2i Rete Gas

INTERIM CONSOLIDATED FINANCIAL REPORT

as at 30 June 2023

Contents

I. Corporate Boards 4

II. Directors' Report 5

1 Background 6

2 Group structure and highlights 6

3 Significant events during the reporting period 7

4 Scope of consolidation 7

5 Results of the 2i Rete Gas Group 8

6 Regulatory and tariff framework 15

6.1 Regulation 15

6.2 Tariffs 22

7 Concession development and business operations 23

7.1 Activities on ATEM tenders 24

7.2 Participation in non-ATEM tenders 26

7.3 Participation in tenders for the acquisition of companies 26

7.4 Concessions awarded 26

7.5 Concessions lost 26

7.6 Company acquisitions 27

7.7 Management of the remote metering service for smart meters 27

7.8 Project to provide natural gas service in Cilento 27

8 Support for gas transport activities 28

8.1 Main regulatory changes 28

8.2 Requirements of the Integrated Information System 28

8.3 Relations with Traders and Customer Care 30

8.4 Front Office 30

8.5 Commercial Call Centre 31

8.6 Invoicing and gas balances 32

8.7 Metering 35

8.8 Commercial development 36

9 Plant construction, environment and safety 37

9.1 Gas distribution plants 37

9.2 Service continuity and safety 38

9.3 Resolution 155/08 et seq. – (Smart meters) 39

9.4 Network digitisation activities 39

9.5 Planning activities 40

9.6 Regulatory oversight..40
10 Quality, Safety and Environment..41
10.1 Prevention and Protection Service..42
10.2 Environmental issues..43
10.3 Technical and commercial quality, audit of technical and commercial quality data..45
10.4 Control over worksite safety..45
10.5 Checks on Cilento Reti Gas operations..46
11 Human resources..46
11.1 Corporate organisation..46
11.2 Industrial relations..47
11.3 Recruitment..49
11.4 Training and development..49
11.5 Staff administration..51
11.6 Corporate environment..52
12 IT systems..53
13 Research & Development..55
14 Risk Management..56
14.1 Operational risks..56
14.2 Regulatory risks..56
14.3 Risks deriving from future changes in natural gas consumption..57
14.4 Environmental, safety and climate change operational risks..57
14.5 Risks related to the current geopolitical situation..58
15 Outlook..60
III. Interim condensed consolidated financial statements 61
IV. Financial Statements 62
V. Profit and Loss Account 63
VI. Statement of Comprehensive Income 64
VII. Statement of Financial Position 65
VIII. Statement of Cash Flows 67
IX. Statement of Changes in Equity 68
X. Notes 69
16 Format and contents of the Financial Statements..69
17 Compliance with IFRS/IAS and basis of presentation..69
18 Accounting standards, valuation criteria and use of estimates..70
XI. Information on Profit and Loss Account 74
XII. Information on the Statement of Financial Position 82
XIII. Report of the Independent Auditors 112

I. Corporate Boards

Board of Directors	Board of Statutory Auditors	Independent Auditors
Chairman Ugo de Carolis	Chairman Giovanna Conca	Pricewaterhouse Coopers S.p.A.
Deputy Chairman Carlo Michelini	Regular 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		

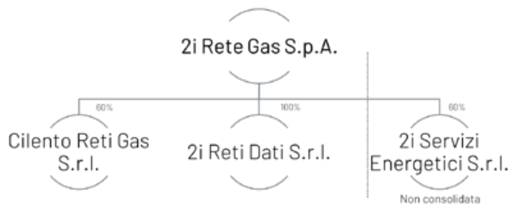
II. Directors' Report

1 Background

In its July 2023 Economic Bulletin, the Bank of Italy points out that—based on its estimates—after the rebound seen in the first quarter, gross domestic product remained virtually unchanged in the spring, mainly due to the decline in manufacturing activity, which was weighed down by the global weakening of the industrial cycle.
In the updated baseline scenario for the three-year period, GDP growth stands at 1.3% this year. In the coming quarters, recovery is expected to be affected by tightening financing conditions and weak international trade, with investments slowing down, they being only partly supported by the implementation of projects under the National Recovery and Resilience Plan. Inflation is expected to average 6.0% this year and then fall to 2.3% in 2024 and 2.0% in 2025, reflecting the direct and indirect effects of falling energy commodity prices. The macroeconomic environment continues to be defined by high uncertainty, with risks to growth linked in particular to the development of the conflict in Ukraine and the possibility of tighter than expected financing conditions.
In the first half of the year, the Group's business operations benefited significantly from the award of ATEM Naples 1 contract at the end of last year. On the other hand, it should be stressed that the accounts were affected, as expected, by the across-the-board increase in the inflation rate, offsetting the positive impact of the acquisition. Investments continued on a regular basis and were slightly higher as compared to the same period in the previous year, with the inflationary impact also playing a role.

2 Group structure and highlights

The following chart shows the situation of the Group as at 30 June 2023:



Regarding the Group's operating and financial highlights, the following table shows the key operating, economic and financial indicators of the Group as at 30 June 2023 compared to the entire previous year and to the first half of 2022:

	30.06.2023	31.12.2022	30.06.2022	2023 - 2022	
Served municipalities:	2,225	2,226	2,219	(1)	*(1)*
Active redelivery points:	4,860,306	4,861,083	4,488,143	(777)	*(1)*
Distributed Gas (Natural gas and LPG) in millions of cubic metres	3,132	5,599	3,558	(426)	*(2)*
EBITDA in millions of euro:	249.6	505.7	241.0	9	*(2)*
Net income in millions of euro:	74.2	169.5	77.2	(3)	*(2)*
Managed networks in kilometres:	71,811	71,755	69,871	55	*(1)*

	30.06.2023	31.12.2022	30.06.2022	2023 - 2022	
Net financial position in millions of euro:	3,363.7	3,187.9	2,869.5	176	*(1)*
Net invested capital in millions of euro:	4,620.8	4,486.7	4,055.4	134	*(1)*

(1) Delta vs 31.12.2022 (2) Delta vs 30.06.2022

3 Significant events during the reporting period

On 1 January 2023, the merger of 2i Rete Gas S.r.l. into the parent company 2i Rete Gas S.p.A. was completed, with no impact on the consolidated financial statements.

4 Scope of consolidation

The scope of consolidation of the 2i Rete Gas Group, following the aforementioned merger transaction, was reduced to comprise 2i Rete Dati S.r.l. and Cilenti Reti Gas S.r.l. only, compared to the previous period ended 31 December 2022.

5 Results of the 2i Rete Gas Group

When commenting on its profit or loss and financial data, the Group consistently uses over time certain popular non-IAS/IFRS measures. More specifically, the profit and loss account 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, adjusted financial position, and accounting net financial debt, which are broken down in the following tables.
As the measures used by the Group are not defined in the reference accounting standards, their definitions may not match those adopted by other companies/groups, and therefore they may not be comparable.

Millions of euro	30.06.2023	30.06.2022	Change
Revenue	**554.3**	**520.4**	**33.9**
Transport and sale of methane gas and LPG	350.2	321.9	28.3
Connection fees and accessory rights	8.0	7.4	0.5
Other sales and services	12.1	12.1	0.0
Revenue from intangible assets / assets under development	167.1	162.5	4.6
Other revenue	16.9	16.6	0.4
Operating costs	**(304.8)**	**(279.5)**	**(25.3)**
Labour cost	(73.3)	(64.5)	(8.8)
Raw materials and inventories	(26.3)	(20.4)	(5.9)
Services	(182.6)	(177.7)	(4.9)
Other costs	(15.2)	(9.4)	(5.7)
Net allocations to provisions for risks and charges	(7.9)	(7.9)	(0.0)
Increase in fixed assets not subject to IFRIC 12	0.5	0.4	0.1
EBITDA	**249.6**	**241.0**	**8.6**
Amortisation, depreciation and write-downs	**(114.2)**	**(105.9)**	**(8.4)**
Amortisation, depreciation and impairment losses	(114.2)	(105.9)	(8.4)
EBIT	**135.3**	**135.1**	**0.2**
Net financial income/(expenses) and income/(expenses) from e	(31.2)	(29.0)	(2.2)
Profit/(loss) before tax	**104.1**	**106.1**	**(2.0)**
Income taxes for the year	(29.9)	(28.9)	(0.9)
Profit/(loss) from continuing operations	**74.2**	**77.2**	**(3.0)**
Profit/(loss) from discontinued operations	-	-	-
Net profit/(loss) for the period	**74.2**	**77.2**	**(3.0)**

The table above provides a view of the operating performance for the period. This view was obtained by reclassifying profit and loss account figures, according to management criteria consistent with international practice and in compliance with IFRIC 12.

It should be stressed that the application of IFRIC 12 Interpretation, based on which figures are reflected in the condensed interim consolidated financial statements, has no impact on profitability as it only entails equal recognition of revenue and costs related to the construction of distribution network infrastructure. To provide deeper insights into operating changes, here below is a summary table that shows consolidated revenue and costs excluding the impact of IFRIC 12.

Millions of euro	30.06.2023 without IFRIC 12	30.06.2022 without IFRIC 12	Change
Revenue	**387.2**	**358.0**	**29.3**
Transport and sale of methane gas and LPG	350.2	321.9	28.3
Connection fees and accessory rights	8.0	7.4	0.5
Other sales and services	12.1	12.1	0.0
Other revenue	16.9	16.6	0.4
Operating costs	**(139.3)**	**(118.6)**	**(20.7)**
Labour cost	(38.5)	(34.2)	(4.3)
Raw materials and inventories	(6.4)	(1.1)	(5.2)
Services	(72.2)	(66.7)	(5.5)
Other costs	(14.8)	(9.1)	(5.8)
Allocations to provisions for risks and charges	(7.9)	(7.9)	(0.0)
Increase in fixed assets not subject to IFRIC 12	0.5	0.4	0.1
EBITDA	**247.9**	**239.4**	**8.5**
Amortisation, depreciation and write-downs	**(112.6)**	**(104.3)**	**(8.3)**
Amortisation, depreciation and impairment losses	(112.6)	(104.3)	(8.3)
EBIT	**135.3**	**135.1**	**0.2**

Looking at the above tables, it is noted that revenue, totalling 554.3 million euro including the impact of IFRIC 12, were up by approximately 33.9 million euro, of which 28.3 million euro due to gas transport and 4.6 million euro to an increase in revenue from intangible assets (representing investments in gas distribution concessions in the reporting period).
Revenue from gas transport thus increased by 28.3 million euro compared to the first half of the previous year, mainly due to the change in the Parent Company's scope of operations following the award of the ATEM Naples 1 contract in December 2022, which therefore had no impact on the previous year's half-year result.
On the other hand, connection and ancillary fees increased only marginally compared to the same period in 2022.

Revenue from "Other sales and services", totalling 12.1 million euro, were in line with the result in the previous year and basically arise from gas supply disconnections and reconnections as well as meter readings.
Other revenue totalled 16.9 million euro, also in line with the result in the first half of last year. This amount—which in the first half of the previous year included revenue for technical quality totalling 10.7 million euro as opposed to 8.2 million

euro in the period under review—in 2023 includes revenue to the extent of 2.2 million euro due to the enforcement of a surety against a supplier for non-performance of contract obligations.
With reference to the table reporting amounts including the impact of IFRIC 12, the increased investments in the half year led to the recognition of income (in accordance with IFRIC 12) totalling 167.1 million euro under "Revenue from intangible assets/assets under development", which is 4.6 million euro higher than last period's figure. It should be noted that this increase is neutral in terms of profitability.

Operating costs, totalling 304.8 million euro with application of IFRIC 12, showed an increase of 25.3 million euro driven by two concurrent factors: (i) the higher cost of raw materials and services due to the inflationary pressure and (ii) the expansion of the scope of operations following the award of the ATEM Naples 1 contract. It should be noticed that the total IFRIC 12 impact on this item was 165.4 million euro for the first six months of the current year. Excluding such impact, the increase stood at 20.7 million euro.

In detail, gross labour costs, which totalled 73.3 million euro, increased by about 8.8 million euro over the previous year, basically reflecting the impact of hiring following to the award of the ATEM Naples 1 contract in the previous year. Net of the impact of investment activities, the cost rose by 4.3 million euro.

The cost of raw materials increased by 5.9 million euro due to both the resumption of investment activity and higher market prices following the rise in the consumer price index; once the impact of capitalisations is factored in, the item increased by 5.2 million euro.

Costs for services, in particular routine and extraordinary maintenance, also rose at a consolidated level by 4.9 million euro compared to the first half of the previous year also, also due to the impact of the overall rise in prices, and the analysis carried out net of the effect of capitalisations confirmed a growth of 5.5 million euro in this item.

Other costs increased by 5.7 million euro, while capital losses on asset disposals decreased (-3.6 million euro) and net costs for the management of energy efficiency certificates (*Titoli di Efficienza Energetica* – TEEs) accounted for 1.0 million euro. Finally, compensation to customers had a negative impact on the item to the extent of 1.4 million euro compared to 0.2 million euro in the first half of the previous year, 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.

