tax

The overall taxes and levies balance at year-end shows a credit of 1,466 thousand Euro and it is included in the Balance Sheet, section B – "Other assets".

Prepaid taxes for 326 thousand Euro were booked taxes on current year losses, given the forecast of future taxable income.

1.2.3 Future years overview

The Company's management will continue to be fully committed in achieving all targets as set out in the most recent multi-year plans.

To ensure long-term financial reliability, the Company will keep special focus on services marketing and developments in the competitive environment. With maturing asset after twelve years of operations, the Company is increasing focus on maintenance activities to preserve the asset and to guarantee the integrity of various equipment with the aim of optimizing life-cycle costs.
The Company completed the relevant authorizations to lift the licensed send-out capacity from 8 to 9 BSC-M/y. To ensure that the increased terminal capacity is sustainable in the long run, the Company has also completed an operability study by apply a FMECA (Failure Mode, Effects and Criticality Analysis) model, meeting the ultimate goal of optimizing the maintenance and associated spare parts strategy.
The investment plans for 2022 include projects for operations and ordinary maintenance, together with system and process digitalization. The terminal shut-down associated with the 10 years regulatory-driven integrity verifications of pressure equipment is rescheduled to the August 2022, due to the COVID-19 impact on business continuity.
Planned investment activities will be funded by the anticipated positive cash flow, in line with the assumptions of the 2022 Financial Plan.
In the first quarter of 2022, no significant deviations on costs and revenues were noted. The Company will continue to operate with focus on safety, health, care for the environment, and business controls.

1.2.4 Human resources and industrial relations

Since 2019 the Company has started implementing an organizational journey to align with significant business and environment changes. This project has been completed in 2021 with specific functions and resources concentrated in the new Rovigo office, enhancing effectiveness of long-term business support.

As at December 31, 2021 the Company had 103 employees.
The table below shows 2021 employee movements and Company headcount at year-end 2021.

	31/12/2020	Incoming	Outgoing	Reclassified	31/12/2021
Managers	3	1		2	6
Supervisor	19	-	(3)	-	16
Professional employees	75	4	(6)	(1)	74
Technicians/wage workers	9	-	(2)	(3)	4
Secondee from Quotaholders or their affiliates[16]	6	-	(3)	-	3
Secondee to Quotaholders or their affiliates	1	-	(1)	-	-
Total	113	5	(15)	-	103

Considering that at the end of 2018 the foundations of the Company evolution had been laid down, the identification of the key resources driving the implementation phase was crucial.

16 The 3 resources seconded from the Quotaholders or their affiliates (2 foreigners and 1 italian) are managerial positions.

As per Board of Director's resolution dated May 14th, 2019, deployment of new organization has been executed to enhance effectiveness of long-term business management including:

- the implementation of market activity to improve revenues;
- strategic planning and projects enhancement;
- SSHE activities integration;
- operations maintenance and logistics model deployment to enhance operations strength.

Furthermore, in line with July and November 2020 Board of Director's resolutions, "close to the field" functions concentration to Rovigo has been executed, with the objective to better support operations, allowing field and close-to-field workforce being accommodated together in the same Rovigo Work Hub facility.
To enable above strategy, new Milan headquarter and wider Rovigo Work Hub facility have been established to support strengtheninginternal relationships together as one team and with external stakeholders.
An enhanced and electronic performance assessment system has been implemented and will be launched for 2022 cycle. The aim is to improve process, reflect the evolved organization, and to better match internal job opportunities appointments.
Employment contract applied to managers is the Managers of Producers of Goods and Services Companies National Labor Collective Agreement and, for other employees, the Energy and Petroleum National Labor Collective Agreement (NLC). The Energy and Oil NLC renewal will take place in 2022, covering 2022-2024 period with base salary increase expecting in line with rates.
Negotiation at the Company level is required for certain items delegated by the NLC, as well as for the implementation and the maintenance of ALNG specific terms and conditions. Company Second Level Agreement signed in 2017 expired at the end of 2019. In 2020, renegotiation activities of the new Company Agreement (2020-2022) started, including the definition of the new productivity premium, for each of the Company locations.
Due to COVID-19 pandemic, negotiation was forced to stop thus focusing on pandemic crisis management. For the above, 1+1 years contract rollover has been agreed at same previous terms.
Company welfare program has been further enhanced granting additional health and care services to support employees and their families during pandemic crisis.

1.2.5 Safety, Security, Health and Environment (SSHE)

2021 SSHE highlights include:
- ***0 total recordable incidents;***
- ***no spills or exceedances;***
- ***no process safety incidents;***
- ***no security incidents or damage to the facilities;***
- ***CO_2 emissions steady.***

New SSHE & Regulatory function fully deployed as part of the organization evolution process.

Company's very first priority is to systematically control risks by ensuring the effectiveness of the Company's integrated Safety, Security, Health & Environmental Management System (SHEMS).
SHEMS is aligned to the most advanced international standards for health, safety, and environmental protection. The system is designed, implemented, and maintained to reach standards well above compliance and industry, with the ultimate goal to aim to a hurt-free working environment and to continue to operate safeguarding the surrounding ecosystem.
The Company has initiated a journey to foster its commitment for the management of Environmental Social Governance (ESG) opportunities as part of the business strategies. The adoption of an active approach to holistically integrate sustainability into business models and practices is targeted to:
- create long-term value for all Stakeholders, achieving a lasting competitive advantage;
- foresee and meet growing expectations for integrating ESG into Company governance;
- further improve Company reputation, gaining an even more trustworthy standing.

Within the organization evolution process, a new SSHE & Regulatory organization is being implemented, with the key objectives to optimize SSHE activities with an agile organization, set a strong safety culture, oversee safety across the entire organization, favoring sharing of SHE skills across the organization and ensure on-going regulatory compliance through the SHEMS systems.

Safety

During 2021, no lost time incident were recorded. 2021 Total Recordable Incident Rate (TRIR) is 0.
The Company continue to maintain high focus also on high potential near losses and ensure the learnings are understood and broadly shared.

Security

The Company sustained its systematic approach to security through application of its Security Manual and Security Plans, *which describe the security responsibilities*, counter measures and procedures. No security incidents occurred at Company sites during 2021.
The Company continue to monitor the security environment and threat level.

Health

Legislative Decree n. 81/2008 provides for the general safety and health protection measures of workers at work. Main health-related measures and activities undertaken in 2021, in the account of the COVID-19 related constraints, were:
- health exposure monitoring campaigns;
- health surveillance plan for employees, with medical examinations carried out by Company's competent doctor, to check the workers' fitness for duty.

The SHEMS training requirements program was applied, covering new hires and personnel in new roles. Training and information to workers continue to be an ongoing activity at all locations.
Concurrently with the opening of the two new offices, Milan headquarter and Rovigo Work Hub, the required safety and health documentation was developed: general Risks Evaluation Document (DVR) and Fire Risk Evaluation were completed for both sites.
During 2021, a COVID-19 specific protocol has been constantly updated to take into account the changes in the regulations.

In particular, a solid cordon sanitaire continued to be maintained within Adriatic LNG areas of control. Prior to terminal boarding, PCR tests were executed for all personnel as main preventive measure, and number of people on board optimized as per operational needs.

Environment

The Company's operations from an environmental perspective are regulated by environmental monitoring plans established in accordance with 5 Environmental Impact Assessment (EIA) decrees. Air emissions and water discharges, as well as waste management, are regulated by the Integrated Pollution Prevention & Control (IPPC) permit (Autorizzazione Integrata Ambientale, AIA), renewed in February 2022.
The Company monitors environmental parameters according to the IPPC permit.
Audit on IPPC provisions was executed in 2021 by Regulators with zero non-conformities identified.

The Company is subject to the European Union Emissions Trading System (ETS), as the terminal's turbine generators burns fuel gas for power, mainly used for LNG regasification activities. The European Union (EU) Emissions Trading System (ETS) sets strict measurement requirements for CO_2 emissions and necessitates CO_2 allowances to surrender to the regulator to cover all CO_2 emissions. The target of the scheme is to reduce by 2030 the overall greenhouse gas by 43% compared to 2005 levels.
The ETS Phase IV covers the period 2021-2030 and has the objective to continue reducing emissions through a mix of measures, including the reduction of free allowances. In 2021, CO_2 emissions were equal to 92 thousand tons, in line with prior year.

Since 2010, an extensive marine environment monitoring campaign has been implemented by the environmental national watchdog Istituto Superiore per la Protezione e la Ricerca Ambientale (ISPRA) around the terminal and along the pipeline to collect samples and monitor the impacts of terminal operations on marine ecosystems, as per the EIA decree requirements. In 2017, a new 5-year environmental impact monitoring plan was issued by ISPRA and executed by Istituto Nazionale di Oceanografia e di Geofisica Sperimentale (OGS), a public institute specialized in marine and ecosystems monitoring, particularly of the Adriatic Sea.
The Company maintains a strong and constant focus on environmental regulatory compliance, operations integrity, and surveillance, in order to prevent nonconformities, spills, and environmental exceedances.

1.3 Risk management and controls environment

Management is regularly monitoring those areas of risk to which the Company could be exposed, and controls bodies have been appointed for this purpose.

The Company established a set of standards and policies and continues to develop strategies and specific goals and expectations at different organizational levels, while, at the same time, providing the necessary resources to operate in an environment of integrity, security, and control.
The Company operating and financial results, as well as efficiency and controls, are constantly stewarded by the management team, which is led by the Managing Director and includes all department managers.
The Controls Integrity Management System (CIMS) has been implemented to provide a structured, common process for conducting business in a well-controlled manner. This includes establishing effective controls, monitoring, and enforcing compliance continuously, and resolving control weaknesses in a timely manner.

In accordance with regulations, the Compliance Officer (Organismo di Vigilanza per D.Lgs 231/01) and Guarantor (ARERA resolution ARG/gas 11/07) have been appointed and regularly conduct their reviews and perform required verifications with periodical reporting to the Board of Directors and to the interested bodies.
The following sections provide information on the main corporate and/or non-corporate risks, including those related to litigation and the mitigating controls that the Company has put in place.

1.3.1 Credit risk

The Company considers the credit risk to be limited. In fact, the terminal users are primary companies in the energy sector and tights conditions shall be fulfilled by customers and potential customers to have access to the service.
Any potential credit risk associated with the regasification activity is managed by the responsible department and subject to specific assessment and control procedures, under the Regasification Code prior to capacity allocation. Specifically, the Regasification Code requires bank guarantees to any user with Moody's rating below Baa3, S&P rating below BBB or Fitch rating below BBB. The Company also uses procedures which provide, where applicable, advance payment clauses (e.g. provision of marine services).
For the aforementioned reasons no specific reserve has been recorded and no provisions made for bad debts.

1.3.2 Liquidity risk

The fulfillment of the Company's financial obligations is tied to the users' payment regularity. In case of non-fulfillment of obligations by counterparts, liquidity risk hedging is guaranteed by the Quotaholders.

