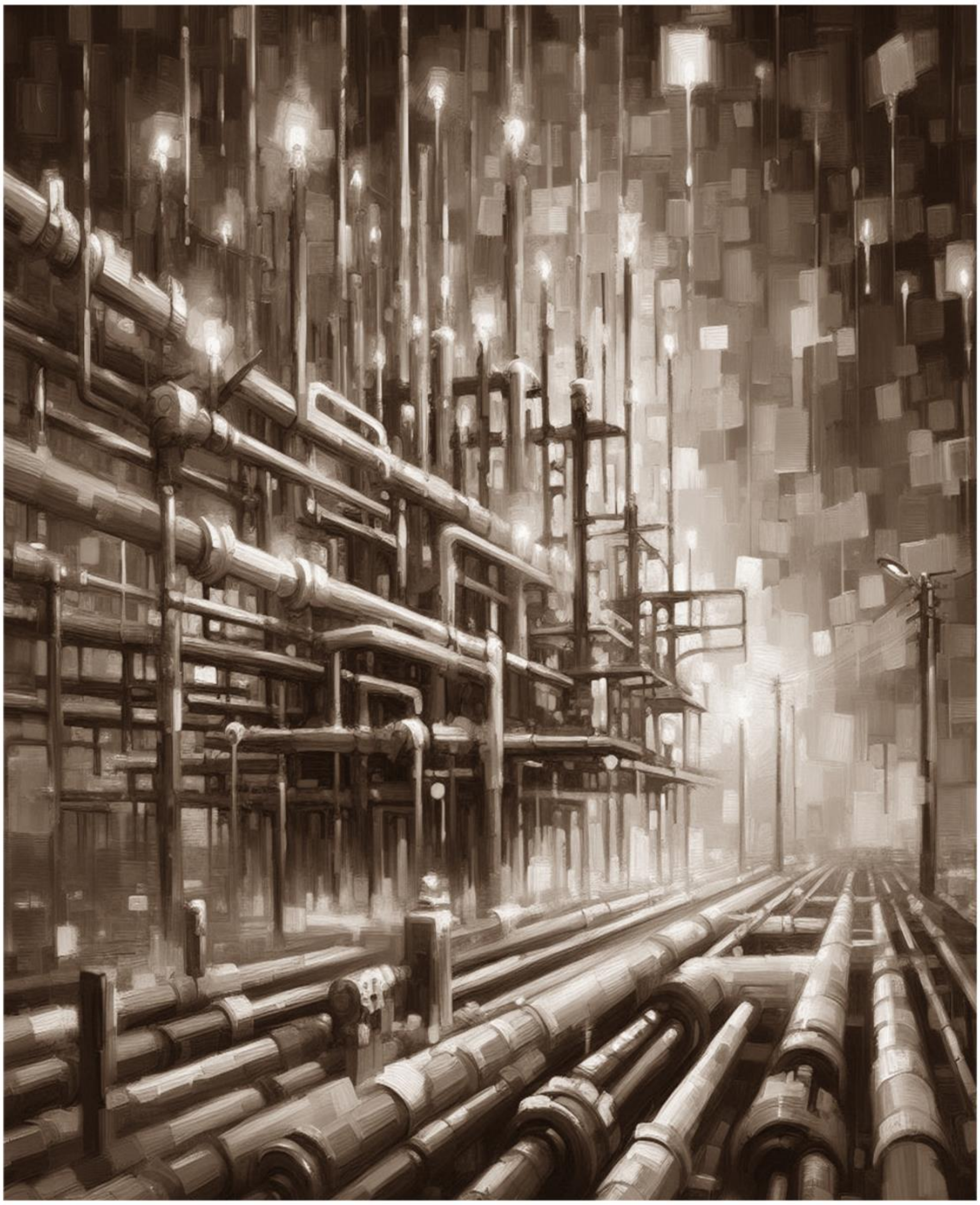
ANNUAL FINANCIAL REPORT

as of 31 December 2023

I Contents

II Corporate bodies

Board of Directors	Board of Statutory Auditors	Independent Auditors
Chairman Ugo de Carolis	Chairman Giovanna Conca	PricewaterhouseCoopers S.p.A.
Deputy Chairman Carlo Michelini	Standing auditors Giovanni Cappa Marco Giuliani	
Chief Executive Officer Francesco Forleo	Alternate auditors Walter Bonardi Ercole Fano	
Directors Rosaria Calabrese Alessandra Polerà Stefano Gatti Federica Rita Vasquez Carlo Maddalena		



III Directors' Report

1. Background

According to the Bank of Italy's estimates published in the January 2024 Economic Bulletin, economic activity in Italy remained stationary in the last quarter of 2023. During the year, signs of stabilisation of value added were consolidated in services, while the construction sector continued to see an expansion in activity. On the demand side, the substantial staying power of consumption was in contrast to the decline in investments, slowed by the tightening of lending conditions.

In the Bank of Italy's surveys, businesses still consider the conditions for investing to be negative, also due to the difficulties relating to the cost of borrowing, although the percentage of businesses that expect growth in nominal investment expenditure throughout the current year outweighs the percentage of those who foresee a reduction.

According to the most up-to-date projections, GDP will increase by 0.7% in 2023 and 0.6% in 2024, hence showing signs of a general slowdown following the relaunch in 2021 and 2022.

Harmonised consumer inflation slowed compared to the previous year, sitting at approximately 6% in 2023, while additional forecasts for the next few years point to inflation of around 1.8%.

The forecast macroeconomic scenario, which still exhibits significant uncertainties due to the international situation and the ongoing conflicts, assumes, however, that the worries surrounding the international political context will not entail significant fresh tensions on the commodities and financial markets; with this in mind, the Bank of Italy expects the prices of energy commodities to gradually fall.

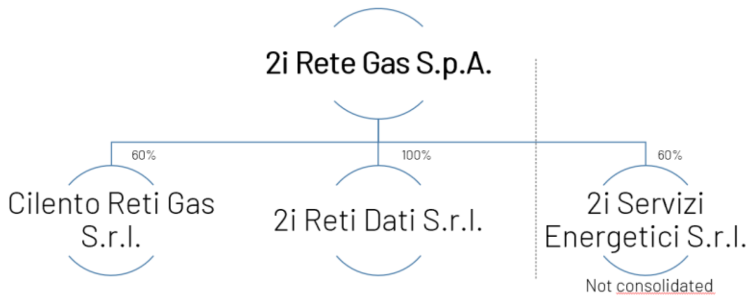
The report of the Italian Ministry of Environment and Energy Security on the "gas balancing" shows, at domestic level, a further clear decrease in gross domestic gas consumption compared to the previous year, with a figure of 61,520 million cubic metres in December 2023, marking a decrease of 10.1% compared to 68,450 million metres in the previous year, due to the cost of energy (which we should point out, has slowed in the last few months) and the consumption reduction policies pursued.
It should be noted that this figure is only commented on in this report to show the annual trend in the production chain, while the change does not have a direct impact on the Group's economic results, thanks to the tariff regulations in place.

The management activities of the 2i Rete Gas Group continued in 2023 without any major changes, based on an unchanged perimeter. However, it is worth noting that the entry of ATEM Naples 1, which took place on 1 December 2022, contributed economic benefits for just one month in the previous year, while in 2023 the accounts benefitted from an entire year of operations.

The Group's operating data (i.e. active redelivery points and km of managed network) recorded slight growth from last year. In the current market situation, said growth, albeit marginal, is a sign of the resilience of the business to both energy market shocks, and in terms of the energy transition: gas energy carriers, including renewable sources of energy like biomethane, confirmed the central role they are destined to play in the long-term by supporting the path towards an economy more attentive to the environment and to reducing climate-changing effects. Transported volumes which, as pointed out do not influence the Group's economic result, were down further by about 5.1%, primarily due to the situation affecting the energy markets worldwide and the generalised reduction in consumption in Italy.
From an economic perspective, 2023 recorded a clear increase in revenues primarily due to the positive contribution of ATEM Naples 1, Determination ARERA 1/2023 and, generally speaking, the increase in the RAB managed. EBITDA recorded an increase of roughly 45.2 million euro.
Net profit, impacted by an increase in net financial expenses of 8.4 million euro, totalled 182.1 million euro. The net financial position grew by 67.4 million euro due to the normal trend in flows.
According to the provisions of Legislative Decree 254/2016, at the same time as the approval of the Consolidated Financial Report, the 2i Rete Gas Group also approved the Non-Financial Statement ("NFS"), to which reference should be made to gain both insights into material sustainability issues in general, and an update of the most significant objectives chosen within the three-year Sustainability Plan, linked to the Sustainable Development Goals set by the United Nations.
The Group continues its efforts to making a tangible contribution to improving the environmental and community conditions through practical actions. All relevant impacts, risks and opportunities connected to the macro-themes identified in relation to Environment, Social and Corporate Governance topics were considered in drafting the Statement.

2. Group structure and highlights

The chart below sets out the Group’s equity investments at 31 December 2023:



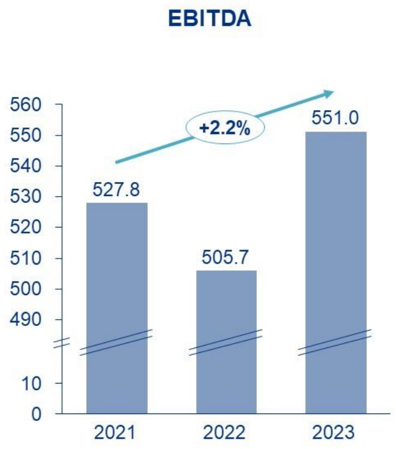
Regarding the Group's operating and financial highlights, the following table shows the key operating, economic and financial indicators of the Group:

	31.12.2023	31.12.2022	2023 - 2022
Served municipalities:	2,226	2,226	-
Active redelivery points:	4,863,979	4,861,083	2,896
Distributed Gas (Natural gas and LPG) in millions of cubic metres:	5,313	5,599	(286)
EBITDA in millions of euro:	551.0	505.7	45
Net income in millions of euro:	182.1	169.5	13
Managed networks in kilometres:	71,939	71,755	184

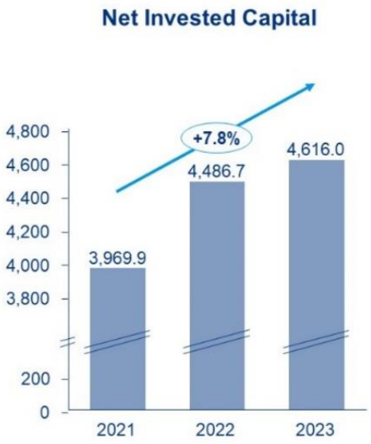
	31.12.2023	31.12.2022	2023 - 2022
Net financial position in millions of euro:	3,255.3	3,187.9	67
Net invested capital in millions of euro:	4,616.0	4,486.7	129

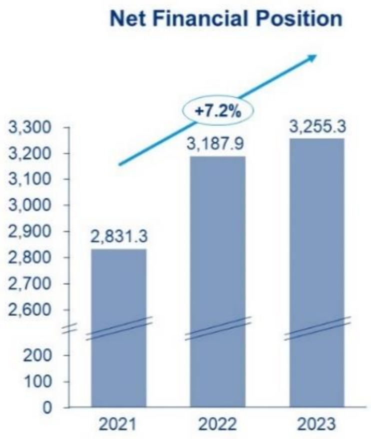
A comparison chart depicting some of the key economic and financial indicators is given below to gain a better understanding of how some key parameters for the Group changed over time. For an analysis of the reported figures, reference should be made to “Results of the 2i Rete Gas Group”.

EBITDA trends from 2021 to 2023:

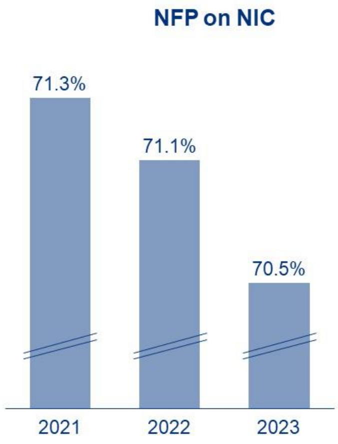


Trend in Net Invested Capital and Net Financial Position from 2021 to 2023:





In order to better appreciate the asset trend over the years, the diagram below shows the ratio of the Net Financial Position to Net Invested Capital:



3. Significant events during the reporting period

The first few months of 2023 saw a continuation of logistics activities and system-wide improvements, in order to provide the Naples 1 area (City of Naples and coastal plant), whose assets were acquired in December 2022, with a solid organisational structure, also by retraining personnel hired in compliance with the legislation governing the protection of employment levels.
These endeavours continued until the middle of the previous year, also involving extensive personnel training so they can be deployed in line with the Group's organisational standards.

In terms of financial transactions, a bond tranche of 550 million euro was successfully issued as part of the existing bond issuance programme in June 2023 (4 *billion Medium Term Note Programme or EMTN Programme*), in order to ready the necessary funding to repay the bond tranches maturing and extend its average life. The success of the transaction, which was also awarded as one of the best financing transactions on the market by Equita in 2023, is also due to the preparation of the market in readying it to receive the new tranche: a successful roadshow at the main European financial markets which, for the first time, addressed issues concerning the Group's vision on sustainability matters, was followed by the placement, which saw an "order book" of 2.5 times the amount requested. The closure of the Forward Starting Swap entered into in 2019 to hedge the structure was also linked to the bond issue, realising a positive margin of approximately 96 million euro. As a whole, the transaction therefore made it possible to strengthen the Group's financial structure even more.

As part of the annual rating review by Standard and Poor's and Moody's, the Company presented, as it does every year, data on the business outlook and related key metrics for financial strength assessment. In July 2023, both agencies confirmed the ratings given in previous years (BBB Outlook Stable and Baa2 Outlook Negative, respectively), stressing, among other things, the quality and thoroughness of the figures submitted. Subsequently, in November, Moody's announced a change in the outlook of 2i Rete Gas and another seven Italian companies from Negative to Stable, following a positive revision of the Italian Government's debt outlook.

4. Results of the 2i Rete Gas Group

The Group consistently and constantly relies on certain widely used non-IAS/IFRS measures. More specifically, the income statement reflects intermediate measures, such as EBITDA and EBIT, which result from the algebraic sum of the items preceding them. As for statement of financial position data, similar considerations apply to net invested capital, net financial position, ESMA financial position, adjusted financial position, and reported net financial debt, which are broken down in the following tables. As the measures used by the Group are not defined in the reference accounting standards, their definitions may not match those adopted by other companies/groups, and therefore they may not be comparable.
The result from operations for the year is shown in the table below and has been obtained by reclassifying the income statement data in accordance with operational criteria that conform to international practice and reporting the costs for the purchase of Energy Efficiency Certificates net of the related revenue.

Millions of euro	**31.12.2023**	**31.12.2022**	**Change**
Revenue	**1,152.6**	**1,052.1**	**100.5**
Transport and sale of methane gas and LPG	741.6	652.8	88.8
Connection fees and accessory rights	16.0	16.6	(0.6)
Other sales and services	25.9	25.3	0.6
Revenue from intangible assets / assets under development	336.6	320.5	16.0
Other revenue	32.6	36.9	(4.3)
Operating costs	**(601.6)**	**(546.4)**	**(55.3)**
Labour cost	(138.9)	(123.2)	(15.7)
Raw materials and inventories	(57.1)	(45.5)	(11.6)
Services	(358.2)	(348.8)	(9.4)
Other costs	(24.9)	(17.2)	(7.7)
Net allocations to provisions for risks and charges	(23.7)	(12.6)	(11.1)
Increase in fixed assets not subject to IFRIC 12	1.1	0.9	0.2
EBITDA	**551.0**	**505.7**	**45.2**
Amortisation, depreciation and write-downs	**(232.2)**	**(213.4)**	**(18.8)**
Amortisation, depreciation and impairment losses	(232.2)	(213.4)	(18.8)
EBIT	**318.8**	**292.3**	**26.5**
Net financial income/(expenses) and income/(expenses) from e	(65.7)	(57.3)	(8.4)
Profit before tax	**253.0**	**235.0**	**18.1**
Income taxes for the year	(71.0)	(65.5)	(5.5)
Profit/(loss) from continuing operations	**182.1**	**169.5**	**12.6**
Net profit/(loss) for the year	**182.1**	**169.5**	**12.6**

The interpretation of IFRIC 12, on which the presentation of the schedules of the separate and consolidated financial statements of the 2i Rete Gas Group is based, does not have any impact on profitability as it only results in revenue and costs being recognised to the same extent, which totalled 336.6 million euro in the year and are related to the construction of distribution network infrastructure. Therefore, to gain a better view of deviations, the income statement showing consolidated revenue and costs – net of the impact resulting from the aforesaid interpretation – is also shown below.

Millions of euro	31.12.2023 without IFRIC 12	31.12.2022 without IFRIC 12	Change
Revenue	**816.1**	**731.6**	**84.5**
Transport and sale of methane gas and LPG	741.6	652.8	88.8
Connection fees and accessory rights	16.0	16.6	(0.6)
Other sales and services	25.9	25.3	0.6
Other revenue	32.6	36.9	(4.3)
Operating costs	**(268.7)**	**(229.1)**	**(39.5)**
Labour cost	(69.6)	(63.7)	(6.0)
Raw materials and inventories	(13.2)	(4.0)	(9.2)
Services	(139.1)	(133.4)	(5.8)
Other costs	(24.1)	(16.5)	(7.7)
Allocations to provisions for risks and charges	(23.7)	(12.6)	(11.1)
Increase in fixed assets not subject to IFRIC 12	1.1	0.9	0.2
EBITDA	**547.4**	**502.5**	**44.9**
Amortisation, depreciation and write-downs	**(228.6)**	**(210.2)**	**(18.5)**
Amortisation, depreciation and impairment losses	(228.6)	(210.2)	(18.5)
EBIT	**318.8**	**292.3**	**26.5**

The comment is shown for more clarity on this second chart.
Revenue totalled 816.1 million euro, an overall increase of 84.5 million euro. Revenues from natural gas transport, totalling 741.6 million euro, showed an increase of 88.8 million euro mainly due to the contribution of the management of ATEM Naples (38.1 million euro) and the general increase in the Regulated Asset Base (RAB) through higher investments in 2023; the figure was also positively impacted by Determination 1/2023, which recognises remuneration tied to the residual value of smart meters, which were replaced before the end of their useful life.

Connection fees and accessory rights, amounting to 16.0 million euro, were basically in line with the previous year. Revenues from other sales and services, totalling 25.9 million euro, reported a similar trend to the previous year.
Other revenue, totalling 32.6 million euro, declined by 4.3 million euro compared to the previous year: in the previous year, the item had included both a capital gain of around 1.5 million euro following the sale of the Cinisello Balsamo plant, and an insurance reimbursement due to the settlement of a claim for damage for 2.6 million euro. Revenues from Energy Efficiency Certificates were in line with 2022.

Operating costs, net of IFRIC 12, totalled 268.7 million euro, marking an overall increase of 39.5 million euro stemming from the higher labour cost (also including the staff hired following the transfer of ATEM Naples' assets) for 69.6 million and 6 million euro higher than the previous year, and the greater cost of inventories for 9.2 million euro, due to both the resumption of investment activity and higher market prices following the rise in the consumer price index. Costs for services recorded a total increase of 5.8 million euro, essentially due to the higher cost of concession fees linked to ATEM Naples and for energy utilities in general.
Other costs also rose by a total of 7.7 million euro: the figure was impacted, in particular, by the higher capital losses from the write-off and disposal of assets for 6.8 million euro, plus compensation to customers following the implementation, as of 1 April 2023, of Resolution 269/2022/R/gas on the service level performance of redelivery points equipped with smart meters.

Finally, net allocations to provisions for risks and charges increased by 11.1 million euro. The balance of 23.7 million euro is due to higher provisions on specific risks, such as short statute of limitations (1.2 million euro), risk of replacement of meters not meeting company standards (18.3 million euro) plus other minor risks.

EBITDA therefore amounted to 547.4 million euro, up 44.9 million euro compared to the previous year (502.5 million euro).

Amortisation, depreciation and write-downs recovered (up 18.5 million euro) compared to the previous period, totalling 228.6 million euro for investments that the Group continued to make, including the aforementioned acquisition of ATEM Naples 1, completed in the final months of 2022.
These figures were mainly due to amortisation of intangible fixed assets and only marginally to IFRS 16 right-of-use assets and depreciation of property, plant and equipment, and are net of the portion relating to IFRS 16 fixed assets capitalised in the year.

EBIT therefore totalled 318.8 million euro, compared with 292.3 million euro in the previous year, a rise of 26.5 million euro due to the reasons commented on above.

Net financial expenses totalled 65.7 million euro, up over the previous year due to both an increase in interest rates, to which, however, the Company is marginally exposed, and greater net debt in the year.

The profit before tax of 253.0 million euro was up 18.1 million euro on the previous year.

The Group's income taxes for the year amounted to 71 million euro. They totalled 65.5 million in 2022, and are consistent once we consider the positive difference in the profit before tax in the two years.
As a consequence of the above, net income for the year stood at 182.1 million euro, compared to 169.5 million euro in the previous year.

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

Millions of euro	**31.12.2023**	**31.12.2022**	**Change**
	A	**B**	**A-B**
Net fixed assets	**4,440.1**	**4,435.3**	**4.8**
Property, plant and equipment	37.1	38.1	(1.0)
IFRS 16 right-of-use assets	24.1	26.1	(2.0)
Intangible assets	4,706.6	4,584.4	122.2
Equity investments	3.8	3.7	0.1
Other non-current assets	23.9	33.3	(9.4)
Other non-current liabilities	(355.4)	(353.9)	(1.5)
Fair value of derivatives	-	103.7	(103.7)
Net working capital:	**168.5**	**42.2**	**126.3**
Inventories	23.8	18.9	5.0
Trade receivables from third parties	197.4	55.4	141.9
Net receivables/(payables) for income taxes	(13.4)	12.5	(25.9)
Other current assets	313.6	547.5	(233.9)
Trade payables to third parties	(222.8)	(449.0)	226.2
Other current liabilities	(130.1)	(143.1)	13.0
Gross invested capital	**4,608.6**	**4,477.5**	**131.1**
Other provisions	**(7.4)**	**(9.2)**	**1.8**
Post-employment and other employee benefits	28.6	30.2	(1.6)
Provisions for risks and charges	92.3	75.5	16.8
Net deferred taxes	(128.3)	(114.9)	(13.4)
Net invested capital	**4,616.0**	**4,486.7**	**129.2**
Assets held for sale	**0.0**	**1.7**	**(1.7)**
Liabilities held for sale	**-**	**0.2**	**(0.2)**
Equity	**1,360.7**	**1,300.3**	**60.4**
Net Financial Position	**3,255.3**	**3,187.9**	**67.4**

Net fixed assets, amounting to 4,440.1 million euro, mainly represent intangible assets related to gas distribution concessions and show a net increase of 4.8 million euro compared to 31 December 2022 due to investments made during the year, and the unwinding of the Forward Starting Swap derivative contract.

The item was impacted by "other non-current assets" of 23.9 million euro, which fell as a result of the decrease in the receivables due from CSEA.
The fair value of derivatives, as mentioned above, was written off in the year due to the unwinding of the Forward Starting Swaps in place following the issuance, in June, of the Debenture Loan they were intended to hedge.

Net working capital, coming in at 168.5 million euro, shows an increase of 126.3 million euro over the previous year resulting from the pattern of trade receivables and payables balances, offset by balances with CSEA.
More specifically, trade receivables increased by 141.9 million euro. It should be noted that in the previous year said amount was adversely impacted, to a significant degree, by the introduction of the billing of negative tariff components and the elimination of positive components a result of the actions taken by the Government to cut energy costs.
The decrease of 233.9 million euro in other current assets was due to the renewed pattern of amounts due to and owed by CSEA, net of VAT credits.
Trade payables, which stood at 449 million euro in the previous year due to the management of negative balances vis-à-vis sales companies, returned to a balance more in line with previous years, amounting to 222.8 million euro.
The net balance of income tax receivables fell by 25.9 million euro due to the trend in payments on account and balances due to the Italian tax authorities (Agenzia delle Entrate).
The balance of inventories for the period was 23.8 million euro, up 5 million euro compared to the balance in 2022 due to the higher cost of materials.

Due to the combined effect of the changes in net fixed assets and net working capital, gross invested capital therefore went from 4,477.5 million euro in the previous year to 4,608.6 million euro as at 31 December 2023, marking a net increase 131.1 million euro due to the management of net working capital and the recovery in billing activity without the contribution of negative components introduced in 2022.

Other provisions, showing an overall negative balance of 7.4 million euro, decreased by 1.8 million euro; the deferred tax provision, a negative 128.3 million euro, decreased by 13.4 million euro compared to 2022, while the provision for risks and charges increased by 16.8 million euro (of which 9.1 million euro due to the risk of replacement of meters not fully compliant with corporate standards). Finally, employee severance indemnities and other employee benefits decreased by 1.6 million euro in the year.

As a result, net invested capital stood at 4,616.0 million euro from 4,486.7 million euro in the previous year, consequently showing an increase of 129.2 million euro.
The items Assets held for sale concern a property in the process of being disposed.

Equity rose from 1,300.3 million euro at the end of 2022 to 1,360.7 million euro at 31 December 2023, due to the net impact of the following changes:

- 111.0 million euro decrease following the ordinary dividend payout;
- 10.7 million euro negative change in the reserves for derivative instruments and other reserves, net of the relevant tax impact;
- 182.1 million euro increase following the recognition of the result for the period as at 31 December 2023.

Minority interests stood at 1.8 million euro as at 31 December 2023.

The table below shows the breakdown of the items that make up the reported net financial position, the adjusted net financial position and the ESMA net financial position:

Millions of euro	Notes	31.12.2023	31.12.2022	Changes
Medium/long-term bank loans	27	(334.1)	(352.3)	18.2
Medium/long-term debenture loans	27	(2,715.0)	(2,742.4)	27.4
Medium/long-term debenture loans maturing within 12 months	33-34	(489.7)	0.0	(489.7)
Cash and cash equivalents with third parties	22	324.9	46.0	278.9
Short-term financial receivables	20	2.9	2.8	0.0
Other current financial assets	21	4.2	0.5	3.8
Current portion of medium/long-term loans	34	(18.2)	(118.2)	100.00
Current financial liabilities	38	(32.7)	(19.6)	(13.0)
Non-current IFRS 16 financial liabilities	31	(16.4)	(18.8)	2.5
Current IFRS 16 financial liabilities	39	(7.3)	(6.7)	(0.6)
ESMA Net Financial Position		**(3,281.3)**	**(3,208.6)**	**(72.7)**
Non-current financial assets	16	12.5	12.6	(0.1)
Adjusted Net Financial Position		**(3,268.8)**	**(3,196.0)**	**(72.8)**
Non-current financial assets - costs on loan	16	0.2	0.3	(0.1)
Debt adjustment due to costs on ST loan (IAS 39)	38	0.5	0.0	0.4
Debt adjustment due to costs on MLT loan (IAS 39)	27	12.8	7.7	5.1
Net Financial Position		**(3,255.3)**	**(3,187.9)**	**(67.4)**
Positive fair value of derivatives	16	-	103.7	(103.7)
Accounting net financial debt		**(3,255.3)**	**(3,084.2)**	**(171.1)**

The net financial position went from 3,187.9 million euro at 31 December 2022 to 3,255.3 million euro at the end of the year, due to the dividend payout made in the year, the increase in operating investments and the positive trend in cash flows, also thanks to the unwinding of the Forward Starting Swap for roughly 96 million euro.
The adjusted net financial position, which does not include the adjustment for the amortised cost of loans, instead went from 3,196.0 million euro to 3,268.8 million euro.

5. Regulatory and tariff framework

In addition to industry laws and regulations, natural gas distribution is specifically regulated by the Regulatory Authority for Energy, Networks and Environment – ARERA.
The Authority regulates the sectors it is responsible for through specific provisions, which specifically involve determining and updating regulated infrastructure service tariffs, as well as defining the supply levels of these services and the rules for non-discriminatory access and use of the infrastructure.
The Authority also monitors the conduct of regulated operators and respect for its regulations, and also performs an advisory role vis-à-vis Parliament and the Government, providing them with recommendations and proposals.

5.1 Regulation

2023 was the fourth year of the 5th regulatory period (2020-2025) relating to tariffs and the quality of natural gas distribution service, and the first of the 2nd semi-period (2023-2025) for which the infra-period update of the tariff regulation (RTDG) arranged at the end of 2022 (by means of Resolution 737/2022/R/gas) was applied.
During the year, in light of the consistently high prices of energy commodities, even if lower than 2022, following the new measures implemented by the Government to reduce energy costs, accordingly ARERA continued to focus a part of its activities on the provisions that, in implementation of the aforementioned measures, involved the elimination or the substantial restructuring of certain tariff components to cover general system charges (also through the application, for the first few months of the year, of negative tariff components) and the strengthening of the social bonus mechanism. However, although in 2022 said measures for the benefit of the end consumer had determined increasing financial exposure for the operators involved in the collection and transfer to the system of general charges, also including distribution companies, in 2023 said critical issues were essentially resolved, thanks to the provisions adopted by the Authority at the end of 2022 by means of Resolution 737/2022/R/gas, in particular through the rescheduling of payment times, both credit and debit, of the revenues relating to general system charges and compensation stemming from application of the gas bonus.
In the first part of the year, on conclusion of the procedure started in 2021 and as a result of a complex consultation process that took place between the end of 2021 and the beginning of 2023, by means of Resolution 163/2023/R/com, the Authority defined the criteria and principles of the new tariff regulation model by expenditure and service objectives (ROSS), adopting in particular the first part of the

"Consolidated Act of the general principles and criteria concerning the tariff regulation by expenditure and service objectives for the period 2024-2031" (TIROSS 2024-2031), containing both common provisions applicable to all regulated infrastructure services of the electricity and gas sectors, and provisions relating to services to which the ROSS-base model will be applied, including, from the next regulatory period, also gas distribution.

In November, the Authority published (Resolution 525/2023/A) an interim report on the activities carried out in the January 2022- September 2023 period in respect of the contents set out in the "*Strategic Framework for the Four-Year Period 2022-2025*", explaining some deviations from the actions planned originally and highlighting the impact of the energy emergency, both in terms of time-frames and the methods for implementing the strategic objectives. The interim report was also subject to regular Hearings in 2023, always held in November, aimed in particular at receiving observations in order to best harmonise the strategies for the next two years and in which 2i Rete Gas directly participated, later presenting a more in-depth written contribution.

With regard to the goal of supporting the necessary infrastructure developments for renewable gas, in December (Resolution 590/2023/R/gas), the Authority approved the eligibility list of the pilot projects for optimising the management and innovative uses of gas infrastructures with a view to energy transition, presented by operators in accordance with Resolution 404/2022/R/gas. The projects approved and eligible for contributions also include all 4 experimental projects presented by 2i Rete Gas S.p.A, for a total contribution exceeding 5.4 million euro.

Lastly, albeit not directly relating to the gas distribution service, a sizeable portion of ARERA's activities in 2023 concerned the necessary measures in view of the conclusion, in 2024, of the systems for the protection of end customers in both the gas and electricity sectors, aimed at supporting the end customers covered by the protection system in switching, in a more or less gradual fashion, to the free market system.

It should also be noted that, on 01.07.2023, ARERA redefined its organisational structure and its regulation of operation, in light of the evolution and trends in regulated sectors, the need to complete the structuring of functions between the "Energy" and "Environment" areas and with the objective of pursuing greater organisational efficiency with the integration of specialist personnel and skills.

Overall, the Authority was highly active in carrying out its activities during the year, with roughly 640 deeds issued, including measures and consultation documents, together with several measures of interest to the Group and concerning the gas sector. These include, with specific reference to gas distribution, several resolutions concerning:

- tariff matters and the quality and safety of distribution and metering services;

- energy efficiency targets set for operators and contribution in order to allow obligated distributors to obtain energy efficiency certificates;
- gas smart metering and innovative uses of gas infrastructure;
- access to the gas distribution service and rules for gas settlement, as well as concerning the transportation service and connections of biomethane plants to gas networks;
- regulations governing last-resort services;
- technical rolling blackouts to interrupt withdrawals from gas transmission and distribution networks;
- enforcement of implementation rules governing gas distribution service tenders;
- end-customer protection and two-year limitation period, regarding social bonuses (with special reference to electricity and gas) and subsidies for end customers affected by disasters;
- checks on operators.

Regulation on tariffs for the gas distribution and metering service

2023 was, as already mentioned, the fourth year of the 5th regulatory period for gas distribution and metering service tariffs (2020-2025), initiated with Resolution 570/2019/R/gas at the end of 2019, broken down into two half-periods lasting three years.

During the year the Authority also set the final tariffs for gas distribution and metering services for 2022 (Resolution 156/2023/R/gas) based on definitive financial data for 2021, as communicated by the companies, the provisional tariffs for 2023 (Resolution 207/2023/R/gas), based on provisional financial data for 2022, the expected periodic updates of some tariff components (general system charges for the natural gas sector and tariffs for other gases) and, at year-end, the mandatory tariffs for natural gas distribution, metering and sales services, together with by-monthly advance equalisation payments for 2024 (Resolution 631/2023/R/gas).

In conjunction with the periodic updates of the tariff components, as mentioned above and as was the case in the last quarter of 2021, the Authority, in light of high energy prices with the consequent effects on energy bills and given the measures adopted in this regard by the Government to counter the effects of these increases, ordered cancellation for all end customers of certain components related to system charges, the application of supplementary social bonuses and, until 30.04.2023 (Resolution 134/2023/R/gas), the application of a negative element of the UG_2 distribution tariff component (for end customers with consumption up to 5,000 Sm^3/year). This solution was introduced in 2022 with a view to passing on immediately to end customers, particularly small-sized ones, the price containment effects of the measures adopted by the Government in relation to the exceptional energy price situation, and was confirmed for the first quarter of 2023, with a slight reduction in the discount component, then also maintained until 30.04.2023, albeit further reduced, taking into account the limits of the resources made available by the 2023 Budget Law.

As mentioned in the general overview of regulatory developments, in the first part of the year the Authority completed the development of the procedure (started in 2021 with Resolution 271/2021/R/com and continued with subsequent Consultation Papers 615/2021/R/com, 317/2022/R/com and 655/2022/R/com) for the adoption, applicable to all regulated infrastructure services in the electricity and gas sectors, of a new model of tariff regulation by expenditure and service objectives (known as ROSS, or ROSS-base in the simplified version), aimed at replacing the approach involving the differentiated tariff recognition of capex and opex. Following said procedure, ARERA adopted (Resolution 163/2023/R/com) the first part of the *"Consolidated Act of the general principles and criteria concerning the tariff regulation by expenditure and service objectives for the period 2024-2031"* (TIROSS 2024-2031), defining the criteria and principles of the new tariff regulation by expenditure and service objectives (ROSS), with common provisions applicable to all regulated infrastructure services of the electricity and gas sectors, and with provisions relating to services to which the ROSS-base model will be applied. For gas distribution, the application of the ROSS-base model is currently planned for 2026 (in conjunction with the start of the new regulatory period), therefore only after it is first applied to other services. For the gas distribution service, characterised by the Atem tender award system, the Authority actually pre-announced in-depth analyses for the adoption of specific rules that enable maximum compatibility between the ROSS-base approach and the award of the service via Atem tender.

ARERA calculated (Resolution 321/2023/R/gas) the operating costs for remote metering/remote management/concentrator systems incurred by distribution companies recognised for the year 2020, net of the amount already paid through the component t(rac). By means of Resolution 449/2023/R/gas, the Authority not only introduced some amendments and additions to the Rules on the tariffs of gas distribution and metering services (known as RTDG) regarding the application and updating of the component to cover costs relating to the remote management/concentrator systems $t(telcon)_{t,c}$, but it also confirmed and clarified the guidelines regarding the recognition of the residual costs of gas smart meters disposed of before the end of their useful life, pre-announced under Resolution 737/2022/R/gas. In this regard, in October, by means of Determination 1/2023-DINE, criteria and general methods were defined for the recognition of the residual non-amortised value of the gas smart meters installed until 31.12.2018, with year of manufacture up to 2016, and disposed of earlier than the end of their useful life for tariff purposes, within the limits of the standard cost envisaged for the year of installation of the disposed meter, appropriately revalued at the year of disposal, in particular by pre-announcing, at the same time, a specific collection of data by distribution companies, which should be carried out in 2024.

At the end of November, in application of the provisions of the regulation governing the rate of return on capital invested for the infrastructure services of the electricity and gas sectors (TIWACC 2022-2027 - Resolution 614/2021/R/com), an update (Resolution 556/2023/R/com) to the standard parameters of the different services was arranged in order to determine the WACC for the year 2024, which for gas distribution and metering was updated to 6.5% (+90 basis points compared to the previous 5.6% in 2023).

During the year, ARERA also redetermined the values of the reference tariffs for the gas distribution and metering services for different years in relation to certain petitions to adjust physical and financial data submitted by certain operators (also including 2i Rete Gas S.p.A.), the new data provided by distribution companies, as well as following the correction of material errors in the tariff calculation procedures for some localities (Resolutions 155/2023/R/gas, 439/2023/R/gas and 533/2023/R/gas).

As regards the various appeals to the Lombardy TAR (Regional Administrative Court) submitted by operators and local entities against Resolution 525/2022/R/gas and also against Resolution 528/2022/R/gas, rejected in first instance proceedings, as regards the tariff recognition of investments in start-up locations and the non-application of Article 114-ter of Decree Law 34/2020, the provisions of the aforementioned Article 114-ter were replaced from a legislative perspective, with Article 22 Decree Law 69/2023, converted with Law 103/2023, which reformulated paragraph 4-bis of Article 23 of Legislative Decree 164/2000, introduced indeed by Article 114-ter of Decree Law 34/2020. For the expansions and upgrades of existing networks and plants in municipalities that already have a natural gas service and newly built networks and plants in municipalities to be provided with natural gas service in the F climate zone and classified as mountain areas, as well as in the municipalities that have applied for grants, within the required deadlines, relating to the completion of the programme to provide natural gas service in Southern Italy, the rewording of paragraph 4-bis of Article 23 of Legislative Decree 164/2000 established that:

- the assessments, for the purposes of a cost-benefit analysis, be carried out taking into account the positive external effects in relation to the contribution of the initiatives to the decarbonisation process and to the increase in the level of efficiency and flexibility of the networks and plants;
- In determining the tariffs, ARERA takes into account the higher investment costs and the need to remunerate initiatives for ensuring the injection of gas from renewable sources.

The regulatory amendment consequently ended any interest in continuing the proceedings before the Council of State regarding the judgments which, in first instance proceedings, had rejected the petitions of the operators and local entities.

By contrast, in relation to the appeals submitted by some operators against Resolution 570/2020/R/gas approving RTDG 2020-25, following the judgments of the Lombardy Regional Administrative Court in which some parts of the measure were annulled, ARERA, while appealing against said judgments, nonetheless partially complied with them, for the part relating to the errors that emerged during the hearing of the appeals, in the calculation of the fees to cover operating costs recognised for the 2020-2023 period, as well as the rates of annual reduction of unit costs recognised to cover operating costs (*X-factor*), to be applied for tariff updates. In fact, the Authority carried out the relevant adjustments (Resolution 409/2023/R/gas), limited to the errors identified, however postponing the recalculation of the reference tariffs for the gas distribution service in the years 2020-2022 to the outcome of the appeal proceedings of the aforementioned judgments in relation to independent aspects of the calculation errors recorded (this also in light of the limited impact of the adjustment on the reference tariffs originally determined).

Further information on tariffs is provided under 5.3 "The tariff framework".

Regulations governing the quality and safety of gas distribution and metering services

In May 2023, following all the checks conducted, the Authority determined (Resolution 180/2023/R/gas) the incentives and technical quality penalties of the year 2019 for the plants of some distribution companies, for which the relevant determination was suspended in 2022 (with Resolution 383/2022/R/gas), at the same time also recalculating the incentives and penalties for the years 2014-2018 (the plants concerned also include certain plants of Infrastrutture Distribuzione Gas S.p.A. and 2i Rete Gas Impianti S.p.A., both merged in 2i Rete Gas S.p.A., for an overall positive, albeit extremely small adjustment).

Energy efficiency targets and contribution to obtain energy efficiency certificates (EEC)

In relation to the provisions of Ministerial Decree dated 21 May 2021, at the end of October, based on the quantities of electricity and natural gas distributed in 2021 by obligated distributors, the Authority established (Determination 3/2023 – DSME) and also sent to MASE and GSE the primary energy savings targets applicable to them for the 2023 mandatory year (2i Rete Gas S.p.A. was assigned a target of 276,521 EEC, equal to roughly 21% of the overall target assigned to gas distributors).

Previously, at the end of July (Resolution 340/2023/R/efr), the extent of the unit tariff contribution to be recognised to obligated distributors for the 2022 mandatory year, ending 31 May 2023, was determined (the contribution was 250 €/EEC, with an additional unit fee of 0.68 €/EEC, for a total recognised contribution of 250.68 €/EEC).

Also in October, following a consultation held in August and September (DCO 382/2023/R/eel), ARERA revised (Resolution 454/2023/R/efr) the regulation of the advance contribution as part of the EEC mechanism, with amendments to Resolution 270/2020/R/efr, in order to limit the financial exposure of obligated parties, at the same time raising the maximum percentage of the obligations in terms of EECs that can be cancelled in the advance session that can use the aforementioned contribution. In fact, the advance unit tariff contribution recognised to distributors fulfilling their energy saving obligations was actually increased, setting it at equal to the total unit contribution disbursed in the previous mandatory year, to be applied to a maximum quantity of EECs corresponding to 50% of the objective assigned to the distributor for the current mandatory year, and 240 €/EEC for the remaining quantity of EECs cancelled in the advance session of 30 November of the year.

Smart gas metering regulation

As regards the regulation of the performance of the gas metering service pursuant to Resolution 269/2022/R/gas, in February ARERA (Resolution 60/2023/R/gas) identified the data to be sent annually to CSEA by distribution companies, for the purposes of calculating the equalising component C_{IND}, partially covering the costs relating to compensation for failed remote reading of class G4 and G6 gas smart meters, in light of the expected level of remote metering failure recognised by the Authority.

At the end of the year, in relation to some problems highlighted by the distribution companies through their associations, the provisions of the regulation governing the quality of gas distribution and metering services (RQDG) regarding the additional G4 and G6 gas smart meter installation and commissioning service were supplemented, effective as of 01.01.2024 (Resolution 636/2023/R/gas), in relation to inaccessible traditional meters or partially accessible meters not read at least once in the previous year. In particular, it was established that additional installations and commissioning are only mandatory up to a maximum of the additional 5% with respect to the standard requirement of 85% of G4-G6 meters and that, therefore, the distributor is not required to comply with the additional obligation if, in the previous year, it reached a smart meter installation and commissioning level at least equal to 90% of G4-G6 class meters.

Regulation on enhancement of operation and innovative uses of gas capabilities

With regard to the activities carried out to support the necessary infrastructure developments for renewable gas (objective of the 2022-2025 strategic framework) and in application of the regulation governing incentives to support pilot projects designed to optimise the management and innovative use of gas transmission and distribution capabilities (Resolution 404/2022/R/gas), following the process of evaluation of applications submitted by operators, ARERA approved the eligibility list of the projects proposed. The projects approved and eligible for contributions also include all four experimental projects presented by 2i Rete Gas S.p.A, for a total contribution exceeding roughly 5.4 million euro. The projects submitted by the Company concern, respectively: the construction of a bi-directional network to maximise the injection of biomethane into the network; the verification of the compatibility of the gas distribution infrastructure with the injection of a mix of methane gas and hydrogen; the reduction of fugitive emissions through the automatic regulation of network pressure and the use of renewable energy to boost the efficiency of gas preheating systems at city gates.

Access to the gas distribution service and rules under the standard network code and gas settlement

In June (Resolution 249/2023/R/gas), ARERA renewed the procedure to revise the regulation of the Standard Network Code for the Gas Distribution Service (CRDG), which had been launched back in 2017 (Resolution 465/2017/R/gas), with the new deadline for completion of 30.06.2024, in particular regarding some aspects of the contractual relationship between distribution companies and service users, regarding the standardisation of the contents of billing documents, billing methods, the regulation and scope of guarantees and the handling of non-compliance.

Following a consultation held between the end of July and September (DCO 341/2023/R/gas), the first provision was adopted at the end of the year (Determination 4/2023 - DSME) for the definition of the gas distribution service accounting documents. As regards the aspects relating to the regulation and scope of the guarantees and handling of non-compliance, the relevant provision is expected in 2024.

In relation to gas settlement and the mechanism for increasing the awareness of distribution companies of the differences between volumes of gas injected into the distribution network and withdrawn from it ("delta in-out"), introduced by Resolution 386/2022/R/gas, ARERA made some amendments and additions to said mechanism (Resolution 494/2023/R/gas), to address some issues raised by operators.

The Authority also approved (Resolution 334/2023/R/gas) provisions for the start of the reform of the capacity allocation processes at the redelivery points of the gas transmission network (*city gate*), with effects also regarding the metering data provided by distribution companies, the identification of certain types of inconsistent data and their sterilisation as part of settlement.

A procedure was also initiated at the end of the year (Resolution 604/2023/R/gas), to be concluded by June 2024, regarding amendments and additions to the regulation governing gas balancing and settlement, as well as for a review of the incentive mechanism of the Balancing Manager.

Regulations governing transport service

Following the general procedure launched in 2022 (Resolution

470/2022/R/gas) for a review of the minimum requirements of the Gas Transmission Network Development Plans regarding coordination between transmission and distribution companies and the evaluation criteria applicable to the Plans, by means of Resolution 122/2023/R/gas of 28.03.2023 some amendments to the aforementioned minimum requirements were introduced (defined by Resolution 468/2018/R/gas) and for the associated cost/benefit analyses, with some aspects also of interest to gas distribution, regarding developments in the area of new methane gas supply.

In addition, by means of the approval, at the end of September, of the updates to the network codes of the companies Snam Rete Gas and Società Gasdotti Italia (Resolution 433/2023/R/gas), ARERA also made some amendments to regulation of the metering service on the natural gas transmission network (RMTG referred to in Resolution 512/2021/R/gas), in particular reviewing the methods for application of certain specific indicators, to take into account some problems reported by the associations of distribution operators.

Regulations governing last-resort services

With regard to last-resort services, in June the Authority started a procedure (Resolution 292/2023/R/gas) with a view to adopting measures to regulate the selection procedures for suppliers of the last-resort service and the default distribution service as of 1 October 2023, and make changes, if appropriate, to the regulation governing last-resort services to increase efficiency while encouraging participation in the selection procedures. Following a brief consultation held on the matter in July (DCO 293/2023/R/gas), the Authority therefore defined (Resolution 378/2023/R/gas) the regulation applicable to last-resort services for the natural gas sector from 1 October 2023, in order to pursue the objectives indicated in the consultation.

Measures governing technical rolling blackouts to interrupt withdrawals from gas transmission and distribution networks

At the end of November, in compliance with the MiTE (Ministry of Ecological Transition) Decree dated 21 October 2022, ARERA defined the implementation methods of technical rolling blackouts to interrupt withdrawals from gas transmission and distribution networks for Thermal Year 2023-2024 (Resolution 563/2023/R/gas).

Regulation concerning connections of biomethane plants to natural gas networks

In May, in implementation of the provisions of Legislative Decree 199/21 (Article 37), ARERA adopted provisions aimed at optimising the connections of biomethane plants to gas networks, by simplifying the relevant directives already defined previously and indicating the methods through which Snam Rete Gas, operating in coordination with the other transmission and distribution companies, and with the involvement of GSE and biomethane producers and their associations, will define a procedure aimed at identifying the lowest possible cost connection configuration, and thereby the most efficient one.

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

During the year, in relation to its own verification procedures, the Authority published provisions on observations regarding the reimbursement value presented by the contracting authorities for some ATEM tenders (Vicenza 4 - Valli dell'Agno e del Chiampo, Perugia 1 - City of Perugia and North-west, unified Atem Bologna 1 - City and Plant of Bologna and Bologna 2 – Province, Modena 2-South, single Atem of the Provincia Autonoma di Trento (Autonomous Province of Trento), Atem Vicenza 2 – North-east).

The Authority also updated (Determination 1/2023 – DIEU) the reference values for calculating the relevant indices for the purposes of checking the differences between the VIR (Valore Industriale Residuo, i.e., residual industrial value) and the RAB (Regulatory Asset Base) (Resolution 414/2014/R/gas) and, pending the preparation and provision, by the Contracting Authorities, of IT platforms for sending the necessary information for conducting said checks (pursuant to Resolution 714/2022/R/gas), it made schemes available for collecting the relevant data (Determination 2/2023 - DIEU).

Regulation on the safeguarding of end customers and the two-year limitation period

In relation to the provisions introduced by the Authority regarding the billing of amounts referring to consumption dating back more than two years and disclosure requirements established by the Authority for the various entities concerned, including gas distribution companies (Resolutions 603/2021/R/com and 604/2021/R/com), following the judgments issued by the Lombardy Regional Administrative Court in appeal proceedings brought by several operators (also including 2i Rete Gas), as a result of the annulment of the articles challenged, the Council of State, before which ARERA had appealed the rulings of the Regional Administrative Court, by means of a judgment published at the end of December also confirmed the annulment ordered by the Lombardy Regional Administrative Court.

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

During the year, ARERA (Resolutions 13/2023/R/com, 23/2023/R/com, 194/2023/R/com and 622/2023/R/com) further regulated the methods for applying the automatic recognition of social bonuses (gas, electricity and water), also to strengthen this instrument, which was provided for by law in response to rising energy bills. As required by the regulatory provisions adopted by the Government, ARERA has also prepared a report on the use in 2022 of resources made available by the State budget for the purpose of reducing general system charges and expanding social bonuses (Report 243/2023/I/com published on 31 May 2023).

In September, in implementation of the 2023 Budget Law (paragraph 1.23), ARERA sent to the MEF (Ministry of Economy and Finance) and MASE (Ministry of Environment and Energy Security) a proposal (Resolution 432/2023/I/com) for the transfer of general system charges under general taxation, including those connected to the social bonus, with the associated estimated economic impacts.

Subsidies related to the earthquakes occurred in 2016 and 2017

At the beginning of the year, in implementation of the provisions of the 2023 Budget Law and following the measures already adopted in previous years, the tariff subsidies under Resolutions 252/2017/R/com and 429/2020/R/com intended to support people affected by the earthquake events that hit Central Italy and other municipalities in 2016 and 2017, were extended until 31 December 2023 (Resolution 2/2023/R/com).

In May and then again in November, in response to the flood events that affected Emilia-Romagna first, and then later Tuscany, the Authority - in keeping with the actions already taken in the past in response to earthquake events - adopted measures to support the people affected.