Allocations to the provision for risks totalled 7.9 million euro in the first half of the year, in line with 30 June 2022, and reflected normal provision trends for the period.

EBITDA amounted to 249.6 million euro, up by 8.6 million euro compared to the previous six-month period (241 million euro) mainly due to the combined effect of higher transport revenue of 28.3 million euro and higher revenue from intangible assets of 4.6 million euro, offset by higher operating costs of 25.3 million euro.

Amortisation, depreciation and write-downs totalled 114.2 million euro, up by 8.4 million euro compared to the first half of 2022. The increase in this item was also affected by the higher value of fixed assets due to the award of the ATEM Naples 1 contract.

Therefore, EBIT totalled 135.3 million euro, in line with the first six months of last year (135.1 million euro). The same considerations for EBIT also apply to EBITDA, with the addition of the increase in depreciation and amortisation due to the growth in the period.

The balance of Net financial income/(expenses) and Income/(expenses) from equity investments was negative to the tune of 31.2 million euro, up on the previous period due to the impact of costs relating to the tranche of the debenture loan issued in June 2023 as well as to the increase in interest rates affecting the portion of floating-rate bank loans (+2.4 million euro).

The Group reported 104.1 million euro in profit before tax, down 2.0 million euro on the first half of 2022.

The negative impact from income tax expense for the period on the Group's accounts totalled 29.9 million euro, a rise of 1 million euro. It should be noted that in the first half of 2022 a "Patent box" agreement was reached, which had a positive impact on the accounts of about 1.3 million euro.

Therefore, profit from continuing operations stood at 74.2 million euro, down 3 million euro compared to the first half of 2022.
Discontinued operations showed no results as at 30 June 2023.

The Group thus posted a profit of 74.2 million euro for the period.

The financial position for the period, compared to the 2022 year-end figure, is shown in the table below. This was obtained by reclassifying the data from the statement of financial position in accordance with operational criteria.

Millions of euro	30.06.2023	31.12.2022	Change
	A	B	A-B
Net fixed assets	**4,382.3**	**4,435.3**	**(53.1)**
Property, plant and equipment	37.0	38.1	(1.1)
IFRS 16 right-of-use assets	23.7	26.1	(2.4)
Intangible assets	4,638.5	4,584.4	54.2
Equity investments	4.0	3.7	0.3
Other non-current assets	33.4	33.3	0.1
Other non-current liabilities	(354.3)	(353.9)	(0.4)
Fair value of derivatives	-	103.7	(103.7)
Net working capital:	**231.9**	**42.2**	**189.7**
Inventories	21.9	18.9	3.1
Trade receivables from third parties	71.1	55.4	15.7
Net receivables/(payables) for income taxes	(3.5)	12.5	(16.0)
Other current assets	489.4	547.5	(58.1)
Trade payables to third parties	(227.0)	(449.0)	222.0
Other current liabilities	(120.0)	(143.1)	23.0
Gross invested capital	**4,614.2**	**4,477.5**	**136.6**
Other provisions	**(6.7)**	**(9.2)**	**2.6**
Post-employment and other employee benefits	29.5	30.2	(0.7)
Provisions for risks and charges	84.0	75.5	8.5
Net deferred taxes	(120.1)	(114.9)	(5.2)
Net invested capital	**4,620.8**	**4,486.7**	**134.1**
Assets held for sale	**0.0**	**1.7**	**(1.7)**
Liabilities held for sale	**0.0**	**0.2**	**(0.2)**
Equity	**1,257.1**	**1,300.3**	**(43.2)**
Net Financial Position	**3,363.7**	**3,187.9**	**175.8**

Net fixed assets, which mainly consist of intangible assets related to gas distribution concessions, totalled 4,382.3 million euro, down 53.1 million euro overall compared to 31 December 2022. This decrease mainly resulted from a 54.2 million euro increase in intangible assets due to the normal growth of fixed assets related to gas distribution plants and to the decrease in the fair value of derivatives existing as at 31 December 2023 following their unwinding during the half-year period to the extent of approximately 96 million euro.

The item "Property, plant and equipment", amounting to 37.0 million euro, recorded investments made during the year (1.8 million euro), disposals (0.3 million euro) and depreciation (2.6 million euro).

"Right-of-use assets" include the rights of use of leased or rented assets that meet the requirements established by IFRS 16. The resulting balance was 23.7 million euro, with increases of 2.0 million euro and disposals of 0.6 million euro. The relevant depreciation in the 6-month period totalled 3.7 million euro.

The item "Intangible assets" (4,638.5 million euro) is the sum of new investments (175.2 million euro) and decreases (12.6 million euro), plus amortisation for the period of 108.4 million euro.

Equity investments remained virtually unchanged, showing an increase of 0.3 million euro, while "Other non-current assets" changed by 0.1 million euro, actually remaining stable as did "Other non-current liabilities".

The fair value of derivatives, as mentioned above, was written off in the half-year period 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.

Bearing in mind that the comparison between the figures as at 30 June and those at year-end are affected by the impact of seasonal factors on working capital, which are implicit in the gas distribution business, it should be noted that the net working capital (231.9 million euro) increased by 189.7 million euro compared to 31 December 2022. Overall, this item was strongly affected by the billing activity, which—following the changes to the tariff components as a result of the Government's measures on gas market prices—generated negative customer balances and significant movements both on the VAT credit and on the credit and debit position with CSEA – *Cassa per i servizi energetici e ambientali* (the Fund for energy and environmental services). For this reason, the increase in trade receivables was limited to 15.7 million euro, while trade payables dropped significantly (-222 million euro) due to seasonal patterns. Other current assets show a decrease in receivables from CSEA compared to 31 December 2022 to the extent of 196.5 million euro, partially offset by an increase in VAT receivables in the region of 133.1 million euro. Other current liabilities in turn show a decrease of approximately 23.0 million euro due to a decrease in payables to CSEA to the extent of 33.6 million euro.

Therefore, due to the combined effect of the changes in net fixed assets and net working capital, the gross invested capital increased from 4,477.5 million euro in the previous year to 4,614.2 million euro as at 30 June 2023, an overall increase of 136.6 million euro.

Sundry provisions, totalling 6.7 million euro, fell by 2.6 million euro overall, due both to changes in net deferred taxes—which recorded an increase in net receivables from 114.9 million euro to 120.1 million euro—and in the provision for risks and charges (up by 8.5 million euro). On the other hand, Provisions for employee severance indemnities and other employee benefits increased by 0.7 million euro due to the actuarial valuation, which reflects current forecasts about the macroeconomic scenario.

Therefore, net invested capital increased by 134.1 million euro, from 4,486.7 million euro in the previous period to 4,620.8 million euro.

Equity fell by 43.2 million euro, from 1,300.3 million euro as at 31 December 2022 to 1,257.1 million euro as at 30 June 2023, chiefly due to the net impact of the following changes:

- 111.0 million euro decrease following the ordinary dividend payout;
- Negative change of 6.7 million euro as a change in IAS reserves on the derivative. This reflects the fair value adjustment at the closing of the hedging derivative in place as at 31 December 2022 and the half-yearly redirection to the profit and loss account of the amount related to the derivative closed in 2018 and the derivative closed in 2023;
- 74.2 million euro increase following the recognition of the profit as at 30 June 2023.

Non-controlling interests amounted to 0.1 million euro.

The net financial position was up from 3,187.9 million euro in December 2022 to 3,363.7 million euro as at 30 June 2023, following payment of the dividend for 2022 and in light of the operating result in the first half of the year.

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

Millions of euro	Notes	**30.06.2023**	**31.12.2022**	**Changes**
Medium/long-term bank loans	27	(343.2)	(352.3)	9.1
Medium/long-term debenture loans	27	(3,204.7)	(2,742.4)	(462.3)
Cash and cash equivalents with third parties	22	359.2	46.0	313.1
Short-term financial receivables	20	4.3	2.8	1.5
Other current financial assets	21	0.9	0.5	0.4
Short-term financial debt	33	(25.0)	-	(25.0)
Current portion of medium/long-term loans	34	(118.2)	(118.2)	-
Current financial liabilities	38	(41.5)	(19.6)	(21.9)
Non-current IFRS 16 financial liabilities	31	(16.5)	(18.8)	2.4
Current IFRS 16 financial liabilities	39	(6.6)	(6.7)	0.1
ESMA Net Financial Position		**(3,391.2)**	**(3,208.6)**	**(182.6)**
Non-current financial assets	16	12.7	12.6	0.1
Adjusted Net Financial Position		**(3,378.5)**	**(3,196.0)**	**(182.5)**
Non-current financial assets - costs on loan	16	0.3	0.3	(0.1)
Debt adjustment due to costs on ST loan (IAS 39)	38	0.0	0.0	(0.0)
Debt adjustment due to costs on MLT loan (IAS 39)	27	14.5	7.7	6.8
Net Financial Position		**(3,363.7)**	**(3,187.9)**	**(175.8)**
Positive fair value of derivatives	16	-	103.7	(103.7)
Accounting net financial debt		**(3,363.7)**	**(3,084.2)**	**(279.5)**

6 Regulatory and tariff framework

6.1 Regulation

As for the activities concerning the Group, during the first half of 2023 the interventions of ARERA - *Autorità di Regolazione per Energia, Reti e Ambiente* (the Regulatory Authority for Energy, Networks and the Environment)—in addition to the directions and objectives already outlined in the Authority's Strategic Framework for the 2022-2025 four-year period—also continued to be developed in relation to the definition and development of measures aimed at mitigating the effects of rising energy commodity prices and the resulting increases in bills for end customers.

In April, in relation to the proceedings started in 2021 and as a result of a complex consultation process that took place between the end of 2021 and the beginning of this year, the Authority completed (Resolution 163/2023/R/gas) the definition of the general principles and criteria concerning the tariff regulation by expenditure and service objectives (ROSS) for all the regulated infrastructure services of the electricity and gas sectors, issuing the relative consolidated act (TIROSS 2024-2031), whose application to the distribution sector is currently expected to become effective in 2026, with the next service tariff regulation period. The application criteria for gas distribution will be defined by subsequent measures.

With regard to the gas distribution sector, activities in the first half of the year were in part characterised by the continuation of the many disputes underway, with special reference to those brought against Resolution 570/2019/R/gas (concerning tariff regulation for the 2020-2025 period), which continued to have an impact on the activities of the Offices, with the adoption of measures (Resolutions 152/2023/C/gas and 246/2023/C/gas) whereby ARERA decided to appeal against the decisions of the Lombardy Regional Administrative Court (TAR) No. 407/2023, 630/2023 and 1236/2023 partially annulling Resolution 570/2020/R/gas.

ARERA also continued to hold its view regarding the non-application of the provisions of Article 114-ter of Law Decree 34/20 (Resolutions 525/2022/R/gas and 528/2022/R/gas, respectively on the subject of tariff recognition of investments in start-up locations and criteria for the submission of observations to calls for tenders for the award of the gas distribution service), electing to be represented by specific professionals in the proceedings brought by operators and local authorities (as per Resolutions 1/2023/C/gas, 22/2023/C/gas and 48/2023/C/gas of the beginning of the year) rather than, as is usually the case, by the Italian Attorney General's Office, given the latter's conflict of interest/incompatibility. In the meantime, the provisions of Article 114-ter of Law Decree 34/2020 were annulled by Law Decree 69/2023 and in this regard, in a brief submitted in June (brief 306/2023/I/com), ARERA provided the Senate's European Union Policies Committee on the Law Decree called "Conversion into law of Law Decree 69, containing urgent provisions for the implementation of obligations deriving from

acts of the European Union and from pending infringement and pre-infringement proceedings against the Italian State" (aka the "Infringement Preventing" Law Decree) its opinion with specific reference to the provisions pertaining to matters within its jurisdiction. These include Article 22, which provides for the repeal of paragraph 4-bis of Article 23 of Legislative Decree 164/2000 (introduced, indeed, by Article 114-ter of Law Decree 34/2020), in relation to which it pointed out that it fully agrees with the repeal of the paragraph in order to prevent an inefficient development of the service to the detriment of end customers.
With regard to the regulation designed to encourage pilot projects regarding the innovative use of gas infrastructure (Resolution 404/2022/R/gas), ARERA has not yet published the findings of the preliminary investigations and the final ranking of the projects submitted by operators (including 2i Rete Gas S.p.A.) by 15 April 2023, the results of which were expected in the first half of July, as stated by the Authority (Resolution 9/2022 - DIEU).
During the period under review, ARERA nevertheless enacted several measures of interest to the Group concerning the gas sector. These include some measures on tariffs, measures concerning incentive systems to raise service security levels, smart metering for gas, access to gas distribution and settlement services, regulation of last-resort services, as well as concerning the regulation of social bonuses, disaster-related subsidies, the application of regulations implementing the tenders for the gas distribution service for ATEMs, the connection of biomethane production plants to natural gas networks and, finally, inspections to be conducted on operators.