1.3.3 Foreign exchange and interest rate risks

The Company does not operate on the currency market and the foreign exchange rate risk is limited to normal currency variations related to operating contracts in foreign currencies, primarily connected to payables in US Dollars. Transactions in foreign currencies were 151 in 2021, for approximately 3.8 million Euro and about 1.9% of the total value of the year outgoing payments. During the year, unfavorable exchange rate fluctuations resulted in a net loss of 34 thousand Euro.
The Company is not exposed to interest rate fluctuations, as it neither operates with derivatives nor incurs interest expenses, having been largely financed through capital contributions from Quotaholders. As discussed in a previous section, the cash flow generated by operating activities funds the Company's financial requirements.

1.3.4 Regulatory risks

The Company operates in a continuously evolving regulated environment: a constant monitoring of the development and introduction of new applicable regulations is critical to ensure Company operations meet related requirements.
The Company's management continuously reviews potential or newly introduced requirements and is in contact with the relevant authorities and agencies to ensure that new standards are implemented correctly and in accordance with the general principle of cost-effective management. As required, Company's management participates in regulatory consultation processes.
As part of regulatory requirements, the Company in 2021 applied for Environmental Impact Assessment eligibility verification for the terminal capacity increase from 8 to 9 billion cubic meters per year (Additional Existing Base Capacity). In December 2021, Ministry of Ecological Transition issued the authorization decree for terminal capacity increase, upon the fulfillment of specific environmental conditions cleared on March 16th, 2022.

1.3.5 Risks involved in legal disputes

During its business, until the end of December 2021, the Company was directly or indirectly part of the proceedings in disputes that are managed by the Legal Department, with assistance from external lawyers.
The following list provides an analysis of ongoing court litigation for the Company.

Challenges filed by Terminale GNL Adriatico Srl with Administrative Regional Court (TARs)

- On January 31, 2014, and October 24, 2014, the Company has filed two challenges against the Energy Markets Authority (ARERA) with administrative court TAR Lombardia for the same issue: the unilateral reduction by ARERA of the maritime services tariff through resolutions n. 604/2013/R/Gas and n. 335/2014/R/Gas. Because the Company needs have been satisfied by the Energy Market Authority, the Company did not pursue the case, and the Court formally dismissed the case by way of decisional decree.
- On October 29, 2015, the Company has filed a challenge with administrative court TAR Lazio against the Ministry of Environment (current Ministry for Ecological Transition) for the annulment of its warning for alleged noncompliance with IPPC decree dated August 11, 2015, and ISPRA related reports dated August 4, 2015, and September 23, 2015. Because the Company had no more interest in the decision of the appeal, the Court formally dismissed the case by way of decisional decree No. 2246 dated June 18, 2021.

- On November 4, 2019, the Company has filed a challenge with Administrative Court TAR Lazio against the Ministry of Environment (current Ministry for Ecological Transition) for the annulment of its warning for alleged noncompliance with current IPPC decree in relation to the monitoring of an informative parameter, and ISPRA and ARPAV related reports. No hearing scheduled.
- On January 15, 2021, the Company has filed a challenge with Administrative Court TAR Lazio against the Ministry of Environment (current Ministry for Ecological Transition) for the partial annulment of decree No. 419 – 2020, concerning the verification of the foam monitoring activities performed by the Company, limited to the request of additional monitoring activities for upcoming periodical campaigns. No hearing scheduled.

Challenges filed by other parties with TARs

- On October 29, 2021, Edison SpA filed a challenge with administrative court TAR Lombardia against ARERA for the annulment of (i) ARERA resolution 355/2021 whereby the Authority cleared the latest version of Company's Regassification Code defining the main rules and principles applicable to annual allocation procedure *Open Season* 2021 (OS), and (ii) related its documentation issued by ALNG. The Company has been notified as interested party and has partaken in the case. In December 2021, Edison SpA filed before the TAR an ancillary instance to access certain documents related to *Open Season*. First court hearing was on February 9th, 2022, and Edison has lost its ancillary instance to access certain documents and has been sentenced to pay the court's costs. No hearing on the merit has been scheduled for now.
- On July 2, 2020, Edison SpA filed a challenge with administrative court TAR Lombardia against ARERA for the annulment of the resolution No. 97/2020, approving changes to Company's Regasification Code regarding the acceptance of large-scale LNG carrier (including QFlex vessels) and allowing the Company to adopt temporary rules applicable to the auctions for the allocation of its infra-annual regasification capacity and the Temporary Rules themselves. The Company has partaken in the case as interested party. On July 21, 2021, TAR Lombardia fully rejected all the challenges filed by Edison SpA, which means ARERA and the Company were victorious. The decision has not been appealed by Edison SpA.
- Challenges filed by BP Energy Europe Ltd vs Ministry of Economic Development (MED) with administrative court TAR Lombardia. BP Energy Europe Ltd, a user of the regasification service, has challenged the MED decree dated February 25, 2016, and the resolution of the Energy Authority n. 77/2016/R/GAS dated February 29, 2016, on the tender for the allocation of so-called "integrated service" for 2016 (short-term bundled regasification and storage services). Within the same proceedings, BP Energy Europe Ltd notified additional briefs in February, April, and June 2017, to challenge some MED decrees and ARERA resolutions connected to the so-called "integrated service" and/or implementing the previous resolutions. The Company has partaken in the case. No hearings scheduled to date.

Considering the opinions expressed by the Legal Department, based on the available information, and the due diligence analysis of the above pending cases, supported by external law firms, it was concluded that contingent potential liabilities and applicable accounting principle do not require setting up a provision for these risks for year 2021.

1.3.6 Operating risks

The risks related to the Company activity of managing an offshore regasification terminal may cause damages to its profitability, efficiency, or reputation.

The terminal consists of interdependent processing modules and any risk of malfunction of the units and systems involved in regasification as well as the loss or damage to technical components and/or equipment installed or being installed on the terminal may cause impacts to personnel safety/health, impacts to the environment, or service interruptions with potential effects on the Company profitability. All major equipment installed on the terminal - turbines, LNG and seawater pumps, open rack vaporizers, and BOG compressors - have installed spare to allow for maintenance without affecting the nominal send-out.

The major accident hazards, including those that could arise from events outside the control of the Company and beyond its will such as explosions, fires, earthquakes and similar, are taken into consideration by the management of the Company in the Safety Case, according to the Seveso Law for the purposes of prevention and control.

The integrated Safety, Security, Health, and Environmental Management System (SHEMS) framework is the cornerstone of the Company approach to managing safety, security, health, and environmental risks, the status of which is detailed in section 1.2.5 – "Safety, Security, Health and Environment (SSHE)".

A ten-year major equipment and facility maintenance and inspection plan is utilized to ensure consistent reliability in meeting Company's long-term commercial objectives.

A no-risk increase submissions was approved in 2021 from the Regional Technical Committee ("CTR") for operating the terminal without the SDV located on the LNG discharging header.

1.3.7 Strategic risks

The Company is exposed to the risks associated with the political and regulatory framework, and domestic and international competition. This may affect the ability to attract new LNG regasification users when regasification capacity is available.

A strategy is pursued to improve revenues from 2020 and onwards and support the recoverability of Company's assets. The return on investment at a reasonable discount rate is currently influenced by the capital cost structure of the Company and the predetermined tariff methodology agreed with Edison SpA in the Foundation Capacity Agreement. To monitor the main variables and related impacts of this situation, long term models are regularly updated, incorporating available objective information, as well as any other necessary medium- and long-term assumptions.

1.3.8 Information Technology

The Company has maintained stable computer systems for key business processes, such as process control and monitoring of terminal operations, gas measurement and inventory management, cost control, procurement, and invoicing. The risk of service disruption due to system failure was considered, and solutions have been implemented to mitigate the risk of system failure (redundancy) as well as to minimize information loss (regular back-up and business continuity plans).

The Company is continuously focusing on cyber security risks and exposures by adopting an integrated approach and constantly increasing levels of attention through periodic trainings and implementing cyber-security programs and barriers leveraging external IT provider expertise.

1.3.9 Provisions for risks and charges

The art. 2424-bis c.c., as detailed in the Italian Accounting standard OIC 31, requires booking accruals for risks and charges to cover losses and liabilities of certain nature, certain or probable existence, of which at the end of the financial exercise the amount or the date are unknown. The Company assessed no need for provisions to special funds for risks and charges.

With regard to restoration costs, the Company completed in 2015 the assessment regarding potential restoration costs as requested by ARERA. Adriatic LNG obtained a technical appraisal by an independent engineering services provider with the estimate of potential restoration costs, a study drawing long term scenarios of energy and gas consumption by a leading consulting firm in the sector, and an opinion on civil law, administrative and accounting aspects of the matter from a preeminent consulting firm. Based on the outcome of the above-mentioned analysis and studies, the opinion concluded that the risk of the Company incurring potential restoration costs should be assumed as remote. In 2021, the Company requested a study drawing long term scenarios of energy and gas consumption, which confirmed correctness of the assumption that long term gas demand in Italy will be resilient in the long term, with the Adriatic LNG terminal still of strategic importance to the diversification and supply of the European and Italian energy system. Therefore, the Company did not recognize any provision for potential restoration costs in these Financial Statements, in compliance with the OIC 31 provisions.

1.4 Other information (pursuant to articles 2427 - 22 bis, 22 ter, 2428 and 2497 - bis of the Civil Code)

1.4.1 Stocks or shares of companies

As at December 31, 2021, there are no parent company shares in the portfolio, even indirectly held through subsidiaries, trust companies or proxies. During the year, no operations were done related to shares of parent companies, whether direct or by other indirect means.

1.4.2 Relations with controlled, affiliated, controlling companies, companies controlled by parent companies and corporate governance

As of May 2, 2005, following the end of Edison SpA's governance, the Company has been operating in line with the new by-laws which provides for the roles of the Quotaholders and those to the Board of Directors, including nomination criteria. Based on the Company's by-laws, none of the Quotaholders uniquely governs the Company. Per Italy Antitrust Body (AGCM) clearance dated March 25, 2004, the Company is jointly controlled by ExxonMobil Italiana Gas Srl (EMIgas) and Qatar Terminal Limited.

The table below shows the Company's relations with the jointly controlling Quotaholders by category and layout, in compliance with disclosure requirements set by the art. 2427 - 22 bis of the Italian Civil Code.

(thousands of euro)					Costs			Revenues			Investments
Company name	Receivables	Payables	Guarantees	Obligations	Goods	Services	Other	Goods	Services	Other	
Qatar Terminal Limited		(9)									
ExxonMobil Italian Gas s.r.l											
Totale		(9)									

Furthermore, and pursuant to disclosure requirements set by art. 2427 - 22 ter of the Italian Civil Code, the Company has no other agreements that were not represented as such within the Balance Sheet.

1.4.3 Headquarter and local units

The Company does not have any secondary offices. The Company has the following local units at the preparation date of these Financial Statements:

- Headquarters – via Santa Radegonda, 8 - Milan (MI);
- Shore Base – Via Cristoforo Colombo, 3 - Porto Viro (RO);
- Regasification plant - Territorial Water - LT 45°05'26.294"N LG 12°35'04.973"E;
- Metering station – Acquamarza Bassa District - Cavarzere (VE).