These measures, at first general and of an urgent nature, and subsequently more targeted, concerned essentially the suspension of the terms of payment of invoices/payment notices and the non-application of the regulation governing suspensions due to delinquency (Resolutions 216/2023/R/com, 267/2023/R/com and then 390/2023/R/com and 565/2023/R/com, with some additional relief measures for the flood event in Emilia-Romagna; Resolution 519/2023/R/com for the flood event verified in Tuscany at the start of November).

Inspections to be conducted on operators

With regard to inspections to be conducted on operators, the Authority defined (Resolution 268/2023/E/gas) a five-audit programme regarding service safety improvements to be carried out by 30 June 2024. The Authority will audit natural gas distribution companies selected from among those who have not been audited for the purposes of awarding incentives in the last 5 years, with account also being taken of their distribution across Italy.

Two audits were also approved (Resolution 281/2023/E/gas) on the subject of financial data declared for tariff purposes, to be carried out by 30 June 2024 on two gas distribution companies that serve more than 10,000 redelivery points and whose unit investment values per redelivery point served exceed the national average.

5.2 Other significant events and/or aspects

- In July, ARERA launched (Resolution 326/2023/E/com) a procedure for the review of the regulation governing sanctioning procedures and procedural methods for the assessment of commitments, with the aim of amending the regulation governing the start and terms of the sanctioning procedures (as well as the commitment sub-procedure) and introducing some specifications on the assessment of sanctions. Following a consultation held between the middle of July and the middle of September, at the end of the year, the new Regulation (Resolution 598/2023/E/com) was adopted for the regulation governing sanctioning procedures and procedural methods for the assessment of commitments.
- Resolution 395/2023/A, published in mid-October, determined the rate of the Authority's operating contribution to be paid by entities operating in the electricity and gas sectors for 2023 (0.25‰ of revenues resulting from the approved financial statements for financial year 2022, with an additional contribution of 0.02‰ of revenues for entities that engage in one or more tariff-based infrastructure activities). At the end of the year, in light of the significantly higher than forecast funding through contributions paid, ARERA ordered (Resolution 562/2023/A), limited to operators in the electricity and gas sectors, an extraordinary repayment of 40% of the contribution paid.
- In order to optimise the CSEA's management of revenue from tariff components relating to general charges and additional components of the gas and electricity sectors, ARERA introduced obligations for gas distribution and transmission companies (Resolution 618/2023/R/com), to provide information on the provisional consumption data of end customers, so that CSEA has updated consumption estimates and can predict the aforementioned revenues in the most reliable manner.
- In addition to the consultations mentioned earlier, during 2023 the Authority conducted many consultations on issues pertaining to gas distribution, the Company and its subsidiaries, with the publication of documents in reference to which 2i Rete Gas submitted its own observations and proposals on all topics deemed relevant.

Measures and/or other events after 31 December 2023

After 31.12.2023, ARERA published (Resolution 608/2023/R/gas) its observations on the tender documentation sent, pursuant to the provisions of Article 9.2 of Ministerial Decree 226/11, by the Autonomous Province of Trento - Provincial Agency for Water and Energy Resources, as Contracting Authority of the ATEM Unico Provincia Autonoma di

Trento (single Autonomous Province of Trento ATEM).

Taking into account the update of the values of the WACC for the year 2024, ARERA also updated the interest rate for said year (setting it at 4.38%), to be applied to the reimbursement of the amounts relating to the one-off consideration paid in advance by outgoing operators to the contracting authority to cover the tender expenses pursuant to Ministerial Decree 226/11.

The Authority also:

- launched a procedure (Resolution 35/2024/R/gas) to simplify and speed up ATEM tender procedures, simultaneously starting a consultation (DCO 36/2024/R/gas) about its guidelines thereon;
- published its observations regarding the value of the reimbursement to be recognised to the holders of the natural gas distribution service assignments and concessions for the municipalities of Atem Perugia 2 - South-East (Resolution 24/2024/R/gas).

Lastly, it introduced some additions to the provisions relating to tariff subsidies for end customers affected by the flood in May in Emilia Romagna (Resolution 10/2024/R/com) and, in compliance with the provisions of the 2024 Budget Law, further extended until 31 December 2024 the tariff subsidies relating to the earthquake events that hit Central Italy and some other municipalities in 2016 and 2017, and concerning end customers with supplies located in the red zones and uninhabitable properties.

5.3 The tariff framework

In 2023, distribution and metering tariffs continued to be applied in accordance with the principles introduced by Resolution 570/2019/R/gas for the fifth regulatory period (2020-2025), whose duration was confirmed to be six years. This period was broken down into two half-periods lasting three years each.

Therefore, as in the previous regulatory period, distribution and metering tariffs continue to be applied according to the basic principles whereby the revenue components related to remuneration and amortisation are determined based on the annual update of the net invested capital (RAB), considering the investments made up until the previous year. The invested capital of distribution companies continues to be broken down into localised and centralised invested capital. The localised invested capital also takes into account the contributions received, in relation to which the Authority, with Resolution 570/2019/R/gas, completed the regulation for the treatment of public and private contributions as at 31 December 2011, expecting complete amortisation thereof based on a 40-year useful life. Centralised invested capital is recognised according to a parameter-based valuation criterion. As a result of the interim update of the Rules on the tariffs of gas distribution and metering services (known as RTDG) for the 2023-2025 three-year period, pursuant to Resolution 737/2022/R/gas, a parameter-based recognition was also defined for the costs of remote management/remote metering systems and concentrators. The valuation criterion for localised invested capital in distribution and metering is based essentially on the revised historical cost method, except for new investments in smart meters, whose cost continues to be determined as the weighted average between actual cost and the standard cost set by the Authority, with variable weights over the years. The rate of return on net capital invested (WACC) of natural gas distribution and metering activity for 2023 was updated to 6.5% by Resolution 556/2023/R/COM.

With Resolution 570/2019/R/gas, the initial levels of operating costs and X-factors for the fifth regulatory period have also been set. More specifically, as regards operating costs, the initial level was established on the basis of the separate annual accounts of the Unbundling Financial Statements of the operators, broken down by company size and user density. In compliance with rulings numbers 407/2023, 630/2023, 1236/2023, 1689/2023, 1826/2023 of the Lombardy Regional Administrative Court, Resolution 409/2023/R/gas corrected the calculation errors made during ARERA's determination of the recognised operating costs and the X-factor for the 2020-2025 period. Operating costs are updated on an annual basis according to inflation and the X-factor provided by the RTDG, differentiated for the distribution service based on the size class of companies, large 3.39%, medium 4.62% and small 6.46%, respectively (as updated by Resolution 409/2023/R/gas), corresponding to 0% for the metering service and 1.57% for the sales service.

In relation to start-up locations, covered under Resolution 704/2016/R/gas, the application of a cap on the recognition of investments was also confirmed for the fifth regulatory period, starting with the 2018 tariffs, for all locations with a year of first supply after 2017, performing audits in several stages, up to the sixth year, to assess whether such cap has been exceeded. With Resolution 525/2022/R/gas the Authority approved the operating procedures for the application of the aforementioned cap.

The "final" tariffs for 2022, which include the variations relating to the investments reported following the award of the ATEM Naples 1 tender, according to the methods established for area management, were published by the Authority by means of Resolution 156/2023/R/gas, which was followed by Resolutions 439/2023/R/gas and 533/2023/R/gas relating essentially to operators' minimum adjustments of previous years. In addition, with Resolution 207/2023/R/gas, the Authority proceeded to set the "provisional" reference tariffs for natural gas distribution and metering services for 2023, for both municipal and ATEM operations.

The annual reporting on investments for the purposes of determining the net invested capital (RAB) of distribution and metering for 2023 was submitted as expected in November by calculating capital changes for both municipal operations and for management of the ATEM of Naples. It should be noted that, after the close of the year, by

31.01.2024, provisions were made to update, as is normal practice, the values relating to the assets owned by the distributor subject to transfer, with consideration, as part of tariff reporting. As pointed out, from a resolution perspective, by means of Determination 1/2023 – DINE of October 2023, ARERA outlined the methods for recognising the residual value of smart meters disposed of before the end of their useful life, pending the publication of the reporting rules, which should happen in 2024.

In December, the Authority published, with Resolution 631/2023/R/gas, the 2024 "mandatory" tariffs for invoicing natural gas distribution and metering services, the amount of the bi-monthly equalisation payments on account, and the tariff options for gas other than natural gas. Furthermore, as of May 2023, the main distribution mitigation measures are no longer in force, with the exception of the gas bonus, which continues to be implemented as a measure to help reduce energy expenditure for customers suffering hardship. In particular, by means of Resolution 633/2023/R/com which requires a quarterly update as of 01.01.2024 of the tariff components intended to cover system charges, the RE and UG3 components, written off from 01.10.2021, were measured, the UG1 component was adjusted upwards and, finally, the GS, RS and UG2 values were confirmed, in continuity with the amounts applied in previous quarters.

The Authority will publish the "final" 2023 tariffs in the first few months of 2024, while Cassa per i Servizi Energetici e Ambientali (CSEA) will apply them to the equalisation account, which is scheduled to be calculated and settled by the end of 2024.

6. Concession development and management activities

In 2023, the Contracting Authorities failed to make up for the delay in calling the ATEM (minimum territorial area) tenders, despite the regulatory amendments introduced from 2017 to simplify said procedure. Both the hoped-for intervention of the Regions and the subsequent action of the Ministry of Economic Development (now the Ministry of the Environment and Energy Security) failed to materialise also in the year in question.

However, in 2023:

- on 21 September, a letter of invitation to the restricted procedure of ATEM Turin 5 was received (approximately 59,000 active end users, contract value of 105.1 million euro for the management of 80 municipalities),
- on 29 December, the tender of the single ATEM Trento was announced by open bidding procedure (about 190,000 active end users, contract value 400.4 million euro for the management of the provincial capital and 166 other municipalities).

As at 31 December 2023, the ARERA dashboard, i.e. the tool providing information on the findings of the review of tender documentation sent by the contracting authorities as set out in article 9(2) of Ministerial Decree 226 of 12 November 2011, portrayed the following situation in relation to the 33 ATEM tenders shown therein:

- there were 6 tenders in respect of which management operations were under way: Turin 2 – Turin Plant, Valle d'Aosta, Milan 1 - Milan City and Plant, Naples 1 - City of Naples and Coastal Plant, Turin 1 - City of Turin, Udine 2 - City of Udine and Centre;
- 2 tenders were completed with final assignment: Belluno and La Spezia;
- tenders in respect of which bid assessment by the tender committee was still ongoing totalled 2: Rimini and Crotone - Catanzaro;
- tenders in respect of which ARERA temporarily postponed the review of the call for tender with a request for additional documentation totalled 12: Cuneo 1, Florence 1-Florence 2, Genoa 1, Lucca, Massa and Carrara, Modena 2, Pordenone, Rome 2, Verona 2, Vicenza 3, Como 3 and Vicenza 2;
- tenders in respect of which ARERA completed the review of the tender documentation submitted by the contracting authorities and, thus, the related calls for tenders were eligible for publication totalled 5: Forlì and Cesena, Modena 1, Prato, Rome 1, Rome 4 and Venice 1;
- tender procedures started and in respect of which the call for tenders was cancelled and/or called off totalled 4: Trieste, Genoa 2, Prato and Biella.

In light of the publications in 2023, the deadlines are still pending for the submission of bids relating to the ATEM of Turin 5 with bid presentation date set for 31.05.2024, and for presenting bids relating to the ATEM of Trento with bid presentation date set for 19.07.2024.

6.1 Participation in ATEM tenders

On 15 September 2023, 2i Rete Gas S.p.A. submitted a bid for the Catanzaro-Crotone ATEM tender (110,000 active end users, contract value 249.4 million euro for the management of the two provincial capitals and 105 other municipalities).

On 22 December 2022, 2i Rete Gas S.p.A. submitted a bid for the Rimini ATEM tender (198,000 active end users, contract value 318.2 million euro for the management of the provincial capital and 42 other municipalities).
At the end of the session, the final ranking was drawn up, with 2i Rete Gas classified in third place (after Adrigas SpA and Italgas Reti SpA). After the ranking was drawn up, the Contracting Authority started the sub-procedure of auditing the anomaly of the bid ranked first, still in progress.

We should also point out that, on 27 November 2021, the Parent Company submitted a bid for the ATEM La Spezia tender.
On 25 November 2022, the tender was awarded to another operator. The subsequent appeal lodged by IReti S.p.A. against this award was rejected by the Regional Administrative Court (TAR) of Liguria with Decision 470/2023, against which IReti S.p.A. appealed to the Council of State on 1 June 2023.

With reference to the tender for the management of the City of Naples and coastal plant area, it should be noted that, following Decision No. 4478 of the Council of State published on 1 June 2022, whereby the appeal filed by Italgas Reti S.p.A. was rejected, on 21 June 2022 the municipality of Naples and 2i Rete Gas S.p.A. signed the contract for the concession of the natural gas distribution service in ATEM Naples 1.
On 1 December 2022, the Parent Company therefore took over the plants and personnel of the outgoing operator and officially started management operations in ATEM Naples 1.
On 27 January 2023, Italgas Reti S.p.A. sued the Parent Company, asking the Court to redetermine the residual industrial value (VIR) and order us to pay the difference. On 16 May 2023, the III Civil Section of the Court of Naples declared the appeal filed by Italgas Reti S.p.A. inadmissible.

On the other hand, with regard to the Udine 2 tender, on 30 Nov 2022 the Municipality of Udine, in its capacity as Contracting Authority, and AcegasApsAmga S.p.A. signed the contract for the concession of natural gas distribution service in ATEM Udine 2. On 31 March 2023, the Company handed over to the Area Operator the assets and annulled the employment contracts with personnel related to the concessions held in the area (Mortegliano).

Also in 2023, the Group continued to prepare and send to Municipal Administrations and/or Contracting Authorities all the documentation required under Article 4 (Operators' disclosure obligations) and Article 5 (Compensation to the outgoing operator in the first period) of the Ministerial Decree 226/2011 so that they can draft and subsequently issue the call for tenders. This information, should it be necessary, will have to be updated.

6.2 Participation in "non-ATEM" tenders

As for "non-ATEM" tenders, the Group decided not to participate in any tenders.

6.3 Participation in tenders for the acquisition of companies

During the year, no bids were submitted for the acquisition of publicly and/or privately owned companies operating natural gas distribution service.

6.4 Concessions awarded

In 2023 no concessions were awarded through gas distribution tenders.

6.5 Concessions lost

As already mentioned in the section on ATEM tenders, following the signing of the service agreement between the Municipality of Udine (Contracting Authority of ATEM Udine 2) and the company AcegasApsAmga S.p.A., on 31 March 2023 the Company handed over the plant located in the Municipality of Mortegliano (UD) with about 2,000 redelivery points.

6.6 Company acquisitions

No company acquisitions took place in 2023.

7. Support for gas transport activities

7.1 Compliance with legislation changes

During the year, the Energy, Networks and Environment Regulatory Authority issued a number of measures on gas distribution and metering activities, as summarised in section 5.2.
The processes and related upgrading of corporate information systems pertaining to legislation coming into force in 2023 were all successfully implemented.

7.2 Relations with Traders and Customer Care

Commercial quality

In 2023, the group companies achieved the following results in relation to the index of "non-standard" performance, such index measuring the service quality parameters set by ARERA in Resolution 569/2019/R/gas, (with reference to the publication of the Commercial Quality report as of week 52/2023):
For specific quality levels, the overall result was 0.04% (0.10% in the previous year).
For general quality levels, the overall result was 0.10% (0.18% in the previous year).
On 10 July 2023, the new sales management system started operations on a perimeter of roughly 400,000 redelivery points managed, located in specially selected operating areas ("pilot areas").
The commercial quality performance levels are therefore partially impacted by said discontinuity.

Major customers

In 2023, the Group continued to manage its gas distribution business by maintaining normal commercial relations with its customers (gas sales companies or traders).
The Group's main customers include Italian companies of primary standing in the gas market. Notably, during the year Enel Energia was the only customer whose invoiced volumes accounted for more than 10% of the total.

Requirements of the Integrated Information System

In 2023, regulatory changes continued to be made in order to expand and update the information and data in the Official Central Register (locally known as RCU) made available to the Integrated Information System (IIS).
Consistent with the regulations and Resolution 63/2021/R/com as published, the full-scale implementation of the new gas bonus process continued, with requests being handled directly on the Integrated Information System and no longer on the S.G.A.T.E. system. This also entails

changes to the rationale behind request eligibility and management, and further links the application method between the new and the previous system regarding payment and reporting of social bonuses.
Following the publication of Resolution 23/2023/R/com, which amends the provisions of Art. 6 on the question of raising the ISEE (Equivalent Economic Status Indicator) threshold for access to social bonuses for electricity and gas, it is set forth that:

- bonuses accruing in 2023, in respect of which DSU statements [i.e., self-declaration forms containing information about family unit and any income/assets] were produced during the first quarter of 2023, shall take effect from 1 January 2023;
- for DSU statements produced after 1Q2023, the bonus is applied from the date of activation of the eligible supply as indicated by the IIS;
- in the event that the Default User associated with the redelivery point in the subsidy period is not the same as the one associated with the redelivery point at the time of the identification of the supply eligible for subsidy by the IIS, then the distribution company shall recognise the past instalments of the 2023 bonus in a lump sum to the default user associated with the supply for the past period and shall notify such user.

Following the subsequent publication of Resolution 194/2023/R/com, in accordance with the provisions of the 2023 Budget Law concerning the raising of the ISEE (Equivalent Economic Status Indicator) threshold for access to social bonuses, ARERA further amended Article 6.2. of Annex A of Resolution 63/2021/R/com.
In particular:

- effective 1 May 2023, INPS will transmit to the IIS the DSUs falling under the new subsidy class;
- effective 1 June 2023, the IIS will identify the eligible supplies pertaining to the new subsidy class;
- further additional checks are introduced in addition to those currently conducted by the IIS for the purpose of granting the bonus to domestic customers holding a DSU for 1 condominium redelivery point, but having a contractual attribution other than "redelivery point relating to a condominium with domestic use", nonetheless verifying that they can receive the subsidy.

Lastly, by means of Resolution 633/2023/R/com, again regarding the gas bonus, ARERA provided that – following a report from the Consumer Helpdesk – the Integrated Information System can review the social bonus applications in cases where non-recognition of the subsidy is not attributable to the end customers.
Among the relevant measures regarding metering, Resolution 269/2022/R/gas reformed the performance of the service level pertaining to redelivery points fitted with smart meters.
The first effective date stipulated by the resolution was 1 October 2022, as of which the new system of compensation to be applied to distribution users (UdDs) based on the quality of the metered data (percentage ratio of actual over estimated readings) would be applied, albeit only to redelivery points fitted with a smart meter with a class >= G10.

With regard to this new system of compensation, ARERA resolved to entrust its management to the IIS as of March 2023 (with reference to metering data pertaining to January 2023), following the monitoring that took place in the relevant period from October to December 2022, during which compensation was calculated by distributors.
With the publication of Resolution 334/2023/R/gas regarding the reform of the capacity allocation processes at the redelivery points of the transmission network, ARERA provided guidelines to the Single Buyer for improving the calculation of the sterilisation of "inconsistent withdrawals" starting from March 2024.

7.3 Invoicing and gas balances

Invoicing of transport and services

Routine activities involving invoicing of transport service, commercial services and compensation disbursement were carried out regularly on a monthly basis during 2023.
Following publication of ARERA Resolution 2/2023/R/com, a new extension (until 31 December 2023) was put in place regarding the application of tariff-related subsidies to the people impacted by the earthquakes in 2016 and 2017. Therefore, the process for granting such subsidies continued.
Towards the end of 2022 and in 2023, the social bonus measures continued to be issued, following up on the provisions set out in Resolution 63/2021/R/com, effective as of August 2021, as supplemented by the provisions of subsequent Resolution 396/2021/R/com.
By means of Resolution 134/2023/R/com, ARERA maintained the application of social bonuses that supplement those already determined on an annual basis by Resolution 63/R/2021/R/com (CCI component), confirming their payment according to the methods set out in said provision and defining their value applicable to the second quarter of 2023 for the different subsidy classes:

- the amount of the consideration set out in the provision to bonus beneficiaries belonging to classes a), b) and c) pursuant to Article 4.1 of Annex A to Resolution 63/2021/R/com and subsequent update pursuant to Resolution 13/2023/R/com;
- bonus beneficiaries of the class in which the ISEE (Equivalent Economic Status Indicator) is included between 9,530 euro and 15,000 euro with less than 4 children, will receive 80% of the bonus for the 2nd and 3rd quarters 2023, similar to the amount already envisaged for the 1st quarter of 2023;

By means of Resolution 194/2023/R/com, in accordance with the provisions of the 2023 Budget Law concerning the raising of the ISEE (Equivalent Economic Status Indicator) threshold for access to social bonuses, ARERA further amended Article 6.2. of Annex A of Resolution 63/2021/R/com.

Through Resolution 429/2023/R/com, ARERA made provision, for the billing period 01/10/2023-31/12/2023, for supplementary compensation for quarterly updates ("aggBO", replacing the component previously known as "CCI") which will augment the amounts of the ordinary social bonus and will be paid according to the methods already defined in Resolutions 63/2021/R/com and 396/2021/R/com.

The value of said supplementary compensation is defined for the different subsidy classes (identified on the basis of the ISEE level and the number of family unit members pursuant to Article 4.1 of Annex A to Resolution 63/2021/R/com, as updated by Resolutions 13/2023/R/com and 23/2023/R/com), to a diversified extent based on said subsidy class.

Lastly, by means of Resolution 622/2023/R/com, ARERA amended the methods for updating and quantifying social bonuses, referred to in annexes A, B, C and D to Resolution 63/2021/R/com, and in order to safeguard end customers, reviewed some of the operating methods for recognising said subsidies.
In particular:

- the gas bonus is calculated in advance once a year, based on the best available estimates of the average expenditure that will be incurred in the 4 subsequent quarters by the domestic customers under a regulated tariff scheme for vulnerable customers, for each of the consumption profiles envisaged;
- the payment of gas social bonuses, also relating to heating use, is structured on a quarterly basis in order to achieve greater consistency between the expenditure actually incurred by the beneficiaries and the associated compensation;
- in calculating the gas bonus, the average percentage distribution of beneficiaries between the tariff areas is considered (since the forecast annual expenditure varies on the basis of said parameter).

By means of Resolutions 735/2022/R/com, 134/2023/R/com, 297/2023/R/com and 429/2023/R/com, ARERA updated, for the quarters running, respectively, from January to March, from April to June, from July to September and from October to December, the financial conditions for the supply of natural gas under a regulated tariff scheme and the components intended to cover general system charges and additional components, with the aim of mitigating the sharp rise in gas prices.
More specifically, the Authority:

- confirmed, for the whole of 2023, the writing off of UG3, RE and GS component rates;
- the restructuring of the UG2c element of the UG2 distribution tariff component, by applying a component carrying a minus sign;
- this component, applies to consumption brackets up to and including the bracket with a maximum value of 5,000 Scm/year; it is reduced to a value equal to - 34.6600 c€/Smc for the 4th quarter of 2022 and to a value of -32.3545 c€/Smc for the 1st quarter of 2023;
- for April 2023, the UG2c element is applied at a rate of 30% (going from -32.3545 c€/Smc to -11.3241 c€/Smc) and subsequently written off effective from 01/05/2023;
- confirmation of the value of the other components of the gas sector for the July-December 2023 period.

Gas balances

By 28 February 2023, activities for the production of data relating to the "Multi-year Adjustment Session" for the 2018-2019 period ("previous gas settlement period") were completed, with delivery thereof to National/Regional Transporters and Interconnected Distributors.

Under the new regulatory framework – whereby effective 1 January 2020 the Single Buyer, with the Integrated Information System, is responsible for calculating balancing and settlement sessions, as there was no parallel run during the handover between the distribution company and the Single Buyer, for the purpose of assessing the results of said sessions, reporting any inconsistencies, and preventing any complaints from network users – 2i Rete Gas continued the calculation in accordance with regulatory deadlines also in 2023.

This made it possible to highlight/anticipate any critical issues emerging during the various sessions conducted by the Single Buyer and to continue the fruitful and constructive discussions started in 2021, which also involved the Balancing Manager (RdB), i.e. Snam Rete Gas.

With the publication of Resolution 386/2022/R/gas, subsequently amended and supplemented by Resolution 494/2023/R/gas, ARERA laid down, specifically:

- The introduction of an accountability mechanism for distribution companies (as part of the management of the in-out delta) confirming, for the time being, the adoption of a simplified approach with a view to designing a more thorough accountability system that also takes into account additional factors as well as the need to promote the improvement of the performance of businesses as a whole;
- that the simplified mechanism be applied as of the 2020-2022 period. The mechanism will, therefore, first be applied by taking account, for all 3 years, of the outcomes of the multi-year adjustment session carried out in 2024;
- in the subsequent reference three-year period (2021-2022-2023), any penalty associated with the mechanism will be calculated on the basis of the annual adjustment session relating to 2023 and the outcomes of the multi-year adjustment session relating to the years 2022 and 2021;
- The possibility for distribution companies to submit a statement regarding reconciled volumes related to localised leaks and fraudulent withdrawals, so that the RdB (Balancing Manager) can take them into account when determining the in-out delta and related amounts, pending the definition of unambiguous methods for the reconciliation of fraudulent withdrawals/localised leaks;
- The option for distribution companies to withhold, in lieu of recognition of legal costs for the recovery of the value of gas in the event of localised leaks and/or fraudulent withdrawals, a portion of the value of the recovered gas, up to a maximum of 600 euro, in

addition to 10% of the delta between the value of recovered gas (if the recovery is worth more than 600 euro) and the aforementioned cap of 600 euro;

Still on the subject of settlement, attention is drawn to the publication of Resolution 555/2022/R/gas, setting forth further provisions on the reform of capacity allocation at redelivery points of the transmission network and amendments to the TISG (Gas Settlement Consolidated Act) and TIVG (Consolidated Act of provisions governing activities connected with the retail sale of natural gas).

With this measure, the Authority approved some provisions on gas settlement. Specifically, it:

- confirmed the current time-frame for providing the redelivery point CA parameter, to be calculated using readings taken up to the previous month of April 2022;
- confirmed, as part of the balancing sessions, the implementation of the inconsistency criterion based on the maximum flow rate of the metering unit, with subsequent sterilisation of abnormal withdrawals by replacing the withdrawal exceeding the maximum flow rate with a value defined on the basis of the CA and withdrawal profile assigned to the redelivery point;
- complemented the regulation governing adjustment sessions with provisions on inconsistency checks and subsequent sterilisation of abnormal withdrawals, adopting procedures similar to those applicable to balancing sessions and in line with the layout established in the network codes;
- introduced a mechanism to encourage distributors to correct anomalous data in a timely manner (starting in 2024, without prejudice to the imposition of penalties following the outcome of adjustment sessions, while confirming penalty amounts equal to the automatic compensation set for non-compliance with specific distribution service quality levels);
- requires the Single Buyer and the Balancing Manager to identify any needs for changes/amendments to information flows.

During 2023, as part of the corporate sustainability plan, monitoring and analysis activities continued to be conducted on the "In-Out Delta", with special reference to cases of significant deviations between the volume injected into and the volume withdrawn from the network, already started in 2021 and continued in 2022, while the scope of operations on the "In-Out Delta project" broadened, with the expansion of the set of plants with significant historical In-Out Delta values.

This project is allowing:

- on the one hand, the definition of a shared, traceable and replicable methodology that makes it possible – by analysing the data available – to gain insights into studies carried out in the field, define/complete work on plants, undertake support initiatives as required, identify the origin of the In-Out Delta and develop appropriate mitigation actions;
- on the other, the implementation of concrete actions that led to the containment of the In-Out Delta for the specific cases analysed.

The more complex operational activities already defined continued also throughout 2023, including on the basis of the guidance from ARERA as part of the audit carried out on settlement at the end of November 2021.
Finally, activities continued on the analysis of the contents of ARERA Resolution 512/2021/R/gas, concerning the reorganisation of gas metering activities at the entry and exit points of the transport network, such measure implying an impact on the Delta in-out, with particular reference to understanding the formation mechanisms of the "CABIN MEASUREMENT KPIs", which shall be applied from 2024.

7.4 Metering

As the roll-out of the electronic meters continues, pursuant to Resolution 631/2013/R/gas (which replaced the previous Resolution ARG/gas 155 of 22 October 2008), manual meter readings at the redelivery points that still feature traditional meters have significantly declined.
As at 31 December 2023, approximately 92% of redelivery points with an active transport contract operated by the Group transmitted data by smart metering. This figure remained essentially unchanged with respect to 2022, also following the acquisition of the ATEM Naples 1.
In light of the entry into force of Resolution 269/2022/R/gas, it was necessary to review the contractual conditions in force with the companies that carry out meter reading activities.

As regards "short statute of limitation", it is important to note that, following the publication of the favourable ruling of the Lombardy Regional Administrative Court, Milan section, dated 9 April 2022, which suspends articles 5 and 6.4 of Resolution 603/2021/R/com and article 9 of Resolution 604/2021/R/com, a result of the appeal filed by 2i Rete Gas, with the subsequent Resolution 86/2023/R/com dated 7 March 2023, ARERA appealed against the above-mentioned ruling; in ARERA's opinion, the aforementioned rulings could be challenged on the grounds that they are based on an erroneous interpretation of the relevant factual and legal elements.
On 29 December 2023, the Council of State, by judgment no. 11358/2023, ruled on the appeal filed by ARERA against the judgment of the Lombardy Regional Administrative Court, rejecting the appeal and definitively confirming the annulment of articles 5 and 6.4 of Resolution 603/2021/R/com and article 9 of Resolution 604/2021/R/com, which imposed specific communication obligations on distributors regarding the statute of limitations.
The regulatory changes introduced by Resolution 269/2022/R/gas concerning the revision of the metering service performance continued to be effective in 2023, being applied as of 1 April 2023.
Therefore, regarding the performance of the metering service, ARERA's provisions included:
- Setting a mandatory deadline for the commissioning of smart meters (within 90 days of installation), which prevents smart meters not permanently read

remotely from being reclassified as traditional meters;

- in respect of redelivery points fitted with class G4 and G6 smart meters, a monthly collection of meter readings, at the end of the month, or alternatively, in the event of data being unavailable at the end of the month, the possibility of collecting meter readings in the 3 days following the end of the month;
- in the event of actual metering data being unavailable at the end of the month and/or in the 3 days following the end of the month, the provision of the estimated metering data at the end of the month;
- shorter time-frame for meter readings to be fed into the Integrated Information System, from the 6th working day of each month to the 7th calendar day of each month.

With regard to automatic compensation for end customers, ARERA established disbursement in the event of repeated unavailability of actual meter readings at the end of the month (or in the 3 days following the end of the month), as specified below:

- In the event of unavailability of metering data for 6 consecutive months (in the case of customers with annual consumption up to 500 Scm) and for 3 consecutive months (for customers with annual consumption over 500 Scm);
- A unit compensation amount of 10 euro (as in the electricity sector);

With regard to costs incurred by distributors for the above-mentioned compensation, ARERA established partial reimbursement thereof by relying on the existing equalisation system, up to a to-be-expected level of remote metering failure. Notably:

- on first application, it set such level at 5% for redelivery points with annual consumption up to 500 Scm and at 4.8% for other redelivery points;
- it stipulated that each distributor is to be refunded a portion of the compensation paid to customers, based on the establishment of a maximum payable amount;
- it contemplated, with a view to gradual improvement, future updates of the to-be-expected failure rates or incentive coefficient, based on reports monitoring the performance of smart meters drafted by operators (to be sent periodically to ARERA according to methods that will later be specified).

7.5 Commercial development

Commercial development initiatives conducted in 2023 are described in the 2023 Consolidated non-financial disclosure.

Please refer to “EMPOWERING GAS INFRASTRUCTURE AS A TRANSITION RESOURCE” under “DISTRIBUTING ENERGY FOR A MORE SUSTAINABLE FUTURE”.

8. Plant construction, environment and safety

8.1 Gas distribution plants

During 2023 a total of approximately 227 km of piping was laid, of which around 87 km was medium pressure and roughly 140 low pressure.
In harmony with previous years and in line with the Group's technological choices, the networks installed during the year mainly used HDPE (high density polyethylene) pipes, accounting for approximately 98% of the total. This material, a more recent technologically advanced material compared to alternative solutions, has already been widely adopted also at international level in the gas sector, offering lower management and installation costs than traditional coated steel pipes, and additionally does not require cathodic protection, hence contributing to lower energy consumption.
Based on studies conducted to date, this material also performs better for the future conveyance of renewable gases such as methane and hydrogen blends. Indeed, steel networks rolled out in 2023 totalled less than 6 km, and chiefly related to short stretches that were part of existing networks already made of steel. These efforts arose from the need to deploy upgrades in order to maintain service levels and broaden our customer base, meet the concession obligations deriving from agreements with the relevant Entities and implement rationalisation initiatives in relation to existing plant distribution structures.
The total length of piping managed by 2i Rete Gas at 31 December 2023 was around 72,000 km, servicing approximately 2,226 municipalities.
More specifically, the network consists of steel piping (around 76%), with the remaining 24% in HDPE piping; a residual part of the network (less than 1%) is instead made of cast iron pipes, primarily concentrated in ATEM Naples 1.
Further to the acquisition of the company IDG, merged into 2iRG in 2021, the network now also includes approximately 100 km of PVC piping with regard to which – as early as in the previous year and in accordance with ARERA regulations on materials that are no longer allowed by law – a multi-year removal plan has been drawn up. Therefore, during 2023, pipelines no longer meeting technical requirements were replaced in the region of 61 km, resulting in a PVC network size of approximately 39 km at the end of the year.
In addition, assets also include over 1,278 primary substations, which, upstream of the distribution networks that the Group manages, reduce, measure and odorise gas coming from the national transport networks.
The network also hosts roughly 17,900 secondary reduction groups with a capacity of at least 125 sm3/h used to reduce pressure between the medium- and low-pressure networks, direct supply to large customers and intermediate pressure reductions between medium pressure networks.
Lastly, in 2023 another biomethane production plant was activated and connected to the gas distribution networks of the Gottolengo plant.

8.2 Network and plant design

In 2023, design activities related to area tenders focused on preparing the technical documentation for the Catanzaro and Crotone tender (completed and delivered in September).

During the year, in keeping with the work planned by the local units, the main projects developed related to:

- - 15 projects for full renovation of the main regulation and metering systems;
- - 17 projects targeted at connection of biomethane production plants to the distribution network;
- - 52 plant interconnection plant projects, with the goal of making the operation of the network and of the main regulation and metering systems more efficient;
- - 42 analysis activities for the implementation of extensions and upgrades to meet new demands;

An additional 6 multi-year, multi-disciplinary projects were developed, structured and integrated, aimed at increasing the efficiency of the existing network and rationalising the primary and secondary regulation systems.

8.3 Service continuity and safety

During the year, the Group carried out checks on data concerning service Continuity and Safety processes as set out in Resolution 569/2019/R/gas.

The main parameters monitored pertained to services showing the distributor's ability to promptly intervene in potentially dangerous situations (emergency interventions, intervention time), or to organise and carry out preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odorisation, percentage of network with cathodic protection).
In compliance with current ARERA regulations, by March 2024 the Group will publish the data on the 2023 technical standards. This activity is performed by retrieving the data that local units entered directly into the IT systems during the year, verifying whether they are correct and consistent as needed.
In general, as was the case in previous years, we can confirm as early as now that the quality of the service provided exceeds the Regulator's requirements, in line with best market practices.
In terms of constant attention to the safety of plants and end customers, campaigns were undertaken regarding the preventative search for leaks: as regards the planned inspection on the distribution network, equal to about 78% of the high and medium pressure piping and over 64% of the low pressure piping.
With respect to total networks inspected, roughly 15% was monitored using CRDS (Cavity Ring-Down Spectroscopy) technology, which enables a more sensitive search and identification of potential leaks. Owing to the effectiveness of this method of searching for leaks, increased use of the CRDS technology is expected over the next few years.
As regards checks on the level of odorisation of the gas distributed, which were

carried out in the field in order to provide a complete check on the actual level of odorisation of such gas, data was recorded (around 17,900 gas chromatography tests) well above the minimum value required by ARERA (around 3,600 tests), a sign of the particular attention paid to service safety.

8.4 Smart meters

The installation of smart meters continued in 2023, while the infrastructure for collecting consumption reading data was entrusted to the Group company established for the purpose of supplying the data transmission service (2i Rete Dati). This is one of the most important activities the Group has been engaging in over the past few years, both in terms of innovative and technological content as well as from an investment perspective. The installation and use of new generation smart meters ensures greater metering accuracy and timeliness, prompt recording of the actual consumption, management of low-carbon gas like biogas, while making corporate processes more effective. The rollout plan for the integrated remote handling of non-payment with remote valve shut-off is continuing, and we continued to standardise the new meter models, analyse the faulty ones, and perform specific tests at the Group's metrological laboratory.

The mass replacement of mass market meters is coming to an end, but thousands of devices still remain for which access to replace them has been impossible, while work is continuing on improving the efficiency and routine maintenance of installed meters.

Innovative meters have been developed in collaboration with a leading manufacturer and are now at the production and installation phase, representing a technological leap forward towards hydrogen distribution. In fact, these meters are the first devices capable of measuring the hydrogen/methane blend and boosting the efficiency of remote connectivity by simultaneously exploiting multiple communication technologies. In addition to guaranteeing an increasingly more Hydrogen Ready network, one of the main features of this innovation is to enhance remote connectivity with network metering points, allowing more data to be collected for analytical and process-related activities. Around 10,000 new-generation meters with static technology capable of measuring the blend between methane and hydrogen (up to 23%) were installed during the year. These innovative meters are also fitted with dual communication channels for efficient remote connectivity by simultaneously exploiting two communication technologies, RF WM-Bus 169 MHz and NB-IoT, in order to meet the performance requirements of Resolution 269/2022/R/gas.

These innovative meters are also equipped with a user interface system facilitated through NFC technology, which enables consumption monitoring via smartphone, an advanced anti-fraud system able to detect removal of the meter and alert the data acquisition centre and, finally, an internal leak detection system to provide end customers with extra security, in addition to GPS to optimise on-site works.

8.5 Network digitisation activities

During 2023, the activation of the main functions of the new IoT platform (2iIoT) was completed, with reference to the field peripherals used for remote control of units and stations, remote reading of stations and the operation of bottom pressure sensors. The 2iIoT platform makes it possible to:

- increase the security and performance levels of the distribution network through digitised process monitoring;
- streamline network management field operations;
- enable the network for the energy transition, ensuring the monitoring of the most significant parameters for gas blend management (Hydrogen and Biomethane).

More specifically, the automated continuous control and analysis of pressure values of more than 13,000 network peripherals, installed on all plants operated by the Group, are operational.
Automated functionality has been activated for the management of over 3,000 metering systems installed at the city gates to continuously monitor the metering performance of the latter, enabling the efficient management of the metering activities at the city gates and compliance with the performance requirements of Resolution 512/2021/R/gas and the Snam Rete Gas Network Code.
More than 1,250 peripherals are also active on the 2iIoT platform which govern important functions like checks on the process of automated network odorisation and the process of increasing the efficiency of the automated preheating system to contain energy waste, as well as core functions such as the monitoring of pressure values in gas control station regulation processes.

A pilot project has been launched, entailing the installation of an automated pressure regulation system at the city gate.

A pilot project was then launched during the year, entailing the installation of an automated switch/line system at city gates.
The solution, always with a view to optimising the metering system, is based on an advanced algorithm which manages the automatic and dynamic change from the low to the high capacity line in relation to the optimal range of the meter reading and the actual requirements of the system.

These solutions represent an enabling factor for digital control of the network and for management of the feed-in of new gases into the network.
In 2023, an important study was also completed in collaboration with the Vanvitelli University and the National Institute of Metrological Research. This study confirmed that the choice pursued by the Group regarding the use of innovative metering technologies (mass thermal technology) is optimal for the distribution

and metering system, with particular reference to the metering performance of the meters, which after 8 years of operation show (more than 80% of the sample analysed) performance levels that can be attributed to newly manufactured meters (no normal signs of wear and tear or deterioration due to use), while the performance of the remaining 20% still complies with the mandatory regulations in the field of legal metrology.

2i Rete Gas is part of an international circuit of metrological tests coordinated by the University of Cassino with the objective of confirming that the entire suite of meters installed by 2i Rete Gas can manage up to 2% of the hydrogen injected into the network and that the suite installed from 2022, with the Company having invested in innovation and advanced technologies, can manage up to 23% of the hydrogen injected into the network.

8.6 Regulatory oversight

During 2023 the 2i Rete Gas Group again played an active role in regulatory monitoring and compliance, taking an active part at both national level, in numerous working groups and committees of the UNI-CIG (Italian Gas Committee), and in Europe through Marcogaz.

8.7 Innovation and research

In 2023, 2i Rete Gas S.p.A. obtained the "Gold Standard" recognition, the highest level envisaged by the "OGMP 2.0 Framework" of the Oil & Gas Methane Partnership, which the Group has voluntarily subscribed to since 2022. This result was reward for the Company's commitment to reducing methane emissions, which targets a reduction of 30% by 2025 compared to 2021 emission levels, and certifies the accuracy and granularity of the implementation plan and of the reporting activities it is engaging in.
Therefore, from this perspective, the calculation model for assessing methane emissions into the atmosphere was consolidated, including based on field-measured data, consistent with participation in the OGMP 2.0 framework and related reporting requirements.
Investigations also continued into the behaviour of methane and hydrogen blends in anticipation of their future use with a view to decarbonisation. In particular, support was provided for the hydrogen permeation analysis of HDPE pipes that have been operating for several years; this analysis was conducted by a leading pipe manufacturer.
A model was also developed for analysing and evaluating corporate assets to certify the admissibility of hydrogen in company distribution networks, whose results are expected in 2024.

In December 2023, ARERA announced the admission to experimentation of all 4 projects presented in support of the energy transition and decarbonisation, financing them through contributions of up roughly 5.4 million euro. These are experimental pilot projects, identified by Resolution 404/2022/R/gas, to

optimise the operation and innovative use of gas capabilities that will be developed over the next three years.
As regards the methods and instruments for optimised network management, the Regulator accepted the proposed project for the reduction of fugitive emissions through automatic and predictive regulation of network pressure. As regards the innovative uses of existing infrastructure, both proposals presented were accepted. The first consists of a project for the creation of a bi-directional network to maximise the injection of biomethane into the gas network, the second concerns a project for verifying the compatibility of the current natural gas distribution infrastructure following the injection of a mix of methane gas and hydrogen.
As regards the initiatives involving innovation of the regulated infrastructure of the natural gas chain aimed at increasing energy efficiency, the proposed project for the use of renewable energy to boost the efficiency of gas preheating energy systems was accepted.
This result too was reward for the Company's commitment to promoting, based on an innovative approach and also thanks to digital development, initiatives to ensure a sustainable development of gas infrastructure, enabling the use of distribution assets in a transition scenario which envisages the distribution of renewable gas and that guarantees flexibility to the country's energy system.

9. Quality, Safety and Environment

9.1 Management of the Integrated Quality, Safety and Environment (QSE) System

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

The Parent Company 2i Rete Gas S.p.A. has implemented and maintains an Integrated Management System called "Quality, Health, Safety and Environment" for operations pertaining to the:

- Design, construction and installation of natural gas and LPG distribution networks and plants; IAF 28 sector;
- Natural gas and LPG distribution (operation, maintenance and assistance for natural gas and LPG distribution networks and plants); IAF 26 sector.

In May 2023, the activities necessary for the second periodic validation of the three-year certificates for the areas of Quality, Health and Safety and Environment were conducted by the Certification Body Certiquality S.r.l..

The audits conducted resulted in a judgement of full compliance, checking and confirming compliance of the IMS (Integrated Management System) of the Parent Company 2i Rete Gas S.p.A. with UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and UNI ISO 45001:2018 standards.

Following the annual validation, validity was confirmed up to 3 June 2024.

All certifications apply to all facilities and activities where the Company operates.

The organisational model implemented to manage Health and Safety meets the requirements for exemption of liability laid down by Article 6 of Legislative Decree 231/2001.

During the second half of the year, the following were initiated:

- the contract award procedure for the renewal and surveillance service of the IMS for the following three-year period (2024/2027). The contract was awarded via a tender to identify the supplier, from bodies accredited by ACCREDIA and which are listed in the register of qualified suppliers for the reference sector.
In addition to surveillance of the IMS (integrated management system)/QSE (quality, safety and environment), the service also includes the surveillance of the Asset Management system and certification of the Gender Equality management system, whose certification is expected in 2024.
- the procedure of first certification of the asset management system in compliance with reference standard UNI ISO 55001 for the operation and maintenance of reduction and metering systems (city gates and biomethane city gates) and intermediate and final reduction systems (IRI e GR) belonging to the natural gas distribution networks and the networks of other combustible gases. The engagement was assigned to Certiquality S.r.l. and is structured into two separate "stages", of which the first (document compliance) was already passed in December 2023, and the second concluding phase is scheduled for early 2024.

To ensure the necessary periodic surveillance of the management systems implemented, during 2023 the QSE Function of the Operations Department scheduled inspections (internal audits), whose purpose was to test/check the management model with reference to the standards expected by the Quality, Safety and Environment management system, and carried out the actions planned to control relevant risks.

Audits were carried out by a team of internal auditors, all qualified as "Auditors for management systems" according to reference regulations, having passed an examination to prove possession of the necessary technical and methodological knowledge.

All scheduled audits were carried out, with the completion of audits at 10 head-office units, 6 departmental units and all 24 local offices. Department functions, with QSE staff auditors, also monitored 19 secondary local offices;

The 59 audits carried out showed, through the sampling of all processes managed, the absence of any situation of serious non-conformity, and that corrective actions required to keep management aligned with the IMS had been appropriately identified and implemented.

Certification of 2i Rete Dati S.r.l.'s Integrated Quality, Health & Safety and Environment Management System

At the beginning of 2023, 2i Rete Dati reorganised its processes to bring them in line with the requirements of the ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 regulatory standards, the purpose being to ensure compliance with the requirements for participation in tenders for the relevant areas.

In June, the company Certiquality was appointed to conduct the necessary audits to issue the first certificate of compliance and effectiveness of the Integrated Quality, Safety and Environment Management System.

The audits conducted resulted in a judgement of full compliance, which was followed by the issuance of three certificates covering UNI EN ISO 9001:2015, UNI EN ISO 14001:2015 and UNI ISO 45001:2018 standards for the:

"Design and implementation of LP-WAN networks (installation of concentrators and antennas for telecommunication and data communication, remote reading, remote management of smart meters and other types of similar smart devices). Operation and maintenance of LP-WAN networks and commercial management of the service", with reference to the IAF ACCREDIA sectors: 31, 28 and 35 (communications, construction and other services).

Certificates are valid for three years, up to 4 July 2026, unless they are validated annually in accordance with the regulations of the Accreditation Body.

9.2 Prevention and Protection Service

In 2023, the Risk Assessment Document of the Production Units was updated, more specifically concerning the insertion of a new sub-chapter, "Identification of the Health Protocol", which updates the health assessments based on specific risks with respect to work activities according to duties, locations and work environments. Said

document also includes specialist health assessments (clinical examinations) provided for exposed workers, which were agreed with the coordinating designated physician, according to an approach that, by limiting their invasiveness, ensures that they are targeted at specific risk.
The yearly meetings required under Article 35 of Legislative Decree 81/08 referring to activities in 2022 were held in June and July 2023. Company safety-related issues based on the events of the year under review were examined within all Production Units. The following issues were addressed and discussed at the meetings: the trend in injuries and work-related illnesses; review of the Risk Assessment Document; verification of the suitability and effectiveness of protective equipment; assessment of training programmes; analysis of workplace health monitoring.
During the year 2023, the "Safe Driving project" was concluded, which involved roughly 1,000 personnel over the three-year period (2021/2023); the final part of the course in 2023 involved the training of 310 personnel.
The new campaign was launched in the first half of October for the Assessment of Work-Related Stress, with a subjective questionnaire administered to all Company personnel. A total of 1,875 personnel filled in the questionnaire, accounting for 85.7% of the workforce employed by 2i Rete Gas as at 30/09/2023. This was followed, in November, by an analysis of the objective factors of the individual Production Units, with the involvement of Employers or their delegates, the RSPP (Head of Prevention and Protection Service) and ASPP (Prevention and Protection Service staff) and RLS (Workers' Safety Representative), with the participation of the office HR function and departmental offices. The latter activity aided the processing of the data that will allow the Company Management to draw up improvement plans that will be presented and included in the update of the Risk Assessment Documents in 2024.

9.3 Workplace injuries

With regard to injuries to employees, 2023 recorded a slight increase compared with the previous year.
In fact, in the previous year, 12 "minor" injuries occurred (i.e. injuries with initial diagnosis of under 30 days). In 2023, a total of 14 injuries were recorded, which were all "minor".
It should be noted that the perimeter of operational personnel increased by 238 compared to the previous year, due to the acquisition of ATEM Naples 1.
Out of a total of 14 events in 2023, 5 were verified while commuting and, as a consequence, were treated as accidents while travelling for the purpose of recording them on the INPS portal.
An analysis of the injuries generally shows that none of them were strictly related to work being carried out by the injured party, therefore the validity of the guidelines and the training provided by Employers for application of the risk assessment is confirmed.

More specifically, this assumption is confirmed even more by the 9 events involving operational personnel, all attributable to events such as slipping and/or awkward movements not verified during purely work-related activity; these included 2 which occurred during road traffic accidents during work activity.
In order to achieve 'zero injuries', the QSE Function, in collaboration with the Head of the Prevention and Protection Service, continued auditing workplace safety at the local facilities as well as at work sites managed by contractors, performing checks while work was under way.
During 2023, excluding activities not performed due to personnel being on sick leave, the application of the Health Protocol to all personnel was completed, including visits to workplaces. As a result of application of the Health Protocol, workplace health monitoring involved 547 middle managers and white collars and 627 blue collars, for a total of 1,174 people. In addition to those aimed at confirming the issue of a Fitness for Work certificate, the Occupational Medicine Service provided assistance in a total of 1,301 cases, including pre-employment check-ups, or check-ups requested by workers or due to a change of role.

9.4 Environmental issues

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

- regulatory compliance
- ethics and anti-corruption
- listening to stakeholders
- creating sustainable economic value

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

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

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

- Ensuring that worksite operations and special waste produced by contractors during plant construction and maintenance activities are managed properly from an environmental perspective.

- Monitoring the amount of waste generated, maximising the recovery of materials resulting from plant operation and maintenance, sent for treatment.
- Streamlining production processes to curb the consumption of primary energy required for technological purposes (gas preheating and cathodic protection of steel pipes).
- Keeping the vehicle fleet efficient and optimising work trips to cut fuel consumption and the relevant CO2 emissions.