Tariffs for the gas distribution and metering service:

At the end of a procedure that lasted almost two years and after a complex consultation process, in April, as mentioned earlier, the Authority approved (Resolution 163/2023/R/gas) the first version of the Consolidated Act of the general principles and criteria concerning the tariff regulation by expenditure and service objectives for the period 2024-31 (TIROSS), containing the provisions common to all the regulated gas and electricity infrastructure services and those relating to the so-called *ROSS-base* model. The period of validity of the TIROSS provisions is 8 years, with the term of the regulatory periods for individual services being 4 years (as part of which more detailed implementing provisions for each service will be defined). With a view to aligning tariff regulation criteria for the different infrastructure services, the main innovations introduced by this tariff regulation model included: collecting simplified economic and financial forecasts from companies over a four-year horizon and using key debt indicators (based on the analyses of rating agencies) to assess the funding viability of operators' investments; breaking down the total efficiency recovery (i.e. the difference between total reference expenditure and total actual expenditure) into two shares, one relating to CAPEX and the other relating to OPEX, with the possibility of choosing between two incentive schemes in relation to the share of operations (low- or high-incentive operations); identifying indexes to monitor the physical

progress of investments against the capital expenditure incurred; establishing the capitalisation rate on the basis of retrospective and forward-looking assessments, possibly differentiated by company (or cluster of companies in the case of distribution services); relying on uncertainty management mechanisms. With specific reference to the gas distribution service, ARERA then stipulated that, following further assessments, specific rules will be adopted to ensure maximum compatibility between the *ROSS-base* approach and the award of the service through ATEM calls for tender.
The Authority also required that in-depth studies be carried out within the framework of the ROSS regulation on specific issues, such as introducing standard costs and defining a method for calculating the financial performance of companies (i.e., Return On Regulated Equity).
During the first half of the year, ARERA also recalculated (Resolution 155/2023/R/gas) the amounts of the reference tariffs for gas distribution and metering services for the 2009-2021 period, so as to take into account the acceptance of petitions to adjust physical and financial data submitted by certain operators (including 2i Rete Gas S.p.A. for three locations), while Resolution 156/2023/R/gas approved the final reference tariffs for gas distribution and metering services for 2022.
In May, the provisional reference tariffs for gas distribution and metering services for 2023 were approved (Resolution 207/2023/R/gas). Guidance was also provided regarding the (i) procedure for the recognition of capital costs relating to meters uninstalled to carry out metering checks and then reinstalled at other redelivery points and (ii) treatment of the ST tariff component relating to the tariff discount offered during the ATEM call for tender.
In the first half of 2023, the Authority also made the usual periodic adjustments to certain tariff components (related to general system charges applicable to the natural gas sector). In conjunction with these updates (Resolutions 134/2023/R/gas and 297/2023/R/gas), given the persistence of critical issues in relation to energy prices and the legislative measures adopted in this regard to limit the impact of increases in energy bills, the Authority—as was the case at the end of 2021 and throughout 2022—ordered the writing off of components relating to system charges and the introduction of supplementary social bonuses for all gas sector customers. On the other hand, with regard to the UG2 tariff component, a downward adjustment of the UG2c sub-component was envisaged, such adjustment being set, for the month of April only, at 35% of the value applied in the previous quarter, and was then written off effective 1 May 2023.
Further information on tariffs is set out in sections 6.2 "Tariffs" and 8.1 et seq. "Support for gas transport activities".

Incentives/penalties for service security levels:

At the beginning of May (Resolution 180/2023/R/gas), the final premium/penalty amounts for 2019 were calculated for certain plants in respect of which this calculation had been suspended (see Resolution 383/2022/R/gas of August 2022) in view of the need for further investigation. Following the conclusion of these investigations, the premiums and penalties for the years 2014-2018 were also recalculated for some plants of certain operators (including some plants of Infrastrutture Distribuzione Gas S.p.A. and 2i Rete Gas Impianti S.p.A., both merged into 2i Rete Gas S.p.A., for which ARERA had been notified of adjustments to the plant configurations and/or the presence of material errors in the reports made).

Smart gas metering regulation

With reference to the revision of the regulation of the gas metering service—whereby the outputs and performance of the metering service through smart meters was redefined—carried out under Resolution 269/2022/R/gas, in February ARERA identified (Resolution 60/2023/R/gas) the data that distribution companies must transmit to CSEA for the purposes of calculating and disbursing the component in partial recognition of the costs deriving from the disbursement of compensation for failed readings to end customers equipped with G4 and G6 smart meters, in relation to a predefined standard level of failure of remote metering.

Access to the gas distribution and gas settlement services

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) and is currently scheduled for completion by 30 June 2024. This procedure is intended to revise certain aspects of the contract relationship between distribution companies and service users, especially with regard to the regulation and scope of guarantees and billing methods, with standardisation of the contents of the relevant documents.

Regulations governing last-resort services

With regard to last-resort services, in June the Authority started proceedings (Resolution 292/2023/R/gas and the related DCO 293/2023/R/gas) with a view to adopting measures to (i) regulate the selection procedures for suppliers of the last-resort service and the default distribution service as of 1 October 2023, and (ii) make changes, if appropriate, to the regulation governing last-resort services to increase efficiency while encouraging participation in the selection procedures.

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

In the first half of 2023, ARERA (Resolutions 13/2023/R/com, 23/2023/R/com and 194/2023/R/com) further regulated the methods for applying the automatic recognition of social bonuses (gas, electricity and water) to strengthen this instrument, which was provided for by law in the face of the 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).

Disaster-related subsidies

With reference to the subsidies related to the earthquakes occurred in 2016 and 2017, in January the provisions of the 2023 Budget Law were implemented (Resolution 2/2023/R/com), extending, until 31 December 2023, the tariff subsidies granted (Resolutions 252/2017/R/com and 429/2020/R/com) to certain categories of users affected by the above-mentioned seismic events of 2016 and 2017 (users located in the so-called "red zones" and connections to uninhabitable properties).

ARERA also adopted measures to support the populations of the territories affected by the exceptional flooding events that occurred in May 2023. As an initial emergency measure, the Authority (Resolution 216/2023/R/com) ordered, with effect from the date of entry into force of the measures identifying the damaged municipalities, the suspension of the payment terms for invoices issued/to be issued or payment notices due as of 1 May 2023 and the non-application of regulations governing service disconnection for late payment. Following the Government's identification of the municipalities affected by the flooding events (Law Decree 61/2023), in addition to the extension until 31 August 2023 of the measures adopted as a matter of urgency, further facilitation measures were laid down (Resolution 267/2023/R/com) to support, among others, supply and distribution companies operating in the affected areas.

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

With regard to activities related to ATEM tenders, during the first half of the year and insofar as they relate to its own area of responsibility, ARERA approved the observations regarding the value of the reimbursement to be recognised to the holders of the natural gas distribution service concessions for the municipalities of Atem Vicenza 4 – Agno and Chiampo Valleys (Resolution 208/2023/R/gas) and those of Atem Perugia 1 – City of Perugia and North-West (Resolution 255/2023/R/gas). It also updated (Resolution 1/2023 – DIEU) the reference values in order to calculate the relevant indices for the purposes of checking the differences between the VIR (*Valore Industriale Residuo*, i.e., residual industrial value) and the RAB (Resolution 414/2014/R/gas).

Regulation concerning connections of biomethane plants to natural gas networks

At the end of May (Resolution 220/2023/R/gas), in accordance with Article 37 of Legislative Decree 199/2021 and following the consultation process conducted in 2022 (DCO 423/2022/R/gas), the Authority adopted provisions aimed at optimising the connections of biomethane plants to gas networks, simplifying the relevant Directives and tasking Snam Rete Gas with the definition of a procedure for the integrated management of the information made available also by distribution companies, Gestore dei Servizi Energetici (GSE) and biomethane producers. For each request for connection of biomethane production plants to the gas network, this procedure will make it possible to identify, among the different possible connection configurations, the one involving the lowest infrastructure cost, based on predefined standard connection costs.

Inspections to be conducted on operators

In June (Resolution 268/2023/E/gas), the Authority approved a programme of 5 inspections regarding service safety improvements, to be carried out by 30 June 2024. The Authority will conduct inspections on natural gas distribution companies selected from among those that in the last 5 years have not been inspected for the purposes of awarding incentives, considering also their location in Italy.

In June, with Resolution 281/2023/E/com, 2 inspections were also approved on the subject of financial data declared for tariff purposes (financial increases, capital contributions, disposals, funds, etc.). These inspections are scheduled 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 national average.

Measures and/or other events occurred after 30 June 2023

After 30 June 2023, the Authority approved:

- A measure (Resolution 321/2023/R/gas) whereby the operating costs for remote metering/management systems and concentrators incurred in 2020 by distribution companies were recognised following the requests for tariff recognition submitted by operators pursuant to Resolution 6/2021 – DIEU and excluding the amounts already recognised in component *t(rac)*;
- A measure (Resolution No. 326/2023/E/com) to start proceedings for the revision of the ARERA 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;
- Provisions (Resolution 334/2023/R/gas) for the start of the reform of the capacity allocation processes at the redelivery points of the gas transmission network;

- A measure (Resolution 340/2023/E/efr) establishing the tariff-based contribution to be paid to obligated distributors under the energy efficiency certificate (TEE) mechanism, for the 2022 mandatory year (contribution set at €250.68/TEE);
- A new measure (Resolution 359/2023/C/gas) whereby, following the previous measures already adopted in the first months of the year, ARERA decided to appeal against further decisions of partial annulment of Resolution 570/2020/R/gas pronounced by the Lombardy Regional Administrative Court (TAR) (Decision No. 1689 of 30 June 2023 and No. 1826 of 17 July 2023);
- Provisions (Resolution 390/2023/R/com) relating to the extension, until 31 October 2023, of the suspension of payment terms for holders of electricity and gas utilities and supplies (and of the other services regulated by the Authority) in the municipalities of Emilia-Romagna affected by the exceptional weather events, starting from 1 May 2023.

After 30 June 2023, the Authority also approved:
- DCO 327/2023/E/com concerning, as part of the proceedings started in this regard, the revision of the regulation governing sanctioning procedures and procedural methods for the assessment of commitments;
- DCO 341/2023/R/gas concerning the revision of the regulation on guarantees and payment terms for distribution bills, within the framework of the Standard Network Code for Natural Gas Distribution;
- DCO 351/2023/R/gas laying down guidelines for the amendment of the Consolidated Act containing the provisions for the regulation of the physical and economic items of the natural gas balancing service (TISG) for the purpose of applying balancing charges;
- DCO 381/2023/R/com concerning the application criteria for the regulation by expense and service objectives for natural gas transport services and electricity transmission, distribution and metering (but not yet specifically concerning gas distribution);
- DCO 382/2023/R/eel on the revision of the advance tariff-based contribution under the energy efficiency certificate (TEE) mechanism, in order to limit the financial exposure of distributors fulfilling their energy saving obligations.

The law whereby Law Decree No. 69 of 13 June 2023 (aka the "Infringement Preventing" Law Decree) was written into law was approved and published in the Official Gazette, General Series, No. 186 of 10 August 2023. Under this law (Article 22), the provision introduced by Article 114-ter of Law Decree 34/2020 was amended, rather than repealed as originally established by the Law Decree, thus rewording Article 23(4-bis) of Law Decree 164/2000 and providing that:
- Extensions of networks and plants in municipalities already having methane capabilities and new networks and plants in municipalities with no methane capabilities belonging to climate area F and classified as mountain territories, as well as in municipalities that have filed an application for a contribution for the completion of the methane programme in the South of Italy "shall, for the

purposes of a cost-benefit analysis, be assessed taking into account the positive external effects in relation to the contribution that the interventions will provide to the decarbonisation process as well as to the increase in the level of efficiency and flexibility of the networks and plants themselves”;
- In determining the tariffs relating to the aforementioned municipalities ARERA “takes into account the higher investment costs” and “the need to fund in said municipalities interventions conducive to ensuring the injection of gas from renewable sources”.

6.2 Tariffs

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), the duration of which 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 regulatory asset base (RAB), considering the (net) investments made in the year t-1. The RAB 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.
The RAB of distribution companies continues to be broken down into centralised and location-based invested capital. The recognition of centralised invested capital is based on a parametric 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 parametric recognition was also defined for the costs of remote management/remote metering systems and concentrators. The valuation criterion for location-based 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 weighted average cost of capital (WACC) of natural gas distribution and metering activity for 2023 was confirmed at 5.6% by Resolution 654/2022/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. Operating costs are updated on an annual basis according to inflation and the X-factor provided by the RTDG, specific to the

distribution service based on the size class of companies (large 3.53%, medium 4.79% and small 6.59%), corresponding to 0% for metering and 1.57% for sales.
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, also including areas covered under Article 114-ter of Law Decree 34/20 (so-called "Relaunch" Legislative Decree).
Following the award of the tender for ATEM Naples 1, the investments for tariff purposes of this ATEM were accounted for in January 2023, according to the procedures established for the area management. The 2022 "final" tariffs, which incorporate the above changes, were published by the Authority in Resolution 156/2023/R/gas. 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.
Finally, it should be noted that, during 2022—in order to mitigate the impact of the supply of natural gas on end customers' total expenditure, resulting from the economic scenario and the high growth in natural gas prices—several measures were implemented that also included resolutions to update the tariff components intended to cover system charges in the gas sector (RE, RS, GS, UG1, UG2, UG3) and the gas social bonus. 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 support the containment of energy expenditure. In addition, according to Law Decree 34/2023, written into Law 56/2023 as amended, effective 1 October and until 31 December 2023, resident domestic customers other than those entitled to a social bonus will be entitled to a contribution to be paid on a fixed-rate basis and according to climate areas, in the event that the average daily price of natural gas on the wholesale market exceeds a certain threshold. The company reported to CSEA (the Fund for energy and environmental services) all items related to the aforementioned components, including the 2022 equalisation, falling due on 31 July 2023.