On January 1st, 2022, the Company opened the Rovigo office (Work Hub) as a local unit which is located in Viale Porta Adige, 45.

1.4.4 Independent Auditors

The Financial Statements for the period ended on December 31, 2021 were audited by PricewaterhouseCoopers SpA on the basis of the auditing mandate for the 2020-2022 period as resolved by the Quotaholders' Meeting on June 15, 2020. In that meeting, Quotaholders also requested PricewaterhouseCoopers SpA to carry out the accounting control duties which include periodic checks on the correctness of the accounting information.

1.4.5 Research and development

During 2021 the Company did not incur research and development costs.

1.4.6 Financial instruments

The Company has not issued financial instruments.

For the Board of Directors
The Chairman
Mohamed Ibrahim A. Al Sada

2.0

Financial Statements
at December 31, 2021

The Financial Statements for 2021 include the Balance Sheet, Income Statement, Cash Flow Statement and the Notes to the Financial Statements.
The Financial Statements were prepared in compliance with article 2423 and following articles of the Italian Civil Code and they represent truthfully and correctly the financial position of the Company and the result for the period ended on December 31, 2021.
The Balance Sheet and Income Statement formats are compliant respectively with articles 2424 and 2425 of the Civil Code. Accounts bearing Arabic numerals that are not reported have a zero balance in both the current and previous year.

In the event that reclassifications have been deemed as necessary within the Balance Sheet or Income Statement, balances related to previous years have been reclassified accordingly.
The Notes to the Financial Statements include the prospects prepared in accordance with the current legislation, or an explanation as to why they are not reported if missing.
The currency for all Financial Statements is the Euro.
The Financial Statements for the year are subject to external auditing by PricewaterhouseCoopers SpA, following the three-year mandate (2020-2022) assigned to them by the Quotaholders' resolution dated June 15, 2020.

2.1 Balance Sheet

ASSETS (in euro)			31.12.2021	31.12.2020
B) Fixed assets, with those in financial leasing indicated separately				
I. intangible assets:				
4) concessions, licences, trademarks and similar			629,846	560,190
6) assets under construction and advances			578,000	174,000
7) other			1,234,939	1,522,722
Total			2,442,785	2,256,912
II. Property, plant and equipment:				
1) land and buildings			956,511,371	987,585,534
2) plants and equipment			738,928,177	777,950,554
3) industrial and commercial equipment			1,411,647	1,440,128
4) other assets			2,292,305	2,589,777
5) assets under construction and advances			3,356,977	773,477
Total			1,702,500,477	1,770,339,470
Total fixed assets (B)			1,704,943,262	1,772,596,382
C) Current assets				
I. inventories:				
1) raw, auxiliary and consumer materials			31,293,587	15,922,869
Total			**31,293,587**	**15,922,869**
	Amount due in more than one year			
	31.12.2021	31.12.2020		
II. Receivables:				
1) From customers	-	-	17,570,614	11,853,855
5–bis) Tax credits	-	-	1,465,796	2,767,238
5–ter) Prepaid taxes	-	-	699,032	373,500
5-quater) Other	-	-	483,238	295,952
Total			20,218,680	15,290,545
IV. Cash and equivalent:				
1) bank accounts			18,412,831	21,989,418
3) petty cash			-	-
Total			18,412,831	21,989,418
Total current assets (C)			69,925,098	53,202,832
D) Accrued income and prepaid expenses				
- accrued income			-	62
- prepaid expenses			**1,081,769**	**1,465,983**
Total accrued income and prepaid expenses (D)			1,081,769	1,466,045
Total assets			1,775,950,129	1,827,265,259

LIABILITIES AND NET EQUITY (in euro)			31.12.2021	31.12.2020
A) Quotaholders' Equity				
I. Capital			200,000,000	200,000,000
IV. Legal reserve			40,000,000	40,000,000
VI. Other reserves				
Additional paid-in capital			1,496,596,207	1,564,596,207
Reserve from net gains on foreign exchange			3,130	-
IX. Net Income (loss) for current year			(1,123,912)	3,462,666
Total Quotaholders' Equity (A)			1,735,475,425	1,808,058,874
B) Reserves for Risks and Charges				
C) Reserves for employee severance indemnities			441,233	490,041
D) Liabilities				
	Amounts due after one year or more			
	31.12.2021	31.12.2020		
6) prepayments	-	-	-	357,649
7) payables to suppliers	-	-	21,384,874	11,150,263
12) taxes payable	-	-	1,059,741	297,711
13) payables to social security and pension funds	-	-	596,486	526,268
14) other payables	-	-	2,527,392	6,384,417
Total liabilities (D)			25,568,493	18,716,308
E) Unearned revenue and accrued expenses			14,464,978	37
Total liabilities (B+C+D+E)			40,474,704	19,206,386
Total Liabilities and Quotaholders' equity			1,775,950,129	1,827,265,259

2.2 Income Statement

(in euro)		31.12.2021	31.12.2020
A)	**Value of production**		
	1) earnings from sales and provision of services	168,962,668	166,496,737
	5) other revenues and income	211,441	307,852
Total value of production (A)		**169,174,109**	**166,804,589**
B)	**Cost of goods sold**		
	6) raw materials, consumables and supplies	30,694,151	9,993,896
	7) for services	62,464,336	61,970,741
	8) for use of third-party assets	1,861,397	2,317,846
	9) personnel costs:		
	a) wages and salaries	9,023,095	9,066,709
	b) company charges	2,885,462	2,865,044
	c) employee severance fund	591,675	573,815
	e) other costs	138,201	128,178
	10) depreciation and write-downs:		
	a) depreciation of intangible assets	513,038	528,252
	b) depreciation of property, plant and equipment	72,434,617	72,378,109
	c) Other PP&E write-downs	-	-
	11) changes in stock	(15,370,718)	(292,921)
	13) other accruals	-	-
	14) other operating costs	5,371,873	2,445,705
Total cost of goods sold (B)		**170,607,127**	**161,975,374**
Net value of production (A-B)		**(1,433,018)**	**4,829,214**
C)	**Financial income and expenses**		
	16) other financial income	1,247	2,270
	17) interests and other financial expenses	-	(872)
	17-bis) foreign exchange gains and losses	(34,471)	(6,113)
Total financial income (expenses) (C)		**(33,224)**	**(4,715)**
Earnings Before Taxes (A-B±C±D)		**(1,466,242)**	**4,824,500**
20) deferred, current and prepaid income tax			
	a) current tax	16,798	(1,345,450)
	b) prepaid tax	325,532	(16,384)
Net Income (loss) for current year		**(1,123,912)**	**3,462,666**

2.3 Cash Flow Statement

(in euro)		31.12.2021	31.12.2020
A)	**Cash Flow From Operating Activities**		
	Net Profit	**(1,123,912)**	**3,462,666**
	Net Profit Adjustments		
	- Income taxes	(342,330)	1,361,834
	- Interests payable/(interests receivable)	(1,247)	(1,399)
	- (Dividends)	-	-
	- Net loss (gains) on disposal of assets	142,465	134,072
	1. Earnings before income tax, interests, dividends and plus/minus from asset sale	**(1,325,024)**	**4,957,174**
Adjustments to reconcile net profit to net cash provided by operating activities:			
	- Depreciation, depletion and amortization and other non monetary items	72,947,654	72,906,361
	- Provisions to reserves for risks and charges	-	-
	- Provisions for employees' end of service benefits	591,675	573,815
	2. Net cash before changes in working capital	**72,214,305**	**78,437,349**
	Changes in working capital related to operations:		
	- Inventory variation	(15,370,718)	(292,921)
	- Receivable variation	(5,332,483)	8,426,207
	- Payables variation	24,341,903	(10,843,209)
	- Other changes	(3,030,772)	4,658,585
	3. Net cash after changes in working capital	72,822,235	80,386,012
	Changes to other assets and liabilities:		
	- Interests receivable/(interests payable)	1,247	1,399
	- Deferred and prepaid taxes	1,136,948	(2,156,961)
	- Provisions used	(640,483)	(633,531)
Net Cash flow from operating activities (A)		**73,319,947**	**77,596,919**
B)	**Cash Flow From Investing Activities**		
	Investments in intangible assets	(776,049)	(370,735)
	Advances for intangible assets	-	(35,000)
	Investments in property, plant and equipment	(4,660,951)	(667,031)
Net Cash flow from investing activities (B)		**(5,437,000)**	**(1,072,766)**
C)	**Cash Flow From Financing Activities**		
	Dividends (and advances on dividends) paid	(3,459,536)	(25,840,491)
	Changes in equity: contributions / (refunds)	(68,000,000)	(52,500,000)
Net Cash flow from financing activities (C)		**(71,459,536)**	**(78,340,491)**
Net change in cash and cash equivalents (A+B+C)		**(3,576,589)**	**(1,816,338)**
	Cash and cash equivalents at the beginning of the year	21,989,418	23,805,756
	Cash and cash equivalents at the end of the year	18,412,831	21,989,418

The Financial Statements at December 31, 2021 are consistent with the accounting entries.

For Board of Directors
The Chairman
Mohamed Ibrahim A. Al Sada

2.4 Notes to Financial Statements

2.4.1 Valuation criteria

As per Company by-laws, these Financial Statements have been prepared in accordance with the provisions of the Italian Civil Code and with the national accounting standards issued by the Organismo Italiano di Contabilità (OIC). The valuation criteria applied in the preparation of the Financial Statements for the year ended December 31, 2021 are consistent with OIC standards updates applicable for the preparation of financial statements as at December 31, 2021. Notes to Financial Statements are issued in thousands of Euro.
The valuation of the items in the Financial Statements is driven by the general criteria of prudence and periodicity, in the context of business continuity.
Continuity in the application of valuation criteria over time is a requirement to ensure comparison of the Financial Statements published by the Company.
The application of the principle of prudence has led to the assessment of individual entries or asset or liability components.
In accordance with the principle of periodicity, each accounting entry should be allocated to a given period and split accordingly if covers several periods. In other words, business events have to be recognized and attributed to the accounting year to which such transactions refer to, and not the one in which the related financial transactions occur.
The valuation criteria adopted in these Financial Statements are the following.

2.4.1.1 Intangible assets

Intangible assets have been capitalized based on their purchase or internal production cost, including overheads and any other ancillary costs, adjusted by related depreciation funds and any monetary revaluation pursuant applicable law. Intangible assets use straight-line depreciation based on their estimated asset service life. Any installation and improvement costs, research and development or advertisement costs with multi-year use are capitalized in line with art. 2426 c.5 of Italian Civil Code and with the endorsement of Statutory Auditors if required.
If there is a lasting loss of value, assets should be depreciated to reflect their residual value. The residual value is the highest value between the actual usage value of the assets and its fair value, net of sale costs. If the reasons leading to the write-down no longer exist, the value of the asset is recovered up to the value that the asset had had if the write-down had never taken place.
Costs of improvements of rented or leased assets are capitalized and recorded as intangible assets – third party property improvements - as stated by OIC 24,if these improvements cannot be used autonomously.
Depreciation of such costs is done over the shorter period between the future usefulness of the expense and the residual rent or lease, also taking into account the possible renewal if it depends on the lessee.
The yearly depreciation rates applied are as follows because of the estimated asset service life, and partly as a result of the elevated obsolescence rates that technological assets usually suffer:

- software: with rate from 13.88 to 33.33%;
- other intangible fixed assets: with rate from 3 to 12.37%.