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

Non-hazardous and hazardous special waste produced is the subject of specific analyses whose various outputs include the drafting of quarterly reports in order to track the trends of certain performance indicators and any improvements. The Company handles all types of waste it generates in compliance with the law, tracking it on paper by keeping waste loading and unloading records as well as digitally, using a dedicated programme.

9.5 Technical quality and Commercial Audits

Also in 2023, test-checks were conducted at local areas to measure the technical quality performance and the commercial quality of the service.
The audit is intended to assess the quality and consistency of the documents certifying the safety and continuity of the service (management of the Emergency Response Service, management of leaks, management of checks on the level of odorisation of the gas distributed) and the compliance of the service commercial quality performance records, carried out on samples selected with criteria similar to those used by ARERA in the event of its controls.
In order to ensure that the audits planned for 2023 can be performed on a larger number of sites, a new specific "expanded sampling" verification method has been introduced by the responsible unit, to be used for the most important plants, while maintaining a "reduced sampling" solution that makes it possible to expand the range of Areas audited during the year.
A total of 16 plants were audited for technical quality aspects and 8 Provinces were audited for commercial quality aspects, in full observance of the annual planning established.
The proposed corrective or preventative actions, once implemented by the structures concerned, make it possible to further improve the confidence on compliance of the audited data where necessary.
The overall assessment, referring to the selected sample, made it possible to issue a low-risk or no-risk opinion on the operations carried out.
This activity was also geared towards ensuring that any changes to technical

standards in force are constantly reflected in the instructions related to operating procedures monitored by ARERA and used as bid documentation during calls for tenders.

9.6 Coordination of Safety at Worksites

During the course of 2023, coordination by site construction safety key roles continued, as did monitoring activities aimed at ensuring appropriate management of safety aspects related to core and non-core business operations under Article 26 and under Title IV of Legislative Decree 81.08. Such tasks were performed on the basis of corporate instructions and procedures which, among other things, set out clear guidelines regarding the approach to safety issues at construction sites run by the 2i Rete Gas Group and are promptly updated in response to regulatory changes.
The "CSE Guidelines" – a document that sets out to provide unambiguous criteria for the management of specific safety aspects and that was first introduced in 2020 – were also amended in view of the implementation of best practices adopted during the course of certain work performed at 2i Rete Gas worksites.
The aforementioned text is intended to be a practical tool for CSEs (Safety Coordinators in the Execution Phase) who, in addition to performing the activities relating to statutory obligations as set forth in Legislative Decree 81/08, as amended, may prescribe and enact the same coordination and safety measures for similar situations at all 2i Rete Gas construction sites over the whole country.
As for safety coordination management during the execution of work at worksites, the activities undertaken by the CSEs involved throughout the Group were monitored.
In 2023, CSEs produced a total of 6,786 inspection reports, some 700 reports more than the previous year, showing an almost similar number of non-conformities compared to 2022, all of which were remedied as a result of actions implemented by companies at the CSEs' request.
In addition, in 2023 a series of activities were carried out to harmonise and coordinate the actions of the CSEs, including coordination meetings with all internal CSEs, two Department CVC (worksite control and inspection) meetings, and 10 days of CVC cross-checks were carried out on the territory, i.e. worksite checks by the local business unit in charge, with support from internal CSEs, if necessary.
During the year, activities also continued aimed at harmonising conduct and monitoring the activities carried out by operational control officers (ACO), also based on the experience acquired as part of CSE coordination. In relation to the above, among other things, two CVC meetings were held with company operational control officers and four-monthly reports were prepared on the quantity and quality of the work of the ACOs.

9.7 Checks on Cilento Reti Gas operations

With reference to the commitments undertaken and the regulations governing activities underpinning technical design and works management operations, the QSE Function performs tasks pertaining to quality control and to the coordination of material testing activities carried out by the contractors selected by the construction partner.
It is highlighted that the year 2023 saw the completion of the residual works needed for the commissioning of a significant part of the natural gas distribution plants incorporated in the Cilento project; during the year, three days of site inspections were carried out during the testing phase of finished works, through surveys and sample tests; on two plants under construction, 16 technical checks (through sampling) and the associated document checks were carried out, the results of which attested to the compliance of works with technical specifications and quantities accounted for.
With regard to the materials supplied, 2i Rete Gas ensured that checks were performed on the supplies required by the construction partner, such checks consisting of production visits or documentary audits on quality certifications and test outcome declarations. All materials that were test-checked were found to comply with expected standards.

10. Human resources

10.1 Corporate organisation

The year started with the restructuring of the Central Department, which made changes to its structure by establishing the new Perugia-Viterbo area.
This modification was developed through a redesign of concession boundaries and the reference operating zones. In addition, during the year, the Network Commercial Services Structure was modified, by defining an organisational unit capable of achieving maximum efficiency in light of both the new processes implemented also following integration of the Naples Area, and the changes to industry legislation which will require new organisational initiatives over the next year. An additional modification to the corporate structure was determined by the strengthening of oversight of Sustainability issues. In fact, the Sustainability Office was introduced within the renamed Administration, Finance, Control and Sustainability Department. On that occasion, with a view to responsible business management, consistent with the Policy approved by the Board of Directors, the entire organisational structure was updated to ensure the oversight and coordination of ESG matrix initiatives, also through the integration of the Purchasing and Services Manager in the Steering Committee.

As regards corporate processes, the on-call service management analysis project was completed during the year, which saw the participation of all local area structures. Said activity enabled the identification of the best practices with a view to constant improvement of the service offered, ensuring increasingly higher quality standards and effective and efficient management by the distributor. Again as part of the streamlining of processes, the final part of the year saw a modification of the Naples Area Structure, replacing the sub-division into territorial zones and moving closer to the company territorial area model.

The initiatives strictly within the Unit include the definition of a system of weighting of organisational positions outlined according to the relevant metrics and KPIs. This move may also represent the basis for developing a total reward policy to improve the instruments for enhancing corporate human capital.

10.2 Relations with Unions

In the first half of the year, meetings continued to be held with the regional and local trade unions on the progress of the ATEM Naples staff integration plan, also with reference to aspects concerning work organisation and the implementation of company-wide, technical and logistical contract models.

With regard to agreements with the trade unions, on 27 March 2023 - following successful discussions with the trade unions - a memorandum extending smart working until 31 March 2024 was signed, in accordance with the previous provisions thereof governed under the agreement entered into on 27 January 2022.

On 17 May 2023, the results relating to the 2022 performance bonus indicators were finalised in a report signed by the parties concerned, confirming the achievement of the target objectives. Employees were given the opportunity to elect to convert the monetary component into benefits/services. In fact, the provisions concerning the possibility of converting the bonus into welfare services, as well as the manner and timing of payment as regulated by the Agreement of 9 June 2022, remain unchanged. With specific reference to the family, health, assistance and wellness area, the possibility of accessing Welfare Services through a mixed credit, i.e. Performance Bonus credit and "2insieme a Te" credit, was offered again and encouraged. Pursuant to the Performance Bonus settlement agreement, the percentages (up to 100% of the accrued bonus) and the reasons for converting the performance bonus were confirmed, including additional measures, benefits and services. The unilateral welfare system was revised in order to encourage a greater use and dissemination of the tool among workers, envisaging a unique composition of packages for the "2insieme a Te" credit.

The three-year agreement on the performance bonus was also signed, under which new amounts were identified for the 2023-2025 three-year period, in compliance with budget constraints and linked, at any rate, to the achievement of minimum objectives (60%) and targets (100%). New technical indicators were also identified with specific reference to the reduction of the previous year's holiday fund and the reduction of the percentage of the time required to repair gas leaks, implementing the Guidelines for the determination of the annual productivity pay amount (ARAP), as regulated under the last Gas-Water collective bargaining agreement renewal of 30 September 2022.
Furthermore, the possibility of converting 100% of the total amount of the bonus into welfare services or of allocating it to supplementary industry pension funds was confirmed. Finally, an additional welfare credit of up to 15% of the converted amount was confirmed only for employees who opt for the allocation of the performance bonus to welfare services, in line with what has already been implemented in previous agreements.

The amendments by way of derogation from Article 51(3) of the Consolidated Income Tax Act (TUIR) were implemented. Such amendments also proved useful for the purposes of corporate welfare, in particular in the context of the tax measures introduced by Article 40 of Law Decree 48/2023, writ-

ten into Law 85 as published in the Official Gazette on 3 July 2023, on the subject of "Urgent measures for social inclusion and access to employment" (i.e., the Employment Decree).
Therefore, for the 2023 tax period only, it was decided that the value of goods sold and services provided by the employer exclusively to its employees with dependent children—including children born out of wedlock who are recognised, adopted or fostered—will not qualify as taxable income, without prejudice to a 3.000 euro limit.

Following up on the Company's schemes for use of holidays accrued, a specific union agreement was signed for the collective closure of the Headquarters and secondary offices in Verona, Frosinone, Acquaviva delle Fonti, Selvazzano Dentro and Naples on the long weekend of 25 April and during the two central weeks of August. The change concerned the possibility of using company non-working weeks in the July-August period on a more flexible basis.

Moreover, with the agreement dated 17 March 2023, the Fondo Nuove Competenze (i.e., New Skills Fund) was activated in compliance with the provisions of Article 88 of Law Decree 34/2020, written into Law 77/2020, and of Interministerial Decree dated 22 September 2022. This Fund has been designed with the aim of implementing a training project on the basis of which bespoke skill development paths can be launched consistent with workers' needs, with account being taken of innovation processes resulting from the digital and/or ecological transition.

Trade union agreements were also signed with the National Secretariats on funded training, taking into account the needs and suggestions made by the relevant departments.

In the second half of 2023, negotiations with the trade unions reached a positive conclusion, which regulated the supplementary level 2 bargaining with specific reference to the following contractual entitlements:

- Flexible working hours of Departments and Areas: the in/out times for all Department and Area personnel were updated, effective as of 01.10.2023, excluding scheduled technical-operational personnel, part-time staff, shift workers and the Naples Area.
- Tickets and daily allowances: provision has been made for an increase in the economic value of meal vouchers and daily allowances to be recognised in two steps - 01.01.2024 and 01.01.2025 - by calculating, for meal vouchers, the number of days worked with respect to the month of disbursement; the previous meal voucher value was confirmed with respect to days worked in smart working mode.
- Leave for medical check-ups: the procedure for requesting leave was simplified effective as of 01/10/2023, leaving the methods of daily use unchanged.

Considering that, following the entry to the South-West Department of the Naples Area and the consolidation of the Frosinone Area in the Central Department, resulting in a change to the perimeter of the South-West Production Unit, an addition was made to the representation agreement in the Industrial Relations Protocol in force, based on which elections were held for the RSUs/RIs (Works Councils/Plant Managers) in the Naples Area and for the Staff in the Naples headquarters.

As part of the periodic mapping regarding work-related stress, meetings were held in the local areas which also involved RIs as additional stakeholders in the Company's fact-finding survey.

At the close of the year, agreements were updated regarding transfers, with the redefinition, as of 1 February 2024, of some economic and regulatory aspects to ensure better reconciliation of the interests involved.
During the same meeting, the agreement that regulates the Working Time Solidarity Bank was also extended. This is an instrument which was already deployed in 2021, which provides the option of transferring holidays and leave (Exo and Rol - reduced working hours).

Lastly, the scheduled meeting was held with the National Secretariats to monitor the further experimental development of smart working ahead of the next deadline and, in implementation of the procedure that governs it, the institution's monitoring meetings continued through the Bilateral Observatory. On said occasion, the parties agreed to meet up again in the first quarter of the new year to update and review the current agreement on Smart Working.

All 2i Rete Gas personnel are covered by national collective labour agreements, i.e. executives by the CCNL for Executives in the Industrial Sector, and middle managers, white collars and blue collars by the Gas and Water CCNL.

10.3 Recruitment

As at 31 December 2023, the Group had 2,177 employees.

As part of a personnel advancement effort deemed as necessary to develop the Company's strategy, the 2i Rete Gas Group has embarked on a major long-term recruitment plan. In 2023, it resulted in 101 new hires, 99 of whom were recruited through external selection.

The hiring process pertained to white-collar as well as blue-collar staff profiles and was designed to meet the need to replace staff that had left the Company, both due to retirement and voluntary resignation. Moreover, it was necessary to fill positions that had become vacant as a result of the job posting process or internal job rotation; the new hires also partly responded to staff implementation needs.

As regards the internal job posting process, 52 recruiting procedures were started for as many vacancies, with 34 applications received and 9 selection processes completed or in the final stages.

In order to make the Company attractive to external candidates, an Employer Branding project was launched, focusing mainly on enhancing the Company's Linkedin page and joining the Politecnico di Milano Associate programme.

10.4 Training and development

A number of training initiatives were developed in 2023, focusing on management and specialist (including IT) issues, as well as technical and security issues.

The most relevant management and specialist courses delivered included:

- between April and May, as part of the training project "Getting to know the Company and learning more about our business", about 30 staff recruited at 2i Rete Gas over the last three years participated in a one-day technical-operational tour of the Area Departments, targeted at the transfer of knowledge relating to the area micro-organisation and the operation of the plants in the area. Between October and November, the activity was replaced according to the same method for staff who had been at the Company for several years and who, as a result of pandemic-related restrictions, could not avail of this training experience.

- Women's training – leadership development and coaching – for more than 50 female staff members with the aim of developing women's empowerment and sharing an evolutionary leadership model.

- Future It Leaders master's course, aimed at developing managerial skills for middle managers in the IT department.

- "Tax offences and updates of Organisational Model pursuant to Legislative Decree 231", which involved about 140 people.

- In relation to language training, group and individual English language courses also continued in 2023, for a total of 643 hours delivered to 35 staff.

- The collaboration with the Italian Gas Committee also continued, through the participation in various training activities for a total of around 60 participants. In particular, through the CIG Forum:

  - The commitment for the security of the national energy system

  - Technologies, Innovation and Prospects of the Gas System for a secure and sustainable energy transition.

- Special attention was then dedicated to training on sustainability issues, with a focus on the involvement of all managers who, through a 4-hour course structured into two modules, were able to gain insights into aspects regarding the context in which the Company is operating from an ESG perspective, the main reporting standards in place, the processes and tools adopted as well as the changes to the Corporate Sustainability Reporting Directive (CSRD);
- in addition, another seminar on Sustainability issues was targeted at 23 staff who actively collaborate on the matter;
- on the digitalisation front, starting from July, in collaboration with the IT department, a new training cycle was organised for white collars, regarding the functionality of SharePoint, OneDrive and Teams, with the goal of updating the necessary skills for using these collaboration platforms and maximising personnel productivity;
- as for technical and operational training, a whole range of significant initiatives were launched and delivered. Most notably:

    - Ahead of the IT release of the pilot project for the new SINAPSI commercial portal, scheduled for July, key personnel in the area were identified, appointed as tutors and involved in initial training on the evolution of processes on the application map resulting from the introduction of SINAPSI. The tutors were then called upon to deliver cascade training to the staff of Pilot Areas.

    - A total of 170 staff among Department and Area technicians were involved in preheating training at city gates.

    - The theoretical and practical training course on emergency response and leakage continued to be delivered to operators and Area technicians, involving about 300 employees as well as external staff (about 250 staff) belonging to contractors and working on Group plants.

    - An important training initiative was provided on the subject of changes in the structure of cabin measurement, to inform the staff concerned (about 100 people) about the contents of Resolution 512. In the same way more than 150 staff took part in training sessions in order to share knowledge on the rules of concession agreements.

    - With a view to gaining a complete picture of work assigned to companies, including from a financial perspective, basic and advanced training was delivered on Technical Specifications and Fee Schedule, involving about 500 Department and Area technicians.

- Special attention was paid to the training, aimed at roughly 160 staff, on aspects of the corporate database, on the manual for the classification of technical activities and the management control model (budget and controls).

- As was the case in previous years, a 30-hour refresher course on UNI 11633:2016 – UNI PDR 39:2018 was delivered to the staff in charge of distribution plant surveillance, in order for them to continue to meet knowledge, skill and expertise requirements. The training was delivered to more 200 qualified blue-collar workers and technicians.

- In partnership with the QSE function and the Head of the Prevention and Protection Service (RSPP), a number of training courses were organised and delivered concerning safety at work, including:

  - Safe driving course (about 300 employees): Theory and on-the-road DriveCheck, organised in cooperation with ASC – Guida Sicura Quattroruote, aimed at gaining insight into safety issues in driving.

  - New staff from the Naples Area were also trained on First Aid and Fire Fighting – medium risk.

  - Training (basic and refresher) on the role of Safety Manager involved over 900 people.

  - A total of 15 staff were trained and qualified as internal auditors according to ISO 14001.

  - Special attention was paid to the training of company contact persons for waste management.

  - Trainer-led training on specific risks started for about 200 staff, in particular high-risk employees for outdoor and operational activities.

Following the acceptance of management of the gas distribution service in the ATEM "Naples" 1 in December 2022, in order to promote the integration of staff that joined the Parent Company into 2i Rete Gas' operations, in 2023, numerous training activities continued, involving around 12 thousand hours of courses specifically intended for said purpose.

Corporate environment

In 2023, the agreement regarding remote working as a life balance instrument was extended, while conveying the great significance of in-presence relations and the importance of the return to ordinary working mode following the pandemic period.

The Company decided to continue to invest in the use of on-line collaboration tools, as a means of maintaining constant contact with employees who also work remotely, ensuring exchanges with them. In this connection, a training course was planned for the second half of the year on on-line collaboration tools, with the aim of introducing and disseminating a more structured methodological approach that allows content and information shared in working groups to be updated constantly and in an organised fashion.

With a view to continuing company-wide knowledge-sharing efforts, 2023 saw the expansion of a number of training initiatives developed with the support of staff and business managers to drive generational transformation and diversity smoothly, acknowledging the inestimable value that the transfer of knowledge represents.
In order to ensure a structured and appropriate onboarding of newly recruited staff from the local area, a detailed programme for new hires was defined, whereby the local core business units illustrate and contextualise their activities within the company organisation.
The pool of qualified internal trainers for certain processes and tools—which pool had already been established for less experienced and at any rate junior employees—was complemented with new staff, consisting of senior profiles in terms of experience and expertise.

Furthermore, to reduce the distance between headquarters and the local areas and to spread a culture based on a holistic vision of our business in its end-to-end operations—the aim invariably being to develop relations and relationships between the people that are part of the Company—the headquarters' staff conducted a technical operational tour across the territory called "Getting to know the Company and learning more about our business". In addition, in November and December, meetings were organised at all department offices, with the Company's senior management (Chief Executive Officer, Chief Operating Officer and Head of Human Resources) with the goal of reinforcing, especially for the Operations department, the message of close relations between the business processes and the people that oversee them on a daily basis, stressing the importance of the company population for the Company's Management.

Two important sporting initiatives involved the staff of 2i Rete Gas, who decided to take part in the following events:
On 2 April 2023, the Milan Marathon, a relay race stretching 42 kilometres and 195 metres, divided into 4 phases, in which 2i Rete Gas took part with as many as 6 teams. The proceeds from our participation supported the "A CASA CON CURA" (at home with care) project, a home assistance service for vulnerable elderly people through the Fondazione Amici del Trivulzio – Martinitt e Stelline. On 8 October 2023, the Pittarosso Pink Parade, a 5km pink walk created by a coming together of PittaRosso and Fondazione Veronesi which, through its project "Pink is

Good", undertakes to support scientific research on breast cancer and to raise women's awareness of the importance of prevention.
Almost 100 staff took part in the event, between Milan and the various other locations around Italy.

On 25 November, International Day for the Elimination of Violence Against Women, 2i Rete Gas joined the call to action in defending women's rights; an important awareness-raising and internal communication campaign was promoted, which led to the joint collection of photographic contributions which were a tangible sign of the huge dedication to this important and delicate social cause. 2i Rete Gas and its people will be constantly committed to promoting inclusion and protecting the dignity of each and every person in the future too.

Lastly, in December, there were also other opportunities for meeting up, such as the corporate toast and family day. At almost all 2i Rete Gas offices, meet-ups were organised with families and employees to celebrate the arrival of the holidays, and to convey to children the importance of protecting the environment, through a show dedicated to them.

With reference to the major initiative concerning the employee satisfaction survey and work-related stress assessment launched in October 2021, in the first half of 2023 the results were shared on a cascade-like fashion through events organised in the various Departments and Areas, the goal being to reach the entire corporate population. In fact, the ongoing action plan was shared with the aim of allowing work activities to be performed in an even smoother and more sustainable fashion, while preserving health and safety.

With regard to the Welfare Plan, upon upholding the suggestions and requests from employees, in 2023 the same spending capacity was extended to the entire company population by introducing a single package known as "2Insieme a Te", the amount of which, to be used by 31 December 2024, can be accessed more flexibly in areas related to health and welfare, as well as education and elderly care expenses.

The news this year is that the single package can also be used for transport reimbursement and the purchase of vouchers (groceries, petrol or other), also owing to the increase in the overall tax exemption limit of fringe benefits for workers with dependent children (according to the provisions of the regulations).

As was the case in the previous year, with reference to any family needs, staff will be able to access forms of microcredit capable of supporting the family/individual financial budget, thus making it possible to defer certain expenses linked to children's education, family care services and medical expenses.
The telemedicine service continued to operate.

10.5 Staff administration

Travel management – Operational changes

Further initiatives were carried out in 2023 aimed at improving the "Travel" process by contracting a new supplier and improving the automatic information flows via SAP HR.

Staff Welfare under Law Decree No. 105 of 30 June 2022

Following the issuing of Law Decree 105/22, INPS (the Italian Social Security Agency) implemented and communicated its new application criteria concerning: Management of monthly leave for assistance to severely disabled persons; Parental leave; Paternity leave (INPS Circular no. 659 of 13.02.23 and no. 39 of 4.4.23).

Trade union agreements

The company trade union agreements signed in 2023 impacted payroll management and the associated attendance recording systems, effective from October.

The agreements concerned:

- Single work schedule for the area;

For company organisational requirements and to ensure a work-life balance, in October 2023 provision was made for unifying the territorial work schedule by expanding the flexible working hours of employees. This new flexibility made it possible to unify several work schedules previously in force. Lastly, in December 2023, the methods used by Area personnel to sign up to smart working were simplified in the system.

- Leave for medical check-ups:

Effective as of 1.10.2023, all personnel have 16 hours per annum to use for medical check-ups, also thanks to the simplified methods for access to systems through the self-service portal.

11. IT systems

The year 2023 was characterised by huge commitment to the projects set out in the multi-year programme for the upgrade and transformation of IT systems and services and to the adjustment of the IT system, aimed at ensuring regulatory compliance, Cyber Security, support for network digitalisation, the initiatives defined as part of the Sustainability Plan, the consolidation and corporate evolution of the group, as well as the development of personal services management solutions.

The multi-year programme for transformation of IT systems saw an important milestone being reached, i.e. the rollout of the new systems in support of network commercial processes, in particular, the upgraded commercial front-office system for managing requests from Sales Companies (launched at 10% of redelivery points and soon to be extended to all points managed) and billing systems, for the relevant commercial services and for the transport service relating to all redelivery points managed (in this case, with the adoption of the in-memory database platform HANA of SAP). Significant commitment was made to the project for the creation and evolution of the new Internet Of Things (IoT) platform, in support of the digitalisation of networks, with the completion of activation of the main functions relating to the field peripherals used for remote control of units and stations, remote reading of stations and the operation of bottom pressure sensors. Significant activities were also carried out in the area of Smart Meters, with the extension of the perimeter of activation of the remote management process and with the integration and activation of the new-generation home meters with a view to maximising the effectiveness of remote reading and getting ready for future operational optimisations.

Constant support is provided in the field of Cyber Security, with the implementation of initiatives identified and aimed at increasing the level of resilience and protection against the risk of cyber attacks. In particular, policies were implemented for corporate Security by Design and the evolution of the Use Cases implemented in the control processes and instruments, aimed at recording, analysing and responding to security threats. In addition, in order to raise the awareness and sensitivity of all personnel to cyber risks, Security Awareness initiatives were carried out to increase their ability to counter phishing attacks.

Regulatory compliance required significant efforts also in the area of metering systems, in order to comply with the remote reading acquisition targets applicable to industrial and mass market electronic meters, for managing the differences between the volumes of gas injected and the volumes distributed, and for the optimised management of the quality and compliance of gas metering at the station.

As part of the Sustainability Plan initiatives, a special focus was placed on activities to support the process for evaluating and measuring fugitive emissions, supplementing the information deriving from the leak detection systems with asset management systems, enabling a more efficient locating of leaks in systems for the purposes of subsequent evaluations.

12. Research and development

Research and development activities were carried out mainly on the digitalisation and smart metering management systems.

As already reported in the section "Digital development", the 2i-IoT platform for the centralised collection of remote control and remote alarm data from the distribution network came on stream, with the aim of raising security levels through digitised process monitoring and streamlining field operations regarding network operation.

Still in the area of network digitisation, a project is now at the deployment phase for the development of an innovative meter capable of measuring hydrogen blend and improving remote connectivity by simultaneously exploiting two communication technologies, i.e. the RF WM-Bus 169 MHz technology and the NB-IoT technology.

In 2022, activities continued for the deployment of "Sirio" systems, the in-house solution designed to automate control of the odorisation rate through remote feedback governed by a neural network.

13. Risk Management

This section concerning Enterprise Risk Management describes the main operational and compliance risks typical of the sector in which the Group operates that can, in theory, impact the Company's business and objectives. Bear in mind that these threats were counteracted by targeted preventive/corrective plans aimed at thwarting them.
Regarding liquidity, credit and market risks, reference should be made to the relevant section in the notes to the financial statements and consolidated financial statements.

13.1 Operational risks

Operating natural gas distribution networks involves the risks of malfunction or unforeseen service disruption due to factors that are beyond the Group's control, such as accidents, breakdowns or malfunctions of equipment or control systems, plant underperformance and extraordinary events such as explosions, fires, earthquakes, landslides, and other natural disasters. These events can result in service disruption, significant damage to people or property as well as the environment, and/or economic and social turmoil.

Any service disruptions, underperformance, or inadequacy of the Group structures and/or the consequent obligations to provide compensation could result in a reduction in revenue, an increase in costs, and/or regulatory actions.

To prevent these risks, and specifically the risk of natural events damaging the networks, the Group has taken out insurance policies that are considered adequate for the damage that could be incurred or caused.

The installation of smart meters and capabilities for the collection of data on consumption pursuant to ARERA Resolution 155/2008 is one of the Group's most important projects in terms of innovative technology and investment levels.

The installation and use of new generation smart meters ensures greater accuracy and faster turnaround times regarding metering and recording of actual consumption, while streamlining corporate processes.

There is the risk however that the Group might be obliged to bear maintenance or replacement costs sooner than anticipated in its strategic plans and not covered by tariffs, since smart meter technology and their supply market have only been created recently, and no historic data exist as to the duration of such meters or their technology. The ongoing smart meter implementation plan might also result in an increase in operating costs for the new meters, which in turn might cause technical and operational issues during their actual life cycle.

13.2 Risks linked to changes in the legal and regulatory context

The Group might be exposed to risks related to changes in the tariffs for regulated natural gas distribution activities. A change in the regulatory variables or in

the method used for regulation – including, but not limited to, how the contributions received to develop the network and infrastructure are included in the tariff in each regulated period – might for example impact the tariffs applicable to the Group's business, with negative repercussions on revenue and margins.
The regulatory period spans six years, and the WACC (Weighted Average Cost of Capital) is reviewed every three years.

13.3 Risks pertaining to gas distribution service tenders

The Group's ability to conduct its business depends on the gas distribution concessions granted by local Italian authorities.
Although the Group has a strong market position and financial standing, there are no guarantees that it will be able to retain or renew concessions for the areas in which it operates, or win new concessions. Even if it is awarded new or renewed concessions, there is no guarantee that the Group will benefit from conditions that are generally equal to or better than existing ones (combination of payments and planned investments). Given the complexity of the regulations governing the new bidding process, the outcomes of future tenders could result in legal disputes between concessionaires, including between the Group's gas distribution companies and other parties such as outgoing operators and municipalities.
However, over the past few years the Group has devised and prepared its development strategy with due care, and has all the financial resources and know-how to face up to this challenge.

13.4 Risks deriving from any likely reduction in natural gas consumption

Though the regulated income of the Group's operating companies does not directly depend on distribution volumes – in regard to which the Group has not incurred any risks insofar as regards the volumes of demand – a prolonged economic crisis or other external event that may lead to a reduced customer base and/or lower gas consumption levels could in fact give rise to Government and/or regulatory interventions and changes to the regulatory framework, which could have a negative impact on the Group.
In relation to the climate change targets set in 2015 by the Paris Conference of the Parties to the United Nations Framework Convention (COP21) and the further targets set at EU level for the progressive decarbonisation of energy, the energy sector could, in the medium/long term, evolve towards new scenarios and situations where the role of gas for end users could be different from what it is today. Against such a backdrop, the number of customers served and the demand for gas could decrease, which could result in a lower use of the underlying infrastructures, with the risk of ending up with "stranded assets", i.e. infrastructures that are not fully used over their entire depreciation period. On the other hand, the prospect of using existing infrastructures for

the injection and transport of renewable gas (e.g. biomethane, synthetic methane from renewable sources or hydrogen) can contribute to the achievement of decarbonisation objectives, facilitating integration between different energy sectors (sector coupling), in particular between the electricity and gas sectors, while mitigating the risk of stranded assets.
With a view to interdependence between the gas and electricity sectors, gas infrastructures could indeed prove to play a major role in helping to produce greater quantities of energy from renewable electrical sources, offsetting their intermittence and variability by relying on storage mechanisms, thereby making a significant contribution to system flexibility.

13.5 Environmental and security risks

Operating and maintaining gas distribution networks is potentially dangerous and could cause damage to third parties and/or Group employees. The Group is subject to Italian and European Union laws and regulations that govern health and safety to protect the general public and employees.

As part of its operations, the Group uses potentially hazardous products and subproducts, and the sites in which it operates are subject to laws and regulations (including zoning laws) regarding pollution, environmental protection and the use and disposal of hazardous substances and waste.

These laws and regulations expose the Group to costs and liabilities associated with its operations and plants, including those for waste disposal.

Costs for future obligations resulting from any environmental remediation cannot be predicted, as they depend on the extent of contamination, suitable remedial action, and the Group's share of responsibility, which are often difficult to estimate.

To mitigate this risk, in addition to specific compliance procedures and a constant monitoring of the main environmental parameters being managed, the Group has taken out specific insurance policies covering both the cost of any pollution containment as well as the cost of remediation and related damages.

13.6 Risks pertaining to energy transition

Regarding the prospects for decarbonisation of the energy system to counter climate change, it is possible that in the very long term some components of aggregate demand for natural gas may be gradually replaced in end uses by other energy sources (including green gas) also in light of decarbonisation goals. The long-term likelihood of a reduction in end uses of gas might therefore lead to a reduction in the use of natural gas distribution infrastructures, with the risk of having "stranded assets" (infrastructures that may be used for an insufficient period of time for the investment to be repaid). With regard to unrecoverable assets in reference to the possible decline in the use of natural gas for end uses supplied by distribution networks, ARERA has indicated the possibility of considering

briefer pay-back periods for any infrastructures that may be affected.
In this regard, the Group is working on transforming its networks into digital infrastructures to allow, where possible, renewable gases to be distributed, such as hydrogen and biomethane, and contribute to the development of power-to-gas solutions for the transformation and storage of renewable energy and to develop energy efficiency projects.

13.7 Risks related to climate change

In defining climate-related risks and opportunities, the Group began by identifying the time horizons on which to base its analyses regarding impacts due to climate change, which were identified as "Short-term" (0 to 5 years), "Medium-term" (between 5 and 10 years) and "Long-term" (between 10 and 20 years).
With regard to the short/medium-term time horizon, the events that were identified refer mainly to the intensification and propagation, across new geographical areas, of hydrogeological instability (chronic risk) and an increase in acute meteorological events, such as rainfall of exceptional magnitude (aka "water bombs"). If, on the other hand, we consider longer, medium- to long-term time frames, the major risks refer to rising average temperatures with consequent impact on energy consumption (chronic risk) and changes to policies and regulations in relation to the transport and distribution of climate-changing energy carriers (transition risk).

In an effort to mitigate the impact of such events on the Company's business, 2i Rete Gas has implemented, on the one hand, constant monitoring of hydrogeological instability and large-scale meteorological events, also through the development of a proprietary model for assessing hydrogeological risk and, on the other, an in-depth assessment to intensify energy supply both in terms of replacement of higher environmental impact energy carriers and of green energy distribution (mixtures of methane and hydrogen, feeding biogas or synthetic gas into networks).

13.8 Risks related to the supply chain

The Group might be subject to risks of procurement difficulties in the supply chain that might make it difficult to continue operations on the distribution network as planned, or the risk of rising prices of the materials used in the conduct of its business.

In this regard, it should be noted that the Group relies, where possible, on mechanisms for procurement and storage of materials considered essential to ensure business continuity so as to maintain sufficient stocks and prevent operations from being disrupted. In addition, tenders for the procurement of materials can also be called at a European level, allowing a whole range of operators to submit their bid (providing they prove eligible for inclusion in the Group's suppliers list).

The current tariff system also requires, albeit with long-term deadlines, the recognition of expenditure in order to maintain, manage, improve and innovate the gas distribution network.

14. Main features of the risk management and internal control systems in relation to financial disclosure

This section of the Report describes the main features of the Group's Corporate Governance, thus discharging the specific disclosure obligations envisaged pursuant to art. 123 bis of Legislative Decree 58/1998 – Consolidated Law on Finance (Report on corporate governance and shareholding structure) regarding the information required by paragraph 2, letter b).

14.1 Introduction

The Internal Control System adopted, in its broadest sense, is defined as a process undertaken by the Board of Directors (hereafter the "B.o.D."), by Executives and by other people in the corporate structure, the purpose of which is to provide a reasonable guarantee concerning the achievement of all the corporate objectives, adequately counteracting all risks, whether strategic, operational or in terms of legislative/regulatory compliance, which the Company may have to address along the way.
Specifically, the Internal Control System aims to achieve the following objectives, which are essential in ensuring "good company governance", i.e.:

- Respect for laws, regulations and internal procedures;
- the safeguarding of corporate assets;
- the reliability of accounting and management information;
- the efficiency and effectiveness in the conduct of its business.

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With general reference to the whole Internal Control System and, in particular, to the Parent Company's financial disclosure, the Board of Directors defines guidelines to ensure that the Company:

- adopts an Internal Control System which refers directly to the models envisaged by relevant international best practice (i.e. the "Co.SO Report");
- adequately measures, monitors, manages and assesses the strategic, operational and legislative compliance risks of the Company and of the Group as a whole, by relying on an appropriate and structured risk analysis method;
- relies on such organisational, methodological and operating conditions as to ensure the adequacy, effectiveness and actual operation of the Internal Control System based on the approval of the Audit Plan and verification of the audit tasks performed by the relevant Audit Bodies.

14.2 The bodies supporting the Board of Directors operating with a view to financial disclosure

To ensure that the foregoing actions can be acted upon in practical terms, the Board of Directors interacts with various in-house Control Bodies, such as the Board of Statutory Auditors, the Supervisory Board pursuant to Legislative Decree 231/2001, the Independent Auditors and the Internal Auditing Function, ensuring that they are vested with such powers and means as necessary for the discharge of their respective tasks and duties.

Board of Statutory Auditors

The Board of Statutory Auditors performs the supervisory and control functions required by the Italian Civil Code. Since the Parent Company is a "Public-Interest Entity" within the meaning of Article 19 of Legislative Decree 39/2010, the Board of Statutory Auditors also acts as "Internal Control and Audit Committee". It performs supervisory duties in respect of the:

a) financial disclosure process;

b) effectiveness of the internal control, audit (if applicable) and risk management systems;

c) auditing of the annual accounts and consolidated accounts;

d) independence of the statutory auditor or of the independent auditors, in particular as regards the provision of non-audit services to the body whose accounts must be audited.

Supervisory Body and Compliance Programme under Legislative Decree 231/2001.

The Compliance Programme is structured as follows:

i. the General Section, which describes, following a brief legal introduction to the contents of Legislative Decree 231/2001 and to predicate offences constituting administrative liability arising out of an offence committed by a legal entity, it sets out the purposes of the Programme, its structure, recipients, the changes and additions adopted, the Company's institutional and organisational structure (including a detailed description of the company structure and identification of the services provided by third-party companies), the Code of Ethics, the powers and functions of the Supervisory Board (as reflected included in its regulations), the information flows to the Supervisory Board, the processes for training and informing staff, as well as the disciplinary system;

ii. Special Sections: They are broken down depending on the categories of the predicate offences considered therein. Specifically, the breakdown of each Special Section is as follows: description of the purposes of the Special Section, identification of the types of relevant offence, list of the potentially sensitive processes connected to the specific types of offence, general principles of conduct and implementation, specific procedural principles, powers of the Supervisory Board and flows from the heads/contact persons to the Supervisory Board. With special reference to the "information flows" to the Supervisory Board – which are necessary for the latter to carry out control and advisory activities, while ensuring full traceability of the analyses conducted on the relevant aspects, the above-mentioned Compliance Programme sets out the:

- contents of the information flows to be provided by the heads/contact persons of the Compliance Programme to the Supervisory Board;
- reports to be submitted by the heads/contact persons every four months.

On 22 April 2021, the Board of Directors appointed the new Supervisory Board as the corporate body responsible for overseeing the operation of and compliance with the Compliance Programme adopted, complete with updates thereto. The Supervisory Board so appointed consists of the following members:

- Ms. Daniela Mainini, Chairwoman of the S.B.;
- Ms. Giovanna Conca and
- Ms. Maria Cristina Fortunati, Head of the Legal and Corporate Affairs Department, under the General Affairs Directorate of the Company.

The Supervisory Board's duties or tasks include:

- overseeing the operation of and compliance with the Compliance Programme adopted;
- checking the actual suitability and adequacy of the Compliance Programme adopted, in other words its ability to prevent offences constituting administrative liability arising out of an offence committed by a legal entity pursuant to Italian Legislative Decree 231/2001 from being committed;
- monitoring of the effective implementation of the Compliance Programme, pursuant to art. 7 para. 4 lett. a) of Italian Legislative Decree 231/2001, understood as the prolonged correspondence of this document to institutional and organisational arrangements, as well as to the core business;
- providing advice with a view to amending the Compliance Programme and the Code of Ethics adopted, so as to reflect regulatory changes or new company needs;
- collecting, reviewing and retaining all the information flows received or sent. In this regard, the Supervisory Board reviews the reports sent every four months by the heads/contact persons as under the Compliance Programme, including the central Administration, Finance and Control Function.

Independent Auditors

On 29 April 2015, the Shareholders' Meeting of 2i Rete Gas S.p.A. appointed PricewaterhouseCoopers S.p.A. as its Independent Auditors for the period 2015-2023.
As set forth in Article 11 of Regulation (EU) 537/2014, the Independent Auditors will submit to the Board of Statutory Auditors, in the latter's capacity as "internal Control and Auditing Committee", a report on key

issues arisen during the audit and, in particular, on any significant shortcomings found in the Internal Control System with reference to the financial disclosure process.

Internal Audit

On 1 January 2014, the Board of Directors entrusted COGITEK S.r.l. with Internal Audit, Compliance and Risk Analysis tasks. From 2023, the role of Head of the Internal Audit Function and coordination of the aforementioned activities was assigned to Mr. Antonio La Mattina (Managing Partner of COGITEK S.r.l.). Mr. La Mattina replaced (based on prior agreement with the Company's Top Managers) Mr. Pierantonio Piana, who stepped down from office due to personal reasons.

The Head of the Internal Audit Function reports to the Board of Directors and, through it, to the Chief Executive Officer, and therefore acts independently of the heads of operational areas, including Administration and Finance. In addition, the Internal Audit Function also has direct access to all the information needed to discharge its duties, as specified in the "Terms of Reference".

In 2016, the Group started insourcing the Internal Audit Function by hiring professionals that operate under the supervision of the head of said Function.

The Internal Audit Function is the company body that verifies the operation and adequacy of the Internal Control System, in compliance with the Code of Ethics, the Compliance Programme (Legislative Decree 231/01), the charter of values and the Company's Sustainability Plan.

The Internal Audit Function's activities start with the annual preparation of the Risk Analysis based, from a methodological perspective, on international best practices known as ERM (Enterprise Risk Management) and CRSA (Control Risk Self-Assessment). The Risk Analysis process, structured into three phases of risk identification, risk assessment and risk management, is conducted by the Internal Audit Function, in collaboration with the organisational unit and with the supervision of the Company's senior management, who validates its contents.

The outcomes of the Risk Analysis therefore allow the Internal Audit Function to draw up, on a "rolling" basis, the Three-Year Audit Plan which defines the areas of activity, the level of in-depth analysis and the most appropriate priority actions for carrying out "third line of defence" controls within the Function's competence.

These controls are planned on the basis of process audits, compliance audits and follow-ups. The use of the Internal Audit Function's specifically allocated resources is also planned and optimised in the Audit Plan.

The Three-Year Plan is presented to and shared with the Company's Senior Management, and subsequently to the Board of Directors and the corporate control bodies, as specified hereunder.

Also thanks to the Risk Analysis, audit activities carried out in the field by the Internal Audit Function highlight the most significant weaknesses in terms of controls, with reference to both the company business and group compliance. In essence, the Internal Audit activities help to raise the awareness and the perception of the various company functions of both business risks that may emerge along the

Company's path, and any shortcomings in control systems which may prevent the Company from achieving its objectives.

In response to any shortcomings, the Internal Audit Function suggests preventive and corrective action plans to the aforementioned Functions, making them aware that they should be implemented according to the time-scales and methods agreed with them: said plans, under the auspices of the Company's Senior Management, are monitored by the Internal Audit Function until the critical issues of the control system are resolved.

The Internal Audit Function drafts a summary report each year to inform the Board of Directors (and the corporate control bodies), at the time the annual financial statements are approved, about both the contents of the Risk Analysis conducted and the audit strategies used as a basis for the subsequent Three-year Audit Plan.

Said report also describes the results of the audit activities carried out and the monitoring of the implementation of the preventive and corrective action plans adopted by the Company functions, following the Risk Analysis and Audit initiatives, respectively.

Finally, in said report, the Internal Audit Function submits an annual assessment of the reliability of the Company's internal control system to the Board of Directors and the corporate control bodies: this assessment is based on the approaches and the principles of the "Integrated" Co.SO., which will be discussed below.

The strategies and fundamental contents of the 2024-2026 Three-Year Audit Plan are reported below:

- intense "audit coverage" was carried out, thanks to which, with reference to the 2014-2026 period, each Company Department will be audited at least four times, while the most important Office Functions will each be audited between 2 and 4 times;
- as regards risk analysis, annual refresher activities were also carried out for 2023, according to the international best practices outlined above, by updating, with respect to 2022, the assessment of corporate management, compliance, legislative and regulatory risks;
- the Internal Audit Function will continue to rely on follow-ups on key business processes, establishing the effectiveness of any improvement made to the Internal Control System as a result of preventive/corrective action plans requested during the Risk Analysis phase and previous audit activities;
- in the context of compliance activities, assessments are guaranteed regarding control on the conduct of those operating at the Company, in relation to the various processes. This is achieved thanks to increasingly stronger support provided by the "continuous audit" methodology introduced by the Internal Audit Function. This methodology, which goes beyond typical audits performed on a test basis, was carried out by analysing the entire company database, with an appropriate "focus" thanks to specific "pointers" designed for the purpose, with reference to a number of indicators of critical issues defined

as Red Flags. In essence, the Company moved from a test-based approach which, owing to its very nature, does not fully guarantee the reporting of all critical events that occurred at the Company, to a system that, by contrast, highlights all possible critical issues that emerged, with reference to the main business processes;

- again in the compliance domain, developing and gradually disseminating the above methodological and IT approach to the Corporate Functions – again in accordance with international best practices known, in this case, as "continuous monitoring" – with a view to improving the Functions' self-control system and making them more effective and responsive;
- monitoring of the complete and effective implementation of preventive or corrective action plans requested at the Risk Analysis and Audit phase will continue, with responsibilities assigned to the various functions and territorial structures involved. Based on the statistics processed, it emerged that the percentage of plans implemented in relation to those requested, confirms the improvement trend that has emerged in the last few years, touching approximately 90%.

CFO and Administration, Finance and Control Function

The System for risk management and internal control over financial disclosure is governed by the Chief Financial Officer (CFO), who is responsible for designing, implementing and approving the Accounting and Administrative Control Model, as well as assessing its application.

In the discharge of his/her duties the CFO:

- interacts with the Independent Auditors and with Internal Audit;
- relies on the support of the Heads of Function involved who, in relation to the area within his/her competence, will ensure that the information flows to the CFO for the purposes of preparing the financial disclosure are thorough and reliable;
- coordinates activities performed by the Administrative Heads of relevant subsidiaries, who are responsible for the implementation, within their own company, together with the delegated bodies, of an adequate accounting control system to oversee administrative and accounting processes and assess their effectiveness over time, submitting the results to the Parent Company through an internal certification process.

Other corporate Functions involved

The different corporate Functions (and local organisational areas) involved in the various core and support processes are required to abide by the rules of fairness and transparency, accountability and traceability which are part of the procedural framework relating to every activity performed. The aforementioned Functions also carry out "first line of defence" and "second line of defence" controls on the process underlying final accounting figures, so as to ensure the adequacy and reliability of such figures.

14.3 Description of the main features of the risk management and internal control systems existing in relation to financial disclosure

The construction of the Company's Internal Control System has adhered to the guidelines issued in this regard by relevant laws and regulations, including the Italian Civil Code, Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), specifically articles 123-bis(2)(b), 184 and 185, "Market Abuse (Directive 2003/6/EC) Regulations 2005" and "Transparency (Directive 2004/109/EC) Regulations 2007" issued by the Irish Central Bank, Legislative Decree 231/2001 (Organisational and Management Model as per Legislative Decree 231/01, updated in 2023), Legislative Decree 39/2010, as well as the applicable accounting standards (IAS/IFRS).

It should be noted that the structure and organisation of the company control system refer to the Co.SO's Internal Control–Integrated Framework (2013 edition), which in terms of international best practices, has been joined to ERM – Enterprise Risk Management, at each evaluation and decision-making phase, or from strategy to operations and realisation and control of business performance.
A description of the initiatives adopted by the Company in terms of internal control is provided below, making reference not only to the aforementioned Co.SO Framework of 2013, but also to the indications of the most recent document from ASSIREVI "Co.SO ERM: reading guide" (Monograph ASSIREVI no. 3 – November 2020):

- *Control environment*

According to the Co.SO Framework, the "control environment" may be considered optimal if:

a) the Company effectively commits to the values of integrity and ethics, by developing a compatible company culture;
b) the Board of Directors effectively supervises the development and performances of the internal control system;
c) the Management, under the supervision of the Board of Directors, constitutes an appropriate line of reporting, and is appropriately empowered to achieve the company objectives;
d) the Management directs company operations in respect of

risk contained within tolerance limits;

e) the Company is committed to building human capital in line with the business strategy and objectives and with its ethical values;

f) there are no conflicts of interest in respect of Management and employees, ensuring the protection of the interests of stakeholders.

In summary, the "control environment" (also known as "Tone from the Top") is embodied by the attitudes and by the practical actions with which, starting from Company Senior Management and permeating throughout the organisation, the values issued by said Senior Management are respected (company mission, business, ethical and sustainability objectives). This positive approach provides assurance for stakeholders on corporate affairs.

The above activities regarding the "control environment", combined with the "continuous improvement" process promoted by the Company Functions, also recommended following the risk analyses conducted annually and by the activities of the Internal Audit Function, have led, over the years, to the important drafting and updating of the guidelines, procedures and work instructions relating to all fundamental corporate control processes. This has represented a specific and increasingly more targeted point of reference from a strategic, tactical and behavioural perspective for Management and for all employees.

Third parties have gradually become more involved in this updating process. In particular, this includes suppliers which have been subjected to an increasingly more demanding "qualification" process and ever more stringent controls on transparent and fair conduct, with ethical ratings for suppliers and quality performance reviews (e.g. vendor rating) playing a role in this regard.

To obtain this result, suppliers are constantly required to comply with the Company's ethical principles, adding and signing suitable contractual clauses linking them with the Company's values, with the possibility of accessing conduct guidelines made available to them by the Company (e.g. the cited Organisational and Management Model pursuant to Legislative Decree 231/2001).

Furthermore, to improve the structure of top-down controls and the self-monitoring of workers, the HR Department has implemented organisational analysis activities to avoid the possibility of material differences between the structure described in company documents and the actual operational organisation.

- *Risk assessment*

In order to achieve their mission and generate value, every organisation must define a strategy that - based on prior identification of the

risk profile that is acceptable or not - must take into consideration the various types of threats that can impact the Company's progress (strategic, operational, legislative and regulatory compliance, financial risks).
This means that the "risk component" is a fundamental element of both the strategic process and in the subsequent process of definition and attribution of the objectives and accountability for them, throughout the various organisational levels, called to provide an operational response to the strategic indications of the Company's Senior Management.
In said manner, in addition to enhancing knowledge of the contents of the corporate strategy, the operating structure is able to improve the perception of its tasks and of the risks related to its role, and the need to introduce, with rigorous priority actions and with specific accountability and scheduling of these, the most appropriate preventive/corrective action plans to counteract the threats identified.
Moving on to the actions carried out by the Company, we can firstly confirm that the strategy and the related objectives were also defined by taking account of the Risk Analysis, conducted annually according to the Co.SO Framework 2 (ERM), as specified below.
In addition, it is noted that the Risk Analysis is carried out by rigorously adhering to the requirements of the Enterprise Risk Management (ERM) and the Control Risk Self-Assessment (CRSA); while the ERM is the system for the identification and cross-company management of all types of business risks, through an integrated approach at corporate level, the CRSA is the methodological reference point used in the evaluation of said risks by company contact persons, according to the "guided" self-assessment approach. In said context, the role of the Internal Audit Function is to make it easier for the company contact persons to carry out the evaluation process, by using the necessary metrics and check-lists needed to the make the aforementioned evaluations as objective as possible.
Said activity is supported by specific software which helps to make the Risk Analysis process more efficient and rigorous.
The evaluation process, based, as mentioned, on CRSA approaches, is carried out through:

- the assessment of theoretical risks, also known as inherent risks (i.e. threats inherent in the various company activities which may potentially materialise, obstructing the Company and its functions from achieving their objectives);
- an assessment of the adequacy of the controls (i.e. company lines of defence, in terms of tools, equipment, resources, strategies, policies, procedures, computerised systems,

etc. targeted at counteracting the above theoretical threats);

- the definition of residual risks, performed thanks to a comparison of the assessments of theoretical or inherent risks (threats) with those of the controls (lines of defence). The residual risks describe the extent to which the threats are countered by the Company's defence mechanisms in place, therefore highlighting all situations in which said defence mechanisms are perfectly capable of adequately dealing with potential risks (acceptable residual risks) or cases in which said defence mechanisms are unable to intercept and adequately handle said imminent threats (unacceptable residual risks).