7 Concession development and business operations

The delay in carrying out ATEM tenders already reported in previous reports continued to build up, despite the regulatory interventions in 2017 aimed at streamlining the process and also given the lack of intervention by both the Regional Authorities and the Ministry for the Environment and Energy Security (Law Decree 69/2013, Article 4(2)).
In accordance with Article 6(4) of the "Annual Law for the Market and Competition 2021" (Law 118/22), the Ministry for the Environment and Energy Security, in

conjunction with the Ministry for Regional Affairs and Autonomies and further having consulted ARERA, in February 2023 began the process of amending Ministerial Decree 226/11 (aka the "Criteria Regulation"), starting a public consultation process regarding its proposed amendment.
During the first half of 2023 no new ATEM tenders were launched.

As at 30 June 2023, in relation to the 30 ATEM tenders on the ARERA dashboard—the instrument that gives out information on the findings of the analysis of tender documentation sent by the Contracting Authorities as set out in Article 9(2) of Ministerial Decree 226 of 12 November 2011—the situation was as follows:

- 6 tenders completed for which management operations were under way: Turin 2, Valle d'Aosta, Milan 1, Turin 1, Naples 1 and Udine 2;
- 2 tenders completed with final assignment: Belluno and La Spezia;
- 1 tender for which the deadline for submission of tenders had not yet expired: Catanzaro-Crotone;
- 1 tender for which inconsistencies were found in the documents that led to its suspension: Biella;
- 1 tender in respect of which bid assessment by the tender committee was still ongoing: Rimini;
- 10 tenders in respect of which ARERA temporarily postponed the review of the call for tenders with a request for additional documentation or in respect of which ARERA was still reviewing the call for tenders: Florence 1-Florence 2, Genoa 1, Lucca, Modena 2, Massa-Carrara, Verona 2, Vicenza 3, Pordenone, Cuneo 1 and Rome 2;
- 5 tenders for which ARERA has completed the analysis of the tender documentation sent by the contracting authorities and, thus, the related announcements could be published: Rome 1, Venice 1, Forlì-Cesena, Modena 1 and Rome 4;
- 2 tenders in respect of which notices were called off or cancelled after their publication: Trieste and Genoa 2;
- As regards the Prato and Turin 5 tenders (calls reviewed by ARERA), they are restricted procedures whose deadline for submitting applications has expired.

7.1 Activities on ATEM tenders

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

- on 22 December 2022 for Rimini;
- on 27 November 2021 for La Spezia;
- on 26 June 2020 for Naples 1;
- on 30 September 2019 for Udine 2;
- on 1 September 2017 for Belluno;

- on 16 January 2017 for the Milan 1 – City and Plant of Milan tender, through 2i Rete Gas S.r.l. (now merged into 2i Rete Gas S.p.A.).

On 16 November 2022, the Catanzaro-Crotone ATEM tender was called with an open procedure. On 26 June 2023, the Contracting Authority published several amendments to the original call for tenders, extending the deadline for the submission of bids to 15 September 2023.

On 22 December 2022, 2i Rete Gas S.p.A. submitted a bid for the Rimini ATEM tender (approximately 198,000 active end users, contract value 318.2 million euro for the management of the provincial capital and 42 other municipalities). Subsequently, on 8 May 2023 and 8 July 2023, the administrative and technical envelopes of the three bidding companies were opened: Italgas Reti S.p.A., Adrigas S.p.A. and 2i Rete Gas S.p.A. A the time of preparing this report, the Tender Board was evaluating the technical bids of the three bidders.

As regards the ATEM La Spezia tender, on 1 December 2021 the first public session was held, during which the Contracting Authority verified that the bidders—namely 2i Rete Gas S.p.A., IReti S.p.A. and Italgas Reti S.p.A.—had provided appropriate administrative documentation, admitting them to the next phase.
During the first half of 2022, public sessions were held online, during which the technical bids of the three competitors were verified, and then a review of the bids by the Tender Board began in private sessions.
On 13 July, the last public session was held, during which the scores awarded to the three technical bids were announced. Then, the bidders' prices were disclosed and the relevant scores were assigned. At the end of the session, the final ranking was drawn up, with 2i Rete Gas as the runner-up. Following appropriate checks, on 25 November 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 regard to the ATEM Naples 1 – City of Naples and Coastal Plant tender—as already mentioned in the report on operations for the year ended 31 December 2022—following a complex tender process, 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, the Parent Company took over the facilities and personnel of the outgoing operator and officially started management operations at ATEM Naples 1.
On 27 January 2023, Italgas Reti S.p.A. sued 2i Rete Gas S.p.A., asking the Court to redetermine the residual industrial value (VIR) and to order the incoming operator 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.

With regard to the Udine 2 tender, after the tender process, on 17 September 2021 Resolution No. det. 2021/4703/7 of 16 September 2021 was received, definitively awarding the tender to AcegasApsAmga S.p.A. On 31 March 2023, the Company handed over to the Area Operator the assets and personnel related to the concessions held in the area (Mortegliano).

Also during the first half of 2023, the Group continued the activity of preparing and transmitting to the Municipal Administrations and/or Contracting Authorities that requested it all the necessary documentation pursuant to Article 4 (Disclosure obligations for operators) and Article 5 (Compensation to the outgoing operator) of Italian Ministerial Decree 226/2011 in order to draft and subsequently issue the call for tenders. This information, should it be necessary, will have to be updated.

7.2 Participation in non-ATEM tenders

Concerning "non-ATEM" tenders, in the first half of 2023 no tenders were called for the concession to operate the natural gas distribution service.

7.3 Participation in tenders for the acquisition of companies

In the first six months of 2023 there were no calls or participation in tenders for the acquisition of public or private companies which manage the natural gas distribution service.

7.4 Concessions awarded

In the first six months of 2023 no concessions were awarded through gas distribution tenders.

7.5 Concessions lost

As already mentioned in section 7.1 "Activities 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.

7.6 Company acquisitions

No activity to report.

7.7 Management of the remote metering service for smart meters

The 2i Rete Gas Group, through 2i Rete Dati S.r.l., operates in the telecommunications sector and, specifically, deals with the installation and operation of connectivity infrastructure for the transmission of remote metering and remote management data of gas smart meters and other types of smart devices.

7.8 Project to provide natural gas service in Cilento

Cilento Reti Gas S.r.l. is engaged in the realisation of the natural gas distribution network in the municipalities that adhere to the agreement signed in 2010 in the areas of Bussento, Lambro and Mingardo, Gelbison and Cervati, Alento and Monte Stella.

Municipalities currently reached by gas supplies include: Sapri, Camerota, Vibonati, Torraca, Tortorella, Morigerati, Ispani, Caselle in Pittari and Casaletto Spartano.

In the first half of 2023, work continued on the networks in the municipalities of Torre Orsaia, which will be completed by the end of the year, and San Giovanni a Piro, which is scheduled for completion in 2024. The executive project for the network of the municipality of Roccagloriosa has been presented, and work for the construction of a variant to the supply system that will cross the territory of the municipalities of Torre Orsaia and Morigerati and will allow the networks of Torre Orsaia, Roccagloriosa, San Giovanni a Piro and Camerota (the latter currently in operation and fed by tank trucks) to be connected in a short time is nearing completion.

In all territories with newly commissioned plants, a communication plan has been implemented with the aim of raising awareness among citizens and speeding up connection operations to the distribution network, which adds to the existing subsidies—relating to the subsidised connection fee, the construction of the meter housing and the supply of a pressure reducer free of charge—subsidies relating to free service activation and documentary review (Resolution 40/2014 ARERA), resulting in further savings for the citizen. Commercial activities will continue during the second half of the year with further aids and incentives to be extended to those citizens who will activate new connections in these municipalities.

Events occurred after June 30

On 14 July 2023, the Company filed an appeal before the Regional Administrative Court (TAR) of Calabria against the call for tenders and the annexed documentation published by the Municipality of Catanzaro on 26 June 2023, considering them illegitimate and detrimental to the company's interests. On 27 July 2023, the TAR rejected the request to suspend the deadline for participation in the tender submitted by 2i Rete Gas S.p.A.
On 20 September 2023, the Contracting Authority of ATEM Catanzaro-Crotone opened the administrative envelopes of the two bidders, 2i Rete Gas S.p.A. and Italgas Reti S.p.A., checking their contents and admitting both bidders to the next stage.

On 27 July 2023, the Council of State rejected Italgas Reti S.p.A.'s appeal for revocation against Decision 4478 of the Council of State pronounced on 1 June 2022, whereby 2i Rete Gas S.p.A. was definitively awarded the Naples 1 tender.
On 19 September 2023, the Tender Board of ATEM Rimini, sitting in public session, announced the scores awarded to the three bidders and then opened the financial bids; after reading them, it counted the total scores of the bidders and draw up the following final ranking: Adrigas S.p.A., Italgas Reti S.p.A. and 2i Rete Gas S.p.A. The Contracting Authority then started the irregularity check procedure involving the first ranked bidder.

8 Support for gas transport activities

8.1 Main regulatory changes

The main changes in the regulatory and legislative landscape have already been illustrated in the relevant sections covering Regulation.
All the processes and related upgrading of corporate information systems pertaining to legislation coming into force in the first half of 2023 were successfully implemented, while the necessary IT and process adjustments are being made to comply with regulatory changes that will become effective at a later date.

8.2 Requirements of the Integrated Information System

In the first half of 2023, developments continued to expand and update the information and data in the Official Central Register (RCU – *Registro Centrale Ufficiale*) 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 provided 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 distribution user (UdD) 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 UdD 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 benefit 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".

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.

8.3 Relations with Traders and Customer Care

Commercial quality

The index of "non-standard" services, for the purposes of the service's quality parameters envisaged by ARERA with Resolution 569/2019/R/gas, achieved during the first half of 2023 by Group companies was 0.04% for specific quality levels, while for general quality levels the overall result was 0.16%.

Major customers

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

8.4 Front Office

The Group manages complaints received from end customers in accordance with the rules of ARERA and in the time and manner as set out in its own internal procedures and guidelines.
The main issues for which requests for information and/or complaints were received from end customers concern the verification of the meter reading and the reconstruction of consumption—with particular reference to the replacement of traditional meters with smart meters as provided for by ARERA Resolution 631/2013/R/gas of 27 December 2013, although significantly down on the previous year, as well as work required to replace faulty smart meters and complaints related to the execution of the work.
During the first half of 2023, the Group received and handled 2,296 written requests, including:

- 1,723 complaints/requests for information subject to compliance with the general commercial quality standard set out in Article 50 of ARERA Resolution 569/2019/R/gas; and
- 573 classified as miscellaneous.

The regulations require that a reply is provided within and no later than 30 days to a minimum annual percentage of 95% of cases, such percentage applying to each region.
The goal for 2023 is to maintain the corporate standards with regard to the handling of written complaints and requests for information in line with 2022 results.
In the first half of 2022, the Group handled 258 settlements (274 in 2022), including 247 as technical support (indirect settlements, 258 in 2022), and 11 as party to the settlement (direct settlements, 16 in 2022). These show a further slight decrease compared to the previous year, although the overall data processed by ARERA confirm the trend, already seen in recent years, of increasing the use of settlement as a tool to resolve disputes between end customers and energy and gas operators.
The complaints received from "ARERA - Sportello per il consumatore" are now exclusively related to the social bonus issue. During the first half of 2023, 323 applications were received, a higher number than in the previous year.
Finally, the number of requests handled in the first half of 2023 totalled 907 requests for technical data that can be collected by reading the meter (known as M01, 834 in 2022) and 5,108 requests regarding other technical data (known as M02, 4,299 in 2022).
Both types of requests show an increase. Of particular note is the significant use of M02s on the Atem Naples 1 perimeter.

8.5 Commercial Call Centre

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

- commercial aspects, with a toll-free number dedicated to activation requests pursuant to Resolution 40/2014 as amended, as well as to commercial offers, reconnection of supplies following suspension due to Emergency Response / leakage of the internal system, last-resort services, the portal for end customers and existing commercial campaigns;
- smart meters, with a toll-free number dedicated to requests for information on the scheduled mass replacement plan and for setting a personal appointment for the replacement of the traditional meter with the smart meter, if it was not possible to make such a replacement during the scheduled intervention.