2.4.1.2 Tangible assets

Fixed assets have been capitalized based on their purchase or internal production cost, including direct, auxiliary, and indirect overhead costs inherent to internal production in line with art. 2426 of the Italian Civil Code. The costs of ordinary maintenance needed for the effective preservation of the asset are entirely expensed and booked in the year in which they occurred. Improvement costs are booked directly on the asset on which they were performed and depreciated over its residual useful life.
Costs incurred to expand, modernize, or improve the structural elements of a tangible asset are capitalized if they produce a significant and measurable increase in production capacity, safety, or life. If these costs do not produce these effects, they are treated as ordinary maintenance and expensed.
Assets currently in use, which have an economic value lower than the cost of depreciation, are written down and aligned to its economic value. If the reasons leading to the write-down no longer exist, the asset is returned to its original value. Tangible fixed assets are systematically depreciated each year based on their financial and technical useful life which could not exceed the duration of the maritime concession.
The yearly depreciation rates applied are as follows:

- buildings: with rate from 2.33 to 3%;
- plants and equipment: with rate from 2.33 to 10%;
- industrial and commercial equipment: with rate from 3% to 20%;
- other tangible fixed assets: with rate from 4 to 20%.

Note: 2.33% is used for assets whose useful life is expected to exceed the duration of the maritime concession.

For the fixed assets, which have been completed and placed into operation during the financial year, the depreciation rate is adjusted, according to accounting standard OIC 16, assuming that the purchases are evenly distributed over the year.
The assets with lower value whose service life is within the fiscal year are all depreciated in the year when they come into operation.
Fixed assets under construction include tangible fixed assets in progress relating to systems and units for which construction and trial activities are still ongoing. Such categories represent a part of the Company's assets which do not contribute to generate revenue at the date of Balance Sheet. These items are booked according to the general principle detailed in art. 2426 of the Civil Code and as such are reflected at their purchase or production cost, similarly to operational assets.
When there is a possible reduction in the value of tangible assets, their recoverability is verified by comparing the book value with the related recoverable value represented by the greater of the fair value, net of disposal costs and the value in use.
The return on investment at a reasonable discount rate is currently influenced by the tariff regulation and the predetermined tariff methodology agreed with Edison SpA in the Foundation Capacity Agreement. To monitor the main variables and related impacts of this situation, long term models will be updated incorporating available objective information as well as any other necessary medium- and long-term assumptions.
Government grants are recognized when there is reasonable assurance that the Company will comply with the contractual conditions and that the grants will be received. In line with accounting principle OIC 16 the full amount of the Government grant is presented in the Balance Sheet as a credit against the recorded cost of assets, hence recognized in the Income Statement, as reduced depreciation costs, in line with the useful life of the qualifying assets.

2.4.1.3 Inventories

Inventories of raw materials, intermediates and finished goods are carried at the lower of acquisition or production cost and current market value, as per article 2426 of the Italian Civil Code.
Specifically, inventories of supplies are valued at weighted average cost. Inventories of LNG were valued at current market price while diesel inventories at FIFO.

2.4.1.4 Accounts receivable and accounts payable

Receivables and payables are reported according to the amortized cost method, considering the time factor and, for receivables, their estimated collectable value. As foreseen by OIC 15 and OIC 19, the amortized cost method can be disapplied if the effects are not material, which is generally the case for short-term payables and receivables (expiration at less than 12 months). The Company adopts such option foreseen by the national accounting standards (OIC) above mentioned.
Liabilities for unused holidays and for employees deferred remuneration, together with the related amount due to social security institutions, are accrued on the basis of the amount to be paid in case of termination of employment on the date of the Financial Statements.
Tax liabilities for the fiscal year are computed with applicable tax rates to the realistic estimate of the taxable income. In line with accounting standard OIC 25, taxes are shown in the Balance Sheet net of any relevant tax credits, tax prepayments and withheld taxes, and the resulting debit or credit is shown accordingly.
Receivables and payables in foreign currencies are translated with year-end exchange rates. Related unrealized foreign exchange gains or losses are credited or debited to the income statement. Any net foreign exchange gain reported in the income statement must be accrued as a separate reserve, which may not be distributed until the gain is realized.
Deposits for the use of third-party assets and for the supplies of services are recorded at their nominal value.

2.4.1.5 Accruals and deferrals

Accruals and deferrals refer to revenues or expenses covering multiple fiscal years and require to be reflected proportionally in line with OIC 18. Accrued income and expenses represent revenues and costs attributable to the fiscal year but having financial effects in subsequent years, deferred income and expenses represent revenues and costs which had financial impact before the end of the fiscal year but attributable to subsequent fiscal years.
As for the accrued expenses and deferred income spanning over several years, the conditions that determined the original classification have been verified, entering the appropriate changes if the case.

2.4.1.6 Provisions for risks and charges

Provisions for risks and charges are recognized for a current obligation that, at the end of the reporting period, certainly exists, or it is more likely than not that an outflow of resources will be required to settle the obligation, but its timing or amount could not be defined at the end of the year. A provision shall be recognized when a reliable estimate can be made about the amount of the obligation. If it is not probable that a present obligation exists, an entity discloses a contingent liability in the Notes to the Financial Statements, but no recognition of a provision is allowed.

2.4.1.7 Employee Severance Indemnity (ESI) fund

The Employee Severance Indemnity represents the total of accrued charges in favor of employees as per the current legal provisions, work contracts, and possible other Company agreements that were in place at year-end. As required by current legislation, such liability is subject to reassessment by way of indexes. The tax advances on the Employee Severance Indemnity were directly deducted from the Severance Indemnity's book value.
The ESI corresponds to the total of individual indemnities accrued by employees at the date of year-end closing, net of:

- payments made during the year due to employee severance;
- advances granted;
- INPS Guarantee Fund (0.50% of the monthly taxable wages) charged to the employee's ESI fund, as required by law;
- amount paid to complementary pension funds (representing the amount that would be recognized to employees in case of employee severance at a given date).

2.4.1.8 Obligations, guarantees and other commitments

The risks related to guarantees or commitments to third parties are reported in the Notes to Financial Statements as per D.Lgs. n.139/2015 for an amount equal to the nominal amount of the collateral provided.
In particular, this section includes guarantees provided directly or indirectly, separately listing sureties, endorsements, and other personal guarantees which are reported at the actual value of the commitment, as well as obligations deriving from contracts, and collateral provided which is shown at carrying value of the pledged assets or rights.

2.4.1.9 Revenue, income, costs, expenses, dividends, and grants

Revenues and income are booked net of returns, discounts, allowances, bonuses, and any taxes directly related to the sale of the products and the provision of the services in question.
Service revenues are recognized when the services are provided in accordance with the relevant contracts. On the basis of capacity contracts currently in force, the service is considered as rendered in the year in which there is the obligation to make capacity available, independently of its real utilization, being capacity allocation the main and predominant part of the regasification service.
According to accounting principle OIC 8, the costs incurred to purchase CO_2 credits on the market are reflected in the financial year in which surrender obligations arise based on actual CO_2 emissions produced by the Company. At the end of financial year, if the balance between the CO_2 credits held by the Company and the actual CO_2 emissions shows a shortage, an accrual is recorded for the outstanding quotas to purchase and a liability with the relevant national authority. In case balance shows a long position, if the surplus is related to CO_2 credits purchased on the market, a prepaid expense is recorded in the year to adjust emission costs to be expensed in the next accounting period.
Financial income and expense are booked following the accrual date.
Capital contributions paid by the government or by public institutions pursuant to law are recognized when all conditions of the grant are met.

2.4.1.10 Leasing

Assets subject to finance lease are carried on the basis of the asset method.
If applicable, an entity shall disclose in a specific section of the Notes to the Financial Statements additional information requested by law related to the finance lease agreement.
At the date of these Financial Statements there are no contracts that require disclosure of additional information foreseen by the art. 2427 no. 22 of the Civil Code.

2.4.1.11 Income taxes

Both the Corporate Income Tax (IRES) and the Regional Tax on Productive Activities (IRAP) for the fiscal year are determined on the basis of the estimated taxable income computed in compliance with the applicable tax law and regulations. According to OIC 25, the resulting liability (net of advances, withholdings, and other applicable credits) is recognized in the Balance Sheet under "Taxes payable", while any tax credits resulting from advance payments are recognized in the Balance Sheet under "Tax credits".
Deferred tax assets and liabilities are booked on the temporary differences between the accounting value of assets and liabilities and the corresponding tax values recognized. Deferred tax assets and liabilities are determined applying the tax rates of the year in which the temporary differences arise; these amounts are updated in the following years in case of change in the applicable tax rates at the end of each year.
Deferred tax assets should be recognized only if there is a reasonable certainty of their future recovery, whereas they are decreased in case of uncertain recoverability. Deferred tax liabilities are recognized only when they arise from taxable temporary differences that generate an actual tax liability.
Deferred tax asset and liabilities are offset only when, according to the applicable tax laws, the Company has the right to offset for tax purposes. The resulting amount is posted to the "Reserve for current and deferred taxes" if it is a liability, or to an asset account called "Deferred tax asset" if the result is a credit.

2.4.1.12 Criteria for the conversion of foreign currency items

Non-monetary items related to assets and liabilities denominated in foreign currencies are recorded in the Balance Sheet at the exchange rate at their time of purchase, initial recording cost.

2.4.2 Comments to Balance Sheet entries

Balance Sheet - Assets

B. Fixed assets

B.I Intangible assets

At year-end 2021, the intangible assets amounted to 2,443 thousand Euro, with a 186 thousand Euro increase from 2020. The amount represents the sum of:

- 1,235 thousand Euro as other intangible assets of which 611 thousand Euro refer to improvements made to the leased Porto Viro shore base and 624 thousand Euro mainly related to the Company's IT infrastructure. Disposals in the year are related to the previous Milan office replaced by the new Santa Radegonda headquarter;
- 630 thousand Euro for software and application systems for administrative and processing purposes;
- 578 thousand Euro of assets under construction mainly related to digitalization projects.

The table below summarizes the overall changes occurred during the year.