In terms of the contents of the Risk Analysis carried out for the year 2023, the residual risks worthy of preventive/corrective action plans decreased significantly in number compared to 2022, thanks to the implementation of actions by Management and the corporate functions that had positive results.

Residual risks with a higher score refer essentially to some internal and external context situations that came to light during the year.

Nonetheless, it should be emphasised that the Company is adequately counteracting and monitoring all possible threats that present an unacceptable residual risk.

The results of the 2023 Risk Analysis not only triggered the aforementioned remediation plan process with prioritised actions, but helped identify the audit initiatives to be implemented over the 2024-2026 three-year period.

- *Control activities*

This component of the Co.SO Framework concentrates on the management of "risk response", with particular reference to those risks that could influence the ability to reach the objectives and the related expected performances.

"Risk response", targeted at improving the internal control system, always according to the Co.SO Framework 2, must firstly bring the residual risk back within the defined tolerance limit. This may be achieved through the implementation of targeted preventive/corrective plans, with responsibilities appropriately assigned and evaluated through the necessary "cost-benefit" analysis. This analysis must be conducted through metrics aimed at ascertaining that the action is economically viable in relation to the negative impacts that may be generated by said risks.

Based on the implementation of the aforementioned plans, controls are executed to ensure they are effective, and to achieve the expected improvement objectives.

If the implementation and improvement of the internal control system is the specific responsibility of the corporate functions, "control activities" are instead structured into three levels:

a) first level (self-control): by the operating and territorial functions;
b) second level (coordination of controls), for example, by the Operations Department and the Quality, Safety and Environment, Management Control and HR Functions;
c) third level (supervision and verification of controls) by the Internal Audit Function, the Board of Statutory Auditors, the Supervisory Body pursuant to Legislative Decree 231.01 and the external auditor.

The corporate support tools enabling the effective control work set out above are:

- Managerial Procedures, Operational Procedures, Operational Instructions and Technical Specifications;
- the Quality Manual and the GDPR Manual;
- the Accounting and Administrative Control System, through IT procedures on SAP;
- the Group Accounting Manual and chart of accounts – a document which aims to promote the development and implementation of standard accounting criteria within the Group as regards the recognition, classification and measurement of operations;
- the Operational instructions for financial statements and reporting and year-end timetables – documents which aim to inform the corporate functions of the detailed operating methods to manage the preparation of the financial statements within the established and agreed deadlines;
- the Administrative and Accounting Procedures – documents which establish the responsibilities and control rules to follow with particular reference to administrative and accounting processes;
- the Three-Year Audit Plan, the standards of the Internal Auditor profession and the audit procedure;
- the Continuous audit and Continuous monitoring processes.

As regards the controls performed by the Internal Audit Function, the results of the audit activities carried out in 2023 are reported below. The Internal Audit Function's strategy has developed over time; in fact, while during the 2014-2017 period, primarily targeted audits were conducted to verify the quality of the "basic" company internal control system, heavily shaped by business combinations and corporate acquisitions that have occurred over time, with different operating methods, computerised systems and procedures, starting from 2018, said initial approach to auditing the control system of each corporate process was followed by various follow-ups both in the local areas and in the Headquarters Functions subject to auditing. These audit activities aimed to ascertain whether the risk response actions and/or

suggestions drawn up by the Internal Audit Function following the audits conducted were efficiently and effectively implemented and whether they reached their objectives.
With reference to the Follow-ups on two local areas (North-West Department and North-East Department) carried out as per the 2023 plan, the findings that emerged highlighted a gradual yet systematic improvement in the level of control risk, which has shifted from "red flag" situations seen in previous years to indicators increasingly showing a "smoother operational and management backdrop".
With reference to the Headquarters Functions, as per the 2023 Plan, processes relating to Supplier Accounting, the Legal Affairs Department, Property Management and, lastly, the Network Commercial Development Function, were analysed. The analyses conducted did not highlight any particularly significant critical issues. However, action plans were defined targeted at improving the framework of procedures, processes and supporting IT systems, as well as prevention controls and measures to counteract possible cases of third-party fraud.
In the context of monitoring of the action plans requested in audits/previous Follow-ups, in relation to the IT System, in view of the Company's taxing commitment to optimise the security and control processes, the reinforcement of some initiatives set out in the 2021-2023 ICT Security Plan was requested, also in light of the planned migration of the IT infrastructure from the on-premise system to one based on cloud architecture.
Lastly, it should be noted that, in relation to Smart Meter management, the relevant action plans are in the process of being completed.

- *Review and revision*

The organisation monitors the corporate processes with a view to continuous improvement, in order to systematically increase the value generated by effective and efficient risk management.
Having prioritised the risks identified through the Risk Analysis, defined the strategies to be deployed and established the related initiatives and actions to be taken to achieve the expected objectives, the review and revision phase entails reviewing the changes being made and any related risks, adjusting initiatives in the light of performance deviations and revisiting planned strategies, if necessary.
In particular, the substantial internal and external changes to be identified to allow the Company's Senior Management and the structure to correctly implement the principle outlined in the Co.SO Framework, include, for example:

a) rapid growth/expansion;
b) technological innovation;
c) business changes;
d) changes in the legislative, economic and market context.

In response to said potential changes, the aspects to be considered for correctly implementing the Co.SO Framework principle are:

a) company strategy and objectives: review of its strategy or reconsideration of alternative strategies previously ruled out or the identification of new ones;
b) company culture: review of its culture and informed assessment of risk-based conduct;
c) risk assessment and prioritisation: updating of the assessment of significant risks in response to a change in the company context or the availability of new data;
d) risk response: modification of responses to risk in line with the performance targets and expected risk profile, in the event of deviations.

In the Group, the review and revision process is closely linked with the next item of the Co.SO. Information, communication and reporting, whose contents are described below.

- *Information, communication and reporting*

The sharing and timely dissemination of information within the organisation is key to good internal control. The systems and technologies in place are useful for both communicating risks, in terms of uncertainties and opportunities, and retrieving, processing, managing, and producing reports on risks.
The "Information, communication and reporting" process is a collection of activities aimed at providing the Company's Senior Management and the Board of Directors with the necessary news and data to ascertain the correct continuation of the strategy defined.
To this end, the Company relies on the approach underlying the planning, budgeting and periodic reporting process (e.g. Tableau de Board/monthly Report), which is implemented across the main organisation levels and is traced back to the Company's Senior Management.
Moreover, this approach relates to the activities aimed at constantly checking over time the quality of the Internal Control System.
At the same time, at the end of the Risk Analysis and during the implementation of each annual Audit Plan, the Internal Audit Function checks the quality level of the Internal Control System, including following completion of the implementation of preventive/corrective measures assigned to the various company contact persons.
This approach leads to a periodical summary from IA which, at least once a year and with the participation and agreement of the CEO, provides the Board of Directors with an assessment of the extent to which the internal control system has lived up to the expectations of

"sound governance". Similar reporting is drawn up by the Internal Audit Function for the Board of Statutory Auditors, the Supervisory Body and the External Auditor.

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15. Outlook

The expected profitability for financial year 2024 will reflect all the economies of scale and cost effectiveness to be achieved by the Group.
The Russian-Ukrainian conflict and other situations of tension around the world have triggered instability in the energy markets and nervousness on the financial markets, the effects of which are still unfolding.
Nonetheless, during the year, the Group did not experience any real difficulty in procuring the materials required for its operations, despite a general increase in the prices of products and services. Therefore, no issues seem to lie ahead that may cause the Group's business to falter in financial year 2024.

In particular, the 2i Rete Gas Group plans to take actions with a view to:

- continuing efforts to prevent injuries at work while improving work quality and safety in the performance of all work activities;
- Guaranteeing the Company's positioning and taking steps, at the appropriate stages, to ensure that the positioning of the entire industry is increasingly geared towards the themes of energy transition, by working hard to ensure an efficient network that is ready to receive the low carbon gases that will be transported;
- placing, generally speaking, a stronger focus on the approach to environmental, social and governance issues by constantly renewing its sustainability policy and constantly updating the Sustainability Plan approved in past years so that meaningful results may be achieved at all times on the material issues identified;
- continuing to improve its local foothold, operating with ever increasing effectiveness where it has a presence;
- concentrating resources on the highest value-added network operations, by relying on increasingly focused and specialised operational units;
- leveraging the gas distribution infrastructure to allow the largest number of prospects to connect to the network and use natural gas – currently the fossil fuel with the lowest environmental impact featuring a flexible and easily scalable use – while promoting the use and injection in the network of renewable fuels such as biomethane and, in the future, methane gas and hydrogen blends.

16. Key figures of the Parent Company

An overview of the result of operations and financial position for the year is provided in the schedules below, which were prepared by reclassifying the figures in the Profit and Loss Account and Statement of Financial Position, respectively, based on operational criteria, in accordance with international practices.

16.1 Reclassified Profit and Loss Account

Millions of euro	**31.12.2023**	**31.12.2022**	**2023 - 2022**
Revenue	**1,148.8**	**1,044.3**	**104.5**
Transport and sale of methane gas and LPG	739.1	651.5	87.6
Connection fees and accessory rights	16.0	16.6	(0.6)
Other sales and services	27.6	27.3	0.3
Revenue from intangible assets / assets under development	332.3	312.9	19.4
Other revenue	33.8	35.9	(2.1)
Operating costs	**(602.6)**	**(544.0)**	**(58.6)**
Labour cost	(138.9)	(123.2)	(15.7)
Raw materials and inventories	(56.6)	(45.2)	(11.4)
Services	(361.3)	(349.9)	(11.4)
Other costs	(22.4)	(13.1)	(9.3)
Allocations to provisions for risks and charges	(23.4)	(12.6)	(10.8)
EBITDA	**546.3**	**500.3**	**46.0**
Amortisation, depreciation and write-downs	**(230.3)**	**(211.7)**	**(18.6)**
Amortisation, depreciation and impairment losses	(230.3)	(211.7)	(18.6)
EBIT	**316.0**	**288.6**	**27.4**
Net financial income/(expenses) and income/(expenses) from equity investments	(64.5)	(56.9)	(7.6)
Profit before tax	**251.5**	**231.8**	**19.8**
Income taxes for the year	(70.5)	(64.6)	(5.9)
Profit/(loss) from continuing operations	**181.1**	**167.2**	**13.9**
Net profit/(loss) for the year	**181.1**	**167.2**	**13.9**

16.2 Reclassified Statement of Financial Position

Millions of euro	31.12.2023	31.12.2022	2023 - 2022
	A	B	A-B
Net fixed assets	**4,405.3**	**4,411.0**	**(5.8)**
Property, plant and equipment	25.7	27.0	(1.2)
IFRS 16 right-of-use assets	24.1	26.1	(2.0)
Intangible assets	4,659.7	4,540.8	118.9
Equity investments	18.0	24.6	(6.6)
Other non-current assets	23.9	33.2	(9.4)
Other non-current liabilities	(346.1)	(344.4)	(1.7)
Fair value of derivatives	-	103.7	(103.7)
Net working capital:	**177.3**	**44.7**	**132.6**
Inventories	23.3	18.2	5.1
Trade receivables from third parties and the Group	200.0	56.0	144.0
Net receivables/(payables) for income taxes	(13.5)	12.3	(25.8)
Other current assets	309.0	539.3	(230.2)
Trade payables to third parties and the Group	(213.3)	(439.8)	226.5
Other current liabilities	(128.3)	(141.3)	13.1
Gross invested capital	**4,582.5**	**4,455.7**	**126.8**
Other provisions	**(8.4)**	**(11.3)**	**2.9**
Post-employment and other employee benefits	28.6	30.2	(1.6)
Provisions for risks and charges	90.2	71.9	18.3
Net deferred taxes	(127.2)	(113.5)	(13.8)
Net invested capital	**4,591.0**	**4,467.0**	**123.9**
Assets held for sale	**0.0**	**1.7**	**(1.7)**
Liabilities held for sale	**-**	**0.2**	**(0.2)**
Equity	**1,354.8**	**1,291.2**	**63.5**
Net Financial Position	**3,236.2**	**3,177.3**	**58.9**

17. Reconciliation of Equity and Net Profit/(Loss) for the year

Below is the reconciliation of movements in equity and net profit/(loss) for the year as reflected in the financial statements of 2i Rete Gas S.p.A. for the year ended 31 December 2023 and the corresponding figures shown in the consolidated financial statements:

Thousands of euro	Profit/(loss) for the year recognised in the profit and loss account at 31 December 2023	Equity at 31.12.2023
Separate financial statements of 2i Rete Gas S.p.A.	181,079	1,354,753
Surplus of equity from financial statements of subsidiaries used for the purposes of consolidation, compared to the carrying values of the equity investments in subsidiaries	1,136	5,982
Consolidation adjustments for:		
Valuation of equity investments with the equity method	(143)	173
Intercompany margins	(9)	(297)
Deferred and prepaid taxes	3	97
Consolidated financial statements of 2i Rete Gas S.p.A.	182,066	1,360,708
Non-controlling interests	**5**	**(1,824)**
Consolidated financial statements of 2i Rete Gas S.p.A. - owners of the Parent	**182,071**	**1,358,883**

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

IV Consolidated financial statements of the 2i Rete Gas Group

18. Profit and Loss Account

Thousands of euro	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
Revenue					
Revenue from sales and services	5.a	783,470	-	694,682	-
Other revenue	5.b	32,595	76	36,894	99
Revenue from intangible assets / assets under development	5.c	336,572	-	320,538	-
Sub-total		**1,152,637**		**1,052,115**	
Costs					
Raw materials and consumables	6.a	57,082	-	45,521	-
Services	6.b	358,219	3,691	348,827	5,972
Labourt cost	6.c	138,906	2,713	123,177	2,304
Amortisation, depreciation and impairment losses	6.d	232,232	-	213,447	-
Other operating costs	6.e	48,563	424	29,738	340
Capitalised costs for internal work	6.f	(1,126)	-	(894)	-
Sub-total		**833,875**		**759,816**	
EBIT		**318,762**		**292,299**	
Income/(expenses) from equity investments	7	(113)	(113)	37	38
Financial income	8	6,640	39	1,290	29
Financial expenses	8	(72,256)	-	(58,657)	-
Sub-total		**(65,729)**		**(57,330)**	
Profit/(loss) before tax		**253,033**		**234,969**	
Taxes	9	70,967	-	65,493	-
Profit/(loss) from continuing operations		**182,066**		**169,476**	
Profit/(loss) from discontinued operations	10	**-**		**-**	
NET PROFIT/(LOSS) FOR THE YEAR		**182,066**		**169,476**	
Net profit/(loss) for the year attributable to:					
- Owners of the Parent		182,071		169,815	
- Non-controlling interests		(5)		(339)	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

19. Statement of Comprehensive Income

Thousands of euro	31.12.2023	31.12.2022
Net profit/(loss) recognised in the profit and loss account	**182,066**	**169,476**
- Net profit/(loss) attributable to owners of the Parent	182,071	169,815
- Net profit/(loss) attributable to non-controlling interests	(5)	(339)
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities/assets for defined benefits - owners of the Parent	(490)	3,500
Deferred tax assets and liabilities on items which will never be classified under profit/(loss) - owners of the Parent	712	(983)
	222	2,517
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives - owners of the Parent	(7,604)	113,874
Change in fair value of hedging derivatives reclassified in profit for the year - owners of the Parent	(6,707)	(1,235)
Change in fair value of hedging derivatives (tax effect) - owners of the Parent	1,825	(27,330)
Change in fair value of hedging derivatives reclassified in profit for the year (tax effect) - owners of the Parent	1,610	296
	(10,877)	85,606
Total other comprehensive income	**(10,655)**	**88,123**
Total comprehensive income	**171,411**	**257,599**
Total comprehensive income attributable to:		
- Owners of the Parent	171,416	257,938
- Non-controlling interests	(5)	(339)

Earnings per share: 0.4711 euro

Diluted earnings per share: 0.4711 euro

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

20. Statement of Financial Position

Assets

Thousands of euro	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	37,054	-	38,082	-
IFRS 16 right-of-use assets	12	24,058	-	26,073	-
Intangible assets	13	4,706,595	-	4,584,357	-
Net deferred tax assets	14	128,308	-	114,910	-
Equity investments	15	3,833	3,710	3,706	3,584
Non-current financial assets	16	12,768	-	116,660	-
Other non-current assets	17	23,906	-	33,290	-
	Total	**4,936,522**		**4,917,077**	
Current assets					
Inventories	18	23,849	-	18,852	-
Trade receivables	19	197,365	42	55,433	72
Short-term financial receivables	20	2,853	1,350	2,822	960
Other current financial assets	21	4,249	20	489	6
Cash and cash equivalents	22	324,901	-	46,038	-
Income tax receivables	23	3,059	-	13,717	-
Other current assets	24	313,553	-	547,451	-
	Total	**869,830**		**684,802**	
Non-current assets (or assets included in disposal groups) held for sale					
Non-current assets (or assets included in disposal groups) held for sale	25	12	-	1,703	-
	Total	**12**		**1,703**	
TOTAL ASSETS		**5,806,364**		**5,603,582**	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

Liabilities

Thousands of euro	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
EQUITY AND LIABILITIES					
Equity - Owners of the Parent	26				
Share capital		3,639	-	3,639	-
Treasury Shares		-	-	-	-
Other Reserves		600,732	-	607,275	-
Retained earnings/(accumulated losses)		572,442	-	517,750	-
Net profit/(loss) for the year		182,071	-	169,815	-
Total equity - Owners of the Parent		**1,358,883**		**1,298,479**	
Equity - non-controlling interests					
Non-controlling interests		1,829	-	2,168	-
Net profit/(loss) for the year - non-controlling interests		(5)	-	(339)	-
Total equity - non-controlling interests		**1,824**		**1,829**	
TOTAL EQUITY		**1,360,708**		**1,300,308**	
Non-current liabilities					
Long-term loans	27	3,036,295	-	3,086,998	-
Post-employment and other employee benefits	28	28,609	-	30,207	-
Provision for risks and charges	29	10,842	-	10,486	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	-	-	-	-
Non-current IFRS 16 financial liabilities	31	16,361	-	18,811	-
Other non-current liabilities	32	355,352	-	353,854	-
	Total	**3,447,459**		**3,500,356**	
Current liabilities					
Short-term loans	33	-	-	-	-
Current portion of long-term loans	34	507,437	-	118,147	-
Current portion of long-term and short-term provisions	35	81,471	-	65,001	-
Trade payables	36	222,807	7,417	448,994	6,850
Income tax payables	37	16,473	-	1,221	-
Current financial liabilities	38	32,651	-	19,611	-
Current IFRS 16 financial liabilities	39	7,303	-	6,660	-
Other current liabilities	40	130,056	11	143,054	10
	Total	**998,197**		**802,688**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	-	-	230	-
	Total	**-**		**230**	
TOTAL LIABILITIES		**4,445,656**		**4,303,274**	
TOTAL EQUITY AND LIABILITIES		**5,806,364**		**5,603,582**	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

21. Statement of Cash Flows

Thousands of euro		31.12.2023	31.12.2022
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**46,038**	**442,956**
Cash flow from operating activities			
Profit/(loss) before tax		253,033	234,969
Taxes	9	(70,967)	(65,493)
1. Net profit/(loss) for the period		**182,066**	**169,476**
Adjustments for:			
Amortisation/depreciation	6.d	233,055	214,157
Impairment/(Reversals)/(Releases)	6.d	(823)	(711)
Capital (gains)/losses	5.b/6.e	13,435	5,754
Allocations to provisions for risks and charges and post-employment benefits		37,012	21,802
Financial (income)/expenses	7 and 8	65,729	57,330
2. Total adjustments		**348,407**	**298,332**
Change in net working capital			
Inventories	18	(4,997)	1,198
Trade receivables	19	(141,094)	168,267
Trade payables	36	(226,188)	229,776
Other current assets	24	233,898	(332,462)
Other current liabilities	40	(13,010)	(61,121)
Net tax receivables/(payables)	23 and 37	25,910	(12,672)
Increase/(decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(13,005)	(17,621)
Increase/(decrease) in provisions for deferred tax assets and liabilities	14	(9,251)	2,731
Other non-current assets	17	9,368	7,037
Other non-current liabilities	32	1,287	14,460
Financial income/(expenses) other than for financing	8	(1,071)	148
3. Total change in net working capital		**(138,150)**	**(261)**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**392,323**	**467,548**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(367,682)	(653,256)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	(239)	0
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(367,922)**	**(653,256)**
D) FREE CASH FLOW (B+C)		**24,401**	**(185,708)**
Cash flow from financing activities			
Dividend payout		(111,011)	(105,008)
Change in amortised cost	16, 27 and 34	(5,439)	2,309
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(6,707)	(1,235)
Financial income for financing activities	8	4,533	562
Financial (expenses) for financing activities	8	(69,078)	(58,078)
Receipts from debenture loan issues	27	550,000	0
Debenture loan settlements	27 and 33	(87,688)	(22,607)
Change in short-term and long-term financial debt	27 and 33	(118,182)	(18,182)
Change in other non-current financial assets	16	96,183	(64)
Change in other financial receivables	20 and 21	(3,791)	(1,271)
Change in IFRS 16 financial leases	31, 39 and 11	(7,398)	(7,239)
Change in other financial payables	38	13,040	(399)
E) CASH FLOW FROM FINANCING ACTIVITIES		**254,462**	**(211,210)**
F) CASH FLOW FOR THE PERIOD (D+E)		**278,864**	**(396,918)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**324,901**	**46,038**

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

22. Statement of Changes in Equity

	Share capital and reserves									
Thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings/(accumulated losses)	Profit/(loss) for the year	**Total - Owners of the Parent**	**Total - Non-controlling interests**	**Total consolidated equity**
Total 31 December 2021	**3,639**	**286,546**	**728**	**(1,194)**	**233,072**	**411,830**	**210,927**	**1,145,548**	**2,168**	**1,147,716**
Allocation of profit/(loss) for 2021:										
Breakdown of profit/(loss)	-	-	-	-	-	105,919	(105,919)	-	-	-
- Dividend payout	-	-	-	-	-	-	(105,008)	**(105,008)**	-	**(105,008)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(105,008)***	-	***(105,008)***
- Change in IAS reserves	-	-	-	85,606	2,517	-	-	**88,123**	-	**88,123**
- Profit/(loss) for the year recognised in profit and loss account	-	-	-	-	-	-	169,815	**169,815**	(339)	**169,476**
Total 31 December 2022	**3,639**	**286,546**	**728**	**84,412**	**235,589**	**517,750**	**169,815**	**1,298,479**	**1,829**	**1,300,308**
Allocation of profit/(loss) for 2022:										
Breakdown of profit/(loss)	-	-	-	-	-	58,804	(58,804)	-	-	-
- Dividend payout	-	-	-	-	-	-	(111,011)	**(111,011)**	-	**(111,011)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(111,011)***	-	***(111,011)***
- Other changes	-	-	-	-	4,111	(4,111)	-	-	-	-
- Change in IAS reserves	-	-	-	(10,877)	222	0	-	**(10,655)**	(0)	**(10,655)**
- Profit/(loss) for the year recognised in profit and loss account	-	-	-	-	-	-	182,071	**182,071**	(5)	**182,066**
Total 31 December 2023	**3,639**	**286,546**	**728**	**73,535**	**239,922**	**572,442**	**182,071**	**1,358,883**	**1,824**	**1,360,708**

2i Rete Gas S.p.A

The Chief Executive Officer

Francesco Forleo

23. Notes to the Consolidated Financial Statements

Format and contents of the Financial Statements

The 2i Rete Gas Group operates in the gas distribution sector. The Parent Company 2i Rete Gas S.p.A. is a joint stock company, and is based in Milan, Via Alberico Albricci, 10.

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

- North-West Department - Via Gazzoletto, 16/18 - 26100 Cremona (CR)
- North Department – Via Francesco Rismondo, 14 – 21049 Tradate (VA)
- North-East Department - Via Serassi, 17/Rs - 24124 Bergamo (BG)
- Centre Department – Via Morettini, 39 – 06128 Perugia (PG)
- South-West Department – Via Boscofangone snc – 80035 Nola (CE)
- South-East Department – Via Enrico Mattei – 72100 Brindisi (BR)

On 22 March 2024 the Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements, which were made available to the Shareholders within the terms set forth in art. 2429 of the Italian Civil Code.
For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 22 March 2024.
These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Board (IASB), as endorsed by the European Union pursuant to EC Regulation No. 1606/2002 and effective at the end of the year, and the related SIC/IFRIC interpretations issued by the Interpretation Committee, in force at the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

These consolidated financial statements have been drawn up using a standard application of the accounting standards set out below for all the years shown.

Basis of presentation

The consolidated financial statements consist of the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes.
The assets and liabilities reported in the Statement of Financial Position are classified on a "current/non-current"

basis, separately disclosing the assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those intended to be realised, sold or used during the Group's normal operating cycle or in the twelve months following the reporting period; current liabilities are those expected to be settled during the Group's normal operating cycle or in the twelve months following the reporting period.
Items in the Profit and Loss Account are classified based on the nature of costs, while the Statement of Cash Flows is presented using the indirect method.
The consolidated financial statements are presented in euro (the functional currency) and the values shown in the notes are expressed in thousands of euro, unless otherwise stated.
The consolidated financial statements have been prepared using the historical cost method, except for those items which, in accordance with the IFRS-EU, are measured at fair value, as indicated in the valuation criteria for the individual items.
These consolidated financial statements have been prepared on a going-concern basis, as set out in greater detail in the Directors' Report.

Consolidation criteria

The consolidated financial statements are prepared consolidating the data of the Parent Company and of the investee companies it controls, directly or indirectly, on a line-by-line basis. Control exists when the Group is exposed to variable returns arising from its relationship with the Company, or has rights over such returns, and at the same time has the ability to affect them by exercising its power over the Company. The financial statements of subsidiaries are included in the consolidated financial statements from when the Parent Company starts to exercise control until the date when such control ends.
The Group accounts for business combinations by applying the acquisition method on the date when it effectively obtains control of the purchased company. In this regard, reference should be made to the section "Business combinations" below.
Third-party equity investments are valued in proportion to the related share of net identifiable assets of the purchased company at the acquisition date. The changes in the Group's stake in a subsidiary which do not entail loss of control are recognised as transactions among shareholders in their role as shareholders.
In the case of loss of control, the Group derecognises the subsidiary's assets and liabilities, any third-party equity investments and other equity items relating to the subsidiaries. The profit or loss deriving from the loss of control is

recognised in profit or loss. Any residual equity investment held in the former subsidiary is measured at the fair value at the date of loss of control.
In drawing up the consolidated financial statements, debit and credit items are derecognised, as well as costs and revenue of all significant transactions among the companies included in the scope of consolidation. Unrealised profits, as well as capital gains and losses arising from transactions among Group companies, are also derecognised.

Use of estimates

Preparing the financial statements under the IFRS-EU requires the use of estimates and assumptions which impact the values of assets and liabilities and disclosure on contingent assets and liabilities at the reporting date, as well as on total revenue and costs in the reporting period. The estimates and related assumptions are based on previous experience and other factors considered reasonable in the circumstances. They are adopted when the carrying amount of financial statement items cannot be easily deduced from other sources. The actual results might therefore differ from these estimates.
The estimates and assumptions are periodically revised, and the effect of each change is reflected in profit or loss, should that revision relate only to the year in question. Should the revision relate to both current and future years, the change is recorded in the year in which it is carried out and in related future periods.

Revenue recognition

Revenue from gas transport is determined annually on the basis of the tariff regulation in force, which, as from 2009, sets forth the definition of the tariff revenue cap (known as VRT, Vincolo dei Ricavi Tariffari) which is allowed for each gas distribution company. On the basis of Resolution 570/2019/R/gas adopted at the end of 2019, parameters regulating the calculation of the VRT for the years from 2020 to 2025 (Fifth Regulatory Period) were defined.
The figure for revenue is accounted for in the invoicing of gas transport to sales companies and, to complement the VRT value, in the CSEA equalisation element.
Since it is necessary to base the VRT calculation on an asset recognition which is updated to the previous year, the Company must also estimate a growth rate for its average active Redelivery Points to enable the updating of the figure for the year just ended.
Therefore, the value indicated also includes an estimated element, whose impact is largely insignificant, connected to the increase in the average number of active Redelivery Points.
When the balance is calculated, the value of the VRT annually communicated by ARERA by means of a specific resolution may be subject to change depending on the actual average number of Redelivery Points served and invoiced.

Pensions and other post-employment benefits

Some company employees participate in pension plans which offer benefits based on salary history and years of service. In addition, some employees benefit from other post-employment benefit schemes.
The expenses and liabilities associated with these plans are calculated on the basis of estimates made by our actuarial consultants, who use a combination of statistical and actuarial elements, including statistics relating to past years and forecasts of future costs. Estimates are also made of death and withdrawal rates, assumptions on the future trend in discount rates, the rates of wage increases and trends in medical care costs.
These estimates can significantly differ from actual results, owing to changes in economic and market conditions, increases or decreases in withdrawal rates and the lifespan of participants, as well as changes in actual medical care costs. Such differences can have a substantial impact on the quantification of pension costs and other related charges.

Recoverability of non-current assets

The carrying amount of non-current assets and assets held for sale is periodically tested for impairment, and wherever circumstances or events suggest that more frequent testing is necessary.
Where the carrying amount of a group of fixed assets is considered to be impaired, it is written down to its recoverable value, as estimated on the basis of the use of the assets and their future disposal, in accordance with the Company's most recent plans.
The estimates of these recoverable values are considered to be reasonable, however possible changes in the estimation factors used to calculate the aforementioned recoverable values could produce different measurements. For further details on the means of carrying out the impairment test and its results, reference should be made to the specific section.

Disputes

The 2i Rete Gas Group is involved in various legal disputes relating mainly to labour cases and litigation with some concession-granting Authorities.
Given the nature of these disputes, it is not always objectively possible to foresee the final outcome of these proceedings, some of which could end with a negative outcome.
The estimate of the provisions is the result of a complex process which entails subjective assessments by management. The provisions for risks recorded in the financial statements have been estimated to cover all significant liabilities for cases where lawyers have noted a likely negative outcome and made a reasonable estimate of the amount of the loss.

Bad debt provision

This provision reflects the estimates of losses on the Company's receivables portfolio. Allocations have been made for forecast losses on receivables, estimated on the basis of past experience in reference to receivables with similar credit risk, current and historical unpaid amounts, write-offs and receipts as well as careful monitoring of the quality of the receivables portfolio and the current and forecast state of the economy and key markets.
Although the provision allocated is adequate, the use of different assumptions or a change in economic circumstances could result in changes to the bad debt provision and, therefore, have an impact on profits.
The estimates and assumptions are periodically revised, and the impact of each change is reflected in profit or loss in the relevant year.

Equity investments in associates and companies subject to joint control

Equity investments in associates are those in which the 2i Rete Gas Group has considerable influence over the financial and operational policies, although not holding control or joint control.
Companies subject to joint control or joint ventures are companies where the Group, by virtue of an agreement, claims rights over net assets.
Equity investments in associates and in joint ventures are initially recognised at cost and subsequently recognised on an equity basis. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of profits or losses of the investee companies accounted for using the equity method, until the date on which said considerable influence or joint control ends.

Business combinations

Business combinations subsequent to 1 January 2010 are recognised using the acquisition method envisaged by IFRS 3 (Revised). The identifiable assets acquired and the liabilities assumed are measured at their respective fair values at the acquisition date. Any surplus in the purchase cost over the fair value of the net assets acquired is accounted for as goodwill or, if a deficit, recognised in profit or loss. The carrying value of any goodwill is subject to annual impairment testing in order to identify any impairment.
Should it be possible to determine the fair value of the assets, liabilities and identifiable contingent liabilities only provisionally, the business combination is recognised using these provisional values. Any adjustment arising from the completion of the valuation process is recognised within 12 months of the acquisition date.
Transaction costs, other than those relating to the issue of debt securities and equity, which are incurred by the Group to make a business combination, are recognised as operating costs when incurred.

Combinations of entities under common control

Business combinations under which the participating companies are definitively controlled by the same company or companies both before and after the combination, and this control is not temporary, are regarded as "under common control" transactions.
These transactions are not regulated by IFRS 3 or by other IFRSs. In the absence of a relevant international accounting standard, in compliance with the principle of prudence which entails application of the criterion of continuity of values for the net assets acquired, the Group has opted to recognise assets and liabilities from any combinations of entities under common control at the carrying value which these assets and liabilities had in the financial statements of the seller/acquiree or in the consolidated financial statements of the common controlling entity. Where the transfer values are higher than the historical values, the surplus is eliminated by writing down the Group's equity.

Property, plant and equipment

In compliance with IFRIC 12, effective as from 1 January 2010, the Group analysed its outstanding concessions at 31 December 2010 and made changes to the accounting treatment of fixed assets. As specified in greater detail below, following application of IFRIC 12, some fixed assets which were previously considered as tangible are now reclassified as intangible.

Property, plant and equipment not relating to gas distribution concessions are recognised at historical cost, including directly attributable ancillary costs necessary for the asset to be ready; subject to any legal or implicit obligations, the cost may be increased by the present value of the cost estimated for the dismantling and removal of the asset. The corresponding liability is recognised in liabilities under a specific provision for future risks and charges. Currently, no liability linked to the dismantling and removal of assets is recognised, since there are no legal or implicit obligations which justify such recognition.
The purchase or production cost includes the financial expenses relating to loans connected to the purchase of tangible assets, exclusively when a significant period of time must elapse before the asset is ready for use and when the loans directly attributable to the purchase or construction of the asset are identifiable.
Some assets, which were revalued at the date of transition to the IFRS-EU or in previous periods, have been recognised on the basis of the revalued cost, considered as deemed cost.

Should significant parts of individual tangible assets have different useful lives, the identified components are recognised and depreciated separately.
The costs incurred subsequent to the purchase are recognised as an increase in the carrying amount of the asset to which they refer, when it is

probable that future economic benefits deriving from the cost will flow to the Group and the cost of the item can be reliably determined. All other costs are recognised in profit or loss in the year in which they are incurred.
The cost of replacing part or all of an asset is recognised as an increase in the value of the asset to which it refers and is depreciated over its residual useful life; the net carrying amount of the replaced unit is recognised in profit or loss, with recognition of any capital loss.
Property, plant and equipment are recognised net of accumulated depreciation and any impairment losses, determined as set out below.

Depreciation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed annually; any changes are applied on a prospective basis. Depreciation begins when the asset is ready for use.

The estimated useful life of the main tangible assets is as follows:

Asset description	Useful Life
Land	-
Non-industrial buildings	50
Industrial buildings	50
Miscellaneous equipment and concentrators	8, 10, 15, 20
Office furniture and equipment	5, 8, 33, 10
Electronic devices	5
Vehicles	5
Cars	4, 5
Other	4, 5, 15

Land, both unbuilt and with industrial and non-industrial buildings, is not depreciated as it has an indefinite useful life, except for the land which is transferred for free at the end of the concession.

Intangible assets

As noted above, in compliance with IFRIC 12, effective as from 1 January 2010, the Group analysed its outstanding concessions at 31 December 2010 and made changes to the accounting treatment of fixed assets. In particular, since the Group is subject to demand risk, the accounting treatment which it considered correct to apply is that of intangible assets: all the proprietary infrastructure obtained under a concession contract is no longer recognised as tangible assets but classified as intangible assets.

Intangible assets are measured at purchase or internal production cost, when it is likely that the use of such assets will generate future economic benefits and the related cost can be reliably determined.
The cost includes directly attributable ancillary expenses necessary to make the assets ready for use. The cost includes the financial expenses relating to the loans connected to the purchase of intangible assets, exclusively when a significant period of time must elapse before the asset is ready for use and when the loans directly attributable to the purchase or construction of the asset are identifiable.

Intangible assets which have a finite useful life are recognised net of accumulated amortisation and any impairment losses, determined as follows.
Amortisation is calculated on a straight-line basis over the asset's estimated useful life, which is reviewed at least annually; any changes are applied on a prospective basis.

Amortisation begins when the intangible asset is ready for use.
The estimated useful life of the main intangible assets is as follows:

Description	Useful Life
Intellectual property rights	3, 5, 20 years
Concessions	concession life (*) (**)
Licences, trademarks and similar rights	3, 5, 20 years
Goodwill	indefinite, subject to impairment testing
Other	3 -5 - 7 - 10 - 20 - 50 years - useful life of contract

(*) Amortisation is calculated based on the realisable value estimated at the end of the concession life, where applicable. In case of concessions expired at the end of the reporting period and whose expiration date has been postponed, the residual value is reviewed taking into account the relevant expiration postponement.

(**) With the locations acquired through ATEM tenders, the useful lives specifically provided for in the tariff regulation were applied, taking into account any remaining useful life.

Intangible assets which have an indefinite useful life are not systematically amortised but undergo at least an annual check for recoverability (impairment test).
As for concessions, the 2i Rete Gas Group holds the concession for the gas distribution service assigned by tender for a maximum period of 12 years by local authorities (municipalities, municipality groups and mountain communities). Through service agreements, local authorities can set the terms and conditions for the distribution service, as well as the quality levels to be achieved. The concessions are allocated on the basis of the financial conditions, quality and safety standards, investment plans and the technical and managerial capabilities offered.
As in the previous Report, it should be highlighted that a significant number of concessions managed by the 2i Rete Gas Group for gas distribution were terminated on the basis of their natural or ope legis expiry at 31 December 2010.
It is noted that since the publication of Legislative Decree no. 93/11 on 29 June 2011, local authorities may only initiate new tenders within the terms set forth in the "Ambit" and "Criteria" decrees issued in 2011. For this reason only those local authorities that have initiated the tender procedure for the surrender of the gas distribution concession prior to the publication of Legislative Decree no. 93/11 may proceed with said tender. In all other cases, tenders are suspended until municipalities are ready to call them on a territorial basis. In the meantime, the 2i Rete Gas Group is continuing with the management of the network in the same way as prior to the expiry.
Should the concession not be reassigned to the Group, the Group would have the right to compensation equal to the industrial value of the assets used for the concession determined in accordance with the relevant laws.

IFRS 16 right-of-use assets

IFRS 16 right-of-use assets are fixed assets reflected in the financial statements as of 1 January 2019 following first-time adoption of the standard in question.
This standard provides the lessee with a single accounting model requiring the recognition of assets and liabilities for all leases.
The lessee must recognise the leased asset under tangible assets and at the same time recognise financial liabilities equal to the current value of future payments. The only admitted exceptions are short-term leasing (for 12 months or less) and the leasing of "small assets" (e.g. office furniture, PCs) for which accounting treatment is

similar to that currently adopted for operating leases.
In the mapping carried out, three main cases were identified which are of interest in the Group's contracts:
- Vehicle hire
- Property lease
- ICT services entailing exclusive use of the underlying assets

The Group organised and categorised these contracts, recording the relevant clauses for the purposes of IFRS 16 accounting, as well as establishing an incremental borrowing rate curve, which mirrors the real rate to which the Group would be subject in case of use of capital markets.

Impairment losses

Tangible and intangible assets are reviewed at least once a year to determine whether there is evidence of impairment. If such evidence exists, their recoverable amount is estimated.
The recoverable amount of goodwill and intangible assets with an indefinite useful life, if any, as well as that of intangible assets not yet available for use, is estimated at least annually.
For an asset which does not generate fully independent cash flows, including goodwill, the recoverable value is determined in relation to the "cash generating unit" (CGU) to which this asset belongs.
In this regard, please note that the Group as a whole is considered to be a CGU.
The recoverable amount is the higher of an asset's fair value, net of disposal costs, and its value in use.
In determining the value in use, the expected future cash flows are discounted using a discount rate which reflects the current market valuations of the cost of funding in relation to the timing and specific risks of the business.
An impairment is recognised in profit or loss if the carrying amount of an asset, or of the CGU to which it is allocated, is higher than its recoverable amount.
Impairment of a CGU is first charged against the carrying amount of any goodwill allocated to the CGU, then proportionally to reduce the other assets which make up the CGU.
Impairment losses are reversed if the impairment has been reduced or is no longer present or there has been a change in the assumptions used to determine the recoverable amount.
Impairment of goodwill can never be reversed in future years.

Inventories

Inventories are measured at the lower of cost and the net realisable value. The weighted average cost method is used, which includes relevant ancillary expenses. The net realisable value is the sale price estimated in normal business operations, net of the costs estimated for the sale or, where applicable, the replacement cost.

Financial instruments

The initial recognition of non-derivative financial assets and liabilities takes place, for loans, receivables and debt securities issued, at the moment when they originated, while for all the other financial assets and liabilities it takes place on the trading date.

Financial assets are derecognised when: i) the contractual rights to receive cash flows end; ii) when the Group has maintained the right to receive cash flows from the asset, but has taken on the contractual obligation to pay them in full without any delay to a third party; or iii) when the Group has transferred the right to receive cash flows from the asset and has substantially transferred all the risks and benefits of ownership of the financial asset, or has transferred control over the financial asset.

Any residual involvement in the transferred asset which is originated or maintained by the Group is recorded as a separate asset or liability.

The Group derecognises a financial liability when the obligation specified in the contract is fulfilled or cancelled or has expired.

Fair Value hierarchy under IFRS 13

In accordance with IFRS 13, assets and liabilities recognised at fair value in the consolidated financial statements are measured and classified based on the fair value hierarchy outlined by the standard, which consists of three levels based on the observability of the inputs to the corresponding valuation technique. Fair value hierarchy levels are based on the type of inputs used to determine fair value:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g. quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; market-corroborated inputs).

Level 3: unobservable data for the asset or liability, reflecting the assumptions that market participants should use in pricing the asset or liability, including the risk assumptions (of the model and the inputs used).

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire fair value measurement requires judgement, taking into account factors specific to the asset or liability.

A fair value measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the fair value hierarchy within which those inputs are categorised.

If an observable input requires an adjustment using unobservable inputs and that adjustment is material to the

measurement, the resulting measurement would be categorised within the same level as the lowest level input used.
The Group has implemented adequate controls to monitor all measurements, including those received from third parties. If those checks show that the measurement cannot be considered as market corroborated, the instrument must be categorised within Level 3.

Financial assets measured at fair value through profit or loss

This category includes any financial assets held for trading or measured at fair value through profit or loss at the time of initial recognition.
Such assets are initially recognised at their fair value. The attributable transaction costs are recognised in profit or loss when they are incurred. Profit and losses from subsequent changes in their fair value are recognised in profit or loss.

Financial assets held to maturity

This category includes non-derivative financial instruments quoted in an active market that do not represent equity investments, which the Company can and intends to hold until maturity. They are initially recognised at fair value, including any transaction costs; subsequently, they are measured at amortised cost using the effective interest rate method, net of impairment (if any).
Any impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate.

Loans and receivables

This category includes financial and trade receivables, including non-derivative debt securities, with fixed or determinable payments, that are not quoted on an active market and that the Group does not originally intend to sell.
At first, such assets are recognised at fair value, adjusted for any transaction costs, and subsequently measured at amortised cost using the effective interest rate method, adjusted for any impairment losses. Any impairment losses are calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows, discounted on the basis of the original effective interest rate.
Trade receivables falling due in line with generally accepted trade conditions are not discounted.
Receivables relating to EECs refer to contributions which will be awarded by the Cassa per i Servizi Energetici e Ambientali (Fund for Energy and Environmental Services) for certificates in the 2i Rete Gas Group's portfolio.
Receivables in general have been derecognised, since the right to receive the respective cash flows has been stopped when all the risks and benefits relating to the holding of credit have been substantially transferred or if the credit is deemed to be definitively uncollectable after all necessary recovery procedures have been completed. When the credit is cancelled, the relative provision is also eliminated if the

credit had previously been written down.

Financial assets available for sale

This category includes debt securities, equity investments in other entities (if classified as "available for sale") and financial assets that cannot be classified in other categories. Such assets are initially recognised at fair value increased by any transaction costs. After initial recognition, these instruments are measured at fair value against the other comprehensive income.
At the time of sale, retained earnings and accumulated losses are reclassified from other comprehensive income to profit or loss.
Where there is objective evidence that such assets have suffered an impairment loss, the accumulated loss is recognised in profit or loss. Such impairment losses, which cannot be subsequently reversed, are calculated as the difference between the carrying amount of the asset and the present value of future cash flows, discounted at the market interest rate for similar financial assets.
When the fair value cannot be reliably determined, these assets are recognised at cost adjusted for any impairment losses.

Cash and cash equivalents

This category is used to record cash and cash equivalents that are available on demand or at very short term, clear successfully and do not incur collection costs.
For the statement of cash flows, cash and cash equivalents comprise bank and post office deposits and cash in hand.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost. Trade payables falling due in line with generally accepted trade conditions are not discounted.

Financial liabilities

Financial liabilities other than derivatives are initially recognised at fair value at the settlement date, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method.

Derivatives

Derivatives, if any, are recognised at fair value and are designated as hedging instruments when the relationship between the derivative financial instrument and the hedged item is formally documented and the effectiveness of the hedge is high (based on a periodic assessment).
Recognition of the result of measurement at fair value depends on the type of hedge accounting adopted.
When the derivatives are used to hedge the risk of changes in the fair value of hedged assets or liabilities (fair value hedge), any changes in the fair value of the hedging instrument are recognised in profit or loss; likewise, adjustments to the fair values of the hedged assets

or liabilities are also recognised in profit or loss.
When the derivatives are used to hedge the risk of changes in cash flows of hedged items (cash flow hedge), the changes in the fair value that are considered effective are recognised in other comprehensive income, and presented in a specific equity reserve, and subsequently reclassified to profit or loss in line with the economic effects produced by the hedged transaction.

The ineffective portion of the fair value of the hedging instrument is recognised in profit or loss.
Changes in the fair value of derivatives that no longer qualify for hedge accounting under IFRS-EU are recognised in profit or loss.

The accounting for such instruments is done at the trading date.
Financial and non-financial contracts (where they have not already been measured at fair value) are assessed to determine whether they contain any embedded derivatives that need to be separated and measured at fair value. This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated so that it significantly changes the original associated cash flows.

Fair value is determined using the official prices for instruments traded on regulated markets. For instruments not traded on regulated markets, fair value is determined by discounting expected cash flows on the basis of the market interest rate curve at the end of the reporting period and translating amounts in currencies other than the euro at period-end exchange rates.

Employee benefits

Liabilities related to employee benefits paid upon or after leaving employment and in connection with defined benefit plans or other long-term benefits granted during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the end of the reporting period. The liability is recognised on an accrual basis over the vesting period of the related rights. These measurements are performed by independent actuaries. Following the adoption of IAS 19, the actuarial gains/losses that emerge following these measurements are immediately recognised in other comprehensive income.
Where the Group shows a demonstrable commitment, with a detailed formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognised as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Provisions for risks and charges

Allocations to provisions for risks and charges are recognised when, at the reporting date, there is a legal or implicit obligation towards third parties, as a result of a past event, the settlement of which is expected to result in an outflow of resources whose amount can be reliably estimated. Where the effect is significant, allocations are determined by discounting expected future cash flows using a pre-tax discount rate that reflects the current market value of the cost of funding in relation to timing and, if applicable, the specific risks of the obligation. If the amount is discounted, the periodic adjustment of the present value due to timing is recognised as a financial expense in profit or loss.

Contributions

Whether they are from public entities or third parties operating in the private sector, contributions are recognised at fair value when it is reasonably certain that they will be received and that the conditions for their recognition will be met.

Contributions received for specific expenditures are systematically recognised among other liabilities and taken to profit or loss over the period in which the related costs are incurred.

Public contributions (plant contributions) received for specific assets whose value is recognised among tangible and intangible assets are recognised among other liabilities and taken to profit or loss over the amortisation/depreciation period of the assets they refer to.

Private contributions (connection fees, including property subdivision contributions) are recognised in a specific liability item in the statement of financial position and taken to profit or loss in relation to the amortisation/depreciation period of the assets they refer to.

Revenues and Costs

Revenue is recognised using the following criteria depending on the type of transaction:

- revenue from the sale of assets is recognised when the significant risks and rewards of ownership of the assets sold are transferred to the buyer and their amount can be reliably determined and collected;

- revenue from gas transport is accrued on the basis of the tariffs and related restrictions contained in legal provisions and in the provisions of ARERA, in force during the reporting period. It is recalled that with the introduction of the new formula for recognising gas transport revenue adopted since 2009, with the entry into force of ARG/gas Resolution no. 159.08, largely re-confirmed with ARERA Resolutions 573/13,367/14 and 570/19, an equalisation mechanism was created to allow the revenue accruing to distribution companies to be counted as remuneration for invested capital and operating costs attributable to the gas distribution and metering service, regardless of the volumes distributed;

- revenue from the rendering of services is recognised in line with the stage of completion of the services. Should it not be possible to reliably determine the value of revenue, it is recognised up to the amount of the costs incurred and expected to be recovered.

Costs are recognised when they relate to goods and services sold or used in the year or allocated through systematic accrual when it is not possible to identify their future benefit.

Financial income and expenses

Financial income and expenses are recognised on an accrual basis in line with interest accrued on the net value of the related financial assets and liabilities using the effective interest rate method.

Dividends

Dividends from equity investments are recognised when the right of the shareholders to receive the dividend payment is established.
The dividends payable to third parties are recognised as a change in equity on the date on which they are approved by the Shareholders' Meeting.

Income taxes

Current income taxes for the year, recognised as "income tax payables" net of advances paid or as "income tax receivables" if the net balance is positive, are determined on the basis of the estimated taxable income and in accordance with the current fiscal regulations or the fiscal regulations essentially in force at the end of the reporting period.
Deferred tax liabilities and assets, which are set out in the tables as the net impact of the two items under assets, are calculated based on the temporary differences between the carrying amounts recorded in the financial statements and their corresponding values recognised for tax purposes by applying the tax rates effective on the date the temporary difference will be settled, based on the tax rates that are enacted or substantively enacted at the reporting date.
Deferred tax assets are recognised when recovery is likely, i.e. when sufficient future taxable income is expected to be available to recover the assets. Recoverability of deferred tax assets is re-examined at the end of each reporting period.
Taxes relating to components that are directly recognised in equity are also recognised in equity.

Discontinued operations and non-current assets held for sale

Non-current assets (or disposal groups) whose carrying amount will mainly be recovered through sale rather than ongoing use are classified as held for sale and shown separately from the other assets and liabilities in the Statement of financial position. These non-current assets (or disposal groups) are initially recognised according to the appropriate IAS/IFRS that is applicable to each asset and liability and subsequently at the lower of their

carrying amount and their fair value, less costs to sell. Any subsequent impairment loss is directly recognised against any non-current assets (or disposal groups) classified as held for sale and recognised through profit or loss. The relevant carrying amounts for the previous year are not reclassified.
A discontinued operation is a part of a business which has been sold or classified as held for sale and which:

- represents a significant branch or geographic area of activity;
- is part of a coordinated plan for the disposal of a significant branch or geographic area of activity, or
- is a subsidiary that was purchased only to be resold.