During the first half of 2023, 2i Rete Gas commercial call centre received 144,701 calls (143,988 in the first half of 2022), of which 138,424 were handled (137,129 in the first half of 2022), improving performance compared to the previous year.
The service standard requires compliance with a minimum monthly percentage of calls handled set at 92%: in the first half of 2023 the overall percentage was higher, standing at 96%.
The goal for 2023 is to continue to achieve the excellent level of service provided, keeping percentages above the agreed service standard. In line with the efforts made in 2022, this goal will be pursued by carrying on monitoring and controlling activities on an ongoing basis, together with extensive training delivered to call centre operators.

8.6 Invoicing and gas balances

Invoicing of transport and services

in the first six months of the year, routine activities involving invoicing of transport service, commercial services and compensation disbursement were carried out regularly on a monthly basis.
Following publication of ARERA Resolution 2/2023/R/com, a new extension was made regarding the application of tariff-related subsidies to the populations hit by the earthquakes in 2016 and 2017. Therefore, the process for granting such subsidies will continue at least until 31 December 2023.

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 set out in the subsequent Resolution 396/2021/R/com. For a description of these measures, please refer to section 6 "Regulatory and tariff framework".

As mentioned in section 6.5 "Tariffs", the resolutions confirmed the writing off of certain components of the distribution tariffs, such as UG3, RE and GS, in the first two quarters of 2023. In addition, changes were made to the UG2c element of the UG2 distribution tariff, with a component carrying a minus sign being reduced in April and then written off as of May 2023.

In light of the above-mentioned measures concerning:
- Gas bonuses, with the widening of the target group of beneficiaries and the simultaneous introduction of the very high-value supplementary component;
- Elimination of some of the distribution tariff surcharges;
- Introduction of a specific component UG2c carrying a minus sign, although it was reduced as of April 2023 and subsequently zeroed as of May 2023,

there was a significant reduction in the taxable amount invoiced in relation to the transport service, confirming overall negative amounts until June 2023, when—for the first time since October 2022—the taxable amount invoiced was positive.

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.
For the purpose of assessing the results of the sessions, reporting any inconsistencies, and preventing any complaints from network users, 2i Rete Gas continued the calculation in accordance with regulatory deadlines also during 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 Entity in charge of Balancing (RdB), i.e. Snam Rete Gas.
With the publication of Resolution 386/2022/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 such simplified mechanism be applied as of the 2020-2022 period. The mechanism will, therefore, first be applied with account being taken of the outcomes of the annual accrual adjustment session in the year 2022 and the two most recent years, 2020-2021, of the multi-year adjustment session carried out in 2023;
- The possibility for distribution companies to submit a statement regarding reconciled volumes related to localised leaks and fraudulent withdrawals, so that the RdB 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 limit 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 infliction 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 Entity in charge of Balancing to identify any needs for changes/amendments to information flows.

During 2023, as part of the corporate sustainability plan, monitoring and analysis activities on the so-called "Delta In-Out"—already begun in 2021 and pursued also in 2022—continued, with special reference to cases of significant deviations between the volume injected into and the volume withdrawn from the network, and operational activities related to the "Δ In-Out project" were extended, which saw the expansion of the set of plants with interesting historical values.
This project is enabling the implementation of concrete actions, which led to the containment of the Δ In-Out 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 so-called "cabin measurement KPIs", which will be applied as of 2024.

8.7 Metering

As the roll-out of the new electronic meters continues, pursuant to Resolution 631/2013/R/gas (which replaced the previous Resolution ARG/gas 155 of 22 October 2008), manual meter readings at the redelivery points that still feature traditional meters have significantly declined. As at 30 June 2023, approximately 92% of redelivery points with an active transport contract operated by the Group transmitted data by smart metering. On the other hand, however, the points still requiring manual reading are increasingly more difficult to reach as they are spread across the territory and far apart from each other. Inevitably, this leads to an increase in the costs of individual readings, which offsets the lower volume effect.
With regard to the short statute of limitation, it is worth noting that—following the publication of the favourable ruling of the Lombardy Regional Administrative Court (TAR), Milan section, dated 9 April 2022, which suspends art. 6.4 of ARERA Resolution 603/2021/R/com as 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 of partial annulment of Resolutions No. 603/2021/R/com and 604/2021/R/com on the subject of the two-year statute of limitation: 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.
The regulatory changes introduced by Resolution 269/2022/R/gas concerning the revision of the metering service performance continued to be effective in the first half of 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).

Lastly, attention is drawn to Resolution 60/2023/R/com, whereby ARERA defined the data that distribution companies must transmit for the purposes of calculating and disbursing the CIND component (complementing the equalisation amount, in partial recognition of the costs deriving from the payment of compensation for failed readings to end customers equipped with G4 and G6 smart meters to take into account the difficulties involved in pursuing reading collection objectives within a level of remote reading failure defined as normal).
Data collections performed under equalisation mechanisms are integrated with annual reporting to CSEA of data broken down according to the annual consumption of redelivery points (up to 500 Scm/year or above this threshold).
For 2023, i.e. the year of first application, data collection will cover the period from April to December.

8.8 Commercial development

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

In the first half of 2023, the commercial model introduced in 2018 with the aim of acquiring and activating new redelivery points and, more generally, spreading the culture of methane gas to promote its adoption as a replacement for more polluting and less efficient fuels (e.g. diesel, LPG, coal, wood and pellets) continued to be enhanced.
2i Rete Gas works to ensure that gas plays a central role in the energy transition, as a tangible contribution to the decarbonisation process.

Initiatives have been launched or extended to promote the use of methane gas in areas with greater potential in terms of unserved users, encouraging connection/activation requests through subsidised fees. These initiatives involved a total of 1,211 municipalities (of which 6 managed by Cilento Reti Gas), all over Italy, in which subsidies were introduced on fees for new connections, especially where new sections of the network have recently been built, as well as in cases where the fees are particularly expensive and in other municipalities with high potential in terms of redelivery points created but never activated, where promotional campaigns on the costs of initial supply activation were conducted.
In particular:

- promotions were launched in 129 municipalities, eliminating fees for initial activation and document checks pursuant to ARERA Resolution 40/2014/R/gas, as amended;
- promotions were launched in 740 municipalities on connections with subsidised fees compared to the normal fee;
- both the above initiatives were launched in 342 municipalities (of which 6 managed by Cilento Reti Gas).

In addition, during the first half of the year, customary meetings were held to discuss commercial initiatives with Sales Companies operating across the territory and with installation firms. The purpose of these meetings is to gain more insights into all the commercial initiatives implemented by 2i Rete Gas and, above all, to engage Sales Companies and affiliated companies in the promotion of methane gas and in the dissemination of initiatives on subsidised connections and free activation in the municipalities concerned.

9 Plant construction, environment and safety

9.1 Gas distribution plants

Overall, during the period the Group's companies laid little less than 132 km of pipes, of which almost 60% were Low-Pressure pipes and the remaining were High/Medium-Pressure pipes.

Only a minority of these extensions featured coated steel pipes. In line with the Company's technical guidelines, the remaining networks (approximately 99% of the pipes laid) were built with pipes made of HDPE (high-density polyethylene), a more recent technologically advanced material that is widely used also at the international level and that the Group has been using for some time now: among

other things, it has lower operating costs compared to traditional coated steel pipes.
These interventions refer to the need for upgrading to maintain service levels, for the acquisition of new customers in new expansion areas and for concession obligations assumed under the agreements with the competent Entities, as well as for the interconnection of plants in order to rationalise their operation.
The overall size of the network managed by the companies of the 2i Rete Gas Group as at 30 June 2023 was around 71,811 km, also thanks to the inclusion of ATEM Naples 1 in the perimeter.
In addition, 1,278 primary substations are active which, upstream of the distribution networks managed by the Group, reduce, measure and odorise the gas from the national transport networks. On the network there are also approximately 17,250 secondary reduction stations with a capacity of at least 125 sm3/h used to reduce pressure between the Medium-Pressure and Low-Pressure networks, in direct supply to large users and to reduce intermediate pressure between medium pressure networks.

9.2 Service continuity and safety

By April 2023, the Group published the data on the 2022 service safety and continuity technical standards for all its companies. This work was done by extracting data from the corporate IT systems recorded by the local units during the year.
As in previous years, the Group's performance has exceeded the minimum requirements of the competent authority.
Overall, with a view to constant attention to the safety of plants and end customers, preventative leak detection campaigns have been undertaken for Group companies, relating to the planned inspection on the distribution network, concerning 79% of the High-Pressure and Medium-Pressure (HP/MP) piping and 69% of the Low-Pressure (LP) piping.
The percentage of network subject to preventative leak detection remained in line with the Group's historical data.
With regard to gas odorisation in-field tests carried out in order to thoroughly monitor the actual level, the reported values were considerably higher than the minimum requirements (around 17,800 gas chromatography tests) compared to the minimum value required by ARERA (around 3,600 tests).
In the first half of the year, in line with applicable regulations and corporate procedural guidelines, the Group monitored the data related to service Safety and Continuity processes pursuant to Resolution 569/2019/R/gas (which governs service continuity and safety in the 2020-2025 period).
The main parameters concerning these activities relate to services showing the distributor's ability to promptly intervene in potentially dangerous situations (emergency interventions, intervention time), or to organise and carry out

preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odorisation, percentage of network with cathodic protection).

9.3 Resolution 155/08 et seq. – (Smart meters)

As at 30 June 2023, smart meters installed totalled approximately 4.83 million.
The rollout of the project for the remote handling of non-payment with remote valve shut-off was launched, involving a total of 1.1 million meters.
Work continued to standardise the new meter models, analyse the faulty ones, and perform specific tests at the company's laboratory in Cremona.

The management of network equipment ensuring connectivity with the electronic meters in the 169 MHz band is the responsibility of the company 2i Rete Dati, a wholly-owned subsidiary of 2i Rete Gas S.p.A., with which a special service agreement has been signed.

9.4 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 (H2 and Biomethane).

More specifically, the automated continuous control and analysis of pressure values of more than 2,300 bottom pressure sensors, installed on all plants operated by the Group, are operational.
Automated functionality has been activated for the management of over 1,500 metering systems installed in the metering and pressure regulation (RE.MI.) stations to continuously monitor the metering performance of the latter, enabling the efficient management of the metering activities in the RE.MI. stations and compliance with the performance requirements of Resolution 512/2021/R/gas and the Snam Rete Gas Network Code.
Important functions have also been implemented on the 2iIoT platform, including checks on the level of network odorisation and gas temperature (pre-heating

process efficiency), as well as core functions such as the monitoring of pressure values in gas control station regulation processes.
Around 10,000 new-generation meters with static technology capable of measuring the blend between methane and hydrogen (up to 20%) are being installed. 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.
A "smart regulator" pilot project has been launched, entailing the installation of an automated pressure regulation system in a RE.MI. station. This solution is designed to (i) decrease fugitive emissions from the distribution system served by the RE.MI. station concerned, and (ii) ensure better gas metering quality by automatically adjusting the gas metering pressure value in relation to the real need of the system.
An important study was 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.

9.5 Planning activities

The process of preparing, checking and updating detailed technical aspects, mostly related to the plants currently managed by the Group, continued steadily. The purpose of this process is to create the necessary basis for the drafting of technical bids to be submitted in the tender procedure for the awarding of concessions.

At the same time, the usual planning activities continued, aimed at supporting internal requests for the expansion and evolution of existing network infrastructure. In addition, fluid-dynamic evaluations were conducted on the plants in question, with the aim of ensuring their efficiency and operational stability.

9.6 Regulatory oversight

During 2023, the 2i Rete Gas Group was constantly involved in regulatory supervision activities, showing significant commitment both at a national level—by actively participating in different working groups and commissions of the Italian

Gas Committee (*Comitato Italiano Gas*, UNI-CIG)—and at a European level (Marcogaz).

10 Quality, Safety and Environment

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

In May, activities required for the annual validation of the three-year certificates for the areas of Quality, Health&Safety and Environment were carried out.
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;
Therefore, 2i Rete Gas S.p.A. currently operates with a Certified Management System which complies with:
- UNI EN ISO 9001:2015 for Quality Management;
- UNI EN ISO 14001:2015 for Environmental Management;
- UNI ISO 45001:2018 for Health&Safety Management.

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

The Quality, Safety and Environment Function of the Operations Department scheduled 60 internal audits for 2023, aimed at monitoring the alignment of the Quality, Safety and Environment management system with applicable laws and system documents, as well as at ensuring appropriate implementation of the actions to be deployed in order monitor significant risks.
In the first half of the year, the first 28 scheduled audits were carried out, which include checks on headquarters facilities, two departments and a number of Area offices and branch offices falling within the Surveillance scope.

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

Certification of 2i Rete Dati S.r.l. Quality, Health&Safety and Environment Integrated 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.
The necessary audits were therefore carried out 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 ACCREDIA IAF 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 Institute.