INTANGIBLE ASSETS (in euro)	Concessions, licences, patents, trademarks and similar	Assets under construction and payments on account	Other	Total
Values at 31.12.2020 (A+B)	**560,190**	**174,000**	**1,522,722**	**2,239,429**
of which:				
- historical cost	4,055,120	174,000	6,394,811	10,623,931
- accumulated depreciation	(3,494,930)	-	(4,872,089)	(8,367,019)
Net Value at 31.12.2021 (A)	**560,190**	**174,000**	**1,522,722**	**2,256,912**
Changes in 2021:				
- purchases	202,500	578,000	-	780,500
- disposals	-	-	(409,812)	(409,812)
- disposals (acc. depr.)	-	-	328,223	328,223
- reclassifications	174,000	(174,000)	-	-
- depreciation	(306,844)	-	(206,194)	(513,038)
Total Changes (B)	**69,656**	**404,000**	**(287,783)**	**185,873**
Values at 31.12.2020 (A+B)	**629,846**	**578,000**	**1,234,939**	**2,442,785**
of which:				
- historical cost	4,431,620	578,000	5,984,999	10,994,619
- accumulated depreciation	(3,801,774)	-	(4,750,060)	(8,551,834)
Net Value at 31.12.2021	**629,846**	**578,000**	**1,234,939**	**2,442,785**

B.II Tangible assets

Tangible assets amounted to 1,702,500 thousand Euro at year-end 2021, reflecting a decrease of 67,839 thousand Euro from previous year, mainly due to depreciation. The table below summarizes the overall changes occurred during the year.

TANGIBLE ASSETS (in euro)	Land and buildings	Plants and equipment	Industrial and comm. equipment	Other assets	Fixed assets in progress and payments on account	Totale
Values at 31.12.2020 (A+B)	**987,585,534**	**777,950,554**	**1,440,128**	**2,589,777**	**773,477**	**1,770,339,470**
of which:						
- historical cost	1,368,814,980	1,294,219,601	5,652,894	7,039,876	773,477	2,676,500,826
- accumulated depreciation	(355,756,858)	(495,179,906)	(4,212,766)	(4,450,099)	-	(859,599,627)
- write-down	-	(1,393,157)	-	-	-	(1,393,157)
Government grant:						
- historical cost	(34,431,458)	(32,145,342)	-	-	-	(66,576,800)
- accumulated depreciation	8,958,870	12,449,358	-	-	-	21,408,228
Net Value at 31.12.2020 (A)	**987,585,534**	**777,950,554**	**1,440,128**	**2,589,777**	**773,477**	**1,770,339,470**
Changes in 2021:						
- purchases	-	1,213,465	183,727	16,945	3,274,835	4,688,971
- disposals	-	(79,000)	-	(209,771)	-	(288,771)
- disposals (accum. depr.)	-	79,000	-	116,422	-	195,422
- reclassifications	31,630	573,336	77,000	9,370	(691,335)	-
- depreciation	(31,908,080)	(41,924,046)	(289,208)	(230,438)	-	(74,351,772)
- write-down		-				-
Government grant:						
- depreciation	802,287	1,114,868	-	-	-	1,917,155
Total Changes (B)	**(31,074,163)**	**(39,022,377)**	**(28,481)**	**(297,472)**	**2,583,500**	**(67,838,993)**
Values at 31.12.2021 (A+B)	**956,511,371**	**738,928,177**	**1,411,647**	**2,292,305**	**3,356,977**	**1,702,500,477**
of which:						
- historical cost	1,368,846,609	1,295,927,402	5,913,621	6,856,420	3,356,977	2,680,901,028
- accumulated depreciation	(387,664,937)	(537,024,952)	(4,501,974)	(4,564,115)	-	(933,755,977)
- write-down	-	(1,393,157)	-	-	-	(1,393,157)
Government grant:						
- historical cost	(34,431,458)	(32,145,342)	-	-	-	(66,576,800)
- accumulated depreciation	9,761,157	13,564,226	-	-	-	23,325,383
Net value at 31.12.2021	**956,511,371**	**738,928,177**	**1,411,647**	**2,292,305**	**3,356,977**	**1,702,500,477**

Tangible fixed assets consist of the following:

- 956,511 thousand Euro in "Land and buildings" are primarily related to the concrete structure of the terminal (Gravity Based Structure - GBS), with adjoining buildings to appliances modules (topsides) installed on GBS and at the Cavarzere metering station;
- 738,928 thousand Euro in the category "Plants and equipment" reflect the units/systems employed in the regasification process among which there are mainly the two LNG storage tanks and the undersea/onshore gas pipelines, each including the minimum LNG operating level and the LNG loading arms;
- 3,357 thousand Euro for fixed "Assets under construction" reflect expenditures mainly related to minor projects, including the new Milan and Rovigo offices' refitting and prepayments related to the purchase of new equipment (GTGs module and rotor and two loading arms).
- 2,292 thousand Euro in the category "Other assets" reflect the furnishing of offices and local units of the Company, the lifeboat located on the terminal, electric and manual trolleys, office machinery, electrical and electronic equipment, and other computer equipment located on the terminal;
- 1,411 thousand Euro in the category "Industrial and commercial equipment" are mainly related to the fire and laboratory equipment located at the Cavarzere metering station and on the terminal.

Due to the absence of specific impairment indicators to date, in compliance with the law and national accounting standards (OIC 9), the Company has not recognized the need to carry out an impairment test and has maintained the fixed assets recorded at their relative net book values. In any case, and in line with prior years' practice, the Company deemed appropriate to request a leading firm, specialized in asset valuation, an assessment on the tangible assets' adequacy and fair value. This independent value assessment was based on the comparative method (or market) valuation criteria as reference point, even though valid for a limited group of assets, and/or on the replacement cost method, which provides a cost estimate for the complete replacement of the analyzed asset. Therefore, the value assessment conducted with the above-mentioned criteria was not affected by any future variables such as the expected return from these assets. The independent report resulted in an assets fair value higher than their net book value.

C. Current assets

At the date of Balance Sheet, current assets totaled 69,925 thousand Euro, with an increase of 16,722 thousand Euro from previous year. Additional details and balances are included in the following.

C.I Inventory

On December 31, 2021, the total inventory amounted to 31,294 thousand Euro with an increase of 15,371 thousand Euro from 2020. This amount reflects the following categories:

- 15,196 thousand Euro related to spare parts for recurring use on the terminal;
- 15,970 thousand Euro related to the LNG inventory required to ensure the operation of the infrastructure and provided in kind from the terminal users as per current regulation. The significant increase from 2020 is mainly due to the increasing in market price evaluation;
- 128 thousand Euro related to inventories of diesel used on the terminal for the auxiliary power systems.

	Raw materials, subsidiary materials and consumables	In progress and semifinished goods	Work in progress goods	Finished goods	Advances	Total Inventory
Value at beginning of the year	15,922,869					15,922,869
Variation of the year	15,370,718					15,370,718
Value at the end of the year	**31,293,587**					**31,293,587**

C.II Receivables

Total receivables were at 20,219 thousand Euro at year end 2021, with an increase of 4,928 thousand Euro from 2020.

	Receivables from customers	Receivables from controlled companies	Receivables from affiliated companies	Receivables from parent companies	Receivables from Tax Authorities	Credits for prepaid taxes	Other Receivables	Total Receivables
Value at beginning of the year	11,853,855	-	-	-	2,767,238	373,500	295,952	15,290,545
Variation of the year	5,716,759	-	-	-	(1,301,442)	325,532	187,286	4,928,135
Value at the end of the year	**17,570,614**	**-**	**-**	**-**	**1,465,796**	**699,032**	**483,238**	**20,218,680**
Receivables due over 5 years	-	-	-	-	-	-	-	-

The table below details the geographical composition of the receivables (all Euro denominated).

	Total	Italy	Abroad
Receivables from customers	17,570,614	17,548,675	21,939
Receivables from controlled companies	-	-	-
Receivables from affiliated companies	-	-	-
Receivables from parent companies	-	-	-
Receivables from tax authorities	1,465,796	1,465,795,97	-
Credits for prepaid taxes	699,032	699,032,00	-
Other receivables	483,238	483,237,94	-
Total receivables	**20,218,680**	**20,196,741**	**21,939**

1) From customers

Receivables from customers were at 17,571 thousand Euro and are mainly related for:

- 15,724 thousand Euro to regasification services to users, including ancillary services, terminal's LNG losses and consumption and Operational Balancing Agreement;
- 1,847 thousand Euro to access fees to the national grid, netting the corresponding cost;

5–bis) Tax credits

Tax credits amounted to 1,466 thousand Euro, down by 1,301 thousand Euro from previous year, and they are related to:

- 1,422 thousand Euro to the income taxes credits related of advances paid during the year, of which 1,186 thousand Euro of IRES and 236 thousand Euro of IRAP, net of 2021 utilization to off-set other tax payables of which 1,137 thousand euro;
- 38 thousand Euro to excise duty for reimbursement by the Customs Agency;
- 6 thousand Euro to other tax receivables.

5- ter) Prepaid taxes

Deferred tax assets, amounted to 699 thousand Euro, are mainly related to taxes on current year losses. For additional details see section 20 - "Income taxes".

5-quater) Other receivables

Other receivables were equal to 483 thousand Euro and are mainly related to advance payments to vendors, cash guarantee deposits for both the Milan office and the shore base lease, customs duties, and the works in concession for the construction of the gas pipeline and other utilities.
As there are no foreseen risks related to the collection of the above-mentioned receivables, the Company did not account for any write-down.

C.IV Cash and equivalent

The cash and equivalent balance were 18,413 thousand Euro on December 31, 2021, showing a decrease of 3,577 thousand Euro with respect to previous year. This value reflects the year-end bank account balance. The change in cash and cash equivalent amount is disclosed in cash flow statements

	Bank accounts	Cheques	Cash	Total cash and equivalents
Value at beginning of the year	21,989,418	-	-	21,989,418
Variation of the year	(3,576,587)	-	-	(3,576,587)
Value at the end of the year	**18,412,831**	**-**	**-**	**18,412,831**

D. Accrued income and prepaid expenses

The accrued income and prepaid expenses were 1,082 thousand Euro at year-end 2021, with a decrease of 384 thousand Euro from prior year. Main components of this item are the deferral of both the insurance premiums paid in 2021 (711 thousand Euro) and deferral of bank guarantee fees, telecom, and other services subscriptions.

	Discount on loans	Accrued income	Prepaid expenses	Total accrued income and prepaid expenses
Value at beginning of the year	-	62	1,465,983	1,466,045
Variation of the year	-	(62)	(384,215)	(384,276)
Value at the end of the year	**-**	**-**	**1,081,769**	**1,081,769**

Balance Sheet – Quotaholders' Equity and Liabilities

A. Equity

Equity amounted to 1,735,475 thousand Euro at year-end 2021, with a decrease of 72,584 thousand Euro from previous year.
Movements occurred during the year are reflected in the table below.