Results of discontinued operations, whether they have been sold or classified as held for sale and in the process of being sold, are recognised separately in profit or loss, net of tax effects. The corresponding values for the previous year, if any, are reclassified and recognised separately in profit or loss, net of tax effects, for comparative purposes.

Recently issued accounting standards

Pursuant to IAS 8, the following section "Accounting standards, amendments and interpretations applicable by the Group as from this year" sets out the main features of the amendments to the International Accounting Standards in force as from 1 January 2023 and of potential interest for the Group.

In the following sections, there is an indication of the accounting standards and interpretations which have already been issued, but not yet come into force, or which have not yet been endorsed by the European Union and are therefore not applicable for the drafting of the financial statements at 31 December 2023, the impact of which may be included as from the financial statements for subsequent years.

Endorsed accounting standards and interpretations in force from 1 January 2023

In compliance with IAS 8 "Accounting policies, changes in accounting estimates and errors", the IFRS in force from 1 January 2023 are indicated hereunder:

- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

These amendments provide guidance for applying materiality judgements to accounting policy disclosures in a way that is more useful. Specifically:

- the requirement to disclose "significant" accounting policies has been replaced by the requirement to disclose "material" accounting policies;
- guidance has been added on how to apply the concept of materiality to accounting standard disclosures.

When assessing materiality of disclosure on accounting policies, entities shall consider both the size of the transactions, other events or conditions and their nature.

- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

These amendments introduce a new definition of "accounting estimates", more clearly differentiating them from accounting policies, and provide guidance on whether changes should be treated as changes in estimates, changes in accounting policies or errors.

- Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

- IFRS 17 – Insurance Contracts and Amendments to IFRS 17 – Initial Application of IFRS 17 and IFRS 9—Comparative Information

IFRS 17, which replaces IFRS 4 "Insurance Contracts", defines how insurance contracts issued and reinsurance contracts held should be accounted for.
The amendments overcome one-off classification differences in comparative information from the previous year when IFRS 17 and IFRS 9 "Financial Instruments" were first applied. The optional classification overlay introduced by this amendment makes comparative information presented at the time of initial application of IFRS 17 and IFRS 9 more useful.

- Amendments to IAS 12 – Income Taxes - International Tax Reform – Pillar Two Model Rules

The amendments give companies temporary relief from accounting for deferred taxes arising from the application of new European tax rules ("GloBE rules"), for the implementation of the Global Minimum Tax, introduced by the Organisation for Economic Co-operation and Development (OECD). The OECD published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate.
The amendments will introduce:

- a temporary exception to the accounting for deferred taxes—and related disclosure—arising from jurisdictions implementing the global tax rules. This will help to ensure consistency in the financial statements while easing into the implementation of the rules; and

- targeted disclosure requirements, to help investors better understand a company's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

The Group's financial statements as at 31 December 2023 make use of the above temporary exception following the entry into force of Legislative Decree no. 209 of 27 December 2023. In consideration of the fact that the Company is part of a national group with consolidated turnover exceeding 750 million euro, it is evaluating the impact of the national minimum tax and implementing processes to apply the Pillar 2 provisions as from the 2024 tax period.

International accounting standards and/or interpretations issued but still not in force in 2023

As required by IAS 8 "Accounting policies, changes to accounting estimates and errors", shown below are the new standards or interpretations issued but still not in force or yet to be approved by the EU as at 31 December 2023 and, therefore, not applicable, and the foreseeable impacts on the Consolidated financial statements.

- Amendments to IAS 1 - Presentation of financial statements - Classification of liabilities as current or non-current

The amendments clarify the criteria to be applied in order to classify liabilities as current or non-current and specify that the classification of a liability is not affected by the probability that settlement of such liability will be deferred for 12 months after the reporting period. The Group's intention to settle the liability in the short term has no impact on classification. These amendments, endorsed by the European Union, will come into force on 1 January 2024. The classification of financial liabilities is not expected to be affected by these amendments.

- Amendments to IAS 1 – Presentation of Financial Statements – Non-current Liabilities with Covenants

These amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements.
These amendments, endorsed by the European Union, will come into force on 1 January 2024. The classification of financial liabilities and disclosure are not expected to be affected by these amendments.

- Amendments to IFRS 16 – Leases: Lease Liability in a Sale and Leaseback Transaction

These amendments specify the requirements on how to account for a sale and leaseback after the date of the transaction.

More specifically, in the subsequent measurement of the lease liability, the seller-lessee determines "lease payments" and "revised lease payments" in such a way that no gain or loss is recognised in respect of the retained right-of-use asset.
These amendments, endorsed by the European Union, will come into force on 1 January 2024. These amendments are not expected to have an impact on the Group's financial statements.

- Amendments to IAS 7 – Statement of Cash Flows and to IFRS 7 – Financial Instruments: Disclosure requirements – Supplier Finance Arrangements

These amendments introduce new disclosure requirements to enhance the transparency of information provided on supplier finance arrangements, particularly with regard to their effects on a company's liabilities, cash flows and exposure to liquidity risk.
These amendments, applicable as of 1 January 2024, have yet not been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

- Amendments to IAS 21 – The effects of changes in foreign exchange rates: lack of exchangeability.

These amendments clarify how to assess whether a currency can be exchanged into another currency and, when it cannot. When a currency cannot be exchanged with another, these amendments define the methods for determining the exchange rate to use.
The amendments also clarify the disclosure to be provided when a currency cannot be exchanged.
These amendments, applicable as of 1 January 2025, have yet not been endorsed by the European Union. These amendments are not expected to have an impact on the Group's financial statements.

Information on Profit and Loss Account

Revenue

Methane gas is transported by the Company exclusively within Italy.

5.a Revenue from sales and services – 783,470 thousand euro

"Revenue from sales and services" refers mainly to gas transport activity and the connection fees and is composed as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Sales and services			
Gas and LPG transport	742,704	650,402	92,302
Release/(Allocation) to the provision for risks	(1,136)	2,369	(3,505)
Connection fees	10,315	10,627	(312)
Ancillary fees	5,657	5,969	(312)
Revenue from customer operations	939	83	856
Sundry revenue and other sales and services	24,991	25,232	(241)
Total revenue from sales and services	**783,470**	**694,682**	**88,787**

Revenue from gas transport totalled 742,704 thousand euro, and mainly refers to the 2023 Tariff Revenue Cap for natural gas together with revenue from adjustments relating to previous years.
The item increased during the year, once the changes to the related item "Release/allocation to the provision for risks" were considered, totalling 88,797 thousand euro.
This figure was calculated further to the publication of ARERA Resolution 570/2019/R/gas, which indicated the means for calculating the tariffs for the 2020-2025 regulatory period. The increase in the balance is due to both the provision of Determination 1/2023, which recognises remuneration linked to the residual value of smart meters, which were replaced before the end of their useful lives, and the adjustments to the Tariff Revenue Cap and the contribution for the year of the perimeter of ATEM Naples 1, which amounted to roughly 38.1 million euro.
Net allocations in the year (1,136 thousand euro) derive from Resolution 525/2022/R/GAS; said allocations were actually made to cover the risk of downgrading, for locations with a year of first supply after 2017, of part of the Tariff Revenue Cap in the event that at the end of the observation period set by the Authority the minimum number of active users needed for full recognition of investments undertaken is not reached. In 2022, on the

contrary, provisions were released that had been made in previous years following Resolution 559/2020/R/gas "Approval of amounts to recover non-depreciation pursuant to paragraph 3 of article 57 of the RTDG and recalculation of benchmark tariffs for gas distribution and metering services for the years 2015-2020".

Connection fees, which totalled 10,315 thousand euro, were in line with previous years.

"Sundry revenue and other sales and services", amounting to 24,991 thousand euro in 2023, include revenue from the suspension and reactivation of defaulting customers at the request of the sales companies (7,336 thousand euro); in addition to revenue from meter reading, which amounted to 6,908 thousand euro (a further improvement over the previous year), revenue from the T.Col tariff component, substantially in line with the previous year, was also included in this item (10,255 thousand euro).

5.b Other revenue 32,595 thousand euro

"Other revenue" fell by 4,299 thousand euro and was as follows:

Thousands of euro	31.12.2023	31.12.2022 pro-forma	2023 - 2022
Other revenue			
Third parties:			
Revenue from plant contributions	3,280	3,465	(185)
Revenue from contributions	-	93	(93)
Revenue from plant certification pursuant to Resolution no. 40	1,218	1,318	(100)
Rental income	273	295	(21)
Capital gains from asset disposals	1,347	2,194	(848)
Compensation for damages, favourable judgments and legal costs	650	3,846	(3,197)
Other revenue and income and services	8,229	6,646	1,583
Revenue and contribution concerning photovoltaic plants	157	110	47
Technical quality revenue	17,441	18,928	(1,487)
Total other revenue	**32,595**	**36,894**	**(4,299)**

It is noted that revenue, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year.
The net balances for EEC management in 2023 and in the previous year were both negative; therefore the relevant amount is included in the item Other Costs and not in this item.

Revenue as per Resolution 574/2013/R/gas concerning the technical quality of gas distribution and metering services recorded a slight decrease of 1,487 thousand euro. The balance of 17,441 thousand euro depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken with dedication using new, cutting-edge technologies).

Capital gains from asset disposals include a capital gain of 1,062 thousand euro from sale of assets linked to ATEM Udine 2 (Mortegliano). Last year, insurance damage reimbursements were instead heavily impacted by the recognition of the damage verified by the Parent Company's Datacentre following a weather event, while this year no significant issues of this kind were recorded.

Lastly, the item "Other revenue and income and services" is in line with the previous year's result; this item basically consists of revenue from activities carried out on defaulting end customers, the administrative management of which has been delegated to the gas distributor. The increase is due partly to the closure of a dispute with a supplier who enforced the guarantee provided.

5.c Revenue from intangible assets/assets under development – 336,572 thousand euro

As from 1 January 2010 the Company has been recognising this revenue pursuant to IFRIC 12 "Service concession arrangements".

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	336,572	320,538	16,034
Total revenue from intangible assets / assets under development	**336,572**	**320,538**	**16,034**

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

Costs

As already noted, all costs recognised under the accounting model as per IFRIC 12 are broken down by nature within the pre-existing cost items.

The following table provides a summary of the items relating to the Company's operating costs in order to ensure their compliance with the aforementioned standard.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	7,925	11,197	(3,272)
Costs for services	219,081	215,472	3,609
Other operating costs	752	716	36
Amortisation/depreciation	3,593	3,289	305
Capitalised costs for materials, personnel and services	105,221	89,864	15,357
of which labour cost	*69,269*	*59,501*	*9,768*
of which raw materials and consumables	*35,952*	*30,363*	*5,589*
Total costs relating to revenue from intangible assets / assets under development	**336,572**	**320,538**	**16,034**

6.a Raw materials and consumables – 57,082 thousand euro

"Costs of raw materials and consumables" and the changes thereto compared to the previous year are detailed below:

Migliaia di euro

	31.12.2023	31.12.2022	2023 - 2022
Materie prime e materiali di consumo			
Terzi:			
Costi di acquisto del gas, acqua e lubrificanti	3,206	3,176	30
Cancelleria e stampati	178	141	37
Materiali diversi	58,696	41,007	17,689
(Variazione rimanenze materie prime)	(4,997)	1,198	(6,195)
Totale costi delle materie prime e dei materiali di consumo	**57,082**	**45,521**	**8,355**
- di cui capitalizzati per attività immateriali	43,877	41,560	2,317
- di cui capitalizzati per lavori interni per altre attività	628	590	38

"Costs of raw materials and consumables" essentially comprise the cost for the purchase of the materials, fuel and lubricants used in the process of laying the pipes; as regards the various materials, the most significant amount in the item relates to purchase costs for meters and network equipment, which increased as a result of the inflationary pressure in the first part of the year. The item was also impacted by both the change in perimeter following the acquisition of ATEM Naples 1 and the associated organisational efforts, and the registration of the impact of the write-offs of some trade receivables for material under warranty, which are highly unlikely to be collected.

6.b Services – 358,219 thousand euro

"Costs for services" are broken down as follows:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Costs for services			
Maintenance, repair and realisation of assets	221,353	222,952	(1,599)
Costs for electricity, power and water	3,633	1,863	1,770
Gas (for internal use)	2,824	3,134	(311)
Telephone and data transmission costs	3,245	2,969	276
Insurance premiums	4,695	4,404	291
Costs for services and other expenses relating to personnel	4,873	3,817	1,056
Fees	829	892	(63)
Legal and notary costs	1,792	1,444	348
Costs for company acquisitions and disposals/strategic consulting	25	44	(19)
Advertising	175	217	(42)
IT services	12,670	12,117	553
Meter reading service	3,467	2,776	692
Audit fees	573	606	(33)
Repairs and emergency service	3,680	3,804	(124)
Plant certifications Resolution no. 40	381	439	(58)
Gas transport by third parties	838	1,184	(346)
Professional, other and consultancy services	7,030	5,853	1,177
Other costs for services	9,787	9,442	345
Costs for use of third-party assets			
Leases	1,097	736	361
Rentals	477	903	(426)
Other costs for the use of third-party assets	2,736	2,238	498
Fee for temporary occupation of public space (C.o.s.a.p.)/Single Property Tax (CUP)	5,701	4,458	1,243
Municipal gas concession fees	66,339	62,537	3,802
Total	**358,219**	**348,827**	**9,392**
- of which capitalised for intangible assets	219,081	215,472	3,609

The aggregate figure of costs for services (including for third-party leases not falling within the scope of IFRS 16) showed a further increase (up by 9,392 thousand euro) compared to the previous year. This balance includes expenses for maintenance activities (221,353 thousand euro), capitalised as per the application of the IFRIC 12 interpretation (197,946 thousand euro). Net of capitalised costs, the Services item nonetheless rose by approximately 5,783 thousand euro due to expenses connected with the expansion in the perimeter of operations.
The change in the balance is attributable to the following main factors:

- While costs for the ordinary and extraordinary maintenance of distribution networks by third-party companies declined, also taking into account their capitalisation, costs for utilities (electricity, water, gas, telephony) rose on the whole by

1,770 thousand euro due to the increase in energy prices that the Group managed to contain in the previous year;

- personnel-related services and expenses rose by 1,056 thousand euro, mostly relating to transfers, the resumption in staff mobility continuing in the year;
- an increase in costs related to the meter reading service for 692 thousand euro and IT services for 553 thousand euro, due also to inflationary pressure;
- costs for the use of third-party assets, rents, leases and hires recorded a limited increase on the whole, while the change in the single property tax (CUP), depending on the increase in the perimeter of operations, amounted to 1,243 thousand euro in the year.
- lastly, municipal fees, essentially related to the increase in the perimeter as a result of the acquisition of the ATEM Naples 1 assets, rose by 3,802 thousand euro due to higher costs to be paid to the Municipalities.

It is noted that service costs still include the cost quota for those contracts whose fees do not fall within the scope of application of IFRS 16 (intra-annual or low-value leases).

6.c Personnel costs – 138,906 thousand euro

Personnel costs are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Wages and salaries	100,073	88,916	11,157
Social security contributions	30,360	27,521	2,839
Post-employment benefits	6,604	5,936	667
Asem/Fisde	(45)	(26)	(18)
Company Welfare Scheme	1,146	668	478
Other labour cost	508	(191)	699
Total labour cost	**138,647**	**122,824**	**15,823**
Non-recurring labour cost			
Redundancy incentives	259	353	(94)
Total non-recurring labour cost	**259**	**353**	**(94)**
Total labour cost	**138,906**	**123,177**	**15,729**
- of which capitalised for intangible assets	69,269	59,501	9,768
- of which capitalised for other internal work	424	270	153

"Personnel costs" include all expenses incurred on an ongoing basis that directly or indirectly concern employees, and were up by a total of 15,729 thousand euro, due to the entry of 238 new employees in the final month of the year 2022 following the acquisition of ATEM Naples 1.

The table below shows employee variations in the year by category.

	Executives	Middle managers	White collars	Blue collars	Total
Personnel as at 31 December 2022	**33**	**130**	**1,380**	**679**	**2,222**
Increase	2	-	62	37	**101**
Decrease	(2)	(9)	(87)	(48)	**(146)**
Change in category	2	2	-	(4)	**-**
Personnel as at 31 December 2023	**35**	**123**	**1,355**	**664**	**2,177**

The normal personnel turnover was recorded during the year, with exits essentially due to some employees having reached retirement age.

6.d Impairment and depreciation – 232,232 thousand euro

Impairment, depreciation of tangible assets and right-of-use assets and amortisation of intangible assets amounted to 232,232 thousand euro, up by 18,785 thousand euro compared to the previous year.
This change is due to the rise in amortisation of intangible assets, due to the acquisition of ATEM Naples 1.
The item also includes amortisation related to long-term contracts for the right to use third-party assets, according to IFRS 16, amounting to 7,604 thousand euro.
It is noted that, with the introduction of IFRIC 12, amortisation mainly concerns the rights to concessions through which the Group manages gas distribution networks.

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Depreciation of tangible assets	5,355	5,096	259
Depreciation of IFRS 16 right-of-use assets	7,604	6,984	621
Amortisation of intangible assets	220,096	202,078	18,018
Impairment losses:			
- Impairment of tangible assets	-	17	(17)
- Write-down of receivables	(823)	(728)	(95)
Total amortisation, depreciation and impairment lc	**232,232**	**213,447**	**18,785**
- of which capitalised for intangible assets	3,593	3,289	305

6.e Other operating costs – 48,563 thousand

“Other operating costs” increased by 18,824 thousand euro compared to last year, due in particular to the net provisions for risks and charges:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Other operating costs			
Remuneration of statutory auditors, Supervisory Body and Committees	107	129	(22)
Remuneration of members of the Board of Directors	341	258	84
Membership fees	422	385	36
Contribution to the Supervisory Authority	116	200	(84)
Compensation to customers	2,762	577	2,184
Municipal tax on property	478	492	(14)
CCIAA (chamber of commerce) fees and duties	502	535	(33)
Net costs for energy efficiency certificates	1,185	1,229	(44)
Tax on the occupation of public space (Tosap)	5	36	(31)
Capital losses on the disposal of assets	14,775	7,949	6,826
Capital losses on the sale of assets	7	0	7
Local and sundry taxes	612	670	(58)
Other costs	3,551	4,711	(1,160)
(Net) provision for risks and charges	23,700	12,567	11,134
Total other operating costs	**48,563**	**29,738**	**18,824**
- of which capitalised for intangible assets	752	716	36

More specifically, the main contributors to the increase in other costs were capital losses from the disposal and sale of assets relating primarily to meters (6,833 thousand euro), compensation to customers following the implementation, from 1.4.2023, of Resolution 269/2022/R/gas on the service level performance of redelivery points equipped with smart meters (2,184 thousand euro) and higher net provisions for risks and charges (11,134 thousand euro).

Capital losses were partly absorbed by the use of provisions specifically allocated for faulty meters that need replacing. A portion of the capital losses, where related to meters that at the date of replacement had not been fully amortised from a tariff perspective, is repaid by means of a tariff based on an annual payment.

Furthermore, a more important meter replacement campaign was launched during the year, also in response to the difficulty in changing their batteries that enable them to transmit readings.

The item also includes a net balance of 1,185 thousand euro for the purchase of Energy Efficiency Certificates in 2023, essentially in line with the previous year.

6.f Capitalised costs for internal work – (1,126) thousand euro

Following the introduction of IFRIC 12, the costs directly related to construction work on the network under concession are no longer accounted for as capitalised costs for internal work.

For this reason, the item now only includes those residual costs which can be capitalised but do not concern concession assets. In the specific case, the value mainly refers to capitalisations of concentrators, equipment for the communication network of the new smart meters which are not part of the concession assets.

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Internal services	(424)	(270)	(153)
Other capitalised costs	(74)	(34)	(40)
Materials	(628)	(590)	(38)
Total capitalised costs for internal work	**(1,126)**	**(894)**	**(231)**

7. Income/(Expenses) from equity investments - (113) thousand euro

This item includes the economic impact of updating the equity valuation of associate companies 2i Servizi Energetici S.r.l. and Melegnano Energia Ambiente S.p.A..

8. Financial income/(expenses) - (65,616) thousand euro

This item is broken down as follows:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Financial income			
- Interest income from loans to employees	0	0	(0)
- Interest on arrears receivable	-	0	(0)
- Interest income from current accounts and post office deposits	4,533	562	3,971
- Interest income from receivables from customers	31	103	(72)
- Other financial interest and income	2,076	625	1,451
Total income	**6,640**	**1,290**	**5,349**
Financial charges			
- Interest expense on medium/long-term loans	8,842	4,111	4,732
- Other expenses on medium/long-term loans from banks	507	560	(53)
- Financial expenses on debenture loans	62,758	51,423	11,336
- Financial expenses from amortised cost	2,639	2,309	329
- Interest expense on short-term bank loans	653	144	509
- Interest expense on current bank accounts	386	580	(194)
- Discounting of post-employment and other employee benefits	1,074	367	708
- Interests on taxes and contributions	9	7	2
- Change in fair value of hedging derivatives reclassified from comprehensive income	(6,707)	(1,235)	(5,472)
- Other financial and interest expense	1,616	206	1,410
- IFRS16 Financial Expenses	478	186	292
Total expenses	**72,256**	**58,657**	**13,599**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(65,616)**	**(57,367)**	**(8,249)**

Financial income and expenses posted a negative result of 65,616 thousand euro, mainly due to the recognition in the year of interest relating to debenture loans and the related amortised cost, and the related change in fair value of the hedging derivative, as well as interest payable for used medium- and long-term lines of credit.

During the year, the Company issued a new tranche of the debenture loan for 550 million euro, to cover the tranches soon to mature, a transaction that, while helping to secure the Company's financial structure, however involved a temporary increase in the related financial charges.
At 31 December 2023, the Company held 3,556,978 thousand euro in loans outstanding, including 3,204,705 thousand euro for six tranches of the debenture loan 2024-2033 and 352,273 thousand euro divided into three credit lines.
The structure of the Group's debt is almost entirely "fixed rate" (3,429,705 thousand euro), thanks mainly to the debenture loan tranches, lengthening the average duration of the existing debt while significantly reducing the cost of debt.
As regards interest income, a net increase in the amount was recorded during the year thanks to some liquidity management transactions carried out after the last tranche of the debenture loan was issued. The increase in the cost related to said loan must therefore be viewed also in light of this positive economic impact.

9. Taxes – (70,967) thousand euro

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Current taxes			
Current income taxes: IRES (corporate income tax)	65,287	50,833	14,454
Current income taxes: IRAP (regional business tax)	14,931	11,947	2,984
Total current taxes	**80,217**	**62,780**	**17,437**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	-	3	(3)
Positive adjustments for income taxes relating to previous years	-	(18)	18
Total adjustments for income taxes relating to previous years	**-**	**(15)**	**15**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(3,386)	(4,336)	950
Prepaid taxes (allocation)/use	(5,865)	7,064	(12,930)
Total current deferred and prepaid taxes	*(9,251)*	*2,728*	*(11,979)*
Total deferred and prepaid taxes	**(9,251)**	**2,728**	**(11,979)**
TOTAL TAXES	**70,967**	**65,493**	**5,473**

Income taxes for 2023 totalled 70,967 thousand euro up by 5,473 thousand euro.
Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES of 65,287 thousand euro and IRAP of 14,931 thousand euro.
Following the publication of the Budget Law for 2022 (Law no. 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill were amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to alter the choices already made. Last year the Parent Company had already decided to confirm the option already exercised, considering it absolutely plausible, given its business model, that deferred tax assets created in the period indicated by the budget law would be used.

IRES tax incidence for 2023 was 25.8%.

The table below shows the reconciliation of the actual and theoretical tax rates, determined by applying the tax rate in force during the year to profit before tax, without taking into account the adjustments from previous years:

Thousands of euro

	31.12.2023	31.12.2022
Pre-tax profit	253,033	234,969
Theoretical IRES taxes	**60,764**	**56,374**
Lower taxes:		
- release of contributions taxed in prior years	1,327	893
- use of provisions	5,308	6,278
- release of provisions	2,903	3,844
- reversal of statutory amortisation / depreciation not deducted in prior years	3,923	6,045
- deducted tax amortisation	7,444	7,432
- others	4,416	6,444
Higher taxes:		
- allocations to provisions	13,008	9,307
- amortisation / depreciation on amounts that are not recognised for tax purposes	3,501	3,595
- statutory amortisation / depreciation exceeding the fiscal limits	11,535	10,369
- reversal of excess fiscal amortisation / depreciation deducted in prior years	714	868
- partially deductible costs	938	636
- taxes and duties	10	4
- others	135	613
Total current income taxes (IRES)	**65,287**	**50,833**
IRAP	**14,931**	**11,947**
Total deferred taxes	**(9,251)**	**2,728**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**70,967**	**65,509**

10. Discontinued operations – 0 thousand euro

The result from discontinued operations was zero.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – 37,054 thousand euro

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions. Such assets are recognised as intangible.
The breakdown and changes in property, plant and equipment in 2022 and 2023 are shown below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements on third-party assets	Fixed assets under construction and advances	Total
Historical cost	7,102	32,963	14,713	26,328	58,745	14,482	295	**154,628**
Accumulated depreciation	-	(24,404)	(3,603)	(24,715)	(50,597)	(13,628)	-	**(116,948)**
Balance as at 31.12.2021	**7,102**	**8,560**	**11,110**	**1,613**	**8,147**	**853**	**295**	**37,680**
Increases (including Fixed assets classified as available-for-sale)	-	679	1,387	999	2,409	503	-	**5,979**
Commissioning	-	247	-	-	-	-	(247)	**-**
Disposals	(2)	(7)	(371)	(0)	(0)	(4)	(48)	**(432)**
Gross value	(2)	(463)	(476)	(22)	(30,436)	(2,143)	(48)	**(33,590)**
Acc. depr.	0	456	105	22	30,435	2,139	-	**33,158**
Reclassifications	-	-	-	-	-	-	-	**-**
Impairment losses	(17)	-	-	-	-	-	-	**(17)**
Fixed assets classified as available-for-sale	(32)	-	-	-	-	-	-	**(32)**
Gross value	(32)	(72)	-	-	-	-	-	**(104)**
Acc. depr.	-	72	-	-	-	-	-	**72**
Depreciation	-	(582)	(969)	(454)	(2,829)	(262)	-	**(5,096)**
Total changes	**(51)**	**337**	**48**	**545**	**(420)**	**237**	**(295)**	**402**
Historical cost	7,051	33,354	15,625	27,305	30,718	12,841	0	**126,895**
Accumulated depreciation	-	(24,458)	(4,467)	(25,147)	(22,991)	(11,751)	-	**(88,813)**
Balance as at 31.12.2022	**7,051**	**8,897**	**11,157**	**2,159**	**7,727**	**1,091**	**0**	**38,082**
Increases (including Fixed assets classified as available-for-sale)	-	145	1,757	373	2,380	248	-	**4,903**
Commissioning	-	-	-	-	-	-	-	**-**
Disposals	-	(5)	(517)	-	(37)	(3)	-	**(563)**
Gross value	-	(13)	(677)	(30)	(2,121)	(3,012)	-	**(5,852)**
Acc. depr.	-	8	160	30	2,083	3,008	-	**5,289**
Reclassifications	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as available-for-sale	-	(12)	-	-	-	-	-	**(12)**
Gross value	-	(249)	-	-	-	-	-	**(249)**
Acc. depr.	-	237	-	-	-	-	-	**237**
Depreciation	-	(558)	(1,038)	(545)	(2,873)	(342)	-	**(5,355)**
Total changes	**-**	**(430)**	**202**	**(172)**	**(530)**	**(97)**	**-**	**(1,027)**
Historical cost	7,051	33,237	16,705	27,648	30,977	10,078	0	**125,696**
Accumulated depreciation	-	(24,771)	(5,346)	(25,661)	(23,780)	(9,084)	-	**(88,642)**
Balance as at 31.12.2023	**7,051**	**8,467**	**11,360**	**1,987**	**7,197**	**993**	**0**	**37,054**

The item in question at 31 December 2023 shows a net change compared to 31 December 2022 of 1,027 thousand euro due to normal investment, divestment and depreciation trends for these assets.
Plant and equipment related to concentrators, data receiving and transmitting equipment as part of the communication network of smart meters are excluded from the scope of IFRIC 12, since they are not recognised as concession assets.

12. IFRS 16 right-of-use assets – 24,058 thousand euro

Following the application of standard IFRS 16, hire, rental or lease contracts are carried in this item as exclusive use rights.
It is noted that liabilities include a related financial debt, equal to the sum of estimated and appropriately discounted future fees.

Below is the table of changes in fixed assets for 2022 and 2023.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	28,807	13,456	367	**42,630**
Accumulated depreciation	(11,526)	(4,941)	(206)	**(16,673)**
Balance as at 31.12.2021	**17,282**	**8,515**	**161**	**25,957**
Increase and change in right-of-use assets	8,787	1,230	230	**10,247**
Disposal and changes in right-of-use assets	(2,976)	(171)	-	**(3,147)**
Gross value	(3,942)	(1,196)	-	**(5,138)**
Acc. depr.	967	1,024	-	**1,991**
Depreciation	(4,113)	(2,663)	(208)	**(6,984)**
Total changes	**1,699**	**(1,605)**	**22**	**116**
Historical cost	33,652	13,490	597	**47,739**
Accumulated depreciation	(14,672)	(6,580)	(414)	**(21,666)**
Balance as at 31.12.2022	**18,981**	**6,910**	**182**	**26,073**
Increase and change in right-of-use assets	3,343	2,966	244	**6,552**
Disposal and changes in right-of-use assets	(721)	(214)	(27)	**(962)**
Gross value	(1,424)	(1,408)	(27)	**(2,860)**
Acc. depr.	703	1,194	-	**1,897**
Depreciation	(4,551)	(2,845)	(208)	**(7,604)**
Total changes	**(1,930)**	**(94)**	**8**	**(2,015)**
Historical cost	35,571	15,047	813	**51,431**
Accumulated depreciation	(18,520)	(8,231)	(622)	**(27,373)**
Balance as at 31.12.2023	**17,051**	**6,816**	**191**	**24,058**

13. Intangible assets – 4,706,595 thousand euro

It should be noted that, following the introduction of IFRIC 12, intangible assets also include fixed assets related to gas distribution concessions.
The breakdown and changes in intangible assets for 2022 and 2023 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets under development	Fixed assets under development	Other intangible assets	Goodwill	Payments on account	Total
Historical cost	98,824	7,593,141	42,509	1,024	180,497	305,253	-	**8,221,248**
Accumulated amortisation	(96,042)	(3,836,492)	-	-	(142,367)		-	**(4,074,900)**
Balance as at 31.12.2021	**2,782**	**3,756,650**	**42,509**	**1,024**	**38,130**	**305,253**	**-**	**4,146,348**
Increases (including Fixed assets classified as available-for-sale)	-	608,975	32,942	2,775	14,232	-	15	**658,939**
Commissioning	-	23,785	(23,785)	(625)	625	-	-	**0**
Decreases	-	(18,454)	(168)	(35)	(0)	-	-	**(18,657)**
Gross value	(222)	(45,885)	(168)	(35)	(26,259)	-	-	**(72,568)**
Acc. amort.	222	27,431	-	-	26,258	-	-	**53,911**
Reclassifications	-	(3)	3	-	-	-	-	**-**
Gross value	-	(3)	3	-	-	-	-	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as available-for-sale	-	(196)	2	-	-	-	-	**(195)**
Gross value	-	(212)	2	-	-	-	-	**(210)**
Acc. amort.	-	15	-	-	-	-	-	**15**
Amortisation	(1,247)	(186,841)	-	-	(13,989)	-	-	**(202,078)**
Total changes	**(1,247)**	**427,266**	**8,993**	**2,115**	**867**	**-**	**15**	**438,009**
Historical cost	98,602	8,179,803	51,502	3,139	169,095	305,253	15	**8,807,408**
Accumulated amortisation	(97,067)	(3,995,887)	-	-	(130,098)		-	**(4,223,052)**
Balance as at 31.12.2022	**1,535**	**4,183,916**	**51,502**	**3,139**	**38,997**	**305,253**	**15**	**4,584,357**
Increases (including Fixed assets classified as available-for-sale)	2,277	312,620	34,702	525	17,202	-	-	**367,326**
Commissioning	-	30,737	(30,723)	(2,759)	2,759	-	(14)	**0**
Decreases	-	(24,667)	(144)	(21)	-	-	-	**(24,832)**
Gross value	-	(46,385)	(144)	(21)	-	-	-	**(46,551)**
Acc. amort.	-	21,718	-	-	-	-	-	**21,718**
Reclassifications	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	(153)	-	**(153)**
Fixed assets classified as available-for-sale	-	(4)	(3)	-	-	-	-	**(7)**
Gross value	-	(4)	(3)	-	-	-	-	**(7)**
Acc. amort.	-	-	-	-	-	-	-	**-**
Amortisation	(1,135)	(204,752)	-	-	(14,209)	-	-	**(220,096)**
Total changes	**1,142**	**113,934**	**3,833**	**(2,255)**	**5,752**	**(153)**	**(14)**	**122,238**
Historical cost	100,879	8,476,770	55,335	884	189,056	305,100	1	**9,128,024**
Accumulated amortisation	(98,202)	(4,178,920)	-	-	(144,307)	-	-	**(4,421,429)**
Balance as at 31.12.2023	**2,676**	**4,297,850**	**55,335**	**884**	**44,749**	**305,100**	**1**	**4,706,595**

Intangible assets rose by 122,238 thousand euro compared to 31 December 2022, due to investments made in the year, and also as a result of the expansion in the perimeter of operations due to the acquisition of ATEM Naples 1.
The items "Concessions and similar rights" and "Concessions and similar rights - Fixed assets under development" showed an aggregate balance of 4,353,184 thousand euro in the financial year, an overall change of 117,766 thousand euro.

The item refers to the recognition of the Group's rights over fixed assets as concession holder and gas distribution service provider stemming from investments in the distribution network, as well as one-off fees for the acquisition of natural gas distribution concessions.
Operating investments totalled 347,322 thousand euro in the year, compared to 320,538 thousand euro last year, excluding the contribution from the acquisition of ATEM Naples 1 assets.
As described above, on 1 December 2022 the Parent Company took over management of the gas distribution service in ATEM Naples 1 "City of Naples and Coastal Plan", with more than 1,600 km of network and almost 400,000 Redelivery Points, and at the same time took on 238 people, who had been released by the outgoing operator.
The concession is for a 12 year-year period and, as described in the notes to the financial statements as at 31 December 2022, the transaction was accounted for in 2022 as an asset acquisition based on the provisional consideration, the best estimate of the price at the time of drafting of the previous financial statements. The equalisation required by the procedure was defined in 2023, which saw an adjustment to the price paid amounting to 7.8 million euro. Said amount is not significant in terms of the impacts of amortisation and revenue as at 31 December 2022.
Disposals during the year for these two classes amounted to (24,811) thousand euro, and related to routine replacement and improvement of equipment. Amortisation amounted to (204,752) thousand euro, an increase resulting from both investments made and the contribution of the ATEM acquisition.
The amortisation of concession charges has been determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession.
The Group determined the terms of the concessions using the same criteria adopted in the previous year.

For concessions that have expired at the reporting date, and therefore are operating in an extension regime (prorogatio), the residual value has been restated to take into consideration the postponement of the effective expiry of these concessions.

In particular, it is recalled that under the Decree of the Ministry of Economic Development dated 19 January 2011, "Determination of territorial ambits in the natural gas distribution sector", which came into force on 1 April 2011, according to art. 3(3) of the decree: "as from the entry into force of this measure, the tenders for the award of the gas distribution service as per article 14(1) of Legislative Decree no. 164 of 23 May 2000, for which the call for tenders has not been published or for which the deadline for the submission of tenders has not expired, shall be awarded only in respect of the areas determined in annex 1, which forms an integral part of this measure" and that, in accordance with article 14(7) of Legislative Decree no. 164/2000, "The outgoing operator, pursuant to article 14(7) of Legislative Decree No. 164 of 23 May 2000, remains obliged, however, to continue the management of the service until the effective date of the new assignment."

"Fixed assets under development and advances", totalling 3,139 thousand euro in 2022 mainly consisted of investments in software being developed to ensure more efficient management of the Company's activities.
During 2023, 2,759 thousand euro in fixed assets under construction were completed, while new investments rose by 525 thousand euro, therefore determining a final balance of 884 thousand euro.

"Other intangible assets" of 44,749 thousand euro include other long-term costs, also linked to the implementation of smart meter remote control or remote reading systems.

"Goodwill" totalled 305,100 thousand euro and relates to the deficit from the merger of companies that had previously been subsidiaries. This item was recognised in agreement with the Board of Statutory Auditors. It decreased during the year following the sale of assets relating to the Mortegliano concession, in compliance with paragraph 86 of IAS 36.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the Discounted Cash Flow model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a Cash Generating Unit, consistently with the corporate vision.
In particular, cash flows are considered for a forecast period of 5 years, consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 20 December 2023 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

Within this framework, the main assumptions are:

- continuity in concession management, since the redefinition of the relevant local areas resulting from the territorial tenders will be a concrete opportunity for the Group to expand its business on the competitive market also thanks to its economic capacity, available credit lines, and top position in a market that is experiencing concentration;
- the continuous management of end customers, with the assumption of further organic growth only on the already existing networks at a rate compatible with the experience on the market in recent years;

The discount rates applied, the forecast period over which projected cash flows are discounted, and the Group terminal value growth rate are detailed in the table below.

Tax Rate (2)	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6% (2)	4.5%	2024 - 2028	0%

(1) Post-tax WACC is aligned to the average cost of financing of the best-performing peers in the sector
(2) IRAP + IRES rate

The value in use, determined in accordance with the aforementioned methods, was higher than the value of the net invested capital recorded in the financial statements.

The recoverability of the Group's invested capital was also confirmed by a further sensitivity analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the impairment test.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows by more than 12%, a percentage which is much higher than the reductions considered possible by the Group.

14. Net deferred tax assets – 128,307 thousand euro

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled 261,479 thousand euro, while deferred tax liabilities totalled 133,171 thousand euro.

Deferred tax assets and liabilities at 31 December 2023 were determined using the tax rates in force: 24% for IRES (corporate income tax) and 4.63% for IRAP (regional business tax).

Deferred tax assets fell as a result of normal changes during the year.

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

The table below details changes in deferred tax assets and liabilities by type of temporary difference, determined according to the tax rates in force, and the portion of recoverable and non-recoverable deferred taxes.

ıousands of euro	Balance as at 31.12.2022	Adjustments to UNICO	Total	Increases recognised in		Decreases recognised in		Other changes		Other reclassifications	Balance as at 31.12.2023
				Profit and Loss Account	Equity	Profit and Loss Account	Equity	Profit and Loss Account	Equity		
eferred income tax assets:											
location to provisions for risks and charges with deferred deductibility	**17,369**	-	17,369	10,458	-	(4,691)	-	-	-	-	**23,136**
location to provisions for incentives to leave and stock options	**521**	-	521	76	-	(74)	-	-	-	-	**522**
location to provisions for disputes	**3,099**	-	3,099	2,253	-	(1,809)	-	-	-	-	**3,543**
location to provisions for inventory obsolescence	**3,548**	-	3,548	93	-	(217)	-	-	-	-	**3,424**
ıpairment losses with deferred deductibility (impairment of receivables)	**2,179**	-	2,179	0	-	(651)	-	-	-	-	**1,529**
ıpairment losses with deferred deductibility (impairment of plants)	**1,899**	-	1,899	4	-	-	-	-	-	-	**1,903**
epreciation and amortisation with deferred deductibility	**137,450**	(0)	137,450	11,632	-	(3,428)	-	-	-	-	**145,654**
eparation of land-buildings and component analysis	**114**	-	114	0	-	-	-	-	-	-	**114**
art-up costs	**2,225**	-	2,225	1	-	-	-	-	-	-	**2,225**
ɔst-employment and other employee benefits	**2,748**	-	2,748	3,847	-	(2,118)	-	-	-	-	**4,477**
ash deductible taxes and duties	**4**	-	4	-	-	-	-	-	-	-	**4**
oceeds subject to deferred taxation (connection fees)	**30,425**	-	30,425	57	-	(822)	-	-	-	-	**29,660**
eferred deductibility charges	**11,785**	-	11,785	27	-	(1,896)	-	-	-	-	**9,916**
oodwill	**40,295**	0	40,296	92	-	(6,972)	-	-	-	-	**33,415**
ɔst-employment and other employee benefits - OCI	**1,853**	-	1,853	-	5	-	-	-	-	-	**1,858**
erivative financial instruments (in case of a net negative change in the relevant equity reserve)	**(0)**	-	(0)	-	-	-	-	-	-	-	**(0)**
r losses recoverable in future years	**1**	-	1	-	-	-	-	-	-	-	**1**
her consolidation adjustments	**94**	-	94	5	-	(2)	-	-	-	-	**97**
otal	**255,608**	**-**	**255,608**	**28,544**	**5**	**(22,679)**	**-**	**-**	**-**	**-**	**261,479**
eferred income tax liabilities:											
fferences on tangible and intangible assets – additional depreciation and amortisation	**23,858**	-	23,858	297	-	(714)	-	-	-	-	**23,442**
fferences on intangible assets – goodwill	**5,194**	-	5,194	3	-	-	-	-	-	-	**5,197**
eparation of land-buildings and component analysis	**3,825**	-	3,825	10	-	-	-	-	-	-	**3,835**
location to assets of costs relating to company mergers	**29,484**	-	29,484	88	-	(1,908)	-	-	-	-	**27,665**
ɔst-employment and other employee benefits	**1,506**	-	1,506	-	-	-	(693)	-	-	-	**814**
oceeds subject to deferred taxation	**3,354**	-	3,354	410	-	-	-	-	-	-	**3,764**
erivative financial instruments (in case of a net positive change in the relevant equity reserve)	**26,656**	-	26,656	-	23,065	-	(26,500)	-	-	-	**23,222**
her...	**797**	-	797	38	-	(205)	-	-	-	-	**630**
SEM - OCI	**177**	-	177	-	-	-	(14)	-	-	-	**163**
ecognition of deferred taxes due to merger	**45,845**	-	45,845	514	-	(1,919)	-	-	-	-	**44,439**
% dividends received already allocated to future years on an accruals basis	**0**	-	0	-	-	-	-	-	-	-	**0**
otal	**140,698**	**-**	**140,698**	**1,360**	**23,065**	**(4,746)**	**(27,207)**	**-**	**-**	**-**	**133,171**
et deferred tax assets	**114,910**	**-**	**114,910**	**27,184**	**(23,060)**	**(17,933)**	**27,207**	**-**	**-**	**-**	**128,307**

15. Equity investments – 3,833 thousand euro

The table on the following page shows the changes in the year for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in other companies.

Thousands of euro	Carrying amount	% ownership	Increases for the period	Disposals	Other increases	Other decreases	Adjustments	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31/12/2022								**as at 31/12/2023**		
Associates											
Equity Method Valuation											
Melegnano Energia Ambiente SpA	3,547	**40.00%**			2			2,451	1,097	3,548	**40.00%**
2i Servizi Energetici Srl	37	**60.00%**	270			(145)		6		162	**60.00%**
Other companies											
Valuation at cost											
Interporto di Rovigo S.p.A.	42	**0.30%**						42		42	**0.30%**
Fingranda S.p.A. in Liquidazione	26	**0.58%**						26		26	**0.58%**
Agenzia di Pollenzo S.p.A.	33	**0.27%**						33		33	**0.27%**
Industria e Università S.r.l.	11	**0.09%**						11		11	**0.09%**
Borgo Offida S.r.l.	0	**0.19%**						1		0	**0.19%**
Banca Popolare Pugliese	11	**0.00%**								11	**0.00%**
Immobiliare Cestia srl	0	**0.05%**								0	**0.05%**
TOTAL EQUITY INVESTMENTS	**3,706**		**270**	**-**	**2**	**(145)**	**0**	**2,570**	**1,097**	**3,833**	

The tables below show the list of equity investments in associates and their values as recognised in the Group's financial statements at 31 December 2023:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Profit/loss in previous year (euro)	End of the reporting period	% ownership	Consolidated carrying amount (euro)
Melegnano Energie Ambiente S.p.A.	Melegnano (MI)	4,800,000	8,946,592	2,963,260	79,735	31.12.2022	40%	3,548,429
2i Servizi Energetici S.r.l.	Milan	10,000	269,825	373,115	(241,450)	31.12.2022	60%	161,895

Finally, the equity investments in other companies at the same date were:

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Profit/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	6,904,887	7,699,745	3,764,101	418,440	31.12.2022	0.30%	41,634
Fingranda S.p.A. in Liquidazione	Cuneo	2,662,507	1,144,202	-	(15,671)	31.12.2022	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	23,079,108	22,862,836	1,022,618	70,729	31.12.2022	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,027,787	-	(31,990)	31.12.2022	0.09%	10,989
Borgo Offida S.r.l.	Offida (AP)	10,000	(329,923)	382	(26,074)	31.12.2022	0.19%	0
Banca Popolare Pugliese	Parabita (LE)	182,971,860	344,017,210	153,833,456	14,050,709	31.12.2022	0.01%	11,127
Immobiliare Cestia S.r.l.	Rome (RM)	50,000	384,821	144,628	(55,166)	31.12.2022	0.05%	26

16. Non-current financial assets – 12,768 thousand euro

The item includes primarily receivables for sums paid to contracting authorities for the purpose of tender preparation and which could be returned at the end of the procedure if it is lost.

During the year, the item also included the fair value measurement of hedging derivatives, closed during 2023 through their unwinding.

Lastly, there is a residual deferral of transaction costs incurred in obtaining loan facilities unused as of 31 December 2023.

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Non-current deferred financial charges	236	341	(105)
Long-term loans to employees	86	23	63
Financial receivables from others	12,446	12,607	(161)
Fair value measurement of IRS derivatives	-	103,690	(103,690)
Total	**12,768**	**116,660**	**(103,892)**

17. Other non-current assets – 23,906 thousand euro

This item fell by 9,384 thousand euro compared to 31 December 2022; it is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
security deposits	3,732	3,754	(22)
receivables for plant contributions to be received	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	41	48	(7)
from municipalities for disposals of assets due to expiration of concessions	824	1,029	(205)
non-current receivables from CSEA	16,149	24,775	(8,626)
other non-current assets	2,447	2,955	(507)
bad debt provision - other non-current assets	(153)	(137)	(16)
Total	**23,906**	**33,290**	**(9,384)**

Guarantee deposits of 3,732 thousand euro refer to receivables for work to be performed on distribution plants and from user contracts.

The receivable for contributions to be received (560 thousand euro) consisted of the recognition of the medium/long-term portion of receivables for plant-related contributions to be received: this item was unchanged during the year.

Tax receivables of 306 thousand euro relate to reimbursement requests pursuant to art. 6 of Legislative Decree 185/2008 (deduction from IRES of the IRAP portion for labour costs and interest expense). There were no changes to this item in the year.

Credit due from municipalities for disposals of assets due to the expiration of concessions totalled 824 thousand euro. This was the result of disputes or similar proceedings ongoing with some municipalities to define the amount of the refund owed to the Company as outgoing operator for the relevant concessions and plants already redelivered. Local action continued to resolve existing situations.

The balance of non-current receivables due from CSEA, totalling 16,149 thousand euro, referred to the amount payable to distribution companies for the conventional meters that must be replaced by smart meters under Resolution 155/09 but that had not yet been fully amortised through tariffs at the date of their replacement. The residual amount due to the intense replacement activity that has taken place in recent years, will be repaid by CSEA according to the time-frame set out in the resolution.

Finally, the balance of miscellaneous non-current assets includes the residual value of prepaid expenses in the form of rent paid in advance to API, the Company that owns the networks managed in the municipality of Rozzano (1,375 thousand euro).

Current assets

18. Inventories – 23,849 thousand euro

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.
Compared to the previous year, this item increased by 4,997 thousand euro, due to purchases of electronic meters during the year, set against the growing material prices.
The item includes the provision for the write-down of inventories of 1,002 thousand euro, set aside to take into account the inventories that are unlikely to be used in the future.
The Company uses the weighted average cost method.

19. Trade receivables – 197,365 thousand euro

Compared to 31 December 2022, trade receivables rose by 141,933 thousand euro.

The item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Third-party customers:			
Receivables from customers	199,301	51,055	148,247
- Bad debt provision	(5,204)	(7,515)	2,311
Receivables for returns under warranty	8,883	12,539	(3,657)
- Bad debt provision for returns under warranty	(5,614)	(646)	(4,969)
Total	**197,365**	**55,433**	**141,933**

Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely relate to gas distribution operations.
The significant positive difference compared to the previous year is due essentially to the fact that, in 2022, a significant reduction was recorded due to Government provisions in place at the time to reduce the impact of energy market trends on end consumers, through the introduction of negative tariff components and the elimination of certain existing components.
In the previous year, this factor had led to a decrease in existing receivables from customers, an increase in receivables from CSEA (under Other current assets), and an increase in Trade payables (into which the resulting negative customer balances were reclassified due to these components).

This year, the Company instead returned to the usual balanced position, thanks to typical business trends, with the effect of the previous temporary provisions no longer applicable.
At year-end, said receivables are recognised net of a 5,204 thousand euro bad debt provision.
With regard to the impact assessment pursuant to IFRS 9, the Company did not consider it necessary to update its assessments, since the guarantees hedging receivables significantly reduce the risk of insolvency.
Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables from the manufacturers of meters for non-functioning assets that have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings that lead to the belief that the receivable is no longer collectable.
Changes in the bad debt provision are set out below.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Opening balance	**7,515**	**9,127**	**(1,612)**
Allocations	402	1,414	(1,012)
Releases	(1,240)	(2,142)	901
Uses	(1,472)	(884)	(589)
Closing balance	**5,204**	**7,515**	**(2,311)**

The bad debt provision at 31 December 2023 was taxed to the tune of 4,803 thousand euro (7,512 thousand euro at 31 December 2022).
All Group companies operated exclusively in Italy.

20. Short-term financial receivables – 2,853 thousand euro

Short-term financial receivables consisted of financial receivables (1,119 thousand euro) arising from exercising the right of withdrawal of Azienda Elettrica Valtellina e Valchiavenna. The amount reflects the estimate based on the preliminary withdrawal value that was disputed by the Company, was updated following payment of the Company's dividend and will have to be updated based on the outcome of the ensuing litigation. The balance recognises other receivables, including 1,350 thousand euro from associate Company 2i Servizi Energetici.

21. Other current financial assets – 4,249 thousand euro

Other current financial assets contain the interest income accrued from banks and third parties for 4,229 thousand euro and, to a residual extent, from 2i Servizi energetici and unpaid at 31 December 2023.