10.1 Prevention and Protection Service

During the first half of the year, the Risk Assessment Documents (DVRs) were updated following (i) reorganisation endeavours across the area, resulting in the implementation of organisational safety provisions for the North, North-West, Centre and South-West Production Units; (i) the change of the Designated Physician coordinating the North, North-East, North-West Production Units and the Headquarters; and (iii) the appointment of a new Prevention and Protection Service officer in the South-West Production Unit.

Workplace injuries:

In the first half of 2023, workplace injuries decreased compared to the previous year.

In fact, in the first half of 2022, 8 injuries that could be classified as "non-serious" (i.e. with initial prognosis of less than 30) occurred, of which 4 involving blue-collar workers and 4 involving white-collar workers, while in the same period of 2023, 4 "non-serious" injuries occurred, of which 3 involving blue-collar workers and 1 involving a white-collar worker. In the case of the latter, 1 injury is related to driving while on duty and the absence from work is still ongoing.

During the first half of 2023, 3 commuting accidents occurred, involving 2 white-collar workers and 1 blue-collar worker.

In the first half of 2022, no commuting accidents involving white-collar and blue-collar workers occurred.

In order to achieve "zero injuries", the Quality, Safety and Environment (QSE) function, in collaboration with the Head of the Prevention and Protection Service (RSPP), continued performing workplace safety audits at the local structures as well as at the worksites with in-progress inspections for contractors.

The annual meetings required by Article 35 of Legislative Decree 81 were held in June, involving the safety chain, Employer, Delegates, Head of Prevention and Protection Service, Designated Physician and Prevention and Protection Service officers. The meetings pertained to the North, Centre, North West and North Production Units. In July, the statutory requirement was met for the remaining Production Units.

Health Surveillance Situation:

In 2023, the Prevention and Protection Service—in close collaboration with the suppliers working for the health surveillance of 2i Rete Gas staff—continued the project started in 2022 to update and streamline the check-up schedule, with the aim of standardising and grouping visit sessions into two/three periods per year per Area. The project's aim is to improve/reconcile mandatory check-ups with work activities.
In the first half of the year, 418 white-collar and 372 blue-collar workers underwent examinations, according to the deadlines laid down in the healthcare protocol and to requests made by workers.
In addition, during the first half of the year, efforts continued to identify individuals who, due to their multiple pathologies, qualified as "fragile" and were particularly exposed during the emergency period, in order to activate workplace protections so as to reduce their exposure to potential situations of contagion, implementing Remote Working or allowing them to refrain from working in the field. As at 30 June 2023, the regulations for the protection of fragile individuals provide for an extension until 31 December 2023, according to new ministerial provisions.

10.2 Environmental issues

The Quality, Safety and Environment (QSE) function constantly monitors material environmental aspects and ensures that the company 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.

As far as the 2i Rete Gas Group is concerned, the prerequisites, i.e. the aspects considered to be essential to sound business operations, include:

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

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

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

In addition to the above, with respect to environmental management, the key aspects concern:

- 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 curb fuel consumption and the relevant CO2 emissions.

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

Non-hazardous and hazardous special waste products are the subject of specific analyses aimed at monitoring the development of certain performance indicators and any possible 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.

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

The audit is intended to assess the quality and consistency of the documents certifying the safety and continuity of the service (management of the Emergency Response Service, management of leaks, management of checks on the level of odorisation of the gas distributed) and the compliance of the service commercial quality performance records, carried out on samples selected with criteria similar to those used by ARERA in case of control.
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 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.
As at 30 June 2023, 8 plants were audited for technical quality aspects and 4 Provinces were audited for commercial quality aspects; the audits will continue also in the second half of the year, until the planned plants and Provinces are covered.
The proposed corrective or preventative actions, once implemented by the audited structures, allow to further improve the confidence on compliance of the audited data where necessary.

10.4 Control over worksite safety

During the first half of 2023, work continued to guarantee alignment to relevant laws in force and compliance with corporate provisions regarding the management of safety aspects for activities which fall under Art. 26 and in Chapter IV of Legislative Decree 81/08, which involve company representatives, respectively in the role of Employer commissioning the work, Principal and Works Manager.
Company documents relevant to the definition of roles and responsibilities of the profiles involved in the application of Chapter IV of Legislative Decree 81/08 were reviewed and considered updated.
As for the management of safety coordination at worksites, monitoring and periodic reporting efforts continued with respect to the activities performed by external and internal CSPs (safety coordinators in the design stage) and CSEs (safety coordinators in the execution phase) involved across the Company.
All the CSEs adopt the same format for reporting site visits, so that a standardised method is adopted in carrying out the controls, limiting as far as possible a subjective approach.

In the first six months of 2023, the CSEs produced a total of 3,477 reports (an increase of approximately 300 reports compared to the first half of 2022), highlighting 284 cases of non-compliance (NC)—approximately 10% less than in the

first half of 2022—all of which were managed by checking the actions implemented by the companies following the CSEs' instructions. The value of the control process reference performance indicator is two percentage points higher than the corporate target.
During the six months under review, the project to standardise conduct and streamline the activities carried out by operational control staff (ACOs) continued. The periodic monitoring of this project shows very encouraging data regarding the performance indicators of the ACOs' control process on safety, environment and quality.

10.5 Checks on Cilento Reti Gas operations

With reference to the commitments undertaken pursuant to agreements and 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.
During the first half of 2023, two days of site inspections were carried out—during the testing of finished works—through surveys and sample tests; on two plants under construction, 9 technical checks and 4 document checks were carried out overall, 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. This monitoring included both on-site visits during the production phase as well as detailed checks of the quality assurance documentation and test result declarations. All materials that were test-checked were found to comply with expected standards.

11 Human resources

11.1 Corporate organisation

Corporate organisation underwent significant changes in the first half of the year, following the integration of ATEM Naples 1 into corporate processes. Specifically, the territorial organisation was changed by transferring the Frosinone Operating Area from the South-West Department to the Centre Department, the former having integrated the Naples Area, an organisational structure set up to incorporate the staff and assets deriving from the awarding of the tender for the operation of the distribution service in the aforementioned ATEM.

The staff functions where most resources from the outgoing operator were allocated were supported by the Organisation Unit in redefining their structure, in order to effectively integrate new processes and activities.
Moreover, in the first six months of the year, the project to analyse the management of the on-call service got underway, involving all the local area Departments. Its aim is to identify solutions to improve the service provided, including by extending best practices and organisational efficiency solutions.

11.2 Industrial relations

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.
Planes were also made to meet—by the end of 2023—with the National Secretariats to monitor the further experimental development of smart working ahead of the next deadline.

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 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, written 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 3,000.00 euro limit.

Following up on 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 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 transaction.

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.

11.3 Recruitment

As at 30 June 2023, the Group had 2,215 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 the first half of 2023, it resulted in 50 new hires, 49 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 resources that had left the company, primarily due to retirement. 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, 30 recruiting procedures were started for as many vacancies, with 22 applications received and 6 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.

11.4 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 resources recruited at 2i Rete Gas over the last three years participated in a one-day technical-operational tour of the Department, welcomed by colleagues from Tradate, Bergamo and Cremona, who illustrated the organisation and activities of the Department and then arranged a tour of the plants in the area.
- Women's training – leadership development and coaching – for more than 50 female colleagues with the aim of developing women's empowerment, strengthening skills such as emotion management, communication, negotiation and conflict management, and sharing an evolutionary leadership model that integrates and enhances personal and gender qualities in the role, while also gaining awareness of the importance of creating a relational network within the organisation.
- 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 90 people.

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 resources in the area were identified, appointed as tutors and involved in an 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 140 resources among Department and Area technicians were involved in preheating training.
- The theoretical and practical training course on emergency response and leakage continued to be delivered to operators and Area technicians, involving about 200 colleagues as well as external staff (about 160 people) belonging to contractors and working on Group plants.
- 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 400 Department and Area technicians.
- 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 about 250 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.
- Colleagues from the Naples Area were included in the training course on First Aid and Fire Fighting – medium risk.
- Training on the role of Safety Manager involved over 400 people, including colleagues from the Naples Area.
- 15 resources 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 140 resources, in particular high-risk employees for outdoor and operational activities.

11.5 Staff administration

Travel management – Operational changes

The travel/expense claim dematerialisation project (which significantly improved the management of business trips and expense claims for both the users and back-office) continued with further implementations.
The first of such implementations is the further automation of the Travel/Self Booking process, aimed at improving the service provided to employees while allowing the automation of the accounting management of prepaid items.
Upon completion of the analysis phase in 2022, the project was implemented in the first half of 2023.
To facilitate the entry of the new travel management service provider, the travel request process was further automated. Since June this year, travel requests (not related to operational staff) involving prepaid travel tickets have been automatically transmitted from the company management system to that of the business travel provider.

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

Effective 13 August 2022 (the date on which Law Decree 105/2022 came into force), the right to three days' monthly leave to care for a severely disabled person may be granted to more than one person, including persons outside the scope of the company's employees, who may use it on an alternate basis.
In order to manage the resulting organisational complexity, in its Circular No. 39 of 4 April 2023 INPS (the Italian National Social Security Institute) requested companies to provide a map of the recipients, i.e. the beneficiaries of care under Law 104/1992.
Companies, even though they have sketchy information on such recipients, are required to map and transmit this information to INPS on a monthly basis.
In April, the Group carried out a census of assisted persons with disabilities. Between May and June, a dedicated registry was implemented in the system to manage and transmit this information to INPS on a monthly basis.
Further analyses, to be followed by implementations, are underway with regard to the provisions on compulsory paternity leave and parental leave introduced by the same legislative decree and INPS Circular No. 659 of 13 February 2023.

11.6 Corporate environment

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

The company decided to continue to invest in the use of online collaboration tools, as a means of maintaining constant contact with colleagues who also work remotely, ensuring exchanges with them. In this connection, a training course was planned for the second half of the year on online 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 orderly.

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 resources 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 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 resources, 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 create relations and relationships between the people that are part of the company—the headquarters resources conducted a technical operational tour across the territory called "Getting to know the company and learning more about our business".

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 by the local HRs in the various Departments and Areas, the goal being to reach the entire corporate population. In this connection, 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) up to a maximum limit in accordance with 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 allowing to defer certain expenses linked to child education, family care services and medical expenses.
The telemedicine service continued to operate.

12 IT systems

In the first half of 2023, significant efforts were made on: (i) projects to renew the core business application map, (ii) activities to comply with Resolutions and Regulations, (iii) the streamlining of processes peculiar to ATEM Naples 1, which became operational in December, on 2i Rete Gas information systems, (iv) the digitalisation of networks through the evolution of the Internet Of Things (2iIoT) platform, and (v) activities related to cybersecurity.

As part of a wide-ranging programme of technological upgrading of IT applications and services, the project for the evolution of the Commercial Front Office (SINAPSI, formerly the FOUR Gas portal) reached the important milestone for the go-live of a "pilot" scope of about 500,000 redelivery points, ahead of the extension to the entire area planned within the year. The start-up of the new Front Office was accompanied by the launch of the new functions inherent to the active billing process for commercial services, with benefits for the entire management and monitoring process.
The evolution of the gas transport billing system implemented on the new SAP IS/U solution built on the SAP HANA in-memory database, which enables efficiency and performance in transport billing processes, has reached the test phase and is scheduled to go into production by December.
The transformation programme involving the migration of infrastructure services to the Cloud completed the selection phase of the Cloud Service Provider for the award of services in the Public Cloud (IaaS): the selection phase of System Integration providers is underway in preparation for the start of the migration and transformation phase of business applications and services to the target infrastructure in a modern, redundant cloud environment by 2024.

The technological renewal process for all End User Computing infrastructures was completed in the first half of the year, with the replacement of the entire fleet of notebooks, smartphones and tablets, implementing the full adoption of the Microsoft management platform.

Having completed the integration of ATEM Naples 1 plant management with the company's information systems at the end of 2022, activities continued in the first half of the year to implement the functions for automation and full support in technical and commercial management, including the tools for the related monitoring and reporting to the Contracting Authority.
At the same time, activities were completed to prepare and deliver data relating to the Mortegliano plant to the incoming operator as part of the sale of ATEM Udine 2.
As part of the organisational changes, work to adapt the systems to the new local organisation of the Centre Department was completed at the beginning of 2023.

Many initiatives are underway to support network digitisation endeavours, with special reference to the project to implement the new IoT platform through a programme of interventions and implementations to support field equipment monitoring and station metering processes.
With regard to the electronic meter area, specific efforts were made for the operational queues of the integration of ATEM Naples 1 equipment. In addition, activities in the first half of the year concerned revisions and extensions of the remote management process and the complete management of new-generation home meters with a view to maximising the effectiveness of remote reading and getting ready for future operational optimisations.

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 search systems with asset management systems, enabling a more efficient tracking of leaks in systems for the purposes of subsequent evaluations.

The following activities aimed at ensuring regulatory compliance, particularly in the area of metering, proved most challenging: (i) management of the new compensations applicable to the industrial and mass market electronic meters, implementing a number of actions designed to maximise the remote reading collection rate at the end of the month, (ii) management of the differences between the volumes of gas injected and the volumes distributed, and (iii) optimised management of the quality and compliance of gas metering at the station.