	Capital stock	Legal reserve	Other reserves: Quotaholders' additional equity contributions	Other reserves: Reserve for exchange rate gains	Other reserves: Total other reserves	Profit (loss) of the year	Total equity
Starting balance	200,000,000	40,000,000	1,564,596,207	-	1,564,596,207	3,462,666	1,808,058,873
Destination of the result of the previous year							
Dividends			-	-	-	(3,459,536)	(3,459,536)
Other use				3,130	3,130	(3,130)	-
Other variations							
Addition							
Decreases			(68,000,000)	-	(68,000,000)	-	(68,000,000)
Reclassification							
Profit of the year			-	-	-	(1,123,912)	(1,123,912)
Ending balance	**200,000,000**	**40,000,000**	**1,496,596,207**	**3,130,00**	**1,496,599,337**	**(1,123,912)**	**1,735,475,425**

The legal reserve remained unchanged to one fifth of the share capital, equivalent to 40,000 thousand Euro. Other reserves were at 1,496,599,337 Euro as per below details:

- 1,485,802,398 Euro as per-quota additional equity contributions by the Quotaholders following the Financial Plans approved by the Board of Directors. Current year decrease of 68,000 thousand Euro is due to the partial and proportional restitution of the reserve as per Board of Directors' resolutions, in line with the 2021 Financial Plan, in compliance with the related Quotaholders' resolutions passed on January 27, 2021 and on June 30, 2021, and without prejudice to creditors;
- 3,130 Euro as partial destination of year 2020 net profit, corresponding to the amount of net un-realized foreign exchange gains.
- 10,793,808 Euro as equity contribution by Edison SpA for extinguishing their inter-company receivables in line with the May 2, 2005 agreement.

OTHERS RESERVES

Description	Total	Quotaholders' additional equity contributions	Reserve for exchange rate gains
Importo	1,496,599,337	1,496,596,207	3,130

During 2021 and according to the Quotaholders' resolution dated June 30, 2021, a total amount of 3,460 thousand Euro was paid to Quotaholders in the form of dividends.

Information requested as per art. 2427 n. 7-bis of Civil Code are provided in the following tables.

	Amount	Source / Nature	Possibility of use	Quota available for use	Summary of uses in the three previous years: to cover losses	Summary of uses in the three previous years: for other reasons
Capital reserves	**200,000,000**	**Shareholders' contributions**				
Legal reserve	**40,000,000**	**Shareholders' contributions**	**for coverage of losses;**	**40,000,000**		
Other reserves						
Additional paid-in capital	1,496,596,207	Shareholders' contributions	for a capital increase; for coverage of losses; for distribution to Quotaholders	1,496,596,207		199,500,000
Reserve from net gains on foreign exchange	3,130	Net Income	" for a capital increase; for coverage of losses	3,130		14,580
Total Other Reserves	1,496,599,337			1,496,599,337		199,514,580
Total	1,736,599,337			1,536,599,337		199,514,580
Income/(losses) for the year	**(1,123,912)**	**Net Income**	**for a capital increase; for coverage of losses; for distribution to Quotaholders**	**(1,123,912)**		**56,693,151**
Total	**1,735,475,425**			**1,535,475,425**		**256,207,731**
Non-distributable portion	**240,000,000**			**40,000,000**		
Quota available for distribution	**1,495,475,425**			**1,495,475,425**		

OTHER RESERVES DETAILS

Description	Total	Additional paid-in capital	Reserve from net gains on foreign exchange
Amount	1,496,599,337	1,496,596,207	3,130
Source / Nature		Shareholders' contributions	Net Income
Possibility of use		for a capital increase; for coverage of losses; for distribution to Quotaholders	for a capital increase; for coverage of losses; for distribution to Quotaholders
Quota available for use	1,496,599,337	1,496,596,207	3,130
Summary of uses in the three previous years to cover losses			
Summary of uses in the three previous years for other reasons	199,514,580	199,500,000	14,580

B. Provisions for risks and reserves

No provisions for risks and reserves were accounted at December 31, 2021.

With regard to restoration costs, in 2015 the Company completed the assessment regarding potential restoration costs as requested by ARERA. Adriatic LNG obtained a technical appraisal by an independent engineering consultant with the estimate of potential restoration costs, a study drawing long term scenarios of energy and gas consumption by a leading consultancy firm in the sector, and an opinion on civil law, administrative and accounting aspects of the matter from a preeminent consultant firm. Based on the outcome of the above-mentioned analysis and studies, the opinion concluded that the risk for the Company to incur in potential restoration costs should be assumed as remote. In 2021, the Company requested a study drawing long term scenarios of energy and gas consumption, which revalidated and confirmed the assumption that the terminal will still be of strategic importance to the diversification and supply of the European and Italian energy system. Therefore, the Company did not recognize any provisions for potential restoration costs in these Financial Statements, according to OIC 31 requirements.

In addition, and on the basis of multi-year plans, the Company did not deem necessary to make any provisions for the Make-Up balance given the remote chance that the user will exercise its Make-Up balance and the immaterial incremental costs of providing the related services. The user Make-Up balance is included in the "Obligations" section.

C. Employee Severance Indemnity fund

Total was at 441 thousand Euro with a decrease of 49 thousand Euro from the previous year. Additional details and breakdown are reflected in the table below.

SEVERANCE INDEMNITY FUND	
Starting Balance	490,041
Variations during the year	
Accruals	591,675
Use	(122,494)
Other Movements	(517,988)
Total variations	(48,808)
Ending Balance	**441,233**

The balance of this account reflects the amount payable to employees net of those amounts transferred to the complementary pension funds (Alleata Previdenza, Fondenergia and Previndai). On the other hand, the accruals refer to all the contributions paid to both the Employee Severance Indemnity (ESI) funds and complementary pension schemes.

D. Liabilities

Liabilities amounted to 25,568 thousand Euro, with an increase of 6,852 thousand Euro from previous year. There are no payables due in more than five years. Additional details and breakdown are reflected in the table and commentary below.

	Advance payments from customers	Payables to vendors	Taxes Payables	Payables to Social Security	Other Payables	Debts
Starting balance	357,649	11,150,263	297,711	526,268	6,384,417	18,716,308
Annual variation	(357,649)	10,234,612	762,030	70,218	(3,857,024)	6,852,186
Ending balance	-	21,384,874	1,059,741	596,486	2,527,393	25,568,495
of which due after five years	-	-	-	-	-	-

These liabilities are split between geographic areas as summarized in the table below.

DEBTS FOR GEOGRAPHIC AREA			
Geographic Area	**Totals**	**Italy**	**Abroad**
Advance payments from customers	-	-	-
Payables to vendors	21,384,874	19,736,257	1,648,617
Taxes Payables	1,059,741	1,059,741	-
Payables to Social Security	596,486	596,486	-
Other Payables	2,527,393	2,218,057	309,336
Debts	**25,568,495**	**23,610,542**	**1,957,953**

D.7 Payables to suppliers

The amount due to suppliers was 21,385 thousand Euro, with an increase of 10,102 thousand Euro from 2020.

Analysis of main items as follows:

- 3,094 thousand Euro reflect payables to Snam Rete Gas for grid access and operation balancing agreement costs, as per current regulation; these costs have been recharged to the terminal's users;
- 8,130 thousand Euro relating to provisions for services and materials supplied by vendors but not yet invoiced;
- 5,106 thousand Euro reflect payables to terminal users mainly related to the transfer of gas used by the Terminal;
- 190 thousand Euro relating to professional and technical services and secondees costs provided by ExxonMobil Qatar under the Services Agreement signed with the Quotaholders;
- remaining amounts for invoices mainly related to professional and technical services.

D.12 Tax payables

Amounted to 1,060 thousand Euro, with an increase of 762 thousand Euro compared to previous year, and are mainly related to withholding taxes on employees' salaries and professional fees (309 thousand euro) and to VAT payable (751 thousand Euro). Both the items are due in the following month.

D.13 Payables to social security and pension funds

As on December 31, 2021, total amount was 596 thousand Euro, reflecting an increase of 70 thousand Euro compared to previous year. It represents the total of social contributions and insurance due by the employer and by the employees (contributions already withheld under existing legislation), usually paid to the social security institutions monthly.

D.14 Other payables

Other payables were at 2,527 thousand Euro, with a 3,857 thousand Euro decrease from previous year.

Main items included are accruals for invoices to be received and rendered services, for which the following details are provided:

- 1,400 thousand Euro mainly related to cash guarantees paid by users to participate in regasification capacity allocation auction procedures;
- 821 thousand Euro related to productivity premium in accordance with Company agreement, T&E expenses, and overtime accruals;
- remaining amounts related to employees' vacation days carried forward and other accruals.

E. Unearned revenue and accrued expenses

Unearned revenue account for 14,464 thousand Euro and are related to use and loss gas received in kind by the users as per Italian Energy Market regulation and not yet used in the regasification process to cover for losses and consumption. As per current regulation, these quantities are considered when defining the following period use and loss gas in the regasification tariff process in order to be given back to the market system.

	Accrued liabilities	Fees on loans	Deferred revenues	Total accrued liabilities and deferred income
Starting balance	-	-	37	37
Annual variation	-	-	14,464,941	14,464,941
Ending balance	**-**	**-**	**14,464,978**	**14,464,978**

2.4.3 Comments to the Income Statement

A. Value of production

VALUE OF PRODUCTION (CATEGORY DETAILS)				
Value of production	Total	Regasification	Recharge for booked capacity	Other revenues and incomes
Total value	169,174,109	144,869,853	24,092,815	211,441

RICAVI DELLE VENDITE E DELLE PRESTAZIONI PER AREA GEOGRAFICA			
Value of production	Total	Italy	Abroad
Total value	169,174,109	159,595,178	9,367,489

A.1. Revenues from sales and services

Revenues from sales and services amount to 169,174 thousand Euro, with an increase of 2,369 thousand Euro from 2020.

The main items making up the revenue figures are analyzed below:

- 144,870 thousand Euro for regasification services including capacity charge, measurement and flexibility, OBA and marine services. In-kind revenues offsetting the LNG purchased in kind for losses and consumption are reduced for the quantities to be given back to the market system in future years tariff calculation as per Italian Energy Market regulation;
- 24,093 thousand Euro related to transportation services costs billed back to the users.

Revenues from the regasification services include 1 thousand Euro related to the capacity made available and not utilized by Edison that has generated a corresponding increase of Make-Up balance.

A.5. Other revenues

Other revenues and income for 211 thousand Euro relate to normal contingent assets resulting from the adjustments of expense accruals of the previous years, according to accounting standards (OIC 29), in addition to revenues related to the charge out of labor costs for personnel seconded to other companies and to grant received for COVID-19 related sanitizations.

B. Cost of production

Cost of production was at 170,607 thousand Euro, increased by 8,632 thousand Euro from 2020.

B.6 Raw materials, consumables, and supplies

Totaled 30,694 thousand Euro and reflects an increase of 20,700 thousand Euro from 2020.

This mainly refers to transfers of the LNG in kind from users required for the regasification process for a total of 25,415 thousand Euro. Remaining 5,279 thousand Euro are due to purchases of technical materials, office supplies, fuel, and other materials required for operational activities at the Porto Viro shore base, the terminal, and Milan headquarter.