22. Cash and cash equivalents – 324,901 thousand euro

Cash and cash equivalents rose by 278,864 thousand euro following the loan transaction through the issue of a tranche of a debenture loan under the Parent Company's EMTN programme and normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Bank deposits	324,734	45,784	278,951
Post office deposits	5	96	(91)
Cash in hand	162	158	4
Total	**324,901**	**46,038**	**278,864**

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

23. Income tax receivables – 3,059 thousand euro

Income tax receivables due from the Tax Authorities related to both IRES and IRAP; the balance in the year was due to normal changes for the payment of advances and balances during 2023.

24. Other current assets – 313,553 thousand euro

Other current assets declined by 233,898 thousand euro compared to the previous year, mainly due to lower receivables from CSEA of 162,268 thousand euro and less VAT receivables from the Tax Authorities of 78,031 thousand euro, of which 16,507 thousand euro extra claimed for reimbursement during the year.
Both changes are attributable to the particular situation in the previous year brought about by the introduction of negative pass-through items and the elimination of some tariff components; this activity in 2023 was limited until the completion of the final months of the year.
In the first few months of 2023, a total of 44.4 million euro was collected, relating to a factoring transaction needed to manage the credit generated.

In particular, receivables from CSEA include not only the amount deriving from receivables from the equalisation of the gas distribution service (86,437 thousand euro), but also the amount deriving from the receivables for UG2 and Gas Bonus "pass-through" items (54,431 thousand euro in total) and recognition of Technical Quality (63,446 thousand euro). This item also includes receivables for the recognition of remuneration on traditional meters disposed of before the end of their useful lives (6,316 thousand euro).
The item is always correlated with payables to the Equalisation Fund, as reported in note 40 "Other current liabilities".

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Other tax receivables:			
VAT receivables claimed for reimbursement	35,786	19,280	16,507
Receivables due from tax authorities for VAT	12,339	106,877	(94,538)
Other tax receivables	277	2	275
Other receivables:			
From social security and insurance agencies	473	464	9
Receivables for grants related to plants	901	1,512	(611)
Receivables from CSEA	243,392	405,660	(162,268)
Receivables from third parties for tender / concession expiration	1,955	2,996	(1,041)
Receivables from municipalities	246	246	-
Receivables from suppliers	2,424	3,128	(704)
Other receivables	1,947	4,251	(2,304)
Provision for other doubtful debts	(2,402)	(2,402)	-
Accrued income	25	26	(1)
Deferred charges for other multi-year fees	35	37	(2)
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	7	9	(2)
Deferred charges for insurance premiums	2,385	-	2,385
Other deferred charges	13,320	4,922	8,398
Total	**313,553**	**547,451**	**(233,898)**

25. Assets held for sale – 12 thousand euro

Under assets held for sale, the Group reports the value of a property for the year, which is expected to be sold in the next 12 months.

Liabilities

Equity

26. Equity – 1,360,708 thousand euro

Equity rose by 60,400 thousand euro in the year as a result of the following changes:

- a decrease in the ordinary dividend payout of an overall 111,011 thousand euro;
- a decrease of 10,655 thousand euro in IAS reserves, relating to the value of the hedging derivatives now closed, but whose effects unfold over time based on the underlying hedged;
- an increase in the operating result of 182,066 thousand euro, of which a negative 339 thousand euro resulting from the operating result for minority interests;

Share capital – 3,639 thousand euro

At 31 December 2023 the share capital consisted of 363,851,660 2i Rete Gas S.p.A. ordinary shares, for a value of 3,639 thousand euro, fully subscribed and paid up.

Share premium reserve – 286,546 thousand euro

The share premium reserve did not change in the year.

Legal reserve – 728 thousand euro

The legal reserve stood at 728 thousand euro, with no change during the year.

Reserves for valuation of derivatives – 73,535 thousand euro

The reserve for valuation of derivatives was created in 2016 following the first subscription of Forward Starting Interest Rate Swap contracts. The swaps were closed as planned by 31.12.2023, while the effect on the profit and loss account for the reversal of the reserve for the valuation of derivatives is recorded on the basis of the interest expense flow of the Debenture Loan for the following 10 years.

Other reserves – 239,922 thousand euro

Other reserves rose by 4,333 thousand euro owing to the reclassification from retained earnings following the merger of 2i Rete Gas S.r.l. in 2i Rete Gas S.p.A. and the recognition in equity of the impact of the actuarial valuation of the Group's defined benefit plan.

Retained earnings – 572,442 thousand euro

Retained earnings rose by 54,693 thousand euro from the previous year as a result of the allocation of the profit for the year 2022, net of the reclassification of 4,111 thousand euro to other reserves due to the above-mentioned merger.

Net profit/(loss) for the year – 182,071 thousand euro

The result for 2023 was up by 12,256 thousand euro on the previous year.

Non-current liabilities

27. Long-term loans – 3,036,295 thousand euro

The item refers to the five tranches of the long-term debenture loan issued by the parent Company maturing between 2024 and 2033 and to three credit lines (totalling 352 million euro).

The table below shows short- and long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro	Carrying amount		Notional amount		Interest rate	Interest rate
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	in force	actual
Fixed-rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed-rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating-rate debt	109,091	127,273	109,091	127,273	Eur+0.59%	4.48%
Debenture loan expiring 2024	-	577,393	-	577,393		
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000	500,000	500,000	500,000	0.58%	0.64%
Debenture loan expiring 2033	550,000		550,000		4.38%	4.48%
Costs linked to loans (long-term)	(12,795)	(7,667)				
TOTAL LONG-TERM	**3,036,295**	**3,086,998**	**3,049,091**	**3,094,666**		
Floating-rate debt	18,182	18,182	18,182	18,182	Eur+0.59%	4.48%
Fixed-rate debt	-	100,000	-	100,000		
Debenture loan expiring 2024	489,705	-	489,705	-	3.00%	3.13%
Costs linked to loans (short-term)	(450)	(35)				
TOTAL SHORT-TERM	**507,437**	**118,147**	**507,887**	**118,182**		

The maturity schedule for financial liabilities, whether medium-/long-term (notional amount of 3,049,091 thousand euro) or short-term (507,887 thousand euro – see points 33 and 34 of these notes), is shown in the following table:

Thousands of euro	**Notional**		**1 year**	**2 - 5 years**	**Beyond 5 years**
	as at 31/12/2023	**as at 31/12/2022**			
Short and medium/long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	334,091	352,273	-	297,727	36,364
Loan - Short-term Capex Line	18,182	118,182	18,182	-	-
Medium/long-term debenture loans	2,715,000	2,742,393	-	1,665,000	1,050,000
Debenture loans due within next year	489,705	-	489,705	-	-
Total	**3,556,978**	**3,212,848**	**507,887**	**1,962,727**	**1,086,364**

The terms and conditions of the debenture loan, issued for a market of institutional investors, do not provide for covenants.

The loans taken out with the European Investment Bank are subject to some covenants calculated on the basis of the consolidated financial statements that the Company must meet to continue using the credit lines.
The covenants relate to the following indicators:

- Total net financial debt;
- RAB (Regulatory Asset Base);
- EBITDA;
- Net Financial Charges.

As at 31 December 2023 the Company had met all covenants.

28. Post-employment and other employee benefits – 28,609 thousand euro

The Group provides employees with various types of benefits, including post-employment benefits, health benefits, compensation due instead of notice of dismissal (Indennità Sostitutive del Preavviso - ISP) and compensation due instead of energy discount (Indennità Sostitutive Sconto Energia).
The item includes provisions for post-employment defined benefit plans and other long-term employee benefits required by law or contract.

Pursuant to IAS 19 Revised, these "defined benefit obligations" were determined using the "Projected Unit Credit Method", with the liability being calculated in proportion to the service already rendered at the reporting date, and not the service that might presumably be rendered overall.
In detail, the plans provided for the following benefits:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Post-employment benefits	22,135	23,326	(1,191)
ASEM health service	1,293	1,277	16
Fondo GAS	5,181	5,605	(423)
Total	**28,609**	**30,207**	**(1,599)**

Below are comments on the main items making up the aggregate.

Post-employment benefits (TFR)

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, corresponding, for each year of service, to an amount calculated by dividing their gross annual salary by 13.5.

It is noted that following the approval of Law 296 of 27 December 2006 (2007 budget law) and subsequent decrees and implementing regulations, only the portions of post-employment benefits held with the Company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the treasury fund held by INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Healthcare benefits

Based on the Italian collective bargaining agreement for executives in the industrial sector, executives have the right to supplementary healthcare in addition to that provided by the Italian Health Service, during both the employment relationship and retirement. ASEM and FASI, the healthcare fund set up for workers in Italy's electricity industry, reimburse medical expenses.

Fondo Gas (Gas Fund)

Italian Law Decree No. 78/2015, coordinated with Law no. 125/2015 (Official Journal 14.08/2015), ordered the elimination of the "Fondo Gas" (Gas Fund) as from 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as "former Fondo Gas Contribution"). The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.
The Company set aside an additional amount during the year after revising the estimate based on the more accurate data available on the average seniority of current employees for the purposes of Fondo Gas.
The main assumptions in the actuarial estimates of employee benefit liabilities (Gas Fund and post-employment benefits) are set out below.

	31.12.2023	31.12.2022
Actuarial assumptions		
Discount rate	3.10%	3.70%
Annual rate of increase in cost of living	2.00%	2.30%
Rate of increase in cost of health spending	3.30%	3.30%
Demographic assumptions		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provisions for risks and charges – 10,842 thousand euro

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

Provisions for risks and charges (considering both the short-term and the medium-/long-term portions) increased by 16,827 thousand euro on the whole compared to the previous year.
The table below shows the total provisions for risks and charges (both the short-term and the medium/long-term portion). The short-term portion is disclosed separately.

Thousands of euro	31.12.2022	Of which current portion	Of which non-current portion	Allocations	Releases	Uses	31.12.2023	Of which current portion	Of which non-current portion
Provision for litigation and disputes	5,575	-	5,575	2,131	(2,134)	(1,167)	4,404	-	4,404
Provision for taxes and duties	2,025	-	2,025	496	(356)	(41)	2,125	-	2,125
Provision for disputes with personnel	100	-	100	-	-	-	100	-	100
Provision for disputes on concessions	32,064	32,064	-	6,124	(3,555)	(899)	33,735	33,735	-
Other provisions for risks and charges	33,723	30,937	2,786	31,227	(3,740)	(11,260)	49,950	45,737	4,214
Total	**73,486**	**63,001**	**10,486**	**39,978**	**(9,784)**	**(13,367)**	**90,313**	**79,471**	**10,842**
Provision for charges pertaining to leave incentives	2,000	2,000	-	259	-	(259)	2,000	2,000	-
Total	**75,486**	**65,001**	**10,486**	**40,237**	**(9,784)**	**(13,626)**	**92,313**	**81,471**	**10,842**

Provisions for risks and charges totalled 92,313 thousand euro with a short-term portion of 81,471 thousand euro and a long-term portion of 10,842 thousand euro.
Existing provisions broken down as follows:

- “Provision for litigation and disputes”, amounting to 4,404 thousand euro to cover contingent liabilities mainly arising from ongoing litigation cases;
- “Provision for taxes and duties”, standing at 2,125 thousand euro, mainly concerning ongoing litigation or disputes concerning local taxes;
- “Provision for disputes with personnel”, amounting to 100 thousand euro, covering expected charges arising from disputes with personnel of a company acquired in previous financial years. The Company did not consider it necessary to change this item in the year;
- “Provision for disputes on concessions", totalling 33,735 thousand euro, generally refers to estimated costs of sundry disputes with licensing Municipalities; over the year this item underwent a net increase of 1,671 thousand euro based on the likelihood of Municipalities requesting revision of the agreed concession fees. The likely maximum risk is estimated in the provision taking into account the limitation times dictated by the legislation itself;

- "Other provisions for risks and charges", amounting to 49,950 thousand, cover charges that might arise from the need for maintenance or replacement of metering equipment that fails to meet company standards and other specific risks. During the year, the item increased by 16,228 thousand euro due to net releases for no-longer-current risks and net provisions for emerging risks; the provision for network equipment rose by 9,103 thousand euro;
- "Provision for charges pertaining to leave incentives", totalling 2,000 thousand euro, addresses possible liabilities that may arise from agreements defined or in the process of being defined for incentives for personnel to leave, which started during the year and are still under way. The provision was used during 2023 for 259 thousand euro.

The fiscal position of the Group has been defined up to 2018.

30. Non-current financial liabilities – 0 thousand euro

At 31 December 2023, non-current financial liabilities stood at zero.

31. Non-current financial liabilities IFRS 16 – 16,361 thousand euro

As at 31 December 2023 this item included financial liabilities falling due after 12 months deriving from the application of IFRS 16, i.e. payables arising from future leases that the Group will have to pay for the exclusive use of those assets whose hire, rental or lease contracts fall under the application of the aforesaid standard.
The table below shows details of maturities broken down by short, medium and long-term debt and by type of contract.

Thousands of euro

		Present value of IFRS 16 cash 31.12.2023	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**16,361**	**-**	**15,798**	**563**
	IFRS 16 Property			11,683	563
	IFRS 16 Vehicles			4,115	-
	IFRS 16 ICT			-	-
Current IFRS 16 financial liabilities		**7,303**	**7,303**	**-**	**-**
	IFRS 16 Property		4,565		
	IFRS 16 Vehicles		2,548		
	IFRS 16 ICT		191		
Total		**23,664**	**7,303**	**15,798**	**563**

32. Other non-current liabilities – 355,352 thousand euro

This item rose by 1,498 thousand euro compared to the previous year, made up as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Sundry payables	1,056	1,052	4
Deferred income for grants related to plants	57,764	58,554	(790)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	296,532	294,248	2,284
Total deferred income	**355,352**	**353,854**	**1,498**

In addition to normal operating trends, the change in deferred income also accommodates the representation of the counterpart of those assets heavily impacted by contributions following the awarding of ATEM Naples 1, increasing accordingly. The item must be seen in conjunction with the short-term portion of "Other current liabilities".

Current liabilities

33. Short-term loans – 0 thousand euro

This item stood at zero, just as in 2022.

34. Current portion of medium/long-term bank loans – 507,437 thousand euro

As of 31 December 2023, the item included the Company's total short-term debt to bondholders and to the banking system, including tranches of debt to the EIB that are contractually due to be repaid within the next 12 months. For details, see Section 27.

35. Current portion of long-term provisions and short-term provisions – 81,471 thousand euro

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

36. Trade payables – 222,807 thousand euro

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

This item decreased by 226,188 thousand euro compared to the previous year, which was impacted by the classification within it of debit balances with customers generated by the presence of negative tariff components in the billing; in 2023 these components returned to positive values, for which the debit balance also returned to standard business levels.

The breakdown of trade payables to third-party suppliers and Group suppliers is set out below, broken down by financial statements item:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Suppliers	222,807	448,994	(226,188)
Total	**222,807**	**448,994**	**(226,188)**

The balance at 31 December 2023 mainly consisted of the residual amount payable to suppliers to which gas distribution plant construction and maintenance is outsourced, payables to staff and operational support services, as well as the purchase of electricity and gas services for internal use.

37. Income tax payables – 16,473 thousand euro

At 31 December 2023, income tax payables were higher than in the previous year due to normal trends for advance and final payments.

38. Current financial liabilities – 32,651 thousand euro

Current financial liabilities mostly refer to the interest expense accrued and not yet paid relating to the tranches of the debenture loan.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Accrued liabilities for interest on short-term bank loans and bank expenses	31,761	18,785	12,977
Other current financial payables	890	826	64
Total	**32,651**	**19,611**	**13,040**

39. Current IFRS 16 financial liabilities – 7,303 thousand euro

The item includes financial liabilities relating to rental and leasing contracts categorised with IFRS 16 right-of-use assets, which are expected to be paid within the next 12 months. A breakdown of maturities by type of contract is provided under note 31 above.

40. Other current liabilities – 130,056 thousand euro

Other current liabilities decreased in the year by 12,998 thousand euro, mainly due to the fall in "Other payables", an item which also includes the amount due to the Fund for Energy and Environmental Services (CSEA) for the items relating to various tariff components.
The position with CSEA must be viewed in light of the relevant receivables due from CSEA included under Other current assets.
In summary, other current liabilities are set out below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
other tax payables	3,942	3,881	61
payables to social security and pension agencies	9,825	9,173	653
other payables	96,858	113,045	(16,187)
accrued liabilities	3,971	3,525	446
deferred income	15,460	13,429	2,031
Total	**130,056**	**143,054**	**(12,998)**

Other tax payables, amounting to 3,942 thousand euro, are set out below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
due to tax authorities for VAT	43	149	(106)
due to tax authorities for taxes withheld from employees	3,852	3,703	149
due to tax authorities for withholding taxes	47	30	18
other payables to tax authorities	-	0	(0)
Total	**3,942**	**3,881**	**61**

Amounts due to social security and pension agencies, totalling 9,825 thousand euro, were down compared with the previous year, in line with personnel changes during the year:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
due to INPS (NATIONAL SOCIAL SECURITY INSTITUTE)	8,772	8,143	628
due to other agencies	1,053	1,029	24
Total	**9,825**	**9,173**	**653**

Other payables, amounting to 96,858 thousand euro, are set out below:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Payables to employees	13,134	10,986	2,148
Payables to municipalities for rights and fees	1,048	1,201	(153)
Payables for connections, network extension and other payables to customers	12,536	10,555	1,981
Payables for security deposits and user advances	7,848	5,440	2,408
Payables to CSEA	56,256	77,241	(20,985)
Other payables	6,036	7,623	(1,587)
Total	**96,858**	**113,045**	**(16,187)**

Payables to the Fund for Energy and Environmental Services (CSEA) consisted of 37,488 thousand euro in payables for entries that are transferred to trading companies through the invoicing mechanism and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Re, Gs and Rs), and residual payables of 9,745 thousand euro mainly relating to equalisation amounts for previous years and the current year.

Accrued liabilities and deferred income, amounting to 19,431 thousand euro, are set out below:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Accrued liabilities			
Accrued liability for additional monthly salaries paid to employees	3,742	3,337	405
Other accrued liabilities	229	188	41
Total accrued liabilities	**3,971**	**3,525**	**446**
Deferred income			
Deferred income for grants related to plants	2,575	2,694	(118)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	10,210	10,094	116
Other deferred income	2,674	641	2,033
Total deferred income	**15,460**	**13,429**	**2,031**
Total accrued liabilities and deferred income	**19,431**	**16,954**	**2,476**

25. Liabilities held for sale – 0 thousand euro

As at 31 December 2023, the item was zero.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

"Related parties" with whom the Group had dealings in 2023 included:

- F2i SGR S.p.A. – as the operating company of "F2i – Third Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors"
- Finavias S.a.r.l.
- Bonatti S.p.A.
- APG Infrastructure Pool 2017 II
- Melegnano Energia Ambiente S.p.A. (MEA S.p.A.)
- 2i Servizi Energetici S.r.l.

The definition of related parties includes key management personnel, including their close relatives, of the parent company as well as of the companies controlled directly and/or indirectly by them, jointly controlled companies and those in which the parent company exercises considerable influence. Key management personnel are those who have direct and indirect power and responsibility for planning, management, and control of company operations, including Directors and Auditors.

All trade balances relate to transactions undertaken at market values.

Trade, financial and other transactions involving the Group, its parent companies and its subsidiaries are shown below.

Trade and other transactions

2023

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A	-	60	60	-
MEA SPA	9	-	-	9
APG Infrastructure Pool 2017 II	-	20	20	-
Bonatti Spa	5	7,085	3,625	5
2i Servizi Enegetici Srl	28	194	66	62
Key management personnel, including directors and statutory auditors	-	70	3,057	-
Overall total	**42**	**7,428**	**6,829**	**76**

2022

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A	-	60	60	-
MEA SPA	9	-	-	9
APG Infrastructure Pool 2017 II	-	20	20	-
Bonatti Spa	28	6,656	5,824	28
2i Servizi Enegetici Srl	35	71	149	62
Key management personnel, including directors and statutory auditors	-	53	2,564	0
Overall total	**72**	**6,860**	**8,616**	**99**

Financial transactions

2023

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.)					70,936
Finavias S. à r.l.					40,009
MEA SPA				32	
2i Servizi Enegetici Srl	1,370		145	39	
Overall total	**1,370**	**-**	**145**	**71**	**110,945**

2022

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.)					67,100
Finavias S. à r.l.					37,845
MEA SPA				238	
2i Servizi Enegetici Srl	966		200	29	
Overall total	**966**	**-**	**200**	**267**	**104,945**

Significant extraordinary events and operations

Pursuant to CONSOB Communication of 28 July 2006 No. DEM/6064293, there were no significant extraordinary events or operations during the year.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006, it is noted that there were no positions or transactions arising from atypical and/or unusual transactions.

Fees for Directors, auditors and key management personnel

Fees for directors totalled 341 thousand euro in 2023 (of which 261 thousand euro to personnel given strategic responsibility); fees for Statutory Auditors totalled 68 thousand euro (fully included in the category of personnel given strategic responsibility) and fees for key management personnel amounted to 2,713 thousand euro.

Remuneration of the Independent Auditors

The remuneration of the independent auditors totalled 573 thousand euro in 2023, and included the annual auditing of the statutory and consolidated financial statements, the auditing of the unbundling financial report and the statements required by ARERA, as well as the contribution of Consob.

Public grants received

With regard to the changes contained in Law no. 124 of 4 August 2014, the "Annual competition law", more precisely article 1(paragraphs 125-129), it is reported that during the course of 2023 the following grants were received by Group companies from public bodies:

Euro

Name	Prov.	31.12.2023	Type
MUNICIPALITY OF ISOLA DEL GRAN SASSO	BN	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF ATINA	FR	89,531	LAZIO REGION CONTRIBUTIONS B4874 19/12/08
MUNICIPALITY OF SUCCIVO	CE	369,323	CONTRIBUTIONS LAW 784/80 - 266/97
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		113,069	INCENTIVES FOR PHOTOVOLTAIC PROJECTS
MUNIC. OF MORIGERATI	SA	25,179	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
MUNICIPALITY OF TORRACA	SA	64,546	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
MUNICIPALITY OF ISPANI	SA	22,681	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
MUNICIPALITY OF TORTORELLA	SA	27,934	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
MUNICIPALITY OF CASALETTO SPARTANO	SA	60,858	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
MUNICIPALITY OF CASELLE IN PITTARI	SA	188,014	contributions Pursuant to Regional Law 100/2018 of the CAMPANIA REGION.
Total public grants collected		**1,036,967**	

It is noted that the amount did not include any grants received from public administrations not yet refunded to the Group.

Contractual commitments and guarantees

The Company provided 147,115 thousand euro by way of guarantees in the interests of third parties. These guarantees include 118,391 thousand euro in bank guarantees and 28,724 thousand euro in insurance and other guarantees.
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
Further to section 22(b) of art. 2427 of the Italian Civil Code, it is stressed that there are no agreements that have not been disclosed in the financial statements that might significantly impact the Group's financial statements.

Operating segment reporting

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

Contingent liabilities and assets

Contingent liabilities

Currently there are no significant contingent liabilities.

Contingent assets

Currently there are no significant contingent assets.

Credit, liquidity and market risk

Credit risk

The 2i Rete Gas Group provides its distribution services to over 260 sales companies, the most significant of which is Enel Energia S.p.A.
With regard to invoiced volumes, in 2023 too there were some non-relevant cases of counterparty non-compliance.
User access to the gas distribution service is governed by the Network Code, which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, credit lines to external counterparties are closely monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits for the purpose of ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled 276,220 thousand euro.

This resulted in a mitigation of the credit risk.

A summary quantitative indication of the maximum exposure to credit risk can be derived from the carrying amount of financial assets, before the relevant bad debt provision.

At 31 December 2023 the maximum credit risk exposure was 828.4 million euro:

Millions of euro

	31.12.2023	31.12.2022	2023 - 2022
Non-current financial assets	12.8	116.7	(103.9)
Other non-current financial assets (gross of bad debt provision)	24.1	33.4	(9.4)
Trade receivables (gross of bad debt provision)	208.2	63.6	144.6
Other current financial assets	7.1	3.3	3.8
Cash and cash equivalents	324.9	46.0	278.9
Other receivables (gross of bad debt provision)	251.3	418.3	(166.9)
Total	**828.4**	**681.3**	**147.1**

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, the 2i Rete Gas Group is able to autonomously meet the financial requirements of its ordinary operations and ensure business continuity.
In addition to the debenture loans issued, maturing between 2024 and 2033, the Company took out two loans with the European Investment Bank in 2015 and 2016, totalling 225 million euro, plus a line of credit with a leading bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the Company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2023 are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2023			
Long-term loans	-	297.7	36.4
Medium/long-term debenture loans	-	1,665.0	1,050.0
Medium/long-term debenture loans maturing within 12 months	489.7		
Short-term loans	-		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	32.7		
Non-current IFRS 16 financial liabilities		15.8	0.6
Current IFRS 16 financial liabilities	7.3		
Total	**547.8**	**1,978.5**	**1,086.9**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2022 are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2022			
Long-term loans	-	297.7	54.5
Medium/long-term debenture loans	-	2,242.4	500.0
Short-term loans	100.0		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	19.6		
Non-current IFRS 16 financial liabilities		17.9	0.9
Current IFRS 16 financial liabilities	6.7		
Total	**144.5**	**2,558.0**	**555.5**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are regularly monitored for compliance with some financial covenants at a consolidated level.
At 31 December 2023, these covenants had been fully met.

"Medium/long-term debenture loans" totalling 2,715 million euro refer to the aforementioned debenture loan tranches issued by 2i Rete Gas and expiring between 2025 and 2033.

The Company's growth plan requires refinancing existing debt, but given the Company's excellent performance, the rating obtained, and the ongoing compliance with the financial covenants established by the lending banks, currently the Company does not face any problems in obtaining said refinancing.
The Company constantly monitors opportunities to optimise its financial structure. For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

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

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

As at 31 December 2023 the Company did not hold any derivatives.
It should also be pointed out that the Company has no financial assets held to maturity, available for sale or held for trading.

		carrying amount						
Thousands of euro	**Notes**	**Measured at fair value**	**Derivatives**	**Receivables**	**Available for sale**	**Other financial liabilities and payables**	**Total**	**Fair value**
Financial assets designated at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			12,768			12,768	12,768
Other non-current assets	17			23,865			23,865	23,865
Trade receivables	19-25			197,365			197,365	197,365
Short-term financial receivables	20			2,853			2,853	2,853
Other current financial assets	21			4,249			4,249	4,249
Cash and cash equivalents	22			324,901			324,901	324,901
Other current assets	24			297,362			297,362	297,362
TOTAL ASSETS			**-**	**863,364**	**-**	**-**	**863,364**	**863,364**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27					334,091	334,091	334,091
Medium/long-term debenture loans	27					2,702,205	2,702,205	2,537,939
Medium/long-term debenture loans maturing within 12 months	33-34					489,255	489,255	486,953
Non-current IFRS 16 financial liabilities	31	16,361					16,361	16,361
Other non-current liabilities	32					1,056	1,056	1,056
Short-term loans	33-34					18,182	18,182	18,182
Trade payables	36-25					222,807	222,807	222,807
Current financial liabilities	38					31,761	31,761	31,761
Current IFRS 16 financial liabilities	39	7,303					7,303	7,303
Other current liabilities	40					114,596	114,596	114,596
TOTAL LIABILITIES		**23,664**	**-**	**-**	**-**	**3,913,951**	**3,937,615**	**3,771,047**

In order to enable comparison, the same table as the one used in 2022 is provided:

Thousands of euro	Notes	carrying amount Measured at fair value	Derivatives*	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets designated at fair value								
Non-current financial assets	16		103,690				103,690	103,690
Financial assets not measured at fair value								
Non-current financial assets	16			12,970			12,970	12,970
Other non-current assets	17			33,242			33,242	33,242
Trade receivables	19-25			55,433			55,433	55,433
Short-term financial receivables	20			2,822			2,822	2,822
Other current financial assets	21			489			489	489
Cash and cash equivalents	22			46,038			46,038	46,038
Other current assets	24			542,039			542,039	542,039
TOTAL ASSETS			**103,690**	**693,033**	**-**	**-**	**796,722**	**796,722**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27					352,273	352,273	352,273
Medium/long-term debenture loans	27					2,734,726	2,734,726	2,463,989
Short-term debenture loans	33						-	-
Non-current IFRS 16 financial liabilities	31	18,811					18,811	18,811
Other non-current liabilities	32					1,052	1,052	1,052
Short-term loans	33-34					118,147	118,147	118,147
Trade payables	36-25					448,994	448,994	448,994
Current financial liabilities	38					18,785	18,785	18,785
Current IFRS 16 financial liabilities	39	6,660					6,660	6,660
Other current liabilities	40				19	129,625	129,644	129,644
TOTAL LIABILITIES		**25,472**	**-**	**-**	**19**	**3,803,601**	**3,829,091**	**3,558,355**

** amount measured at fair value and classified as Level 2, since its value can be derived from observable market data*

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

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

Interest rate risk

The Company manages interest rate risk with the aim of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance.
With regard to the current debt structure, 3,429.7 million euro out of a reported 3,557.0 million euro was not exposed to interest rate risk at 31 December 2023.

During 2023 the Parent Company closed forward start interest rate swap derivative contracts (maturity set at 10 years after the start date) with as many leading banks in order to hedge against the risk of an increase in interest rates.

This is therefore the situation as at 31.12.2023:

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	-	500,000	-	103,690	-	103,690	-	-
Total Interest Rate Derivatives	-	500,000	-	103,690	-	103,690	-	-

Significant events after the close of the year

In February 2024, the Board of Directors of the Parent Company 2i Rete Gas S.p.A. resolved to launch the preliminary process for a possible listing of the Company, taking into account the positive effects on the Company of the entry into its shareholding structure of national and international institutional investors, hence diversifying its funding sources and optimising the capital structure.

V Report of the Independent Auditors

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 2i Rete Gas SpA (the Group), which comprise the consolidated statement of financial position as of 31 December 2023, the consolidated profit and loss account, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of 2i Rete Gas SpA 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were

PricewaterhouseCoopers SpA

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addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Capitalisation in intangible assets of capital expenditure on the gas distribution network under service concession agreements	
Annual Report *Chapter III Directors' Report – Section 5 Regulatory and tariff framework* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 13 Intangible assets*	
Concessions and similar rights recognised as intangible assets as of 31 December 2023 totalled €4,353 million, accounting for 75% of the Group's total assets. Amounts capitalised in the year totalled €347 million.	We understood and evaluated the system of internal controls over the capital expenditure cycle, with particular reference to the identification and verification of the operating effectiveness of relevant controls.
The Group operates in gas distribution, an activity regulated by Autorità di Regolazione per Energia Reti e Ambiente (ARERA), the energy, networks and environment regulator.	We verified whether the accounting policies adopted by the Group for the capitalisation of costs conformed to the applicable financial reporting standards.
Revenues from gas distribution are determined annually on the basis of the tariff in force, which is mainly calculated on the basis of a pre-determined rate of remuneration of capital expenditure made, amortisation charges and operating costs.	We performed substantive tests, on a test basis, analysing the documentary evidence for amounts capitalised, in order to verify their accuracy, completeness and recognition in the appropriate reporting period.
A correct capitalisation of intangible assets for assets under concession, in accordance with IFRIC 12, is a key audit matter in consideration of the significant amounts of capital expenditure and their impact in the quantification of the tariff determined by ARERA every year.	We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.
Recoverability of goodwill	
Annual Report *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 13 Intangible assets*	

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Goodwill recognised as of 31 December 2023 totalled €305 million, accounting for 5% of the Group's total assets. The recoverability of goodwill is tested by the directors at the year end in accordance with IAS 36 – Impairment of assets. The recoverable amount of the group of cash generating units ("CGUs") "Gas distribution", which is the business in which the Group operates, to which goodwill is allocated, is determined on the basis of value in use, calculated on the future cash flows estimated in the 2024-2028 business plan approved by the board of directors of the parent company on 20 December 2023. The recoverable amount of the "Gas distribution" business is compared with the carrying amounts of the assets and liabilities directly attributable to the business, including goodwill. In consideration of the materiality of the balance and of the degree of subjectivity of some of the variables used to estimate value in use, the verification of the recoverability of goodwill was a key matter in our audit of the consolidated financial statements.	Also with the support of PwC experts, we verified: • The adequacy of the entire process of verification of the recoverability of goodwill, in accordance with the applicable financial reporting standards; • The method of allocation of goodwill to the CGUs; • The reasonableness of the assumptions used to determine the value in use of the "Gas distribution" business, with particular reference to the growth rates of revenues, costs and capital expenditure and the discount rates, also through sensitivity analyses; • The correct identification of the carrying amounts of the assets and liabilities directly attributable to the "Gas distribution" business; • The mathematical accuracy of the calculation model used. We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.
Measurement of provisions for risks and charges *Annual Report* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 29 Provision for risks and charges*	
Provisions for risks and charges recognised as of 31 December 2023 totalled €92 million and comprise probable liabilities arising from past events, the amount of which can be reasonably estimated at the reporting date. Provisions for risks and charges are mainly related to	We carried out activities to understand and evaluate relevant controls over the measurement of provisions for risks and charges. We verified, on a test basis, supporting evidence for the most significant positions in order to

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
charges for sundry litigation with municipalities and charges that may arise from the need to maintain or replace measurement devices that do not fully meet corporate standards. In consideration of the materiality of the balance and of the use of estimates by management, the measurement of provisions for risks and charges was key matter in our audit of the consolidated financial statements.	assess the adequacy of the provisions. We obtained confirmations from the main legal counsels retained by the Group, with an indication of individual positions and their assessment of the risk of possible liabilities. We had a critical discussion with management about their conclusions on the criteria applied to quantify provisions for risks and charges. We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate 2i Rete Gas SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of 2i Rete Gas SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the 2i Rete Gas Group as of 31 December 2023, including their consistency with the relevant consolidated financial statements and their 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 and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the 2i Rete Gas Group as of 31 December 2023 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of 2i Rete Gas Group as of 31 December 2023 and are 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.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of 2i Rete Gas SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016. We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 5 April 2024

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

VI Statutory financial statements of 2i Rete Gas S.p.A.

1. Profit and Loss Account

Euro	Notes	31.12.2023	of which to related parties	31.12.2022	of which to related parties
Revenue					
Revenue from sales and services	5.a	782,693,547	1,678,983	695,439,223	2,059,054
Other revenue	5.b	33,846,430	1,627,294	35,923,145	1,235,360
Revenue from intangible assets / assets under development	5.c	332,289,489		312,925,435	
Sub-total		**1,148,829,467**		**1,044,287,803**	
Costs					
Raw materials and consumables	6.a	56,561,278		45,202,747	
Services	6.b	361,255,722	7,025,076	349,884,397	7,550,542
Labour cost	6.c	138,905,538	2,713,033	123,176,938	2,303,700
Amortisation, depreciation and impairment losses	6.d	230,285,655		211,681,222	
Other operating costs	6.e	45,831,758	565,522	25,709,396	322,316
Capitalised costs for internal work	6.f	-		-	
Sub-total		**832,839,951**		**755,654,700**	
EBIT		**315,989,516**		**288,633,104**	
Income/(expenses) from equity investments	7	30,513	30,208	(320)	
Financial income	8	7,983,326	1,382,458	1,950,896	689,320
Financial expenses	8	(72,467,517)	211,815	(58,830,881)	(173,928)
Sub-total		**(64,453,678)**		**(56,880,304)**	
Profit before tax		**251,535,838**		**231,752,800**	
Taxes	9	70,456,529		64,592,618	
Profit/(loss) from continuing operations		**181,079,309**		**167,160,181**	
Gain on the sale of discontinued operations	10	-		-	
Tax effect	10	-		-	
Profit/(loss) from discontinued operations	10	**-**		**-**	
NET PROFIT/(LOSS) FOR THE YEAR		**181,079,309**		**167,160,181**	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

2. Statement of Comprehensive Income

Euro

	31.12.2023	31.12.2022
Net profit/(loss) recognised in the profit and loss account	**181,079,309**	**167,160,181**
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities/assets for defined benefits	(490,241)	3,499,813
Deferred tax assets and liabilities on items which will never be classified through profit / (loss)	711,982	(982,854)
	221,741	2,516,959
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives	(7,604,378)	113,874,303
Change in fair value of hedging derivatives reclassified in the income for the year	(6,707,102)	(1,234,918)
Deferred tax (assets)/liabilities from change in fair value	1,825,051	(27,329,833)
Deferred tax (assets)/liabilities from change in fair value of hedging derivatives reclassified in the income for the year	1,609,704	296,380
	(10,876,724)	85,605,932
Total other comprehensive income	**(10,654,983)**	**88,122,890**
Total comprehensive income / (loss) recognised in the year	**170,424,326**	**255,283,071**

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

3. Statement of Financial Position

Assets

Euro	Notes				
ASSETS		**31.12.2023**	**of which to related parties**	**31.12.2022**	**of which to related parties**
Non-current assets					
Property, plant and equipment	11	25,736,861		26,974,666	
IFRS 16 right-of-use assets	12	24,057,629		26,072,565	
Intangible assets	13	4,659,667,461		4,540,774,161	
Net deferred tax assets	14	127,239,401		113,470,029	
Equity investments	15	18,004,386	17,881,705	24,640,386	24,517,705
Non-current financial assets	16	12,768,068		116,660,281	
Other non-current assets	17	23,856,447		33,232,561	
	Total	**4,891,330,252**		**4,881,824,650**	
Current assets					
Inventories	18	23,293,608		18,176,421	
Trade receivables	19	200,026,220	3,157,363	56,036,327	1,494,678
Short-term financial receivables	20	27,238,941	25,735,647	26,700,744	24,838,987
Other current financial assets	21	4,647,665	419,055	728,797	245,588
Cash and cash equivalents	22	324,864,620		45,885,592	
Income tax receivables	23	3,029,332		13,705,352	
Other current assets	24	309,022,648		539,262,167	
	Total	**892,123,034**		**700,495,400**	
Non-current assets (or assets included in disposal groups) held for sale					
Non-current assets (or assets included in disposal groups) held for sale	25	12,085		1,702,518	
	Total	**12,085**		**1,702,518**	
TOTAL ASSETS		**5,783,465,371**		**5,584,022,568**	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

Liabilities

Euro	Notes				
EQUITY AND LIABILITIES		**31.12.2023**	**of which to related parties**	**31.12.2022**	**of which to related parties**
Equity	26				
Share capital		3,638,517		3,638,517	
Treasury Shares		-		-	
Other Reserves		600,731,529		607,275,287	
Retained earnings/(accumulated losses)		569,304,021		513,154,982	
Net profit/(loss) for the year		181,079,309		167,160,181	
TOTAL EQUITY		**1,354,753,376**		**1,291,228,966**	
Non-current liabilities					
Long-term loans	27	3,036,295,446		3,086,998,348	
Post-employment and other employee benefits	28	28,608,693		30,207,334	
Provision for risks and charges	29	9,019,496		8,759,911	
Deferred tax liabilities	14	-		-	
Non-current financial liabilities	30	-		-	
Non-current IFRS 16 financial liabilities	31	16,360,773		18,811,365	
Other non-current liabilities	32	346,071,092		344,370,835	
	Total	**3,436,355,499**		**3,489,147,793**	
Current liabilities					
Short-term loans	33	5,627,585	5,627,585	13,251,962	13,251,962
Current portion of long-term loans	34	507,436,558		118,147,267	
Short-term portion of long-term and short-term provisions	35	81,191,932		63,183,346	
Trade payables	36	213,284,826	1,112,028	439,770,026	1,577,751
Income tax payables	37	16,531,965	76,542	1,366,028	370,656
Current financial liabilities	38	32,714,903	63,932	19,706,156	95,572
Current IFRS 16 financial liabilities	39	7,302,828		6,660,403	
Other current liabilities	40	128,265,899	11,214	141,330,892	9,831
	Total	**992,356,496**		**803,416,080**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	-		229,729	
	Total	**-**		**229,729**	
TOTAL LIABILITIES		**4,428,711,995**		**4,292,793,602**	
TOTAL EQUITY AND LIABILITIES		**5,783,465,371**		**5,584,022,568**	

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

4. Statement of Cash Flows

Euro		31.12.2023	31.12.2022
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**45,885,592**	**442,933,528**
Cash flow from operating activities			
Profit/(loss) before tax		251,535,838	231,752,800
Taxes	9	(70,456,529)	(64,592,618)
1. Net profit/(loss) for the period		**181,079,309**	**167,160,181**
Adjustments for:			
Amortisation/depreciation	6.d	231,111,041	212,391,102
Impairment/(Reversals)/(Releases)	6.d	(825,386)	(709,881)
Capital (gains)/losses	5.b/6.e	12,894,003	6,832,093
Allocations to provisions for risks and charges and post-employment benefits		36,611,377	20,100,673
Financial (income)/expenses	7 and 8	64,453,678	56,880,304
2. Total adjustments		**344,244,713**	**295,494,293**
Change in net working capital			
Inventories	18	(5,117,187)	1,326,038
Trade receivables	19	(143,259,268)	167,212,800
Trade payables	36	(227,014,759)	229,723,194
Other current assets	24	233,599,363	(334,161,405)
Other current liabilities	40	(13,511,217)	(59,507,506)
Net tax receivables/(payables)	23 and 37	26,110,088	(11,933,799)
Increase/(decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(13,004,557)	(17,485,694)
Increase/(decrease) in provisions for deferred tax assets and liabilities	14	(9,100,795)	2,719,785
Other non-current assets	17	9,360,514	7,028,966
Other non-current liabilities	32	1,489,375	15,071,791
Financial income/(expenses) other than for financing	8	(1,070,942)	148,627
3. Total change in net working capital		**(141,519,385)**	**142,797**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**383,804,638**	**462,797,271.140**
Cash flow (used in)/generated by investing activities			
Net tangible and intangible fixed assets		(361,642,292)	(654,117,612)
Management of equity investments and income from equity investments	7 and 15	(239,487)	229
Cash acquired through company acquisition		134,846	-
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(361,746,933)**	**(654,117,383)**
D) FREE CASH FLOW (B+C)		**22,057,706**	**(191,320,112)**
Cash flow from financing activities			
Payment of dividends		(111,011,141)	(105,007,589)
Change in amortised cost	16, 27 and 34	(5,438,658)	2,309,429
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(6,707,102)	(1,234,918)
Financial income for financing activities	8	5,876,712	1,223,035
Financial (expenses) for financing activities	8	(69,289,962)	(58,251,647)
Change in short-term and long-term financial debt	27 and 33	(116,226,916)	(10,982,860)
Receipts from debenture loan issues	27	550,000,000	-
Debenture loan settlements	27 and 33	(87,688,000)	(22,607,000)
Other non-current financial assets	16	96,182,701	(63,666)
Change in other financial receivables	20 and 21	(4,457,065)	(3,562,709)
Change in IFRS 16 financial leases	31, 39 and 11	(7,397,567)	(7,239,243)
Change in other current financial payables	38	13,078,321	(310,655)
E) CASH FLOW FROM FINANCING ACTIVITIES		**256,921,323**	**(205,727,824)**
F) CASH FLOW FOR THE PERIOD (D+E)		**278,979,028**	**(397,047,936)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**324,864,620**	**45,885,592**

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

5. Statement of Changes in Equity

	Share capital and reserves							
Euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings/(accumulated losses)	Profit/(loss) for the year	**Total**
Total 31 December 2021	**3,638,517**	**286,546,491**	**727,703**	**(1,193,983)**	**233,072,184**	**409,063,117**	**209,099,454**	**1,140,953,484**
Allocation of profit/(loss) for 2021:								
Breakdown of profit/(loss)						104,091,865	(104,091,865)	**-**
Contribution from shareholders and payments to them as shareholders								
Payment of dividends							(105,007,589)	**(105,007,589)**
Total contribution from shareholders and payments to them as shareholders								*(105,007,589)*
Net income for the year recognised in equity				85,605,932	2,516,959			**88,122,890**
Net income for the year recognised in profit or loss							167,160,181	**167,160,181**
Total 31 December 2022	**3,638,517**	**286,546,491**	**727,703**	**84,411,949**	**235,589,143**	**513,154,982**	**167,160,181**	**1,291,228,966**
Allocation of profit/(loss) for 2022:								
Breakdown of profit/(loss)						56,149,040	(56,149,040)	**-**
Contribution from shareholders and payments to them as shareholders								
Payment of dividends							(111,011,141)	**(111,011,141)**
Total contribution from shareholders and payments to them as shareholders								*(111,011,141)*
- Other changes (fusione srl)					4,111,225			**4,111,225**
Net profit/(loss) for the year recognised in equity				(10,876,724)	221,741			**(10,654,983)**
Net profit/(loss) for the year recognised in profit or loss							181,079,309	**181,079,309**
Total 31 December 2023	**3,638,517**	**286,546,491**	**727,703**	**73,535,224**	**239,922,109**	**569,304,022**	**181,079,309**	**1,354,753,376**

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

6. Notes to the Statutory Financial Statements of 2i Rete Gas S.p.A.

Format and contents of the Financial Statements

The Company 2i Rete Gas S.p.A., operating in the gas distribution sector, is a public limited company and is located in Milan, Via Alberico Albricci, 10.

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

- North-West Department - Via Gazzoletto, 16/18 – 26100 Cremona (CR)
- North Department – Via Francesco Rismondo, 14 – 21049 Tradate (VA)
- North-East Department – Via Serassi, 17/Rs – 24124 Bergamo (BG)
- Centre Department – Via Morettini, 39 – 06128 Perugia (PG)
- South-West Department – Via Boscofangone snc – 80035 Nola (CE)
- South-East Department – Via Enrico Mattei – 72100 Brindisi (BR)

The Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements on 22 March 2024, which were made available to the Shareholders within the terms set forth in art. 2429 of the Italian Civil Code.
For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 22 March 2024.

These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The statutory financial statements for the year ended 31 December 2023 have been prepared in compliance with the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Board (IASB), as endorsed by the European Union pursuant to EC Regulation No. 1606/2002 and effective at the end of the year and the related SIC/IFRIC interpretations issued by the Interpretation Committee, in force at the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

The statutory financial statements consist of the Profit and Loss Account, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes. The financial statements are presented in euro, and the values shown in the Notes to the statutory financial statements are expressed in thousands of euro.
The reporting and valuation criteria are the same as those adopted to draw up

the consolidated annual financial Report, to which reference should be made, except as indicated hereafter.
In the statutory financial statements, equity investments in subsidiaries, jointly controlled companies and associates are valued at purchase cost.
When there is objective evidence of impairment, the recoverability is checked by comparing the carrying value with the recoverable value represented by the greater of the fair value, net of disposal costs, and the value in use. Should the grounds which caused the impairment no longer exist, the value of the equity investment is restated, up to the limits of the original cost.
The dividends received by subsidiaries and associates are recognised through profit or loss.

Information on Profit and Loss Account

Revenue

Methane gas is transported by the Company exclusively within Italy.

5.a Revenue from sales and services – 782,694 thousand euro

"Revenue from sales and services" mainly refers to gas transport activity and connection fees.

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

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Sales and services			
Third parties:			
Gas and LPG transport	740,163	647,483	92,680
Release/(Allocation) to the provision for risks	(1,015)	4,053	(5,068)
Connection fees	10,311	10,624	(312)
Ancillary fees	5,651	5,956	(305)
Revenue from customer operations	939	83	855
Sundry revenue and other sales and services	24,964	25,181	(216)
Group companies:			
Sundry revenue and other sales and services	1,679	2,059	(380)
Total revenue from sales and services	**782,694**	**695,439**	**87,254**

Revenue from gas transport totalled 740,163 thousand euro, and mainly refers to the 2023 Tariff Revenue Cap for natural gas.
This figure was calculated further to the publication of ARERA Resolution 570/2019/R/gas, which indicated the means for calculating the tariffs for the 2020-2025 regulatory period. The increase in the balance is due to both the provision of Determination 1/2023, which recognises remuneration linked to the residual value of smart meters, which were replaced before the end of their useful lives, and the adjustments to the Tariff Revenue Cap and the contribution for the year of the perimeter of ATEM Naples 1, which amounted to roughly 38.1 million euro.
Net provisions in the year (1,015 thousand euro) derive from Resolution 525/2022/R/GAS; said allocations were actually made to cover the risk of refunding, for locations with a year of first supply after 2017, of part of the Tariff Revenue Cap in the event that at the

end of the observation period set by the Authority the minimum number of active users needed for full recognition of investments undertaken is not reached. In 2022, on the contrary, provisions were released that had been made in previous years following Resolution 559/2020/R/gas "Approval of amounts to recover non-depreciation pursuant to paragraph 3 of article 57 of the RTDG and recalculation of benchmark tariffs for gas distribution and metering services for the years 2015-2020".

Connection fees, totalling 10,311 thousand euro, are basically in line with last year.

"Sundry revenue and other sales and services" included revenue associated with the suspension and reactivation of defaulting customers at the request of retail sales companies, totalling around 7,328 thousand euro (7,580 thousand euro in the previous year), and revenue relating to the TCol tariff component of 10,255 thousand euro, compared to 10,277 thousand euro in the previous year.
Revenue from readings rose compared to the previous year to 6,904 thousand euro, a slight increase compared to 6,468 thousand euro in 2022.

"Sundry revenue and other sales and services" from Group companies included all the amounts charged back by the Parent Company to subsidiaries as a result of operations and staff services provided in the year. The intercompany model in place since 1 July 2018 envisages that the Parent Company operates in an integrated way also on behalf of the subsidiaries, charging back a fee in line with market rates for the services provided.

5.b Other revenue – 33,846 thousand euro

"Other revenue" of 33,846 thousand euro (35,923 thousand euro in the previous year) fell by 2,077 thousand euro, due primarily to the decrease in "revenue for reimbursement of damages", which in the previous year, due to the incident that affected the Company's servers, had recorded a balance of 3,846 thousand euro, compared to the current 594 thousand euro:

Thousands of euro

	31.12.2023	31.12.2022 pro-forma	2023 - 2022
Other revenue			
Third parties:			
Revenue from plant contributions	3,075	3,265	(190)
Revenue from plant certification pursuant to Resolution no. 40	1,214	1,313	(100)
Rental income	273	295	(21)
Capital gains on disposal of assets	1,347	668	679
Compensation for damages, favourable judgments and legal costs	594	3,846	(3,252)
Other revenue and income and services	8,209	6,460	1,749
Revenue and contribution concerning photovoltaic plants	157	110	47
Technical quality revenue	17,421	18,801	(1,379)
Group companies:			
Other revenue and services	1,556	1,165	391
Total other revenue	**33,846**	**35,923**	**(2,077)**

It is noted that since 2018 revenue, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year. In 2023, as in the previous year, the balance of EEC management appears under Other costs.