As part of the IT system in support of 2i Rete Dati S.r.l. operational and control processes, further functions were implemented to support non-Group business, enabling the management of devices with WM-Bus 169 Mhz technology of other non-Group companies, in particular invoicing and reporting. In addition, the corporate website was completely overhauled, including a section dedicated to the lessors of base station sites for concentrators, to support the contract management process.

In the field of Cyber Security, the initiatives identified by the Risk Assessment programme and aimed at increasing the level of resilience and protection against the risk of cyber attacks continued to be implemented.
More specifically, the following efforts are underway: (i) strengthening activities resulting from the Vulnerability Assessment & Penetration Tests conducted in 2022, (ii) implementation of corporate Security by Design policies, and (iii) extension of additional use cases within control processes and tools to detect, analyse and respond to security threats (SIEM). In addition, in order to increase 2i Rete Gas employees' awareness and sensitivity regarding cyber risks, Security Awareness initiatives were conducted to increase their ability to counter phishing attacks.

13 Research & Development

In April 2023, corporate projects addressing Resolution 404/2022/R/gas "Pilot projects to optimise operation and use of infrastructure in the natural gas sector" were submitted as scheduled. Project assessment and eligibility for ARERA funding procedures are still pending.

In May, the first reporting of company data on fugitive emissions and on the plan to reduce them in accordance with the OGMP 2.0 (Oil & Gas Methane Partnership 2.0) framework was completed. The results of the evaluations on the reports and emission reduction plans submitted are expected to come through in the second half of the year.

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.

14 Risk Management

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

14.1 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. Such events may not only lead to service disruption, but also cause serious damage to people, property and the environment, with potential negative economic and social consequences.
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 mitigate these risks, particularly those associated with damage caused by natural events, the Group has adopted a proactive strategy that includes taking out insurance policies deemed adequate to cover potential damages that could be suffered or caused. The Group is constantly committed to prudent risk management, ensuring business continuity and stakeholder protection, as well as compliance with relevant regulatory requirements.

14.2 Regulatory risks

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 impacts on revenue and margins.
The regulatory period spans six years, and the WACC (Weighted Average Cost of Capital) is reviewed every three years.

14.3 Risks deriving from future changes in natural gas consumption

Although the regulated income of the Group's operating companies does not directly depend on distribution volumes—and therefore the Group is not exposed to any risks concerning demand volumes related to natural gas consumption—a prolonged economic crisis or other external event that may cause a decrease in gas consumption could result in increased intervention by authorities with changes in the regulatory framework, which could negatively affect 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 the existing infrastructure 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.

14.4 Environmental, safety and climate change operational risks

Operating and maintaining gas distribution networks involves potentially dangerous activities that may cause damage to the general public and/or Group employees.
The Group is subject to Italian and European Union laws and regulations that govern health and safety to protect the general public and employees.
As part of its operations, the Group uses potentially hazardous products and sub-products, and the 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.
A review of prospective costs associated with any future commitments for environmental remediation underscored the uncertain nature of such

assessments, which are impacted by the potential extent of contamination, the remedial measures required and the Group's share of responsibility. Such considerations are often complex to assess accurately.

To address this source of risk, the Group has implemented a number of control and management tools, which closely monitor operations and related environmental issues. In addition, the Group has taken out special insurance policies designed to cover both the costs related to the containment of possible contamination and the costs associated with subsequent restoration and related damages.

The Group takes the risk of climate change very seriously. To this end, it is currently engaged in a number of assessments intended to provide insights into how its business can contribute to counteracting climate change and how changing climatic conditions may affect the future of its operations. At present, such assessments suggest that, in the short to medium term, both aspects are of minor importance. However, the focus on climate dynamics and changes in industry regulations as well as the commitment to combating atmospheric emissions of climate-changing gases continue to be priority issues, as evidenced by the 2030 methane emission reduction target set out in the Group's Sustainability Plan.

Finally, the Group conducted an accurate risk assessment of unforeseen external events, as evidenced by the outbreak of the COVID-19 pandemic and related lockdown measures. In this context, the Group has demonstrated its ability to mitigate risk by adopting a flexible approach to staff organisation and adapting business strategies in operating its network, responding quickly and appropriately to changing needs and the need to expand communication resources.

14.5 Risks related to the current geopolitical situation

As is well known, on 24 February 2022 the Russian Federation began a military operation involving the invasion of Ukrainian territory. This event led to a dramatic context of armed conflict with significant human and military consequences, as well as an unprecedented flow of migration to other parts of Europe. The repercussions of this situation have created considerable tension in the financial and energy markets, the future trends of which are currently uncertain.

Although the Group has not yet had to deal with any significant obstacles in sourcing the materials used in its operations, it should be noted that, against a difficult backdrop *per se* due to rising oil product prices, the current situation could affect the Group's supply chain to an extent that is difficult to assess at present.

With regard to the Group’s downstream supply chain, which involves sales companies that depend on distribution services, there is a possibility that some of these companies, already severely affected by rising raw material costs, may encounter further financial difficulties, hindering their ability to meet their contract obligations. However, it is important to note that, thanks to the regulations in force for access to the gas market, financial guarantees are in place to protect distributors, which can be activated in the event of payment problems.

15 Outlook

In 2023, the Group will continue to invest in its network and metering systems. Profitability for 2023 is expected to be in line with the performance in the first half of the year.
The 2023 action plan includes the following objectives:

- Further strengthening our commitment to minimise workplace accidents, by enhancing the quality of work and safety standards at all stages of our operations;
- Continuing the extraordinary maintenance programme for the gas network;
- Concentrating resources on the highest value-added network operations, by relying on increasingly focused and specialised operational units;
- Continuing efforts aimed at monitoring and possibly participating in ATEM tenders;
- Further improving the IT tools currently used in order to update the architecture and application map and achieve greater efficiency, leveraging the functionalities made available by innovation to pursue and improve corporate processes and systems as well as open up new opportunities.
- Continuing to implement the approved sustainability plan by pursuing the objectives set out therein.

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

III. Interim condensed consolidated financial statements

IV. Financial Statements

V. Profit and Loss Account

Thousands of euro	Notes	30.06.2023	of which to related parties	30.06.2022	of which to related parties
Revenue					
Revenue from sales and services	5.a	370,307	-	341,386	-
Other revenue	5.b	16,927	32	16,570	32
Revenue from intangible assets / assets under development	5.c	167,099	-	162,462	-
Running total		**554,333**		**520,418**	
Costs					
Raw materials and consumables	6.a	26,256	-	20,368	-
Services	6.b	182,609	2,092	177,719	3,234
Personnel costs	6.c	73,307	2,225	64,470	1,791
Amortisation, depreciation and impairment losses	6.d	114,245	-	105,872	-
Other operating costs	6.e	23,110	195	17,319	176
Capitalised costs for internal work	6.f	(506)	-	(422)	-
Running total		**419,021**		**385,325**	
EBIT		**135,312**		**135,093**	
Income/(expenses) from equity investments	7	27	27	204	203
Financial income	8	1,798	12	35	16
Financial expenses	8	(33,072)	-	(29,249)	-
Running total		**(31,247)**		**(29,010)**	
Profit / (loss) before tax		**104,065**		**106,083**	
Taxes	9	29,866	-	28,929	-
Profit / (loss) from continuing operations		**74,199**		**77,154**	
Profit / (loss) from discontinued operations	10	**-**		**-**	
NET PROFIT / (LOSS) FOR THE PERIOD		**74,199**		**77,154**	
Net profit / (loss) for the period attributable to:					
- Owners of the Parent		74,280		77,081	
- Non-controlling interests		(80)		73	

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

VI. Statement of Comprehensive Income

Thousands of euro	30.06.2023	31.12.2022
Net profit / (loss) recognised in the profit and loss account	**74,199**	**169,476**
- Net profit/(loss) attributable to owners of the Parent	74,280	169,815
- Net profit/(loss) attributable to non-controlling interests	(80)	(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	41	3,500
Deferred tax assets and liabilities on items which will never be classified under profit/(loss) - owners of the Parent	288	(983)
	329	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 period - owners of the Parent	(1,244)	(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 period (tax effect) - owners of the Parent	299	296
	(6,725)	85,606
Total other comprehensive income	**(6,396)**	**88,123**
Total comprehensive income	**67,803**	**257,599**
Total comprehensive income attributable to:		
- Owners of the Parent	67,884	257,938
- Non-controlling interests	(80)	(339)

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

VII. Statement of Financial Position

Thousands of euro	Notes	30.06.2023	of which to related parties	31.12.2022	of which to related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	36,991	-	38,082	-
IFRS 16 right-of-use assets	12	23,707	-	26,073	-
Intangible assets	13	4,638,514	-	4,584,357	-
Net deferred tax assets	14	120,128	-	114,910	-
Equity investments	15	4,003	3,880	3,706	3,584
Non-current financial assets	16	12,999	-	116,660	-
Other non-current assets	17	33,377	-	33,290	-
	Total	**4,869,718**		**4,917,077**	
Current assets					
Inventories	18	21,918	-	18,852	-
Trade receivables	19	71,126	55	55,433	72
Short-term financial receivables	20	4,340	1,035	2,822	960
Other current financial assets	21	853	6	489	6
Cash and cash equivalents	22	359,179	-	46,038	-
Income tax receivables	23	3,839	-	13,717	-
Other current assets	24	489,364	-	547,451	-
	Total	**950,619**		**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	2	-	1,703	-
	Total	**2**		**1,703**	
TOTAL ASSETS		**5,820,339**		**5,603,582**	

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

Thousands of euro	Notes	30.06.2023	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		604,991	-	607,275	-
Retained earnings/(accumulated losses)		572,442	-	517,750	-
Net profit/(loss) for the period		74,280	-	169,815	-
Total equity - Owners of the Parent		**1,255,351**		**1,298,479**	
Equity - non-controlling interests					
Non-controlling interests		1,829	-	2,168	-
Net profit/(loss) for the period - non-controlling interests		(80)	-	(339)	-
Total equity - non-controlling interests		**1,749**		**1,829**	
TOTAL EQUITY		**1,257,100**		**1,300,308**	
Non-current liabilities					
Long-term loans	27	3,533,384	-	3,086,998	-
Post-employment and other employee benefits	28	29,465	-	30,207	-
Provision for risks and charges	29	9,197	-	10,486	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	-	-	-	-
Non-current IFRS 16 financial liabilities	31	16,451	-	18,811	-
Other non-current liabilities	32	354,302	-	353,854	-
	Total	**3,942,800**		**3,500,356**	
Current liabilities					
Short-term loans	33	25,000	-	-	-
Current portion of long-term loans	34	118,176	-	118,147	-
Short-term portion of long-term and short-term provisions	35	74,808	-	65,001	-
Trade payables	36	227,010	7,201	448,994	6,850
Income tax payables	37	7,344	-	1,221	-
Current financial liabilities	38	41,476	-	19,611	-
Current IFRS 16 financial liabilities	39	6,585	-	6,660	-
Other current liabilities	40	120,029	11	143,054	10
	Total	**620,427**		**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	12	-	230	-
	Total	**12**		**230**	
TOTAL LIABILITIES		**4,563,239**		**4,303,274**	
TOTAL EQUITY AND LIABILITIES		**5,820,339**		**5,603,582**	

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

VIII. Statement of Cash Flows

Thousands of euro		30.06.2023	30.06.2022
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**46,038**	**442,956**
Cash flow from operating activities			
Profit/(loss) before tax		104,065	106,083
Taxes	9	(29,866)	(28,929)
1. Net profit/(loss) for the period		**74,199**	**77,154**
Adjustments for:			
Depreciation and amortisation	6.d	114,723	105,980
Impairment/(Reversals)/(Releases)	6.d	(478)	(108)
Capital (gains)/losses	5.b/6.e	6,498	2,591
Allocations to provisions for risks and charges and post-employment benefits		18,496	18,078
Financial (income)/expenses	7 and 8	31,247	29,010
2. Total adjustments		**170,487**	**155,551**
Change in net working capital			
Inventories	18	(3,067)	(442)
Trade receivables	19	(15,215)	151,621
Trade payables	36	(221,984)	(7,672)
Other current assets	24	58,087	(117,380)
Other current liabilities	40	(23,024)	26,306
Net tax receivables/(payables)	23 and 37	16,001	(1,866)
Increase/(decrease) in provisions for risks and charges and post-employment benef	28, 29 and 35	(5,567)	(8,402)
Increase/(decrease) in provisions for deferred tax assets and liabilities	14	(2,806)	(265)
Other non-current assets	17	(87)	(10,474)
Other non-current liabilities	32	238	(1,171)
Financial income/(expenses) other than for financing	8	(136)	(170)
3. Total change in net working capital		**(197,561)**	**30,085**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**47,125**	**262,790**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(174,006)	(161,827)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	(270)	0
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(174,276)**	**(161,827)**
D) FREE CASH FLOW (B+C)		**(127,151)**	**100,962**
Cash flow from financing activities			
Dividend payout		(111,011)	(105,008)
Change in amortised cost	16, 27 and 34	(6,754)	1,230
Financial income/(expenses) relating to the FV of the derivative instrument from Cor	7 and 8	(1,244)	(612)
Financial income for financing activities	8	1,145	16
Financial (expenses) for financing activities	8	(32,283)	(29,059)
New loan/Hot money	27 and 33	25,000	-
Receipts from debenture loan issues	27	550,000	-
Debenture loan settlements	27 and 33	(87,688)	(20,907)
Change in short-term and long-term financial debt	27 and 33	(9,091)	(9,091)
Change in other non-current financial assets	16	96,005	(45)
Change in other financial receivables	20 and 21	(1,882)	(25,417)
Change in IFRS 16 financial leases	31, 39 and 11	(3,769)	(4,080)
Change in other financial payables	38	21,865	22,046
E) CASH FLOW FROM FINANCING ACTIVITIES		**440,292**	**(170,928)**
F) CASH FLOW FOR THE PERIOD (D+E)		**313,141**	**(69,965)**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**359,179**	**372,990**

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

IX. 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 period	**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 period recognised in the 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	-	-	-	(6,725)	329	0	-	**(6,396)**	(0)	**(6,396)**
- Profit/(loss) for the period recognised in profit and loss account	-	-	-	-	-	-	74,280	**74,280**	(80)	**74,199**
Total 30 June 2023	**3,639**	**286,546**	**728**	**77,687**	**240,029**	**572,442**	**74,280**	**1,255,351**	**1,749**	**1,257,100**

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

X. Notes

16 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. Pursuant to article 3 of the Articles of Association, the duration of the Parent Company is until 2050.