B.7 Services

Service charges were at 62,464 thousand Euro, increased by 493 thousand Euro from previous year, including 2 million Euro operating expenditures incurred to secure continued operations in the COVID-19 pandemic situation. The following provides the details for the total cost for services:

- 24,093 thousand Euro for transportation grid capacity;
- 14,302 thousand Euro for professional and technical assistance and services for the day-to-day management of the Company of which 1,517 thousand Euro related to costs for seconded personnel. The remaining 12,784 thousand Euro relate to technical, engineering and administrative services provided by third parties, of which the main items refer to 5,396 thousand Euro for professional services, 1,881 thousand Euro relating to the costs of environment monitoring activities, lab analyses and inspections, 1,857 thousand Euro for consultancies, 2,452 thousand Euro for information technology services, 864 thousand Euro for services form lawyers and notaries, 223 thousand Euro for surveillance services, 112 thousand Euro for fees to Sole Statutory Auditor, Auditing Company and Guarantor;
- 9,116 thousand Euro for piloting, mooring, and towing services;
- 5,753 thousand Euro for maintenance and repair services;
- 3,145 thousand Euro for helicopter, sea and ground transportation services, personnel and cargo to the terminal and weather forecasting services;
- 1,826 thousand Euro mainly for operating insurance costs;
- 2,413 thousand Euro for miscellaneous services, such as canteen, cleaning and disinfecting, waste management, garage and custodian fees, costs, purchase of utilities for the Milan and Porto Viro offices and for the terminal;
- 1,450 thousand Euro for healthcare services, technical and professional training, and additional personnel costs;
- 120 thousand Euro mainly due to communication and sponsorship costs for local community projects and activities;
- 146 thousand Euro for general costs such as telephone (122 thousand Euro), bank fees and commissions on guarantees (24 thousand Euro);
- 98 thousand Euro for demurrage costs.

B.8 Use of third party assets

At year-end 2021 these expenses were at 1,861 thousand Euro, decreased by 456 thousand Euro from 2020. Main items refer to the following rentals:

- 771 thousand Euro mainly for the Milan office and the Porto Viro shore base;
- 187 thousand Euro for containers, electric trucks, cranes, and other equipment at the Porto Viro shore base and the terminal;
- 52 thousand Euro for vehicles and office equipment.

The remaining amount of 851 thousand Euro mainly refers to the yearly fee related to the fifty-year maritime concession for terminal location (765 thousand Euro) and other rights of way.

B.9 Personnel

Amounted to 12,638 thousand Euro, increased by 4 thousand Euro compared to previous year, net of retirements, resignations, and salary escalation.

B.10 Depreciation and write-downs

Total depreciation was 72,948 thousand Euro at year end 2021, with an increase of 41 thousand Euro from previous year and includes the following items.

Depreciation of intangible assets

Amounted to 513 thousand Euro and relates for 307 thousand Euro to the depreciation of software licenses, for 88 thousand Euro to the improvements to third party assets for the establishment of offices leased by the Company, and for 118 thousand Euro to other intangible assets.

Depreciation of property, plants, and equipment

Amounted to 72,435 thousand Euro and relates for 31,106 thousand Euro to buildings, 40,809 thousand Euro to plant, machinery, and pipelines, 618 thousand Euro to industrial and commercial equipment, and 212 thousand Euro to other tangible fixed assets. The analysis and valuation process of fixed assets and debts did not determine the need for devaluation in values carried at cost.

B.11 Changes in stock

In 2021 there was a positive net change in stock of raw materials and consumables for 15,371 thousand Euro. This is related for 14,430 thousand Euro to the increase of LNG inventory, for 954 thousand Euro to the variation of inventory spare parts and for 13 thousand Euro to the increase of diesel inventory. According to the national accounting standards (OIC 13), the inventory valuation is carried at the lowest value between acquisition or production cost and current market value.
The increase in LNG inventory is due to quantity accumulation and significant market price escalation.

B.14 Miscellaneous operating costs

They amount to 5,372 thousand Euro, with an increase of 2,926 thousand Euro compared to previous year, and primarily refer to emission trading costs (4,190 thousand Euro), indirect taxes and charges (260 thousand Euro), contributions to associations (163 thousand Euro), contingent losses from assets write-offs (142 thousand Euro) and other costs. As established by OIC 8, it is reported that the value of 4.190 thousand Euro is related to 91,992 tons equivalent of CO_2 emission for 2021, of which 8,980 tons granted by the competent authority.

C. Financial income and expenses

Financial income and expenses show a net loss of 33 thousand Euro, increased by 28 thousand euros from previous year. They can be broken down into the following items.

C.16 Other financial revenue

Amounted to 1 thousand Euro, down by 1 thousand Euro from 2020, related to interest income on current bank account.

C.17 bis) Foreign exchange gains and losses

During the year, unfavorable exchange rate fluctuations resulted in net loss of 35 thousand Euro, compared to 6 thousand Euro loss in 2020. The amount is the net of gains and losses on foreign exchange operations realized (net loss of 25 thousand Euro) and unrealized (net loss estimated at 10 thousand Euro).
Between 2021 year-end and the preparation of these Financial Statements there have been no significant changes in the foreign exchange rates of non-Euro-denominated items booked. During the year, foreign currency transactions were mainly related to goods and services purchases carried out in US Dollars and, to a lesser degree, in British Pounds and Norwegian Krone.

20) Income taxes

Income taxes show a positive balance of 342 thousand Euro relating to a difference on previous year income taxes (17 thousand Euro) and to prepaid taxes on current year loss (326 thousand Euro).
The table below summarizes the prepaid taxes computation.

	Balance at 31.12.2020	Accrual	Utilization	Balance at 31.12.2021	PREPAID TAXES 2021		PREPAID TAXES 2020		DIFFERENCES	
					IRES	IRAP	IRES	IRAP	IRES	IRAP
					24.0%	3.9%	24.0%	3.9%		
Tax losses	-	1,427	-	1,427	342	-	-	-	342	-
Tangible assets write down	1,320	-	(68)	1252	301	49	317	51	(16)	(3)
Membership fees not yet paid	18	12	(10)	20	5	-	4	-	1	-
TARI not paid in 2020	7	-	(7)	-	-	-	2	-	(2)	-
Foreign exchange unrealized losses	6	15	(6)	15	4	-	2	-	2	-
Foreign exchange unrealized gains	(9)	(5)	10	(4)	(1)	-	(2)	-	(1)	-
Total	**1,342**	**1449**	**81**	**2,710**	**650**	**49**	**323**	**51**	**325**	**(3)**

2.4.4 Comments to the Cash Flow Statement

The free cash flow was 73,320 thousand Euro in 2021, 4,276 million Euro lower than prior year due to the net income decrease. Although the Company has access to liquidity capacity, internally generated funds covered its financial needs resulting in unused credit lines for short-term financing. Further details are provided in the Cash Flow Statement, determined using the indirect method, drawn up in line with the provisions of accounting principle OIC 10.

The Company financial strength can be summarized by the following financial ratios:

- (financial) debt/equity equal to zero;
- equity/fixed assets equal to 1.02.

2.5 Other information

Relevant events occurring after year-end

The Company continues to monitor the evolution of the COVID-19 outbreak, with the constant aim of continuing to ensure adequate health protection to all workers operating at the Company's premises. COVID protocols in place at the three company sites are constantly reviewed and adapted to the evolution of the pandemic and legislative scenario.

The regasification service continues to be provided to the user(s) as per plan.

In February and March 2022, the Ukrainian crisis outbreak, among other things, posed a potential risk of disruption of the European and Italian natural gas system, given the dependency on natural gas import, especially from Russia.

Adriatic LNG cooperates with the Italian Ministry of Ecological Transition on natural gas market monitoring and, in case, mitigations measures on case of effective gas supply issues. No gas supply issues arose at the time this report is drafted.

In addition, the regulatory authorization process to increase the terminal capacity to 9 billion cubic meter was completed on the 16th March. 2022, and will contribute to further improve the country import capacity by 1 billion cubic meter of natural gas.

Moreover, with regards to potential impacts on company operations of Western economies sanctions against Russia because of the conflict in Ukraine, Adriatic LNG is closely monitoring the events and has no effects to report in this Financial Statements.

In January 2022, the Company opened the Rovigo Work Hub as local unit.

Receivables and payables due in more than five years and payables covered by secured guarantees

There are no payables or receivables due in more than five years or any payables backed by secured guarantees on Company assets.

Personnel details

The following table shows the number of employees of the Company by qualification (excluding secondees).

	Managers	Supervisors	Employees	Workers	Other personnel	Total
Average headcount	5	18	74	6	-	103

Fees to the Board of Directors and Statutory Auditors

No remuneration was resolved for the Board of Directors, while on June 15, 2020 the Quotaholders' meeting resolved 46,000 Euro as fee for the Sole Statutory Auditor.

Furthermore, an annual fee of 15,000 Euro was resolved by the Board of Directors on June 23, 2021 for the Guarantor activities required by ARERA.

	BoD members remuneration	Statutory auditors fees	Total
Amount	-	63,440	63,440

Fees to the auditing company

According to the Quotaholders' resolutions passed on June 15, 2020, the fees applied to the auditing company for 2020 were equal to:

- 32 thousand Euro for the audit of the yearly Financial Statements;
- 6 thousand Euro for the review of correct book keeping activities;
- 4 thousand Euro for the audit of unbundling accounting, in accordance with ARERA resolution 11/07.

Further provisions to the auditing company were related to the following activities:

- 3 thousand Euro for the audit of the attestation for yearly revenues, in accordance with ARERA resolution 653/2017/R/gas;
- 2 thousand Euro for checks on tax returns.

Finally, during the year, 430 Euro were paid as reimbursable expenses.

	Audit of the yearly Financial Statements	Other auditing services	Fiscal services	Other services in addion to auditing	Total fees of the audit company
Amount	32,800	15,000	-	430	48,230

Obligations, guarantees and other commitments not included in the Balance Sheet

Obligations, guarantees, and other commitments were at 536,891 thousand Euro, with a decrease of 29,688 thousand Euro from previous year, and refer to guarantees received and issued, and commitments by the Company as specified below.

Guarantees received

Short term guarantees:

- 34,750 thousand Euro as guarantee issued to the Company following the regasification capacity allocation;
- 480 thousand Euro as guarantee issued to the Company by other suppliers.

Guarantees issued

Long term guarantees:

- 9,553 thousand Euro as guarantee issued in favor of the Ministry of Transportation for the fifty-year concession of the parcel of territorial waters where the offshore terminal is placed;
- 8,889 thousand Euro as guarantees requested by Snam Rete Gas to cover the obligations deriving from the transport contract;
- 206 thousand Euro as other guarantees requested by third parties for the pipeline construction.

Short term guarantees:

- 1,440 thousand Euro as the guarantees requested by Snam Rete Gas to cover the obligations deriving from the transport contract.