The recognition of the capital gain in the year due to the disposal of ATEM Udine 2 assets involved a positive difference in the item amounting to 679 thousand euro, while as already commented on above, the negative difference between 2022 and 2023 on the item 'reimbursement of damages' concerned the reimbursement made in 2022 following an accident that affected the Company's datacentre.
The item "Other revenue and income and services" grew by 1,749 thousand euro, mainly due to the closure of a dispute with a supplier who enforced the guarantee provided.
Revenue as per Resolution 574/2013/R/gas concerning the quality of gas distribution and metering services continued to be recorded in the item, amounting to 17,421 thousand euro in the year. The positive result depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken using new, cutting-edge technologies).

5.c Revenue from intangible assets/assets under development – 332,289 thousand euro

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	332,289	312,925	19,364
Total revenue from intangible assets / assets under development	**332,289**	**312,925**	**19,364**

As from 1 January 2010 the Company has been recognising this revenue pursuant to IFRIC 12 "Service concession arrangements".
Revenue from intangible assets and assets under development represents the share of revenue directly attributable to the construction and enhancement of gas distribution infrastructure held under concession. Since it is not possible to identify specific items related to the network construction service within the tariff structure, they are estimated to correspond to costs for a similar purpose, with zero impact on operating margin.
The increase in this item was mainly due to a related increase in investments during the year.

Costs

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

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	7,907	11,157	(3,249)
Costs for services	215,191	208,829	6,362
Other operating costs	748	707	41
Amortisation	3,589	3,283	306
Capitalised costs for materials, personnel and services:	104,854	88,949	15,905
of which labour cost	*68,941*	*58,705*	*10,236*
of which raw materials and consumables	*35,912*	*30,244*	*5,668*
Total costs relating to revenue from intangible assets / assets under development	**332,289**	**312,925**	**19,364**

6.a Raw materials and consumables – 56,561 thousand euro

The item "Costs of raw materials and consumables" and the changes thereto compared to the previous year are detailed below:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Raw materials and consumables			
Third parties:			
Costs for the purchase of gas, water and lubricants	3,206	3,176	30
Stationery and printed materials	178	141	37
Various materials	58,295	40,560	17,735
(Change in inventories of raw materials)	(5,117)	1,326	(6,443)
Total costs of raw materials and consumables	**56,561**	**45,203**	**11,359**
- of which capitalised for intangible assets	43,820	41,401	2,419
- of which capitalised for other internal work		-	-

The item "Costs of raw materials and consumables" is essentially made up of costs for the purchase of materials, fuel and lubricants used in the pipe-laying process. As regards the various materials, the most significant amount in the item relates to purchase costs for meters and network equipment, which increased as a result of the inflationary pressure in the first part of the year. The item was also impacted by both the change in perimeter following the acquisition of ATEM Naples 1 and the associated organisational efforts, and the registration of the impact of the write-offs of some trade receivables for material under warranty, which are highly unlikely to be collected.

6.b Services – 361,256 thousand euro

“Costs for services” are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Costs for services			
Third parties:			
Maintenance, repair and realisation of assets	217,770	217,107	663
Costs for electricity, power and water	3,629	1,848	1,781
Gas (for internal use)	2,824	3,203	(380)
Telephone and data transmission costs	3,238	2,959	279
Insurance premiums	4,654	4,332	322
Costs for services and other expenses relating to personnel	4,873	3,817	1,056
Fees	767	818	(51)
Legal and notary costs	1,785	1,375	409
Costs for company acquisitions and disposals/strategic consulting	25	26	(1)
Advertising	174	217	(42)
IT services	12,576	12,022	554
Meter reading service	3,467	2,776	692
Audit fees	537	573	(36)
Repairs and emergency service	3,680	3,804	(124)
Plant certifications Resolution no. 40	381	439	(58)
Gas transport by third parties	832	1,178	(347)
Professional, other and consultancy services	7,005	5,827	1,178
Other costs for services	9,786	9,441	346
Group companies:			
Other costs for services	6,959	7,402	(443)
Costs for use of third-party assets			
Third parties:			
Leases	1,090	729	360
Rentals	477	903	(426)
Other costs for the use of third-party assets	2,723	2,202	521
Fee for temporary occupation of public space (C.o.s.a.p.)/Single Property Tax (CUP)	5,698	4,432	1,266
Municipal gas concession fees	66,305	62,456	3,849
Total costs for services	**361,256**	**349,884**	**11,371**
- of which capitalised for intangible assets	215,191	208,829	6,362

The aggregate figure of costs for services (including use of third-party leases) was up compared to the previous year (349,884 thousand euro). This balance includes expenses for maintenance activities (217,770 thousand euro), capitalised as per the application of the IFRIC 12 interpretation (194,236 thousand euro). Net of capitalised costs, the Services item nonetheless rose by approximately 5,010 thousand euro due to expenses connected with the expansion in the perimeter of operations.
The change in the balance is attributable to the following main factors:

- Marginally to the rise of 663 thousand euro due to increased ordinary and extraordinary maintenance work in the year carried out by third parties on distribution networks;
- to the costs for utilities (electricity, water, gas, telephony) to a more significant degree than the previous year, which increased on the whole by 1,781 thousand euro due to the increase in energy prices that the Company managed to contain in the previous year;
- to personnel-related services and expenses, up by 1,056 thousand euro, mostly relating to transfers, the resumption in staff mobility continuing in the year;
- to an increase in costs related to the meter reading service for 692 thousand euro and IT services for 554 thousand euro, due also to inflationary pressure;
- costs for services to Group companies include the item relating to the cost of the Parent Company's remote reading and remote management for the service managed by 2i Rete Dati S.r.l.
- costs for the use of third-party assets, rents, leases, hires and other costs recorded a limited increase on the whole, while the change in the single property tax (CUP), depending on the increase in the perimeter of operations, amounted to 1,266 thousand euro in the year.
- lastly, municipal fees, essentially related to the increase in the perimeter as a result of the acquisition of the ATEM Naples 1 assets, rose by 3,849 thousand euro due to higher costs to be paid to the Municipalities.

It is noted that service costs still include the cost quota for those contracts whose fees do not fall within the scope of application of IFRS 16 (intra-annual or low-value leases).

6.c Personnel costs – 138,906 thousand euro

Personnel costs are broken down as follows:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Wages and salaries	100,073	88,916	11,157
Social security contributions	30,360	27,521	2,839
Post-employment benefits	6,604	5,936	667
Asem/Fisde	(45)	(26)	(18)
Company Welfare Scheme	1,146	668	478
Other labour cost	508	(191)	699
Total labour cost	**138,647**	**122,824**	**15,823**
Non-recurring labour cost			
Redundancy incentives	259	353	(94)
Total non-recurring labour cost	**259**	**353**	**(94)**
Total labour cost	**138,906**	**123,177**	**15,729**
- of which capitalised for intangible assets	**68,941**	**58,705**	**10,236**
- of which capitalised for other internal work	**-**	**-**	**-**

They were up by 15,729 thousand euro. “Personnel costs” include all expenses incurred on an ongoing basis that, directly or indirectly, involve employees.
This amount is essentially due to the taking on, in the final month of 2022, of the workforce relating to ATEM Naples 1, in compliance with the employment protection decree.
Also this year, the existing provision for redundancy incentives, regarding a part of the company population with whom agreements or contracts are in place to reach a settlement on their exit from the Company, was supplemented.
Capitalisation for intangible assets rose by 10,236 thousand euro from the previous financial statements, as a result of the greater activities due to the increase in the perimeter managed.
The table below shows employee variations in the year by category.

	Executives	Middle managers	White collars	Blue collars	Total
Personnel as at 31 December 2022	**33**	**130**	**1,380**	**679**	**2,222**
Increase	2	-	62	37	**101**
Decrease	(2)	(9)	(87)	(48)	**(146)**
Change in category	2	2	-	(4)	**-**
Personnel as at 31 December 2023	**35**	**123**	**1,355**	**664**	**2,177**

6.d Impairment, depreciation and impairment losses – 230,286 thousand euro

Depreciation, amortisation and impairment losses totalled 230,286 thousand euro, compared to 211,681 thousand euro in the previous year.
The balance was greatly impacted by the amortisation of the investment made in December 2022 for the purchase of the ATEM Naples 1 distribution network.
It is noted that, with the application of IFRIC 12, amortisation mainly concerns the rights over concessions in which the Company manages the gas distribution networks.
Depreciation related to IFRS 16 right-of-use assets stood at 7,604 thousand euro and accounted for the portion of annual cost relating to the exclusive use of leased or rented assets that are subject to IFRS 16.

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Depreciation of tangible assets	4,325	4,135	190
Amortisation of IFRS 16 right-of-use assets	7,604	6,984	621
Amortisation of intangible assets	219,182	201,272	17,909
Impairment losses:			-
Impairment of tangible assets	-	17	(17)
Write-down of trade and other receivables	(825)	(727)	(98)
Total depreciation, amortisation and impairment	**230,286**	**211,681**	**18,604**
- of which capitalised for intangible assets	3,589	3,283	306

6.e Other operating costs – 45,832 thousand

“Other operating costs” recorded a total increase of 20,122 thousand euro due, for 6,734 thousand euro, to the capital losses from the disposal or write-off of assets relating primarily to meters, for 2,185 thousand euro for estimated compensation to customers following the implementation, from 1.4.2023, of Resolution 269/2022/R/gas on the service level performance of redelivery points equipped with smart meters, and 10,829 thousand euro for higher net provisions for risks and charges.
For a better description of relative trends, please refer to point 29 (Provisions for risks and charges) of these notes.

Capital losses were partly absorbed by the use of provisions specifically allocated for faulty meters that need replacing. A portion of the capital losses, where related to me-

ters that at the date of replacement had not been fully amortised from a tariff perspective, is repaid by means of a tariff based on an annual payment. Furthermore, a more important meter replacement campaign was launched during the year, also in response to the difficulty in changing their batteries that enable them to transmit readings.
The item also includes a net balance of 1,185 thousand euro for the purchase of Energy Efficiency Certificates in 2023, essentially in line with the previous year.

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Other operating costs			
Third parties:			
Remuneration of statutory auditors, Supervisory Body and Comm	90	91	(1)
Remuneration of members of the Board of Directors	341	258	84
Membership fees	421	385	36
Contribution to the Supervisory Authority	116	198	(82)
Compensation to customers	2,759	574	2,185
Municipal tax on property	476	490	(14)
CCIAA (chamber of commerce) fees and duties	500	531	(31)
Net costs for energy efficiency certificates	1,185	1,229	(44)
Tax on the occupation of public space (Tosap)	5	36	(31)
Capital losses on the disposal of assets	14,234	7,500	6,734
Capital losses on the sale of assets	7	0	7
Local and sundry taxes	594	641	(47)
Other costs	1,523	1,185	338
(Net) provision for risks and charges	23,421	12,591	10,829
Group companies:			
Other costs	159	-	159
Total other operating costs	**45,832**	**25,709**	**20,122**
- of which capitalised for intangible assets	748	707	41

6.f Capitalised costs for internal work – € 0 thousand

The item includes residual costs that can be capitalised but do not relate to concession assets.

7. Income/(Expenses) from equity investments - 31 thousand euro

This item includes the economic impact of dividends and valuations of associate companies.

8. Financial income/(expenses) - (64,484) thousand euro

This item is broken down as follows:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Financial income			
Third parties:			
- Interest income from loans to employees	0	0	(0)
- Sundry financial income			
- Interest income from current accounts and post office deposits	4,533	562	3,971
- Interest income from receivables from customers	31	103	(72)
- Other financial interest and income	2,076	625	1,451
Group companies:			
- Interest income	1,344	661	683
Total income	**7,983**	**1,951**	**6,032**
Financial charges			
Third parties:			
- Interest expense on medium/long-term loans	8,842	4,111	4,732
- Other expenses on medium/long-term loans from banks	507	560	(53)
- Financial expenses on debenture loans	62,758	51,423	11,336
- Financial expenses from amortised cost	2,639	2,309	329
- Interest expense on short-term bank loans	653	144	509
- Interest expense on current bank accounts	386	580	(194)
- Discounting of post-employment and other employee benefits	1,074	367	708
- Interests on taxes and contributions	9	7	2
- Change in fair value of hedging derivatives reclassified from comprehensive income	(6,707)	(1,235)	(5,472)
- Other financial and interest expense	1,616	206	1,411
- IFRS16 Financial Expenses	478	186	292
Group companies:			
- Interest expense	212	174	38
Total expenses	**72,468**	**58,831**	**13,637**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(64,484)**	**(56,880)**	**(7,604)**

Financial income and expenses posted a negative result (64,484 thousand euro), mainly due to the recognition in the year of interest relating to debenture loans and the related amortised cost, partially offset by the reversal from the equity reserve to the profit and loss account of the fair value of the hedging derivative closed in June during the year; the balance also includes interest payable for used medium- and long-term lines of credit.

During the year, the Company issued a new tranche of the debenture loan for 550 million euro, to cover the tranches soon to mature, a transaction that, while helping to secure the Company's financial structure, however involved a temporary increase in the related financial charges.

At 31 December 2023, the Group held 3,556,978 thousand euro in loans outstanding, including 3,204,705 thousand euro for six tranches of the debenture loan 2024-2033 and 352,273 thousand euro divided into three credit lines.

The structure of the Company's debt is almost entirely "fixed rate" (3,429,705 thousand), thanks mainly to the debenture loan tranches, lengthening the average duration of the existing debt while significantly reducing the cost of debt.
As regards interest income, a net increase in the amount was recorded during the year thanks to some liquidity management transactions carried out after the last tranche of the debenture loan was issued. The increase in the cost related to said loan must therefore be viewed also in light of this positive economic impact.

9. Taxes – 70,457 thousand euro

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Current taxes			
Current income taxes: IRES (corporate income tax)	64,768	50,184	14,584
Current income taxes: IRAP (regional business tax)	14,789	11,704	3,085
Total current taxes	**79,557**	**61,888**	**17,669**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	-	0	(0)
Positive adjustments for income taxes relating to previous years	-	(16)	16
Total adjustments for income taxes relating to previous years	**-**	**(15)**	**15**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(3,396)	(4,191)	795
Prepaid taxes (allocation)/use	(5,705)	6,911	(12,615)
Total current deferred and prepaid taxes	(9,101)	*2,720*	*(11,821)*
Total deferred and prepaid taxes	**(9,101)**	**2,720**	**(11,821)**
TOTAL TAXES	**70,457**	**64,593**	**5,864**

Income taxes for 2023 totalled 70,457 thousand euro, up by 5,864 thousand euro year-on-year.
Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES of 64,768 thousand euro and IRAP of 14,789 thousand euro.
Following the publication of the Budget Law for 2022 (Law no. 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill were amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to alter the choices already made. Last year the Company had already decided to confirm the option exercised, considering it absolutely plausible, given its business model, that deferred tax assets created in the period indicated by the budget law would be used.

The IRES tax incidence for 2023 was 25.7%.

The table below shows the reconciliation of the actual and theoretical tax rates, determined by applying the tax rate in force during the year to profit before tax, without taking into account the adjustments from previous years:

Thousands of euro	31.12.2023	31.12.2022
Profit before tax	251,536	231,753
Theoretical IRES taxes - 2023:	**60,369**	**55,621**
Lower taxes:	**25,169**	**30,134**
- release of contributions taxed in prior years	1,327	850
- use of provisions	5,308	6,138
- release of provisions	2,797	3,843
- reversal of statutory amortisation / depreciation not deducted in prior years	3,921	5,461
- deducted tax amortisation	7,414	7,414
- others	4,403	6,427
Higher taxes:	**29,568**	**24,697**
- allocations to provisions	12,793	8,790
- amortisation / depreciation on amounts that are not recognised for tax purposes	3,501	3,595
- statutory amortisation / depreciation exceeding the fiscal limits	11,481	10,323
- reversal of excess fiscal amortisation / depreciation deducted in prior years	714	740
- partially deductible costs	938	636
- taxes and duties	10	4
- others	131	609
Total current income taxes (IRES)	**64,768**	**50,184**
IRAP - 2023:	14,789	11,704
Total deferred taxes	**(9,101)**	**2,720**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**70,457**	**64,608**

10. Discontinued operations – 0 thousand euro

The result from discontinued operations was zero.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – 25,737 thousand euro

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions.
The breakdown and changes in tangible assets for 2022 and 2023 are shown below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements on third-party assets	Fixed assets under construction and advances	Total
Historical cost	7,102	32,963	1,115	26,331	58,722	14,482	295	**141,010**
Accumulated depreciation	0	(24,404)	(1,056)	(24,718)	(50,575)	(13,628)	-	**(114,381)**
Balance as at 31.12.2021	**7,102**	**8,560**	**59**	**1,613**	**8,147**	**853**	**295**	**26,629**
Increases (including Fixed assets classified as available-for-sale)	-	679	-	999	2,409	503	-	**4,591**
Commissioning	-	247	-	-	-	-	(247)	**-**
Gross value	-	247	-	-	-	-	(247)	**-**
Disposals	(2)	(7)	-	(0)	(0)	(4)	(48)	**(62)**
Gross value	(2)	(463)	-	(22)	(30,436)	(2,143)	(48)	**(33,115)**
Acc. depr.	0	456	-	22	30,435	2,139	-	**33,053**
Reclassifications	-	-	-	-	-	-	-	**-**
Impairment losses	(17)	-	-	-	-	-	-	**(17)**
Fixed assets classified as available-for-sale	(32)	-	-	-	-	-	-	**(32)**
Gross value	(32)	(72)	-	-	-	-	-	**(104)**
Acc. depr.	-	72	-	-	-	-	-	**72**
Depreciation	-	(582)	(8)	(454)	(2,829)	(262)	-	**(4,135)**
Total changes	**(51)**	**337**	**(8)**	**545**	**(420)**	**237**	**(295)**	**345**
Historical cost	7,051	33,354	1,115	27,308	30,696	12,841	(0)	**112,365**
Accumulated depreciation		(24,458)	(1,065)	(25,149)	(22,969)	(11,751)	-	**(85,391)**
Balance as at 31.12.2022	**7,051**	**8,897**	**50**	**2,159**	**7,727**	**1,091**	**(0)**	**26,975**
Increases (including Fixed assets classified as available-for-sale)	-	145	-	373	2,380	248	-	**3,146**
Commissioning	-	-	-	-	-	-	-	**-**
Disposals	-	(5)	-	-	(37)	(3)	-	**(46)**
Gross value	-	(13)	-	(30)	(2,121)	(3,012)	-	**(5,176)**
Acc. depr.	-	8	-	30	2,083	3,008	-	**5,129**
Reclassifications	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as available-for-sale	-	(12)	-	-	-	-	-	**(12)**
Gross value	-	(249)	-	-	-	-	-	**(249)**
Acc. depr.	-	237	-	-	-	-	-	**237**
Depreciation	-	(558)	(8)	(545)	(2,873)	(342)	-	**(4,325)**
Total changes	**-**	**(430)**	**(8)**	**(172)**	**(530)**	**(97)**	**-**	**(1,238)**
Historical cost	7,051	33,237	1,115	27,651	30,955	10,078	(0)	**110,086**
Accumulated depreciation	-	(24,771)	(1,073)	(25,664)	(23,758)	(9,084)	-	**(84,350)**
Balance as at 31.12.2023	**7,051**	**8,467**	**42**	**1,987**	**7,197**	**993**	**(0)**	**25,737**

As at 31 December 2023, this item changed by 1,238 thousand euro in total; the increased investments of 3,146 thousand euro were augmented by divestments totalling 46 thousand euro, reclassifications to available-for-sale assets of 12 thousand euro and depreciation of 4,325 thousand euro.

Investments in property, plant and equipment are broken down as follows:

Thousands of euro	31.12.2023	31.12.2022
Increases for internal services	-	-
Increases for materials	-	-
Increases for external acquisitions / services	3,146	4,591
Increases for intercompany acquisitions / services	-	-
Total	**3,146**	**4,591**

In compliance with the provisions of art. 10 of Law 72/83, the historical figures (expressed in thousands of euro) for the monetary revaluations included in the asset categories and contained in the item in question and for intangible assets are broken down as follows:

LAND	
Revaluation Law 576/75	12
Revaluation Law 72/83	12
Revaluation Law 413/91	231
Revaluation Law 350/03	1,595
Total revaluation of land and buildings	**1,849**

LAND CONC	
Revaluation Law 576/75	1
Revaluation Law 72/83	15
Revaluation Law 413/91	0
Revaluation Law 350/03	77
Total revaluation of land and buildings	**93**

BUILDINGS	
Revaluation Law 576/75	9
Revaluation Law 72/83	5
Revaluation Law 413/91	265
Revaluation Law 350/03	2,057
Total revaluation of land and buildings	**2,335**

BUILDINGS CONC	
Revaluation Law 576/75	16
Revaluation Law 72/83	96
Revaluation Law 413/91	138
Revaluation Law 350/03	2,156
Total revaluation of land and buildings	**2,406**

PLANT AND EQUIPMENT	
Revaluation Law 576/75	2,242
Revaluation Law 72/83	18,056
Revaluation Law 413/91	22
Revaluation Law 342/00	8,815
Revaluation Law 350/03	491,032
Total revaluation of plant and equipment	**520,166**

INDUSTRIAL AND COMMERCIAL EQUIPMENT	
Revaluation Law 576/75	1
Revaluation Law 72/83	10
Revaluation Law 350/03	6
Total revaluation of industrial and commercial equipment	**17**

OTHER ASSETS	
Revaluation Law 576/75	1
Revaluation Law 72/83	11
Revaluation Law 350/03	1
Total revaluation of other assets	**12**

12. IFRS 16 right-of-use assets – 24,058 thousand euro

Following the application of IFRS 16 standard, hire, rental or lease contracts are carried as the sum of the discounted value of future fees, in a capacity as exclusive use rights.
Below is the table of changes in fixed assets for 2022 and 2023.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	28,807	13,456	367	**42,630**
Accumulated depreciation	(11,526)	(4,941)	(206)	**(16,673)**
Balance as at 31.12.2021	**17,282**	**8,515**	**161**	**25,957**
ease and change in right-of-use assets	8,787	1,230	230	**10,247**
osal and changes in right-of-use assets	(2,976)	(171)	-	**(3,147)**
Gross value	(3,942)	(1,196)	-	**(5,138)**
Acc. depr.	967	1,024	-	**1,991**
Depreciation	(4,113)	(2,663)	(208)	**(6,984)**
Total changes	**1,699**	**(1,605)**	**22**	**116**
Historical cost	33,652	13,490	597	**47,739**
Accumulated depreciation	(14,672)	(6,580)	(414)	**(21,666)**
Balance as at 31.12.2022	**18,981**	**6,910**	**182**	**26,073**
ease and change in right-of-use assets	3,343	2,966	244	**6,552**
osal and changes in right-of-use assets	(721)	(214)	(27)	**(962)**
Gross value	(1,424)	(1,408)	(27)	**(2,860)**
Acc. depr.	703	1,194	-	**1,897**
Depreciation	(4,551)	(2,845)	(208)	**(7,604)**
Total changes	**(1,930)**	**(94)**	**8**	**(2,015)**
Historical cost	35,571	15,047	813	**51,431**
Accumulated depreciation	(18,520)	(8,231)	(622)	**(27,373)**
Balance as at 31.12.2023	**17,051**	**6,816**	**191**	**24,058**

13. Intangible assets – 4,659,667 thousand euro

It should be noted that, following the introduction of IFRIC 12, intangible assets also include fixed assets related to gas distribution concessions.
The breakdown and changes in intangible assets for 2022 and 2023 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets under development	Fixed assets under development	Other intangible assets	Goodwill	Payments on account	Total
Historical cost	99,881	7,557,217	35,054	1,024	187,570	304,402		8,185,148
Accumulated amortisation	(97,099)	(3,829,231)	-	-	(149,440)	-		(4,075,770)
Balance as at 31.12.2021	**2,782**	**3,727,986**	**35,054**	**1,024**	**38,129**	**304,402**	**-**	**4,109,378**
Increases (including Fixed assets classified as available-for-sale)	-	605,738	28,563	2,775	14,232	-	15	651,323
Commissioning	-	21,901	(21,901)	(625)	625	-	-	0
Decreases	-	(18,377)	(168)	(35)	(0)	-	-	(18,581)
Gross value	(222)	(45,785)	(168)	(35)	(26,259)	-	-	(72,469)
Acc. amort.	222	27,408	-	-	26,258	-	-	53,888
Reclassifications	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fixed assets classified as available-for-sale	-	(72)	(1)	-	-	-	-	(73)
Gross value	-	(90)	(1)	-	-	-	-	(90)
Acc. amort.	-	17	-	-	-	-	-	17
Amortisation	(1,247)	(186,036)	-	-	(13,989)	-	-	(201,272)
Total changes	**(1,247)**	**423,154**	**6,493**	**2,115**	**867**	**-**	**15**	**431,397**
Historical cost	99,659	8,138,982	41,547	3,139	176,168	304,402	15	8,763,911
Accumulated amortisation	(98,124)	(3,987,842)	-	-	(137,171)	-	-	(4,223,137)
Balance as at 31.12.2022	**1,535**	**4,151,140**	**41,547**	**3,139**	**38,997**	**304,402**	**15**	**4,540,774**
Increases (including Fixed assets classified as available-for-sale)	2,277	310,746	32,293	525	17,202	-	-	363,044
Commissioning	-	28,347	(28,334)	(2,759)	2,759	-	(14)	0
Decreases	-	(24,644)	(144)	(21)	-	-	-	(24,809)
Gross value	-	(46,346)	(144)	(21)	-	-	-	(46,512)
Acc. amort.	-	21,703	-	-	-	-	-	21,703
Reclassifications	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	(153)	-	(153)
Fixed assets classified as available-for-sale	-	(4)	(3)	-	-	-	-	(7)
Gross value	-	(4)	(3)	-	-	-	-	(7)
Acc. amort.	-	-	-	-	-	-	-	-
Amortisation	(1,135)	(203,838)	-	-	(14,209)	-	-	(219,182)
Total changes	**1,142**	**110,609**	**3,813**	**(2,255)**	**5,752**	**(153)**	**(14)**	**118,893**
Historical cost	101,936	8,431,725	45,360	884	196,129	304,249	1	9,080,283
Accumulated amortisation	(99,259)	(4,169,976)	-	-	(151,380)	-	-	(4,420,616)
Balance as at 31.12.2023	**2,676**	**4,261,749**	**45,360**	**884**	**44,749**	**304,249**	**1**	**4,659,667**

Intangible assets increased during the year mainly due to the investments made in concessions, amounting to 343,040 thousand euro out of a total of 363,044 thousand euro; on the other hand, the balance of divestments decreased, amounting to 24,809 thousand euro, as did impairment losses, amounting to 153 thousand euro, while reclassifications to available for sale assets amounted to 7 thousand euro and amortisation came to 219,182 thousand euro.
Both investments and divestments and amortisation recorded changes due to the expansion of the perimeter managed thanks to the tender for ATEM Naples 1, won by 2i Rete Gas S.p.A. in December 2022.

The item "Patent and intellectual property rights" recorded 2,277 thousand euro in investment; note that the item "Concessions and similar rights" includes the amounts relating to the recognition of the Company's rights as concession holder and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions. For a more comprehensive overview of the data, they should be considered with the relevant item fixed assets under development. The total of the two items actually shows a final balance after amortisation of 4,307,109 thousand euro.
The amortisation of concession charges was determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession. The Company

determined the terms of the concessions using the same criteria adopted in the previous year.
In the case of concessions obtained through an ATEM tender, as per existing regulations, the useful life of the fixed assets making up the concession has been revised to come into line with tariff rules.
As described above, on 1 December 2022 the Parent Company took over management of the gas distribution service in ATEM Naples 1 "City of Naples and Coastal Plant", with more than 1,600 km of network and almost 400,000 Redelivery Points, and at the same time took on 238 people, who had been released by the outgoing operator.
The concession is for a 12 year-year period and, as described in the notes to the financial statements as at 31 December 2022, the transaction was accounted for in 2022 as an asset acquisition based on the provisional consideration, the best estimate of the price at the time of drafting of the previous financial statements. The equalisation required by the procedure was defined in 2023, which saw an adjustment to the price paid amounting to 7.8 million euro. Said amount is not significant in terms of the impacts of amortisation and revenue as at 31 December 2022.

For concessions that have expired at the reporting date, and therefore operating in an extension regime (prorogatio), the residual value has been restated to take into consideration the postponement of the effective expiry of these concessions.

It is stressed that under the Decree of the Ministry of Economic Development dated 19 January 2011, "Determination of territorial ambits in the natural gas distribution sector", which came into force on 1 April 2011, according to art. 3(3) of the decree: "as from the entry into force of this measure, the tenders for the award of the gas distribution service as per article 14(1) of Legislative Decree no. 164 of 23 May 2000, for which the call for tenders has not been published or for which the deadline for the submission of tenders has not expired, shall be awarded only in respect of the areas determined in annex 1, which forms an integral part of this measure" and that, in accordance with article 14(7) of Legislative Decree no. 164/2000, "The outgoing operator, pursuant to article 14(7) of Legislative Decree No. 164 of 23 May 2000, remains obliged, however, to continue the management of the service until the start date of the new assignment."

"Other intangible assets" of 44,749 thousand euro include other long-term costs, such as capitalised costs linked to the implementation of the remote reading system for smart meters.

"Goodwill" totalled 304,249 thousand euro and relates to the deficit from the merger of companies that had previously been subsidiaries. This item was recognised in agreement with the Board of Statutory Auditors. It decreased during the year following the sale of assets relating to the Mortegliano concession, in compliance with paragraph 86 of IAS 36.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the Discounted Cash Flow model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a Cash Generating Unit, consistently with the corporate vision.
In particular, cash flows are considered for a forecast period of 5 years (2024-2028), consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 20 December 2023 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

In this framework, the two main assumptions are:
- continuity in concession management, since the redefinition of the relevant local areas resulting from the territorial tenders will be a concrete opportunity for the Group to expand its business on the competitive market given its economic capacity, available credit lines, and top position in a market that is experiencing concentration;
- the continuous management of end customers, with the assumption of further organic growth only on already existing networks at a rate compatible with the experience on the market in recent years.

The discount rates applied, the forecast period over which projected cash flows are discounted and the terminal value growth rate are detailed in the table below.

Tax Rate (2)	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6% (2)	4.5%	2024 - 2028	0%

(1) Post-tax WACC is aligned to the average cost of financing of the best-performing peers in the sector
(2) IRAP + IRES rate

The value in use, determined in accordance with the aforementioned methods, was higher than the value of the net invested capital recorded in the financial statements.

The recoverability of the Group's invested capital was also confirmed by a further sensitivity analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the impairment test.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows

by more than 12%, a percentage which is significantly higher than the reductions considered possible by the Group.

14. Net deferred tax assets – 127,239 thousand euro

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled 260,376 thousand euro, while deferred tax liabilities totalled 133,137 thousand euro.

Deferred tax assets and liabilities at 31 December 2023 were determined using the tax rates in force: 24% for IRES and 4.63% for IRAP.

Net deferred tax assets changed in line with normal business trends, recording variations due to the financial statements items with deferred or advance deductibility.

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

The table below details changes in "deferred tax assets and liabilities" by type of temporary difference, determined according to the tax rates in force, and the portion of recoverable and non-recoverable deferred taxes.

Thousands of euro	As at 31/12/2022	Capital contributions from extraordinary operations during the year	Total	Increases recognised in		Decreases recognised in		Other changes			Balance as at 31.12.2023
				Profit and Loss Account	Equity	Profit and Loss Account	Equity	Profit and Loss Account	Equity	Other reclassifications	
Deferred income tax assets:											
allocation to provisions for risks and charges with deferred deductibility	16,331	-	16,331	10,216	-	(4,563)	-	-	-	-	**21,984**
allocation to provisions for incentives to leave and stock options	571	-	571	76	-	(74)	-	-	-	-	**573**
allocation to provisions for disputes	3,109	519	3,628	2,253	-	(1,809)	-	-	-	-	**4,073**
allocation to provisions for inventory obsolescence	3,548	-	3,548	78	-	(217)	-	-	-	-	**3,409**
impairment losses with deferred deductibility (impairment of receivables)	2,532	2	2,534	-	-	(651)	-	-	-	-	**1,884**
impairment losses with deferred deductibility (impairment of plants)	1,899	-	1,899	4	-	-	-	-	-	-	**1,903**
depreciation and amortisation with deferred deductibility	139,336	-	139,336	11,578	-	(3,425)	-	-	-	-	**147,489**
separation of land-buildings and component analysis	114	-	114	0	-	-	-	-	-	-	**114**
start-up costs	2,225	-	2,225	1	-	-	-	-	-	-	**2,225**
Post-employment and other employee benefits	2,589	-	2,589	3,847	-	(2,118)	-	-	-	-	**4,318**
cash deductible taxes and duties	4	-	4	-	-	-	-	-	-	-	**4**
proceeds subject to deferred taxation (connection fees)	27,819	-	27,819	57	-	(822)	-	-	-	-	**27,054**
deferred deductibility charges	11,777	-	11,777	27	-	(1,896)	-	-	-	-	**9,908**
goodwill	40,279	-	40,279	92	-	(6,950)	-	-	-	-	**33,420**
post-employment and other employee benefits - OCI	2,012	-	2,012	-	5	-	-	-	-	-	**2,017**
derivative financial instruments (in case of a net negative change in the rele -	0	-	(0)	-	-	-	-	-	-	-	**(0)**
for losses recoverable in future years	0	-	0	-	-	-	-	-	-	-	**0**
Total	**254,144**	**522**	**254,666**	**28,228**	**5**	**(22,523)**	**-**	**-**	**-**	**-**	**260,376**
Deferred income tax liabilities:											
differences on tangible and intangible assets – additional depreciation and amortisation	23,858	-	23,858	297	-	(714)	-	-	-	-	**23,442**
differences on intangible assets – goodwill	4,822	-	4,822	3	-	-	-	-	-	-	**4,825**
separation of land-buildings and component analysis	3,825	-	3,825	10	-	-	-	-	-	-	**3,835**
allocation to assets of costs relating to company mergers	29,856	-	29,856	88	-	(1,908)	-	-	-	-	**28,037**
Post-employment and other employee benefits	1,506	-	1,506	-	-	-	(693)	-	-	-	**814**
proceeds subject to deferred taxation	3,330	-	3,330	400	-	-	-	-	-	-	**3,730**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	26,656	-	26,656	-	23,065	-	(26,500)	-	-	-	**23,222**
other…	566	-	566	38	-	(205)	-	-	-	-	**398**
Derivative financial instruments and ASEM - Italian Accounting Body (OCI)	177	-	177	-	-	-	(14)	-	-	-	**163**
recognition of deferred taxes due to merger	46,077	-	46,077	514	-	(1,919)	-	-	-	-	**44,671**
Total	**140,674**	**-**	**140,674**	**1,349**	**23,065**	**(4,746)**	**(27,207)**	**-**	**-**	**-**	**133,137**
Net deferred tax assets	**113,470**	**522**	**113,992**	**26,878**	**(23,060)**	**(17,777)**	**27,207**	**-**	**-**	**-**	**127,239**

15. Equity investments – 18,004 thousand euro

The table below shows the changes in the year for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in other companies.
The balance decreased by 6,636 thousand euro due mainly to the merger on 1 January 2023 of the subsidiary 2i Rete Gas S.r.l. in 2i Rete Gas S.p.A., for the reorganisation of corporate equity investments.
The equity investment in 2i Servizi energetici S.r.l., an unconsolidated Group company, was also recapitalised during the year.

The list of equity investments and the change in their value during 2023 are given on the following page.

Thousands of euro	Carrying amount	% ownership	Merger contribution	Increases for the period	Disposals	Other changes	Adjustments	Original cost	Increase/(Decrease)	Carrying amount	% ownership
	as at 31/12/2022				**Changes in 2023**				**as at 31/12/2023**		
A) Subsidiaries											
2i Rete Gas Srl	**6,906**	**100%**	(6,906)					**6,906**	**(6,906)**	**-**	
Cilento Reti Gas Srl	**2,580**	**60%**						**2,580**	**-**	**2,580**	**60%**
2i Rete Dati Srl	**11,764**	**100%**						**20**	**-**	**11,764**	**100%**
Total subsidiaries	**21,250**		**(6,906)**	**-**	**-**	**-**	**-**	**9,506**	**(6,906)**	**14,344**	
B) Associates											
Melegnano Energie Ambiente S.p.A.	**2,451**	**40%**						**2,451**	**-**	**2,451**	**40%**
2i Servizi Energetici Srl	**816**	**60%**		270				**6**	**270**	**1,086**	**60%**
Total associates	**3,267**		**-**	**270**	**-**	**-**	**-**	**2,457**	**270**	**3,537**	
C) Other companies											
Interporto di Rovigo S.p.A.	**42**	**0.30%**						**42**	**-**	**42**	**0.30%**
Fingranda S.p.A. in liquidazione	**26**	**0.58%**						**26**	**-**	**26**	**0.58%**
Agenzia di Pollenzo S.p.A.	**33**	**0.27%**						**33**	**-**	**33**	**0.27%**
Industria e Università S.r.l.	**11**	**0.09%**						**11**	**-**	**11**	**0.09%**
Terme di Offida Spa	**(0)**	**0.19%**						**1**	**-**	**(0)**	**0.19%**
Banca Popolare Pugliese	**11**	**0.01%**						**11**	**-**	**11**	**0.01%**
Immobiliare Cestia srl	**0**	**0.05%**						**0**	**-**	**0**	**0.05%**
Total other companies	**123**		**-**	**-**	**-**	**-**	**-**	**123**	**-**	**123**	
TOTAL EQUITY INVESTMENTS	**24,640**	**-**	**6,906**	**270**	**-**	**-**	**-**	**12,087**	**(6,636)**	**18,004**	

The tables below show the list of equity investments in subsidiaries and their values as recognised in the Company's financial statements at 31 December 2023:

A) Subsidiaries	Registered office	Share Capital (euro)	Equity (euro)	Profit / (Loss)	End of the reporting period	% ownership	Carrying amount	Equity (ITA GAAP) (euro)
2i Rete Gas Impianti Srl (merged into 2i Rete Gas Impianti SpA on 01.01.2023)								
Cilento Reti Gas Srl	Acquaviva delle Fonti (BA)	4,300,000	4,276,321	(11,941)	31.12.2023	60%	2,580,000	2,565,793
2i Rete Dati Srl	Milan	120,000	15,315,806	1,147,898	31.12.2023	100%	11,764,238	15,315,806

As regards associates, the values at 31 December 2023 were as follows:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Profit/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Melegnano Energie Ambiente S.p.A.	Melegnano (MI)	4,800,000	8,946,592	2,963,260	79,735	31.12.2022	40%	2,451,467
2i Servizi Energetici S.r.l.	Milan	10,000	269,825	373,115	(241,450)	31.12.2022	60%	1,086,000

Finally, the equity investments in other companies at the same date were:

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Profit/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	6,904,887	7,699,745	3,764,101	418,440	31.12.2022	0.30%	41,634
Fingranda S.p.A. in liquidazione	Cuneo	2,662,507	1,144,202	-	(15,671)	31.12.2022	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	23,079,108	22,862,836	1,022,618	70,729	31.12.2022	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,027,787	-	(31,990)	31.12.2022	0.09%	10,989
Borgo Offida S.r.l.	Offida (AP)	10,000	(329,923)	382	(26,074)	31.12.2022	0.19%	0
Banca Popolare Pugliese	Parabita (LE)	182,971,860	344,017,210	153,833,456	14,050,709	31.12.2022	0.01%	11,127
Immobiliare Cestia	Rome (RM)	50,000	384,821	144,628	(55,166)	31.12.2022	0.05%	26

16. Non-current financial assets – 12,768 thousand euro

The item includes primarily receivables for sums paid to contracting authorities for the purpose of tender preparation and which could be returned at the end of the procedure if it is lost.

In the previous year, the positive fair value of the outstanding derivative was also included in said item, whose unwinding took place in June 2023.

Lastly, there is a residual deferral of transaction costs incurred in obtaining loan facilities unused as of 31 December 2023.

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Non-current deferred financial charges	236	341	(105)
Long-term loans to employees	86	23	63
Financial receivables from others	12,446	12,607	(161)
Fair value measurement of IRS derivatives	-	103,690	(103,690)
Total	**12,768**	**116,660**	**(103,892)**

17. Other non-current assets – 23,856 thousand euro

The item includes the following entries:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
security deposits	3,717	3,740	(23)
receivables for plant contributions to be received	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	41	48	(7)
from municipalities for disposals of assets due to expiration of concessions	824	1,029	(205)
non-current receivables from CSEA	16,114	24,732	(8,618)
other non-current assets	2,447	2,955	(507)
bad debt provision - other non-current assets	(153)	(137)	(16)
Total	**23,856**	**33,233**	**(9,376)**

Guarantee deposits of 3,717 thousand euro refer to receivables for work to be performed on distribution plants as well as from user contracts.

The receivable for contributions to be received (560 thousand euro) consisted of the recognition of the medium/long-term portion of receivables for plant-related contributions to be received: this item was unchanged during the year.

Tax receivables of 306 thousand euro relate to reimbursement requests pursuant to art. 6 of Legislative Decree 185/2008 (deduction from IRES of the IRAP portion for labour costs and interest expense). There were no changes to this item in the year.

Receivables due from municipalities for disposals of assets due to the expiration of concessions totalled 824 thousand euro. This was the result of disputes or similar proceedings ongoing with some municipalities to define the amount of the refund owed to the Company as outgoing operator for the redelivery of the relevant concessions and plants.

The balance of non-current receivables due from CSEA, totalling 16,114 thousand euro, referred to the amount payable to distribution companies for the conventional meters that must be replaced by smart meters under Resolution 155/09 but that had not yet been fully amortised through tariffs at the date of their replacement.

Finally, the balance of miscellaneous non-current assets includes the residual value of prepaid expenses in the form of rent paid in advance to API, the Company that owns the networks managed in the municipality of Rozzano (1,375 thousand euro).

Current assets

18. Inventories – 23,294 thousand euro

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.
Compared to the previous year, this item increased by 5,117 thousand euro, due to purchases of smart meters during the year, set against the growing material prices.
The item includes the provision for the write-down of inventories of 948 thousand euro. The provision was set up to take into account inventories with unlikely future use. The Company uses the weighted average cost method.

19. Trade receivables – 200,026 thousand euro

Trade receivables are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Third-party customers:			
Receivables from customers	199,141	50,693	148,448
- Bad debt provision	(5,200)	(7,502)	2,302
Receivables for returns under warranty	8,580	12,039	(3,460)
- Bad debt provision for returns under warranty	(5,614)	(646)	(4,969)
Total	**196,906**	**54,585**	**142,321**
Group companies:			
Receivables due from subsidiaries	3,121	1,452	1,669
Total	**3,121**	**1,452**	**1,669**
TOTAL	**200,026**	**56,036**	**143,990**

Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely relate to gas distribution operations.
The significant positive difference compared to the previous year is due essentially to the fact that, in 2022, a substantial reduction was recorded due to Government provisions in place at the time to reduce the impact of energy market trends on end consumers, through the introduction of negative tariff components and the elimination of certain existing components.
In the previous year, this factor had led to a decrease in existing receivables from customers, an increase in receivables from CSEA (under Other current assets), and an increase in Trade payables (into which the resulting negative customer balances were reclassified due to these components).
This year, the Company instead returned to the usual balanced position, thanks to typical business trends, with the effect of the previous temporary provisions no longer applicable.
Such receivables are recognised net of a 5,200 thousand euro bad debt provision.
With regard to the impact assessment pursuant to IFRS 9, the Company did not consider it necessary to update its assessments, since the guarantees hedging receivables significantly reduce the risk of insolvency.

Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables from the manufacturers of meters for non-functioning assets that have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings that lead to the belief that part of said receivable is no longer collectable.
Changes in the bad debt provision are set out in the table below.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Opening balance	**7,502**	**9,104**	**(1,602)**
Merger contributions	10		10
Allocations	399	1,410	(1,010)
Releases	(1,240)	(2,137)	896
Uses	(1,471)	(875)	(596)
Closing balance	**5,200**	**7,502**	**(2,302)**

The bad debt provision at 31 December 2023 was taxed to the tune of 4,801 thousand euro (7,502 thousand euro in previous year).

The bad debt provision for returns under warranty instead recorded the following changes during the year:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Opening balance	**646**	**646**	**-**
Allocations	4,969		4,969
Uses	-	-	-
Closing balance	**5,614**	**646**	**4,969**

The breakdown of receivables from subsidiaries is as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Receivables due from subsidiaries:			
2I Rete Dati Srl	1,774	188	1,587
2I Rete Gas S.r.l.	-	132	(132)
Cilento Reti Gas S.r.l.	1,346	1,132	214
TOTAL	**3,121**	**1,452**	**1,669**

All the company's operations are in Italy.

20. Short-term financial receivables – 27,239 thousand euro

Short-term financial receivables are composed mainly of 24,386 thousand euro from subsidiary Cilento Reti Gas S.r.l. for the intercompany loan agreement entered into during the year, receivables of 1,350 thousand euro due from associate company 2i Servizi Energetici S.r.l. for a loan agreement entered into over the past year and financial receivables arising from the exercise of the right of withdrawal of Azienda Elettrica Valtellina e Valchiavenna.

21. Other current financial assets – 4,648 thousand euro

This item includes prepayments and accrued income of 4,229 thousand euro, plus current financial receivables from subsidiary Cilento Reti Gas S.r.l. amounting to 399 thousand euro and from 2i Servizi Energetici S.r.l. totalling 20 thousand euro.

22. Cash and cash equivalents – 324,865 thousand euro

Cash and cash equivalents were 278,979 thousand euro higher than the balance as at 31 December in the previous year following the loan transaction through the issue of a tranche of a debenture loan under the Parent Company's EMTN programme and owing to normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Bank deposits	324,701	45,635	279,066
Post office deposits	5	96	(91)
Cash in hand	158	155	4
Total	**324,865**	**45,886**	**278,979**

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

23. Income tax receivables – 3,029 thousand euro

Receivables from Italian tax authorities for income taxes mainly include IRES receivables of 1,253 thousand euro, IRAP receivables of 5 thousand euro and tax relief mostly for the Industry Framework 4.0 (1,771 thousand euro).

24. Other current assets – 309,023 thousand euro

This item is broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Other tax receivables:			
VAT receivables claimed for reimbursement	35,786	17,780	18,007
Receivables due from tax authorities for VAT	11,380	103,060	(91,680)
Other tax receivables	277	2	275
Other receivables:			
From social security and insurance agencies	473	464	9
Receivables for grants related to plants	846	1,350	(504)
Receivables from CSEA	241,298	403,692	(162,394)
Receivables from third parties for tender / concession expiration	1,955	2,281	(326)
Receivables from municipalities	246	246	-
Receivables from suppliers	2,418	3,128	(710)
Other receivables	1,947	4,251	(2,304)
- Provision for other doubtful debts	(2,402)	(2,402)	-
Accrued income	25	26	(1)
Deferred charges for other multi-year fees	35	37	(2)
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	7	9	(2)
Deferred charges for insurance premiums	2,385	-	2,385
Other deferred charges	11,903	4,894	7,009
Total	**309,023**	**539,262**	**(230,240)**

This item recorded a significant decrease in the year of 230,240 thousand euro, due primarily to lower receivables from CSEA - Cassa per i Servizi Energetici e Ambientali (162,394 thousand euro) and less VAT credits from the tax authorities of 73,673 thousand euro, of which 18,007 thousand euro extra claimed for reimbursement during the year.
Both balances in the previous year were attributable to the particular situation in 2022, in respect of the introduction of negative pass-through components and the elimination of some tariff items, which have now returned to normal business dynamics.
As at 31 December 2023, receivables from CSEA include not only the amount deriving from receivables from the equalisation of the gas distribution service (84,467 thousand euro), but the amount deriving from receivables for the UG2 and Gas Bonus "pass-through" items (54,392 thousand euro in total) and from the recognition of Technical Quality (63,372 thousand euro). In addition, as a result of Determination 1/2023, the Company registered a receivable totalling 27,600 thousand euro. This item also includes residual receivables for the recognition of remuneration on traditional meters disposed of before the end of their useful lives (6,309 thousand euro).
The item must always be correlated with payables to the Equalisation Fund, as reported in note 40 "Other current liabilities".

25. Assets held for sale – 12 thousand euro

Under assets held for sale, in 2023 the Company reports the value of a property, which is expected to be sold in the next 12 months.

Liabilities

Equity

26. Equity – 1,354,753 thousand euro

Equity rose by 63,524 thousand euro as a result of the net effect of the following changes:

- decreases due to the ordinary dividend payout of 111,011 thousand euro;
- a decrease in reserves for the valuation of derivatives of 10,877 thousand euro (relating to the value of the hedging derivatives now closed, but whose effects unfold over time based on the underlying hedged) and an increase in other reserves (4,333 thousand euro, relating mainly to the discounting of defined benefits) due to the profit for the year being recognised directly in equity;
- an increase of 181,079 thousand euro in profit for the year.

Share capital – 3,639 thousand euro

At 31 December 2023, the share capital consisted of 363,851,660 ordinary shares, fully subscribed and paid up, with no change during the year.

Share premium reserve – 286,546 thousand euro

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

Legal reserve – 728 thousand euro

The legal reserve amounted to 728 thousand euro and was unchanged, as it reached the legal limit.

Reserves for valuation of derivatives – (73,535) thousand euro

The reserve for valuation of derivatives was created in 2016 following the first subscription of Forward Starting Interest Rate Swap contracts. The swaps were closed as planned by 31.12.2023, while the effect on the profit and loss account for the reversal of the reserve for the valuation of derivatives is recorded on the basis of the interest expense flow of the Debenture Loan for the following 10 years.

Other reserves – 239,922 thousand euro

Other reserves show a change compared to the previous year (4,333 thousand euro), due mainly to the recognition in equity of the effects of the merger of 2i Rete Gas S.r.l. and the recognition in equity of the actuarial valuation of the Company's defined benefit plan.

Retained earnings – 569,304 thousand euro

Retained earnings rose by 56,149 thousand euro from the previous year as the shareholders' meeting resolved to distribute part of the profit for 2022 and allocate the rest to increase this reserve.

Net profit/(loss) for the year – 181,079 thousand euro

The table relating to the availability and possibility of distributing equity from a statutory perspective is shown below:

	Amount	Possibility of use	Amount available	Amount unavailable
Share capital	3,638,517		-	3,638,517
Share premium reserve	286,546,491	A,B,C	286,546,491	
Legal reserve	727,703	B	-	727,703
Other reserves	195,596,638	A,B,C	195,596,638	
Reserves other than merger surplus	133,404,740	A,B	133,404,740	
Reserves other than FTA	(86,021,234)		(86,021,234)	
Reserves other than post-employment benefit (TFR)	(3,058,035)		(3,058,035)	
Reserves other than derivative measurement	73,535,224		73,535,224	
Retained earnings/(accumulated losses)	569,304,022	A,B,C	569,304,022	
Profit/(loss) for the year	181,079,309	A,B,C	181,079,309	
Total	**1,354,753,376**		**1,350,387,156**	**4,366,220**

Key:
A: Available for Share Capital Increase
B: Available to cover losses
C: Available to shareholders payment

From a tax point of view, the Company has blocked some reserves. These reserves, subject to the Company's tax suspension arrangements, amounted to 349,963,428 thousand euro.