Obligations

- The estimate of future commitments for Make-Up capacity per Regasification Code provisions is nil as the Company has assessed the likelihood of future use as remote and, in any case, the additional costs for providing the services would not be significant. The Make-Up[17] balance at the end of 2021 is equal to 122,279 thousand Euro, 35 thousand Euro lower compared to 2020. The reduction is related to the 2017-2018 Inventory Reconciliation Balance, redelivered in January 2021;275,401 thousand Euro relate to the transportation agreement, for a period of 25 years, with Snam Rete Gas and Infrastrutture Trasporto Gas, to guarantee the transportation capacity necessary for the transfer to the supply system of up to 21 million cubic meters per day, equivalent to 80% of the maximum estimated regasification capacity;
- 70,427 thousand Euro relate to the 25-year agreement with Adriatic Towage for towage services provided by 4 tugs;
- 10,054 thousand Euro relate to the 20-year agreement (with an option for five additional years) with Bambini for the crew supply vessels in use from/to the Porto Viro shore base and the terminal;
- 1,674 thousand Euro relate to 15-year agreement for mooring services, to be supplied by a temporary joint venture between the mooring groups of Chioggia, Ravenna and Venice;
- 1,050 thousand Euro relate to the 15-year agreement for piloting services, for the LNG tankers upon arrival to the terminal, with the Corporation of Pilots of Chioggia and Porto Levante.

Other obligations not reflected in above memorandum accounts (pursuant to art. 2427 n.9 Italian Civil Code):

- obligation to regasify and redeliver to the users the LNG in stock at the date of the Balance Sheet totaling 986,222 million watt hours;
- obligation, pursuant to art. 9 of ARERA resolution 474/2019/R/Gas, to include a total of 37,661 cubic meters of LNG in the computation of the terminal's losses and consumptions tariff applicable to terminal users. The corresponding revenues for use and loss gas were suspended and deferred to future financial years.

17 The Make-Up balance represents a future and uncertain commitment, in its likelihood, quantity and timing, corresponding to the monetary amount resulting from the non-use of the capacity available and matured during the capacity agreement up to these Financial Statements. Such balance allows the user to apply for additional capacity compensating the capacity charges with the monetary value of its Make-Up balance, subject to the following conditions: (i) capacity available at the terminal, (ii) the request is for quantities additional to contract quantities, (iii) the user should not have released capacity over the year, and (iv) the requested quantity is equal to or higher than other any requests received. A positive Make-Up balance at contract expiration does not give title to any monetary or residual regasification service commitments.

Revaluations

The Company has not made re-evaluations on assets, therefore no details are provided.

Information pursuant to art. 2427 bis of Civil Code on financial instruments

During the year, the Company did not issue or hold any derivative financial instruments.

Relations with controlled, affiliated, controlling companies, companies controlled by parent companies

As for information foreseen by art. 2427 22-bis) of Civil Code, operations with controlled, affiliated, controlling companies, and companies controlled by parent companies were traded at market conditions. Further details are available in the relevant section of the Report on Operations.

Notes to the postings

These Financial Statements, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Notes to the Financial Statements, represent truthfully and correctly the financial position of the Company, the result for the period ended as at December 31, 2021, and corresponding accounting records.

2.6 Resolution proposal

Dear Quotaholders,
we invite you to approve in full, and in each comprising document, the enclosed Financial Statements related to the year 2021.
The Financial Statements of Your Company as at December 31, 2021 report a net loss of 1,123,912.41 Euro (rounded to 1,123,912 Euro in the enclosed Financial Statements), which we propose to carry forward to 2022.

For the Board of Directors
The Chairman
Mohamed Ibrahim A. Al Sada

Report by the Sole Statutory Auditor

Terminale GNL Adriatico S.r.l.

Sede legale: Via Santa Radegonda, 8 - 20121 Milano

Capitale sociale Euro 200.000.000 i.v.

Codice fiscale e Registro imprese di Milano n. 13289520150

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SOLE STATUTORY AUDITOR' REPORT

TO THE QUOTAHOLDERS

OF TERMINALE GNL ADRIATICO S.R.L.

RELATIVE TO FINANCIAL YEAR ENDED 31.12.2021

* * * *

INTRODUCTION

Dear Quotaholders,

the Board of Directors called this meeting to resolve on the Financial Statements of the year ended as of December 31st, 2021 and on the Board proposal concerning the allocation of the loss of the financial year.

In accordance with art. 2429 of the Civil Code, by this report the Sole Statutory Auditor summarizes the principles that describe his supervisory activities and the actions carried out in 2021 and in relation to the Financial Statements submitted for your approval.

2021 is the second year of the triennial mandate of the Sole Statutory Auditor, appointed with a written resolution on 1 June 2020 for the office which will expire with the approval of the financial statements at 31.12.2022. Also for 2021 to the Sole Statutory Auditor has been assigned by the Board of Directors the functions of Guarantor, in fulfillment of the ARERA regulatory requirements referred to the regasification code in force, without solution of continuity with respect to the activities performed in 2020 by the Sole Statutory Auditor and, in the previous years, by the Board of Statutory Auditors.

FINANCIAL STATEMENTS AT DECEMBER 31st, 2021 AND MANAGEMENT

The Directors have reported in detail the various aspects of the business for the financial year in the Report on Operations. It provides full information on the yearly results, in which the business recorded:

- net revenues at 169.2 million Euro,
- gross operating margin at 71.5 million Euro,
- a negative result before taxes at 1.5 million Euro
- a net loss at 1.1 million Euro, after a positive effect of taxes for 0.3 million Euro.

As of December 31st, 2021, the total value of capital assets, tangibles and intangibles, net of 2021 depreciation, is equal to 1,705 million Euro, almost all related to the regasification terminal.

About the operational aspects of the year ended as of December 31, 2021, described in detail by the Board of Directors, a summary is provided below:

- the gas quantities delivered by the Company into the national distribution grid were equal to 7.0 billion cubic meters, corresponding to about 10.1% of gas imports to the Italian markets;
- 81 LNG vessel berthed the terminal;
- the Terminal capacity utilization was equal to 88%, higher than 2020 and still much higher than the average utilization of other LNG terminals in Europe, with a trend analyzed in detail and described by the Directors and which is positively affected by the commercial policy recently adopted by the Company. The Company, as in the previous years, has offered such service based on the compulsory procedures identified and authorized by the Regulatory Authority for Energy Infrastructures and Environment (ARERA), and described in the Regasification Code, published on Adriatic LNG website. On the correct execution of the applicable regulation related to potential and actual access by any third parties, a monitoring has been regularly performed by the Sole Statutory Auditor, also based on the role as Guarantor.

SUPERVISORY ACTIVITY

The obligations within the scope of the duties of the Sole Statutory Auditor were conducted as per art. 2403 of the Civil Code and per the rules of conduct defined by the Tax Consultants and Chartered Accountants Associations.

Therefore, it can be acknowledged that the Sole Statutory Auditor:

- attended Quotaholders and Board meetings, obtaining regularly from the Directors information about the Company's activities and the most important business transactions implemented by the Company;
- has overseen the procedures followed concerning the Board resolutions adopted by written consent pursuant to art. 24 of the By-Laws;
- has overseen that all Board resolutions taken in meetings and by written consent were compliant with the law and the By-Laws;
- has taken due note of the reasons and the considerations dealt with by the Directors when preparing the financial plan updates, with regard to current and planned business activities;
- evaluated the corporate organization as a whole and particularly for the administration and accounting area, and can attest that it is consistent with the purposes and size of the Company and its effective business;
- evaluated the adequacy and efficiency of administration/accounting procedures and internal control system;

- legislative decree n. 231/2001), through regular meetings and the adequate information provided by the Compliance Officer in periodical reports;
- verified compliance with laws and complete disclosure of information in the process of drafting the Report on Operations and Financial Statements.

In the monitoring of the adequacy of the organizational structure it was taken into account the results of the control activities carried out internally by the Company. In this sense, please note that every three years are performed articulated internal audits by a team of auditors appointed by the Quota holders, that cover all Adriatic LNG's activities and processes. The last audit gave evidence of an internal control system adequate to manage the risks. The next audit will be performed during 2022.

The Board of Directors has also provided adequate information on the organization and the set of activities concerning health, safety, environment and security giving.

In this compound, the Sole Statutory Auditor continued to pay attention to the risks connected with the pandemic, and he can attest that the Company is carrying out the activities aimed to prevent the risk of contagion against the coronavirus (COVID-19) outbreak.

The Sole Statutory Auditor has also noted:

- on the ongoing legal litigation, in relation to which the financial statement disclosure gives detailed evidence of the state of the art;
- management of environmental matters and related risks, by periodical updates on the monitoring activities, in accordance with the Environmental Impact Assessment decree and ISPRA's plan;
- management of corporate risks, through the so-called system CIMS, implemented specifically for this purpose;
- of the regular monitoring and updating of the elements on the basis of which the risk of incurring potential restoration costs is still considered remote;
- the assessments made by the Directors in relation to the international political crisis that exploded in the first months of the current year for which they have currently excluded significant impacts on the performance of company management.

Even with reference to the topics above, the Sole Statutory Auditor put in place the appropriate information exchange with the External Auditor PriceWaterhouseCoopers Spa, from which he has been informed of the non-existence of facts or transactions to be disclosed and of the activities and methods implemented in relation to the review of the Financial Statements.

Today the External Auditors, at completion of their activity, have issued their Independent Auditor's report with no remarks and in accordance with the current provisions of the law.

The supervisory activities performed by the Control Body also had as its object the correct management of financial flows related to the partial refund to the Quota holders of the Equity Reserve, which was injected to the Company to start-up the business. The generation of largely

cash flows allowed, also throughout 2021, this repayment, in line with the Directors' plans and approved by the Quota holders' Meeting. The Sole Statutory Auditor received all information needed to asses that the operative and financial needs was taken into consideration, without prejudice to the rights of creditors.

The Sole Statutory Auditor has not received any complaints pursuant to article 2408 of the Civil Code and not even during the verification activities have significant facts emerged that require specific mention in this report.

CONCLUSIONS

At the end, and for the above, the Sole Statutory Auditor is in favor of the approval of the Report on Operations and Financial Statements as of December 31st, 2021 and of the Board of Directors proposal concerning the carry forward of the loss of the financial year.

Rome, April 12th 2022

THE SOLE STATUTORY AUDITOR
Mr. Maurizio de Magistris

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

Report by the Auditing Company

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010

To the Quotaholders of Terminale GNL Adriatico Srl

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Terminale GNL Adriatico Srl (the Company), which comprise the balance sheet as of 31 december 2021, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 december 2021, and of the result of its operations and cash flows for the year then ended in compliance with the Italian laws governing the criteria for their preparation.

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 this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Sole Statutory Auditor for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian laws governing the criteria for their preparation and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the

PricewaterhouseCoopers SpA

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Company or to cease operations, or have no realistic alternative but to do so.

The sole statutory auditor is responsible for overseeing, in the terms prescribed 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 the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained 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;
- We obtained 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;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' 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;
- We evaluated 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 communicated 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 identified during our audit.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10

The directors of Terminale GNL Adriatico Srl are responsible for preparing a report on operations of Terminale GNL Adriatico Srl as of 31 december 2021, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Terminale GNL Adriatico Srl as of 31 december 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Terminale GNL Adriatico Srl as of 31 december 2021 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Milan, 12 April 2022

PricewaterhouseCoopers SpA

Signed by

Alessandro Spalla
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers

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Editorial and
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