Non-current liabilities

27. Long-term loans – 3,036,295 thousand euro

The item refers to the five tranches of the long-term debenture loan issued by the Company maturing between 2024 and 2033 as part of the overhaul of its financial structure, as well as the loans in place with the European Investment Bank and another leading lender.
The table below shows short- and long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro

	Carrying amount		Notional amount		Interest rate	Interest rate
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	in force	actual
Fixed-rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed-rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating-rate debt	109,091	127,273	109,091	127,273	Eur+0.59%	4.48%
Debenture loan expiring 2024	-	577,393	-	577,393		
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000	500,000	500,000	500,000	0.58%	0.64%
Debenture loan expiring 2033	550,000		550,000		4.38%	4.48%
Costs linked to loans (long term)	(12,795)	(7,667)				
TOTAL LONG-TERM	**3,036,295**	**3,086,998**	**3,049,091**	**3,094,666**		
Floating-rate debt	18,182	18,182	18,182	18,182	Eur+0.59%	4.48%
Fixed-rate debt	-	100,000	-	100,000		
Debenture loan expiring 2024	489,705	-	489,705	-	3.00%	3.13%
Costs linked to loans (short-term)	(450)	(35)				
TOTAL SHORT-TERM	**507,437**	**118,147**	**507,887**	**118,182**		

The maturity schedule for financial liabilities, whether medium-/long-term (notional amount of 3,049,091 thousand euro) or short-term (507,887 thousand euro – see points 33 and 34 of these notes), is shown in the following table:

Thousands of euro

	Notional		1 year	2 - 5 years	Beyond 5 years
	31.12.2023	**31.12.2022**			
Short and medium/long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	334,091	352,273	-	297,727	36,364
Loan - Short-term Capex Line	18,182	118,182	18,182	-	-
Medium/long-term debenture loans	2,715,000	2,742,393	-	1,665,000	1,050,000
Debenture loans due within next year	489,705	-	489,705	-	-
Total	3,556,978	3,212,848	507,887	1,962,727	1,086,364

The terms and conditions of the debenture loan, issued for a market of institutional investors, do not provide for covenants.

The loans taken out with the European Investment Bank are subject to some covenants calculated on the basis of the consolidated financial statements that the Company must meet to continue using the credit lines.

The covenants relate to the following indicators:

- Total net financial debt;
- RAB (Regulatory Asset Base);
- EBITDA;
- Net Financial Charges.

As at 31 December 2023 the Company had met all covenants.

28. Post-employment and other employee benefits – 28,609 thousand euro

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

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

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

In greater detail, the plans provided for the following benefits:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Post-employment benefits	22,135	23,326	(1,191)
ASEM health service	1,293	1,277	16
GAS Fund	5,181	5,605	(423)
TOTAL	**28,609**	**30,207**	**(1,599)**

Below are comments on the main items making up the aggregate.

Post-employment benefits (TFR)

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, corresponding, for each year of service, to an amount calculated by dividing their gross annual salary by 13.5.
It is noted that following the approval of Law 296 of 27 December 2006 (2007 finance law) and subsequent decrees and implementing regulations, only the portions of post-employment benefits held with the Company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the treasury fund held by INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Healthcare benefits

Based on the Italian collective bargaining agreement for executives in the industrial sector, executives have the right to supplementary healthcare in addition to that provided by the Italian Health Service, during both the employment relationship and retirement. ASEM and FASI, the healthcare fund set up for workers in Italy's electricity industry, reimburse medical expenses.

Fondo Gas (Gas Fund)

Italian Law Decree No. 78/2015, coordinated with Law no. 125/2015 (Official Journal 14.08/2015), ordered the elimination of the "Fondo Gas" (Gas Fund) as from 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as Contribution to the former Fondo Gas). The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.

The main assumptions in the actuarial estimates of employee benefit liabilities (Fondo Gas and post-employment benefits) are set out below.

	31.12.2023	31.12.2022
Actuarial assumptions		
Discount rate	3.10%	3.70%
Annual rate of increase in cost of living	2.00%	2.30%
Rate of increase in cost of health spending	3.30%	3.30%
Demographic assumptions		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provisions for risks and charges – 9,019 thousand euro

Provisions for risks and charges are used to cover contingent liabilities that might arise from litigation or other disputes of the Company, without taking into account the effects of disputes that might have a positive outcome and those for which a possible charge cannot be reasonably quantified.

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

Thousands of euro	as at 31/12/2022	Of which current portion	Of which non-current portion	Merger contribution	Allocations	Releases	Uses	Other changes in	as at 31/12/2023	Of which current portion	Of which non-current portion
Provision for litigation and disputes	5,551	-	5,551	24	2,131	(2,134)	(1,167)	-	4,404	-	4,404
Provision for taxes and duties	2,025	-	2,025	-	496	(356)	(41)	-	2,125	-	2,125
Provision for disputes with personnel	100	-	100	-	-	-	-	-	100	-	100
Provision for disputes on concessions	30,246	30,246	-	1,818	6,124	(3,555)	(899)	-	33,735	33,735	-
Other provisions for risks and charges	32,021	30,937	1,084	-	30,385	(3,298)	(11,260)	-	47,848	45,457	2,391
Total	**69,943**	**61,183**	**8,760**	**1,842**	**39,136**	**(9,342)**	**(13,367)**	**-**	**88,211**	**79,192**	**9,019**
Provision for charges pertaining to leave incentives	2,000	2,000	-	-	259	-	(259)	-	2,000	2,000	-
Total	**71,943**	**63,183**	**8,760**	**1,842**	**39,395**	**(9,342)**	**(13,626)**	**-**	**90,211**	**81,192**	**9,019**

Provisions for risks and charges amounted to 90,211 thousand euro overall. They consisted of a short-term portion (81,192 thousand euro) and a long-term portion (9,019 thousand euro), and were broken down as follows:

- “Provision for litigation and disputes”, amounting to 4,404 thousand euro, to cover contingent liabilities mainly arising from ongoing litigation cases.
- “Provision for taxes and duties”, standing at 2,125 thousand euro, mainly concerning ongoing litigation or disputes concerning local taxes;
- “Provision for disputes with personnel”, amounting to 100 thousand euro, covering expected charges arising from disputes with personnel of a company acquired in previous financial years. The Company did not consider it necessary to change this item in the year;
- "Provision for disputes on concessions”, 33,735 thousand euro, generally includes estimated costs for disputes of various kinds with municipalities. The item presents releases, uses and provisions for a total of 3,488 thousand euro (of which

1,818 thousand euro deriving from the merger with 2i Rete Gas S.r.l.), increasing due to the risk of requests from municipalities for the review of agreed concession fees;
- "Other provisions for risks and charges", amounting to 47,848 thousand euro, cover charges that might arise from the need for maintenance or replacement of metering equipment that fails to meet company standards. During the year, the item increased by 15,827 thousand euro due to net releases for no-longer-current risks and net provisions for emerging risks; the provision for network equipment rose by 8,823 thousand euro;
- "Provision for charges pertaining to leave incentives", totalling 2,000 thousand euro, addresses possible liabilities that might arise from agreements defined or in the process of being defined for redundancy incentives, which started during the year and are ongoing.

The fiscal position of the Company has been defined up to 2018.

30. Non-current financial liabilities – 0 thousand euro

At 31 December 2023, non-current financial liabilities stood at zero.

31. Non-current IFRS 16 financial liabilities – 16,361 thousand euro

This item included financial liabilities falling due after 12 months deriving from the application of IFRS 16, i.e. payables arising from future leases that the Company will have to pay for the exclusive use of those assets whose hire, rental or lease contracts fall under the application of the aforesaid standard.
The table below shows details of maturities broken down by short, medium and long-term debt and by type of contract.

Thousands of euro

		Present value of IFRS 16 cash flows 31.12.2023	1 year	2 - 5 years	Beyond 5 years
financial liabilities					
RS 16 financial liabilities		**16,361**	-	**15,798**	**563**
	IFRS 16 Property			11,683	563
	IFRS 16 Vehicles			4,115	-
	IFRS 16 ICT			-	-
6 financial liabilities		**7,303**	**7,303**	-	-
	IFRS 16 Property		4,565		
	IFRS 16 Vehicles		2,548		
	IFRS 16 ICT		191		
		23,664	**7,303**	**15,798**	**563**

32. Other non-current liabilities – 346,071 thousand euro

The item includes the following entries:

Thousands of euro	31.12.2023	31.12.2022	2023 - 2022
Deferred income:			
Sundry payables	1,056	1,052	4
Deferred income for grants related to plants	48,605	49,189	(584)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	296,410	294,130	2,280
Total other non-current liabilities	**346,071**	**344,371**	**1,700**

The change in deferred income is not only due to the normal operating trends, but also includes, as of 2022, the contra-item of those assets heavily impacted by contributions. The item must be seen in conjunction with the short-term portion of "Other current liabilities".

Current liabilities

33. Short-term loans – 5,628 thousand euro

This item refers exclusively to intra-group payables with subsidiaries.

34. Current portion of medium/long-term bank loans – 507,437 thousand euro

As of 31 December 2023, the item included the Company's total short-term debt to bondholders and to the banking system, including tranches of debt to the EIB that are contractually due to be repaid within the next 12 months.
For details, see note 27.

35. Current portion of long-term provisions and short-term provisions – 81,192 thousand euro

The line item represents the current portion of the Company's provisions for risks. Comments and details of this item are provided in the section on provisions for risks and charges (note 29).

36. Trade payables – 213,285 thousand euro

This item includes all trade and operating liabilities of certain amount and timing.
This item decreased by 226,485 thousand euro compared to the previous year, when the classification of debit balances with customers generated by the presence of negative tariff components in the billing had significantly increased the value. As at 31.12.2023, normal business resumed in terms of the trends and balances of the item.

The breakdown of trade payables to third-party suppliers and Group suppliers is set out below, broken down by financial statements item:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Suppliers	212,488	438,369	(225,881)
Total	**212,488**	**438,369**	**(225,881)**
Payables due to subsidiaries	797	1,401	(604)
Total	**797**	**1,401**	**(604)**
Total	**213,285**	**439,770**	**(226,485)**

As in the previous year, the balance at 31 December 2023 mainly consisted of the residual amount payable to companies to which gas distribution plant construction and maintenance is outsourced, to suppliers of materials and payables for the purchase of electricity and gas services for internal use.
As regards dealings with subsidiaries, the relevant payables are shown below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Subsidiaries:			
2i Rete Dati Srl	797	1,399	(602)
Cilento Reti Gas S.r.l.	1	3	(2)
Total	**797**	**1,401**	**(604)**
TOTAL	**797**	**1,401**	**(604)**

37. Income tax payables – 16,532 thousand euro

At 31 December 2023 the Company had a negative balance due to the trends of payments made on account.

38. Current financial liabilities – 32,715 thousand euro

Current financial liabilities mostly refer to interest expenses accrued and not yet paid relating to the issued tranches of the debenture loan. The fall is caused by the liability management transaction involving the early closure of a portion of the debt of a debenture loan tranche.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Accrued liabilities for interest on short-term bank loans	31,761	18,784	12,977
Other current financial payables	890	826	64
Other Group's current financial payables	64	96	(32)
Total	**32,715**	**19,706**	**13,009**

39. Current IFRS 16 financial liabilities – 7,303 thousand euro

As at 31 December 2023 this item included financial liabilities falling due within 12 months deriving from the application of IFRS 16. A breakdown of maturities by type of contract is provided under note 31 above.

40. Other current liabilities – 128,266 thousand euro

Other current liabilities recorded a decrease, due in particular to the dynamics of the item "Other payables", which also includes payables to the Fund for Energy and Environmental Services for items related to various tariff components.
In summary, other current liabilities are set out below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
other tax payables	3,928	3,852	76
payables to social security and pension agencies	9,825	9,173	653
other payables	95,293	111,560	(16,267)
accrued liabilities	3,971	3,525	446
deferred income	15,250	13,222	2,028
Total	**128,266**	**141,331**	**(13,065)**

Other tax payables, amounting to 3,928 thousand euro, are set out below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
due to tax authorities for VAT	31	126	(95)
due to tax authorities for taxes withheld from employees	3,852	3,703	149
due to tax authorities for withholding taxes	45	23	22
other payables to tax authorities	-	0	(0)
Total	**3,928**	**3,852**	**76**

Payables to social security and pension agencies, amounting to 9,825 thousand euro, are set out in the table below:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
due to INPS (NATIONAL SOCIAL SECURITY INSTITUTE)	8,772	8,143	628
due to other agencies	1,053	1,029	24
Total	**9,825**	**9,173**	**653**

Other debts, which are the most important item with a total balance of 95,293 thousand euro, are broken down as follows:

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Payables to employees	13,134	10,986	2,148
Payables to municipalities for rights and fees	1,048	1,201	(153)
Payables for connections, network extension and other payables to customers	12,474	10,509	1,965
Payables for security deposits and user advances	7,848	5,436	2,412
Payables to CSEA	54,753	75,809	(21,056)
Other payables	6,036	7,618	(1,583)
Total	**95,293**	**111,560**	**(16,267)**

Payables to CSEA consist of payables for items passing through the invoicing mechanism to trading companies and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Gs, Re and Rs) (37,475 thousand euro), payables relating to the equalisation amount both for the current year and previous years (8,262 thousand euro), mainly due to equalisation adjustments. This position must be considered in light of relevant receivables from CSEA included under Other current assets.

Accrued liabilities and deferred income, amounting to 19,220 thousand euro, are set out below.

Thousands of euro

	31.12.2023	31.12.2022	2023 - 2022
Accrued liabilities			
Accrued liability for additional monthly salaries paid to employees	3,742	3,337	405
Other accrued liabilities	229	188	41
Total accrued liabilities	**3,971**	**3,525**	**446**
Deferred income			
Deferred income for grants related to plants	2,371	2,490	(119)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	10,207	10,091	116
Other deferred income	2,672	640	2,031
Total deferred income	**15,250**	**13,222**	**2,028**
Total accrued liabilities and deferred income	**19,220**	**16,747**	**2,473**

25. Liabilities held for sale – 0 thousand euro

As at 31 December 2023, the item was zero.

Related party disclosure

Related parties are identified in accordance with international accounting standards.

The following were defined as related parties for 2023:

- F2i SGR S.p.A. – as the operating company of "F2i – Third Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors" ("F2i – Secondo Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato a investitori qualificati")
- Finavias S.à.r.l.
- MEA S.p.A.
- Cilento Reti Gas S.r.l.
- 2i Rete Dati S.r.l.
- 2i Servizi Energetici S.r.l.
- APG Infrastructure Pool 2017 II

The definition of related parties also includes key management personnel, including their close relatives, of the Company and of companies controlled directly and/or indirectly by them, jointly controlled companies and those in which the Company exercises considerable influence. Key management personnel are those who have direct and indirect power and responsibility for planning, management, and control of company operations, including the chief executive officer and the managers reporting to him, as well as Directors and Auditors.

The Parent Company has implemented a centralised cash management system equipped with intercompany current accounts as well as a tax consolidation contract which generates financial movements.
All trade balances relate to transactions undertaken at market values.

Trade, financial and other transactions involving the Company, parent companies and subsidiaries are shown below.

Trade and other transactions

2023

Thousands of euro	Trade Receivables	Payables	Trade Costs	Revenue
F2i sgr Spa	-	60	60	-
MEA S.p.A	9	-	-	9
Cilento Reti Gas Srl	1,346	1	1	888
2i Servizi Energetici Srl	28	194	66	62
2i Rete Dati Srl	1,774	797	7,117	2,347
APG Infrastructure Pool 2017 II	-	20	20	-
Key management personnel, including directors and statutory auditors	-	52	3,039	-
Overall total	**3,157**	**1,123**	**10,304**	**3,306**

2022

Thousands of euro	Trade Receivables	Payables	Trade Costs	Revenue
F2i sgr Spa	-	60	60	-
MEA S.p.A	9	-	-	9
Cilento Reti Gas Srl	1,132	3	3	1,797
2i Rete GAS S.r.l.	116	-	-	388
2i Servizi Energetici Srl	35	71	149	62
2i Rete Dati Srl	204	1,399	7,399	1,040
APG Infrastructure Pool 2017 II	-	20	20	-
Key management personnel, including directors and statutory auditors	-	36	2,546	0
Overall total	**1,495**	**1,588**	**10,177**	**3,294**

Financial transactions

2023

Thousands of euro	Financial Receivables	Payables	Financial Costs	Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					70,936
Finavias S. à r.l.					40,009
MEA S.p.A	-	-	-	30	
Cilento Reti Gas Srl	24,784	77	-	1,344	
2i Servizi Energetici Srl	1,370	-	-	39	
2i Rete Dati Srl	-	5,692	212	-	
Overall total	**26,155**	**5,768**	**212**	**1,413**	**110,945**

2022

Thousands of euro	Financial Receivables	Payables	Financial Costs	Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					67,100
Finavias S. à r.l.					37,845
Cilento Reti Gas Srl	24,119	68	-	661	-
2i Rete GAS S.r.l.	-	9,951	129	-	-
2i Servizi Energetici Srl	966	-	-	29	-
2i Rete Dati Srl	-	3,699	45	-	-
Key management personnel, including directors and statutory auditors					
Overall total	**25,085**	**13,718**	**174**	**689**	**104,945**

Key information regarding subsidiaries is shown below:

Equity investments

Cilento Reti Gas S.r.l.
Share capital: 4,300,000 euro
Registered office: Acquaviva delle Fonti
Equity investment: 60%.
Cilento Reti Gas S.r.l. is concession holder of the natural gas distribution service in 28 Municipalities in the Cilento area.
The financial statements at 31 December 2023 show a loss of 12 thousand euro and equity of 4,276 thousand euro.

2i Rete Dati S.r.l.
Share capital – 120,000 euro
Registered office: Milan
Equity investment: 100%.
2i Rete Dati is a company created to maximise the know-how acquired by the Group in managing the data transmission infrastructure during the network's development of smart meter readings.
The financial statements at 31 December 2023 show a profit of 1,148 thousand euro and equity of 15,316 thousand euro.

Significant extraordinary events and operations

Pursuant to CONSOB Communication of 28 July 2006 no. DEM/6064293, there were no significant extraordinary events or operations during the year.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to CONSOB Communication no. DEM/6064293 of 28 July 2006, it is noted that there were no positions or transactions arising from atypical and/or unusual transactions.

Fees for Directors, auditors and key management personnel

Fees for directors totalled 341 thousand euro in 2023 (of which 261 thousand euro to personnel given strategic responsibility); fees for Statutory Auditors totalled 51 thousand euro (fully included in the category of personnel given strategic responsibility) and fees for key management personnel came to 2,713 thousand euro.

Public grants received

With regard to the changes contained in Law no. 124 of 4 August 2014, the "Annual competition law", more precisely article 1(paragraphs 125-129), it is reported that during the course of 2023 the following grants were received from public bodies regarding the construction of gas networks:

Euro

Name	Prov.	31.12.2023	Type
MUNICIPALITY OF ISOLA DEL GRAN SASSO	TE	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF ATINA	FR	89,531	LAZIO REGION CONTRIBUTIONS B4874 19/12/08
MUNICIPALITY OF SUCCIVO	CE	369,323	CONTRIBUTIONS LAW 784/80 - 266/97
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		113,069	INCENTIVES FOR PHOTOVOLTAIC PROJECTS
Total public grants collected		**647,755**	

Public grants from public administrations (State, regions, municipalities, etc.) during 2023 totalled 647,755 euro. This amount does not include any grants assigned by public administrations not yet transferred to the Company.

Contractual commitments and guarantees

Guarantees provided totalled 129,101 thousand euro (relating to guarantees in the interests of third parties). These guarantees include 105,405 thousand euro in bank guarantees and 23,696 thousand euro in insurance and other guarantees.
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
Furthermore, pursuant to section 22-ter of Article 2427 of the Italian Civil Code, it is noted that there are no agreements that have not been disclosed in the financial statements that might significantly impact the Company's financial statements.

Contingent liabilities and assets

Contingent liabilities

Currently there are no significant contingent liabilities.

Contingent assets

Currently there are no significant contingent assets.

Business combinations under common control

In 2023, the Company 2i Rete Gas S.r.l., wholly-owned by 2i Rete Gas S.p.A., was merged by incorporation.
IFRS 3 Revised does not apply to said combinations, which are instead subject to the OPI 2 preliminary guidelines - Accounting treatment of mergers in the financial statements. The equity values relating to the merged entity as at 31 December 2022 are shown below.

Millions of euro	
ASSETS	
Deferred tax assets	0.5
Trade receivables	0.0
Short-term financial receivables and securities	9.6
Other current financial assets	0.1
Cash and cash equivalents	0.1
Income tax receivables	0.3
Other current assets	3.4
Total assets acquired	**14.0**
LIABILITIES	
Provision for risks and charges	0.0
Short-term portion of long-term and short-term provisions	1.8
Trade payables	0.6
Income tax payables	0.0
Other current liabilities	0.4
Total liabilities assumed	**3.0**
Total fair value of net identifiable assets	**11.0**
Equity at 31.12.2022	**11.0**

The merger of the Company determined an equity reserve of 4.1 million euro, deriving from the difference between the value of the equity investment of 6.9 million euro and the value of the Company's equity as at 1 January 2023.

Credit, liquidity and market risk

Credit risk

2i Rete Gas provides its distribution services to over 260 sales companies, the most significant of which, in terms of turnover, is Enel Energia S.p.A.
With regard to invoiced volumes, in 2023 too there were some non-relevant cases of counterparty non-compliance.
User access to the gas distribution service is governed by the Network Code which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, the credit lines to external counterparties are carefully monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits, ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled 276,133 thousand euro.

The credit risk is therefore mitigated.

A summary quantitative indication of the maximum exposure to credit risk can be derived from the carrying amount of financial assets, before the relevant bad debt provision.

At 31 December 2023, the maximum credit risk exposure was 853.6 million euro.

Millions of euro

	31.12.2023	31.12.2022	2023 - 2022
Third parties:			
Non-current financial assets	12.8	116.7	(103.9)
Other non-current financial assets (gross of bad debt provision)	24.0	33.4	(9.4)
Trade receivables (gross of bad debt provision)	207.7	62.7	145.0
Other current financial assets	7.1	3.3	3.8
Cash and cash equivalents	324.9	45.9	279.0
Other receivables (gross of bad debt provision)	249.2	415.4	(166.2)
Group companies:			
Trade receivables	3.1	1.5	1.7
Short-term financial receivables	24.8	24.1	0.7
Total	**853.6**	**702.9**	**150.6**

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, 2i Rete Gas is able to autonomously meet the financial requirements of its ordinary operations and to ensure business continuity.
In addition to the debenture loans maturing between 2024 and 2033, two loans were taken out with the European Investment Bank, and one with a leading Italian bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the Company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2023 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2023			
Long-term loans	-	297.7	36.4
Medium/long-term debenture loans	-	1,665.0	1,050.0
Medium/long-term debenture loans maturing within 12 months	489.7		
Short-term loans	5.6		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	32.7		
Non-current IFRS 16 financial liabilities		15.8	0.6
Current IFRS 16 financial liabilities	7.3		
Total	**553.5**	**1,978.5**	**1,086.9**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2022 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2022			
Long-term loans	-	297.7	54.5
Medium/long-term debenture loans	-	2,242.4	500.0
Short-term loans	113.3		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	19.7		
Non-current IFRS 16 financial liabilities		17.9	0.9
Current IFRS 16 financial liabilities	6.7		
Total	**157.8**	**2,558.0**	**555.5**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are regularly monitored for compliance with some financial covenants at a consolidated level.
At 31 December 2023, these covenants had been fully met.
"Medium/long-term debenture loans" totalling 3,204.7 million euro refer to the aforementioned debenture loan tranches issued by 2i Rete Gas and expiring between 2024 and 2033.
The Company's growth plan requires the refinancing of existing debt, but given the Company's excellent performance, the rating obtained, and ongoing compliance with the financial covenants established by lending banks, the Company should not face any difficulties in obtaining said refinancing.
The Company constantly monitors opportunities to optimise its financial structure.
For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

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

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

The Company did not hold any derivatives at 31 December 2023.

In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and fair value at 31 December 2023. The Company has no financial assets held to maturity, available for sale or held for trading.

Thousands of euro	Carrying amount							
	Notes	Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets designated at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			12,768			12,768	12,768
Other non-current assets	17			23,816			23,816	23,816
Trade receivables	19-25			200,026			200,026	200,026
Short-term financial receivables	20			27,239			27,239	27,239
Other current financial assets	21			4,648			4,648	4,648
Cash and cash equivalents	22			324,865			324,865	324,865
Other current assets	24			294,248			294,248	294,248
TOTAL ASSETS		**-**	**-**	**887,609**	**-**	**-**	**887,609**	**887,609**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27					334,091	334,091	334,091
Medium/long-term debenture loans	27					2,702,205	2,702,205	2,537,939
Medium/long-term debenture loans maturing within 12 months	33-34					489,255	489,255	486,953
Non-current IFRS 16 financial liabilities	31	16,361					16,361	16,361
Other non-current liabilities	32					1,056	1,056	1,056
Short-term loans	33-34					23,809	23,809	23,809
Trade payables	36-25					213,285	213,285	213,285
Current financial liabilities	38					31,825	31,825	31,825
Current IFRS 16 financial liabilities	39	7,303					7,303	7,303
Other current liabilities	40					113,016	113,016	113,016
TOTAL LIABILITIES		**23,664**	**-**	**-**	**-**	**3,908,542**	**3,932,205**	**3,765,638**

In order to enable comparison, the same table as the one used in 2022 is provided:

Thousands of euro	Notes	Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets designated at fair value								
Non-current financial assets	16		103,690				103,690	103,690
Financial assets not measured at fair value								
Non-current financial assets	16			12,970			12,970	12,970
Other non-current assets	17			33,185			33,185	33,185
Trade receivables	19-25			56,036			56,036	56,036
Short-term financial receivables	20			26,701			26,701	26,701
Other current financial assets	21			729			729	729
Cash and cash equivalents	22			45,886			45,886	45,886
Other current assets	24			533,878			533,878	533,878
TOTAL ASSETS		**-**	**-**	**709,384**	**-**	**-**	**813,074**	**813,074**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27-34					352,273	352,273	352,273
Medium/long-term debenture loans	27					2,734,726	2,734,726	2,463,989
Non-current IFRS 16 financial liabilities	31	18,811					18,811	18,811
Other non-current liabilities	32					1,052	1,052	1,052
Short-term loans	33-34					131,399	131,399	131,399
Trade payables	36-25					439,770	439,770	439,770
Current financial liabilities	38					18,880	18,880	18,880
Current IFRS 16 financial liabilities	39	6,660					6,660	6,660
Other current liabilities	40				19	128,109	128,128	128,128
TOTAL LIABILITIES		**25,472**	**-**	**-**	**19**	**3,806,209**	**3,831,699**	**3,560,963**

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

For the purposes of determining the fair value of the debenture loan, the Group has used the market valuations at the reporting period end date.

Interest rate risk

The Company manages interest rate risk with the aim of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, and specifically interest rate swaps.
With regard to the current debt structure, 3,429.7 million euro out of a reported 3,557.0 million euro was not exposed to interest rate risk at 31 December 2023.

The Company had no outstanding derivatives as at 31 December 2023.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022	as at 31/12/2023	as at 31/12/2022
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	-	500,000	-	103,690	-	103,690	-	-
Total Interest Rate Derivatives	-	500,000	-	103,690	-	103,690	-	-

Significant events after the close of the year

In February 2024, the Board of Directors of the Parent Company 2i Rete Gas S.p.A. resolved to launch the preliminary process for a possible listing of the Company, taking into account the positive effects on the Company of the entry into its shareholding structure of national and international institutional investors, hence diversifying its funding sources and optimising the capital structure.

Management and coordination activities

The Company is not subject to management and coordination, while it provides management and coordination to the following companies:

- Cilento Reti Gas S.r.l.
- 2i Rete Dati S.r.l.

Proposed profit allocation for the year

In relation to the above, we propose:

- that the statutory financial statements of 2i Rete Gas S.p.A. for the period ended 31 December 2023, which present a profit for the year of 181,079,309.38 euro, and the accompanying Directors' report, be approved;
- the distribution to Shareholders, of a maximum of 34.36 euro for each of the 363,851,660 shares, totalling a maximum of 125,019,430.38 euro, drawn from the profit for the year and taking into account the fact that the legal reserve has reached 20% of the share capital, with the actual amount to be determined by the Shareholders' Meeting, also in consideration of the process of listing of the Company on Euronext and the definition and ongoing negotiation of the relevant expenses;
- that the residual amount of the profit for the year be carried forward.

2i Rete Gas S.p.A
The Chief Executive Officer
Francesco Forleo

VII Report of the Board of Statutory Auditors

2i RETE GAS SpA

Report of the Board of Statutory Auditors to the Shareholders' Meeting of 2i Rete Gas SpA on the financial statements as at 31 December 2023 drawn up pursuant to art. 2429 of the Civil Code

To the Shareholders' Meeting of 2i Rete Gas SpA,

To the Shareholders,

This Report has been prepared pursuant to art. 2429, paragraph 2, of the Civil Code.

The Board of Statutory Auditors (hereinafter also "the Board") in office was appointed by the Shareholders' Meeting of 2i Rete Gas Spa (hereinafter also "the Company") on 22 April 2021, when it formally took office, and will end the three-year mandate with the Shareholders' Meeting to approve the Financial Statements as of 31 December 2023.

During the 2023 financial year, the Board carried out supervisory activities, pursuant to art. 2403 and following of the Civil Code, on the adequacy of the organizational structure, on compliance with the principles of correct administration, on the adequacy of the internal control system and reliability of the administrative accounting system and its regular functioning.

The Board also carried out the functions of the Internal Control and Audit Committee (hereinafter also "CCIRC") pursuant to art. 19 of Legislative Decree no. 39/2010 as the Parent Company 2i Rete Gas SpA is a Public Interest Entity ("EIP").

The Board operated both pursuant to art. 149 of Legislative Decree no. 58/1998 ("TUF") and by referring to the principles indicated by practice, in particular to the rules of conduct of the statutory board of auditors issued by the National Council of Chartered Accountants and Accounting Experts (hereinafter also " CNDCEC").

The Board mainly carried out the relevant functions relating to supervisory activities by acquiring the information as follows:

- participation in meetings of the Board of Directors ;
- participation in Shareholders' Meetings;
- periodic meetings with the Company's top management with timings even shorter than those envisaged by law and, in any case, whenever the circumstances required it;
- meetings with the Company's corporate control functions;
- specific meetings in relation to the need to delve deeper into particular matters following extraordinary transactions or other significant management events;
- periodic meetings with the auditing firm PwC for the usual mutual exchange of information;

- meetings with the Supervisory Body – Organismo di Vigilanza (hereinafter also “OdV”).

The Board drew up the minutes of its meetings which were duly transcribed in the relevant book pursuant to art. 2404 of the Civil Code.

1. Major operations

In December 2022, following the assignment of the management of ATEM Napoli 1, the Company acquired the related *assets* including the staff who were hired by 2i Rete Gas SpA with effect from 1 December 2022; in this context, in the first months of 2023, the strengthening activities continued both of the organizational structure, with the completion of the retraining of staff in compliance with the safeguarding of employment levels, and of the logistics structure, with the expansion of the gas distribution network with further approximately 380,000 end customers in Campania.

The Board confirms, also for the 2023 financial year, that it has no particular observations regarding the extraordinary operation in question which was carried out in compliance with the principles of correct administration and confirms that the accounting treatment adopted, when awarding the tender in Naples, reflects the nature of *Asset Acquisition* with related acquisition of assets and new hiring of staff in the Company's organizational structure.

2. Supervision of compliance with the law and the company statute

During 2023, the Board participated in board and assembly meetings, thus carrying out part of the supervisory activities regarding compliance with the statutory, legislative and regulatory provisions.

In particular, the Board participated in the Shareholders' Meetings, in the meetings of the Board of Directors and held the meetings of the Board of Statutory Auditors.

The Board monitored, in compliance with the choices made by the Board of Directors, the management facts and compliance of the actions carried out by the Directors with law, with the company bylaws and with general principles of prudence and diligence, promptly receiving the supporting documentation and information flows of the activity carried out in particular during the meetings mentioned above.

The Board carried out its activities both through the use of remote means of connection and in person in compliance with the Statute, the regulatory provisions and the rules of conduct of the board of auditors issued by the CNDCEC regarding teleconference meetings.

3. Supervision of the adequacy of the company's organizational structure

The Board has acquired knowledge, to the extent of its competence, on the adequacy of the organizational structure of the Company and the Group and believes that the information requested, pursuant to art. 2381, paragraph 5, of the Civil Code, were provided by the CEO during the meetings of the Board of Directors with periodicity shorter than the expected six months.

The Board reports that as part of the process of strengthening the organizational structure, the Company has appointed the new Head of Operations Management, Ing. Pierpaolo Torelli, and the new Head of Human Resources Management, Dr. Maria Rosaria Brunetti, who have assumed the role with effect from 11 September 2023 and 1 September 2023 respectively.

Ing. Torelli explained to the Board that he had gained experience in the water, gas and environment sectors up until his last position as CEO at a company in charge of managing the gas distribution networks in which he had five managers reporting directly to him, with an organizational perimeter similar to that of 2i Rete Gas SpA In the exercise of his current role, Ing. Torelli specified that he inherited the activities managed by the previous Operations Director following the appointment of Engineer Francesco Forleo as CEO of 2i Rete Gas SpA.

Dr. Brunetti then illustrated to the Board a summary of her professional experience up until before taking on this role, where she worked as *Head of Human Resources* in an important group operating in the water sector. In the exercise of her current role, Dr. Brunetti specified that she has thirty-nine employees reporting directly to her, including six functional colleagues who hierarchically report to the Department Heads. She then briefly described the scope of the activities and the organization of the current Management team, as well as the first initiatives and organizational analysis carried out, in order to understand the processes and systems existing at the Company with a strong commitment to strengthen work *life issues balance* and corporate *welfare*.

The Board believes the organizational structure, also strengthened with the two aforementioned appointments, is adequate for the size and characteristics of the Company which, during the 2023 financial year, made well-thought management choices based on its activity and that of its subsidiaries.

4. Supervision of compliance with the principles of correct administration

The Board carried out its supervisory activity on compliance with the principles of correct administration mainly through participation in the meetings of the Board of Directors during which the CEO reported promptly on the performance of the management and on the observance of the principles of correct administration, with particular regard to the most significant operations from an economic, financial and asset point of view carried out by the Company and its subsidiaries during the 2023 financial year.

The Board has not had any news of atypical or manifestly imprudent transactions such as to compromise the integrity of the company's assets, including those within the group or with related parties and, in this regard, acknowledges that the information on relationships within the group or with related parties is described in the Report on management and comply with regulatory provisions.

The Board therefore ascertained the process and information flows underlying the resolutions of the Board of Directors, recalling the total autonomy and responsibility of the same which has always adopted suitable measures also with regard to critical issues encountered by the control functions.

5. **Supervision of the adequacy of the internal control system and reliability of the administrative accounting system**

The Board assessed the adequacy of the internal control system, also in its capacity as CCIRC, carrying out supervisory activities in particular on the financial reporting process by meeting the Head of the *Internal Audit function*, to whom the *Compliance* and *Risk Management functions are also attributed*, and obtaining periodic reports of the interventions carried out as well as half-yearly reports on the internal control system.

The President, as a member of the OdV , specifies that she has met with the *Internal Audit* function which is outsourced to Cogitek Srl which is planning an update of the interventions in the IT field, concerning the *cybersecurity project* and the development of the *disaster recovery* project , given their relevance for the Company's activity, as well as the checks for the safety of the technological systems relating to some properties, located in seismic risk areas for which the Company has adopted appropriate direct corrective actions to ensure anti-seismic safety.

The checks for the three-year period 2023-2025 should concern the Headquarters and the Territorial Departments, with particular sensitivity to the information system and the security of the properties and systems mentioned above in addition to accounts payable and commercial network services. In particular, also following the occurrence of an episode of fraud, dating back to the last months of 2022, an *audit* focused on the accounts payable process was planned in order to verify the related accounting security mechanisms in the various phases of the process and management. This episode occurred with the fraudsters' intrusion into the correspondence between the Company and a corporate supplier by simulating a change in the supplier's current account with falsified bank documentation.

The audit activity will continue to be supported by the so-called *" continuous auditing" model* , as it is more incisive than the traditional "sampling" *audit* in detecting critical points, although the risks detected are subject to constant monitoring by the Company for where no significant critical issues emerged from the examination of the reports and information obtained.

The Board examined the reports issued by the Supervisory Body (OdV) in relation to compliance with the Code of Ethics and the Organization and Control Model referred to in Legislative Decree no. 231/2001 which the Company has adopted and which is adequate to prevent the possibility of commission of offenses relevant to the specific case. The OdV carries out its activity with autonomous supervisory tasks and is of a collegial nature currently made up of the President, Avv. Daniela Mainini as an external member, Avv. Maria Cristina Fortunati, Head of the Legal and Corporate Affairs Structure as an internal member of the Company and the Dr. Giovanna Conca, President of the Company's Board of Directors. From the examination of the periodic reports issued by the OdV and from the information received during the meetings, no reports of non-compliance with the application of Model 231 emerged, as also confirmed by the 2023 Annual Report presented to the Board of Directors at the meeting of 22 March 2024.

The Board monitored in particular the adequacy of the internal control system to management needs through the analysis of the results of the work carried out by PwC, in particular on the internal control system on the financial reporting process, during the meetings between auditing firms and Board.

The Board, at the end of the supervisory activity on the adequacy of the administrative-accounting system and the reliability in correctly representing management facts, believes that the Company has adequate procedures in place to guarantee the reliability and timeliness of the financial information that reports to the Director of Administration, Finance and Control ("CFO") who is responsible for the Accounting and Administrative Control Model and is in constant interaction with the various managers of the functions involved as well as the auditing firm and the outsourced *Internal Audit function* .

Upon completion of the supervisory activity carried out in the 2023 financial year, the Board acknowledges the adequacy of the internal control system and the reliability of the administrative accounting system.

6. Supervision as the Internal Control and Auditing Committee

The Board, in its capacity as CCIRC, carried out its supervisory activities on the financial reporting process and on the statutory audit of the accounts as well as on the independence of the auditing firm PwC , which on 29 April 2015 was given the task of statutory audit of the accounts for the nine-year period 2015-2023, and ascertained constant compliance with the legislation regarding assignments other than auditing carried out by PwC or assignments for which a prior reasoned proposal from the Board was required.

The Board monitored compliance with the obligation of seven-year rotation of the audit manager for which, starting from the 2022 Budget up to and including the 2023 Budget, Dr. Giulio Grandi took over from Dr. Paolo Caccini.

PwC released the independent auditor's report on 5 April 2024 pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of Regulation (EU) no. 537/2014 to the financial statements and the consolidated financial statements as at 31 December 2023 from which it is noted that these financial statements provide a true and correct representation of the financial position of the Company and the Group as of 31 December 2023 , the economic result and cash flows. The separate and consolidated financial statements were drawn up in accordance with the international accounting standards adopted by the European Union in compliance with the Italian regulations governing their preparation while PwC carried out its work in compliance with the international auditing standards ("ISA Italia") processed pursuant to art. 11 of Legislative Decree n.39/2010.

In addition, the auditing company, pursuant to art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, issued the Declaration that it has nothing to report regarding the possible identification of significant errors contained in the Management Report.

The Board acknowledges that, in its capacity as CCIRC, it received the Additional Report pursuant to art. on 5 April 2024 from the auditing firm. 11 of European Regulation no. 537/2014, on which the Board of

Statutory Auditors will report to the Board of Directors, and from which no further key aspects of the audit emerged ("Key Audit Matter"-"KAM") beyond those indicated in the company's Report independent auditor of the 2023 financial statements relating to (i) "Capitalization of costs relating to network investments in intangible assets for assets under concession" (ii) "Recoverability of goodwill" (iii) "Valuation of the provision for risks and charges ".

The auditing firm has issued the declaration of independence pursuant to art. 6, paragraph 2) letter a) of EU Regulation no. 537/2014.

Finally, the Board took note of the transparency report required by art. 13 of EU Regulation no. 537/2014, drawn up by PwC on 5 April 2024, which is attached to the Additional Report pursuant to articles. 10 and 17 of Legislative Decree no. 39/2010, which contains the information required to be provided to the competent authorities in the event of a statutory audit of the accounts of a Public Interest Entity.

The Board notes that PwC has declared that no services other than auditing prohibited pursuant to art. 5, paragraph 1, of EU Regulation no. 537/2014 were done and that it remained independent of the Company in carrying out the legal audit.

7. Financial statements and management report

The Board received, on 22 March 2024 at the end of the meeting of the Board of Directors, within the legal deadlines pursuant to art. 2429 of the Civil Code for deposit at the Company's headquarters, the 2023 Annual Financial Report which includes the draft financial statements of 2i Rete Gas SpA as of 31 December 2023, the consolidated financial statements of the 2i Rete Gas Group as of 31 December 2023 and the Management report. These financial statements were prepared according to the international accounting standards, *"International Financial Reporting Standards* " adopted by the European Union pursuant to art. 6 of Regulation (EC) 1606/2002, in force at the end of the financial year ("IFRS-EU").

The Board proceeded with the examination of the draft financial statements in relation to which it noted the following information:

- the evaluation criteria of the asset and liability items are substantially in line with those adopted in previous years and are compliant with the provisions of the art. 2426 of the Civil Code;
- the formation and layout of the draft financial statement formats comply with regulatory provisions and have been prepared according to international accounting standards ("IFRS-EU");
- the Management Report complies with the law and is consistent with the resolutions of the Board of Directors and with the facts represented in the Financial Statements;
- there were no exceptions pursuant to the art. 2423, paragraph 4, of the Civil Code for which the draft financial statements were drawn up according to the provisions in force.

The draft financial statement was drawn up in compliance with the principles of correct management and business continuity pursuant to art. 2086 of the Civil Code.

The Board is not responsible for the legal audit of the Financial Statements and has therefore examined, within its scope of competence, the general compliance with the law of the data collection process and its structure.
On the same date, the Board also received the draft consolidated financial statements of the 2i Rete Gas Group as at 31 December 2023 which it examined in particular with reference to the consolidation perimeter which is made up of the subsidiaries 2i Reti Dati Srl and Cilento Reti Gas Srl; the consolidation perimeter has changed compared to that of the previous year following the merger by incorporation into the parent company of 2i Rete Gas Srl (which managed the Cinisello Balsamo concession until 28 February 2022) for all civil and fiscal purposes from 1 January 2023. The consolidation criteria are contained in the relevant paragraph of the notes to the consolidated financial statements and the individual financial statements of the subsidiaries used for the purposes of consolidation were drawn up adopting the accounting principles of the Parent Company.
The Board carried out the checks it deemed necessary within the scope of its supervisory responsibilities on the financial reporting process during the meetings with the managers of the Company and the auditing firm, in particular on the correct identification of the key aspects of the audit accounting which have been adequately described by the directors in the draft financial statements and invites the Company to maintain constant monitoring of their evolution and any impacts on the financial, equity and economic structure.
The Board met periodically with PwC, as shown in the relevant meeting minutes, for the usual exchange of information and communications, in particular on the progress of the audit work, the examination of the problems encountered and any findings on the system of internal controls pursuant to art. 19 of Legislative Decree no. 39/2020 with particular attention to sharing the key aspects of the audit ("KAM").

8. Consolidated Non-financial statement

The Board acknowledged that the Board of Directors of 22 March 2024 approved the Consolidated Non-Financial Statement ("DNF"), drawn up pursuant to Legislative Decree no. 254/2016, and the state of progress of the Sustainability Plan 2023-2025. The DNF was drawn up by referring to the reporting principles *" Sustainability Reporting Standards* " issued by the *Global Reporting Initiative* ("GRI") in the version updated as of 30 June 2022 according to the "*in accordance with*" option. In this context, the Group's DNF, referring to the reporting principles set out by the GRI, provides a representation of quality in terms of (i) accuracy, (ii) balance, (iii) clarity, (iv) comparability, (v) sustainability context , (vi) timeliness and (vii) verifiability.
The Board has no observations to make regarding the Report drawn up by the Company on the basis of the relevant issues envisaged by the aforementioned Decree and of materiality parameters established following adequate analysis, taking into account the characteristics and type of activity.
The Report was the subject of a separate certification of compliance with the " *GRI Sustainability Reporting*

Standards" by PwC.

9. Assignment of the statutory audit assignment for the nine-year period 2024-20 32

The statutory audit of the financial statements as at 31 December 2023 by PwC concludes the mandate for the statutory audit of the accounts for the nine-year period 2015-2023 which the Company's shareholders' meeting had conferred on 29 April 2015.

The Shareholders' Meeting of 2i Rete Gas SpA called on 24 April 2024 will have to assign the task of statutory auditing of the accounts to an auditing company for the nine-year period 2024-2032 upon a reasoned proposal from the Board pursuant to art. 13 of the Legislative Decree n.39/2010.

10. Other information

Reports and communications of irregularities and objectionable facts

- The Board has not received any notice of complaints pursuant to art. 2408 of the Civil Code during 2023 until the date of this Report ;
- The Board does not have to intervene due to omissions of the Directors pursuant to the art. 2406 of the Civil Code during 2023 until the date of this Report;
- The Board did not have to adopt measures during 2023 pursuant to art. 2409 of the Civil Code.

Proposals and opinions released by the Board

- Reasoned proposal pursuant to and for the purposes of art.13 of Legislative Decree no.39/2010 relating to the assignment of the statutory auditing of accounts to an auditing company for the nine-year period 2024-2032.

10. Conclusions

The Board received the 2023 Annual Financial Report from the Board of Directors within the legal deadlines on 22 March 2024 which includes, among other things, the draft financial statements of 2i Rete Gas SpA as at 31 December 2023, the draft Consolidated financial statements of the 2i Rete Gas Group as of 31 December 2023 and the Management Report. These financial statements were prepared with a view to business continuity pursuant to art. 2086, second paragraph, of the Civil Code.

The Board, based on the supervisory activity carried out and what has been brought to its knowledge, finds no impediments to the approval by the Shareholders' Meeting of 2i Rete Gas SpA of the draft financial statements as at 31 December 2023 and the proposal for the allocation of the net operating result, as formulated by the Board of Directors in the 2023 Annual Financial Report.

Milan, 5 April 2024

The Board of Auditors

Dr. Giovanna Conca (President)

Rag. Giovanni Cappa (Statutory Auditor)

Dr. Marco Giuliani (Statutory Auditor)

VIII Report of the Independent Auditors

Independent auditor's report

in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 2i Rete Gas SpA (the Company), which comprise the statement of financial position as of 31 December 2023, the profit and loss account, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***Auditing procedures performed in response to key audit matters***
Capitalisation in intangible assets of capital expenditure on the gas distribution network under service concession agreements *Annual Report* *Chapter III Directors' Report – Section 5 Regulatory and tariff framework* *Chapter VI Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 13 Intangible assets*	
Concessions and similar rights recognised as intangible assets as of 31 December 2023 totalled €4,307 million, accounting for 74% of the Company's total assets. Amounts capitalised in the year totalled €343 million. The Company operates in gas distribution, an activity regulated by Autorità di Regolazione per Energia Reti e Ambiente (ARERA), the energy, networks and environment regulator. Revenues from gas distribution are determined annually on the basis of the tariff in force, which is mainly calculated on the basis of a pre-determined rate of remuneration of capital expenditure made, amortisation charges and operating costs. A correct capitalisation of intangible assets for assets under concession, in accordance with IFRIC 12, is a key audit matter in consideration of the significant amounts of capital expenditure and their impact in the quantification of the tariff determined by ARERA every year.	We understood and evaluated the system of internal controls over the capital expenditure cycle, with particular reference to the identification and verification of the operating effectiveness of relevant controls. We verified whether the accounting policies adopted by the Company for the capitalisation of costs conformed to the applicable financial reporting standards. We performed substantive tests, on a test basis, analysing the documentary evidence for amounts capitalised, in order to verify their accuracy, completeness and recognition in the appropriate reporting period. We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.
Recoverability of goodwill *Annual Report* *Chapter VI Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 13 Intangible assets*	
Goodwill recognised as of 31 December 2023 totalled €304 million, accounting for 5% of the	Also with the support of PwC experts, we verified:

Company's total assets.

The recoverability of goodwill is tested by the directors at the year end in accordance with IAS 36 – Impairment of assets.

The recoverable amount of the group of cash generating units ("CGUs") "Gas distribution", which is the business in which the Company operates, to which goodwill is allocated, is determined on the basis of value in use, calculated on the future cash flows estimated in the 2024-2028 business plan approved by the board of directors of the Company on 20 December 2023.

The recoverable amount of the "Gas distribution" business is compared with the carrying amounts of the assets and liabilities directly attributable to the business, including goodwill.

In consideration of the materiality of the balance and of the degree of subjectivity of some of the variables used to estimate value in use, the verification of the recoverability of goodwill was a key matter in our audit of the financial statements.

- The adequacy of the entire process of verification of the recoverability of goodwill, in accordance with the applicable financial reporting standards;
- The method of allocation of goodwill to the CGUs;
- The reasonableness of the assumptions used to determine the value in use of the "Gas distribution" business, with particular reference to the growth rates of revenues, costs and capital expenditure and the discount rates, also through sensitivity analyses;
- The correct identification of the carrying amounts of the assets and liabilities directly attributable to the "Gas distribution" business;
- The mathematical accuracy of the calculation model used.

We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.

Measurement of provisions for risks and charges

Annual Report
Chapter VI Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 29 Provision for risks and charges

Provisions for risks and charges recognised as of 31 December 2023 totalled €90 million and comprise probable liabilities arising from past events, the amount of which can be reasonably estimated at the reporting date.

Provisions for risks and charges are mainly related to charges for sundry litigation with municipalities and charges that may arise from the need to maintain or replace measurement devices that do not fully meet corporate standards.

We carried out activities to understand and evaluate relevant controls over the measurement of provisions for risks and charges.

We verified, on a test basis, supporting evidence for the most significant positions in order to assess the adequacy of the provisions.

We obtained confirmations from the main legal counsels retained by the Group, with an

In consideration of the materiality of the balance and of the use of estimates by management, the measurement of provisions for risks and charges was key matter in our audit of the financial statements.	indication of individual positions and their assessment of the risk of possible liabilities. We had a critical discussion with management about their conclusions on the criteria applied to quantify provisions for risks and charges. We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 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 Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors 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.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of 2i Rete Gas SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of 2i Rete Gas SpA as of 31 December 2023, including their consistency with the relevant financial statements and their 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 and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of 2i Rete Gas SpA as of and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of 2i Rete Gas SpA as of 31 December 2023 and are 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.

Milano, 5 April 2024

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.