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

- North-West Department - Via Gazzoletto, 16/18 – 26100 Cremona (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 27 September 2023, the Directors of 2i Rete Gas S.p.A. approved these interim condensed consolidated financial statements prepared on a voluntary basis.
For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 27 September 2023.
These interim condensed consolidated financial statements are subject, on a voluntary basis, to a limited audit by PricewaterhouseCoopers S.p.A.

17 Compliance with IFRS/IAS and basis of presentation

These interim condensed consolidated financial statements as at 30 June 2023 have been prepared in compliance with: the International Accounting Standards (IAS) or the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Union pursuant to EC Regulation no. 1606/2002 and effective at the end of the period; the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as well as the interpretations of the Standing Interpretations Committee (SIC) effective at the same date. In particular, these interim condensed consolidated financial statements have been prepared in compliance with IAS 34 – Interim Financial Reporting. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Basis of presentation

The interim condensed consolidated financial statements as at 30 June 2023 consist of the Profit and Loss Account, Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity, and Explanatory Notes.
The assets and liabilities reported in the Statement of Financial Position are classified on a "current/non-current" basis, separately disclosing the assets and liabilities held for sale.
Current assets, which include cash and cash equivalents, are those intended to be sold, consumed or realised as part of the normal operating cycle or within 12 months after the end of the financial year; current liabilities are those expected to be settled in the normal operating cycle or within 12 months after the end of the financial year.
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 interim condensed consolidated financial statements are presented in euro (the Group's functional currency) and the amounts reported in the notes are shown in thousands of euro, unless otherwise stated.
The interim condensed consolidated financial statements have been prepared using the historical cost method, except for those items which, in accordance with the IFRS-EU, are measured at fair value, as indicated in the valuation criteria for the individual items.
These interim condensed consolidated financial statements have been prepared on a going-concern basis, as set out more in detail in the Directors' Report.

18 Accounting standards, valuation criteria and use of estimates

In preparing these interim condensed consolidated financial statements, the Group has used the same accounting standards as those used in preparing the consolidated financial statements for the year ended 31 December 2022.

Accounting standards applicable as of 1 January 2023

Below are the changes in accounting standards in force as at 31 December 2022 that will apply as from 1 January 2023:

- 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 Organisation for Economic Co-operation and Development's (OECD) international tax reform. 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.
These amendments became effective on 1 January 2023 and no disclosures are required in interim financial statements.

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

Below are the new standards or interpretations that have already been issued but have not yet become effective or have not yet been endorsed by the European Union as at 30 June 2023 and, as such, are not applicable:

- 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. These amendments, applicable as of 1 January 2024, have yet not been endorsed by the European Union.

- 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, applicable as of 1 January 2024, have yet not been endorsed by the European Union.

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

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, applicable as of 1 January 2024, have yet not been endorsed by the European Union.

- 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.

The impact of these amendments on the Group's financial statements is currently being analysed.

Use of estimates

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. As these are estimates, actual results may differ from those presented in these financial statements.
The subjective judgements that are relevant to the preparation of these interim condensed consolidated financial statements, as well as the main sources of estimation uncertainty, are the same as those applied in the preparation of the financial statements for the year ended 31 December 2022.

XI. Information on Profit and Loss Account

Revenue

Methane gas is transported by the company exclusively within Italy. For this reason, the Group did not provide segment reporting pursuant to the requirements of IAS 34 and IFRS 8 (Operating Segments) due to the substantial uniqueness of its business.

5.a Revenue from sales and services

"Revenue from sales and services" amounted to 370,307 thousand euro in the period and mainly referred to gas transport operations and connection fees.

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

Thousands of euro	30.06.2023	30.06.2022	2023 - 2022
Sales and services			
Gas and LPG transport	350,624	321,861	28,763
Release/(Allocation) to the provision for risks	(439)	-	(439)
Connection fees	5,175	4,553	621
Ancillary fees	2,807	2,879	(73)
Revenue from customer operations	40	51	(12)
Sundry revenue and other sales and services	12,101	12,041	59
Total revenue from sales and services	**370,307**	**341,386**	**28,921**

Revenue from gas transport operations totalled 350,186 thousand euro net of the provision made in the six-month period on tariff risks, representing the portion for the first half of the year of the 2023 Tariff Revenue Cap for natural gas.
The increase recognised was chiefly due to the positive impact of the management of ATEM Naples 1, awarded on 1 December 2022.

Connection fees, totalling 5,175 thousand euro, increased over the previous period, partly due to the contribution to operations coming from the new ATEM under management. It is worth mentioning that the connection fee is a set amount defined through a specific quote according to the type of service requested, and consists of:

- The cost of the required material;

- Labour costs;
- A percentage amount for the coverage of overheads.

"Sundry revenue and other sales and services" were essentially unchanged compared to the same period of last year, and the amounts related to the suspension and reconnection of customers in arrears were in line with the past.

5.b Other revenue

"Other revenue" totalled 16,927 thousand euro (16,570 thousand euro in the same period of 2022), showing a slight increase due to other revenue and income, which increased by 2,475 thousand euro mainly as a result of the enforcement of a surety that had been provided to a supplier, higher income from grants related to plants to the extent of 316 thousand euro, which was offset, on the other hand, by lower income on Resolution 574/13 (technical quality) to the extent of 2,515 thousand euro. The item also includes under capital gains on the sale of assets, amounting to 1,248 thousand euro in the first half of the year, the gain related to the sale of the network of the municipality of Mortegliano.

5.c Revenue from intangible assets / assets under development

Thousands of euro

	30.06.2023	30.06.2022	2023 - 2022
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	167,099	162,462	4,637
Total revenue from intangible assets / assets under development	**167,099**	**162,462**	**4,637**

As from 1 January 2010, the Company has been recognising this revenue, standing at 167,099 thousand euro, pursuant to IFRIC 12 "Service Concession Arrangements". Compared to the same period last year, they increased by 4,637 thousand euro due to the higher costs incurred for the installation and extraordinary maintenance of plants as a result of the inflationary pressure experienced.

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

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 recognised in the company's operating costs in order to ensure their compliance with the aforementioned standard.

Thousands of euro

	30.06.2023	30.06.2022	2023 - 2022
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	4,393	5,532	(1,139)
Costs for services	110,390	110,990	(600)
Other operating costs	356	379	(23)
Depreciation and amortisation	1,661	1,611	50
Capitalised costs for materials, personnel and services	50,299	43,950	6,349
of which personnel costs	*34,829*	*30,262*	*4,568*
of which raw materials and consumables	*15,470*	*13,689*	*1,781*
Total costs relating to revenue from intangible assets / assets under development	**167,099**	**162,462**	**4,637**

6.a Raw materials and consumables

"Costs of raw materials and consumables", amounting to 26,256 thousand euro, basically includes the purchase cost of materials used in the process of laying the pipes and meters as well as of automotive fuel; as at 30 June 2023 these costs increased due to the rising price of materials in the half year.

6.b Services

"Costs for services", amounting to 182,609 thousand euro, are broken down as follows:

Thousands of euro

	30.06.2023	30.06.2022	2023 - 2022
Costs for services			
Maintenance, repair and realisation of assets	112,745	114,000	(1,255)
Costs for electricity, power and water	2,132	920	1,211
Gas (for internal use)	1,562	1,876	(314)
Telephone and data transmission costs	1,501	1,357	144
Insurance premiums	2,310	2,071	238
Costs for services and other expenses relating to personnel	2,606	1,950	656
Fees	415	384	31
Legal and notary costs	1,091	791	300
Costs for company acquisitions and disposals/strategic consulting	-	2	(2)
Advertising	63	76	(13)
IT services	5,826	5,245	581
Meter reading service	1,510	1,079	431
Audit fees	329	313	16
Repairs and emergency service	1,843	1,901	(58)
Plant certifications Resolution no. 40	193	192	1
Gas transport by third parties	590	397	193
Professional and other services	2,942	3,197	(255)
Other costs for services	4,749	4,470	280
Costs for the use of third-party assets			
Leases	567	455	112
Rentals	240	236	4
Other costs for the use of third-party assets	1,588	1,191	397
Fee for temporary occupation of public space (C.o.s.a.p.)/Single Pr	2,887	2,237	650
Municipal gas concession fees	34,921	33,378	1,543
Total	**182,609**	**177,719**	**4,890**
- of which capitalised for intangible assets	110,390	110,990	(600)

The costs for services increased compared to the previous year due to higher amounts paid to companies for ordinary and extraordinary maintenance activities.

As already mentioned, as from 2010, all costs relating to the operation of the concessions include network construction costs in accordance with IFRIC 12. Excluding this item, costs for services were up 5,490 thousand euro overall.

The change in costs for service, a breakdown of which is shown in the table above, was mainly due to the effect of higher costs for utilities (+897 thousand euro) and for the use of third-party assets (concession fees and single property tax, which increased by 2,193 thousand euro compared to the first half of 2022). On the other hand, costs for maintenance, repair and realisation of assets declined by 1,255 thousand euro.

It should be noted that the items relating to the costs for the use of third-party assets have been presented differently since 2019 because of IFRS 16, which requires recognising a "Right-of-use asset" that is depreciated over the lease term. Since 2019, the relevant costs thus appear in the financial statements in the form of depreciation and associated financial expenses.

6.c Personnel costs

Personnel costs, totalling 73,307 thousand euro, include all charges incurred on an ongoing basis which, directly or indirectly, concern employees. They rose significantly due to the recruitment, in the last month of 2022, of staff related to the management of ATEM Naples 1. The balance was therefore affected by an increase of 8,838 thousand euro compared to the same period of the previous year; this item was further impacted by the corporate welfare programme, the cost of which amounted to 1,432 thousand euro in the first half of the year (744 thousand euro more than the balance in the first half of the previous year).
The total amount capitalised pursuant to IFRIC 12 increased accordingly by 4,568 thousand euro.
The table below shows the changes in personnel by category in the first half of 2023.

	Executives	Middle Managers	White collars	Blue collars	Total
Personnel as at 31 December 2022	**33**	**130**	**1,380**	**679**	**2,222**
Increase	-	-	33	17	**50**
Decrease	(2)	(4)	(33)	(18)	**(57)**
Change in category	1	3	-	(4)	**-**
Personnel as at 30 June 2023	**32**	**129**	**1,380**	**674**	**2,215**

6.d Amortisation, depreciation and impairment losses

This item stood at 114,245 thousand euro in the period, up 8,373 thousand euro on the same period of the previous year. This item was affected by the full recognition of the award of ATEM Naples 1 and the related depreciation.
Doubtful receivables reflect a net release for the period totalling 478 thousand euro.
This item is broken down as follows:

Thousands of euro

	30.06.2023	30.06.2022	2023 - 2022
Depreciation of tangible assets	2,648	2,494	154
Depreciation of IFRS 16 right-of-use assets	3,700	3,512	187
Amortisation of intangible assets	108,375	99,974	8,401
Impairment losses:			
- Write down of receivables	(478)	(108)	(369)
Total amortisation, depreciation and impairment losses	**114,245**	**105,872**	**8,373**
- of which capitalised for intangible assets	1,661	1,611	50

6.e Other operating costs

"Other operating costs", totalling 23,110 thousand euro as at 30 June, increased by 5,791 thousand euro; the capital losses on the disposal of assets, compared to the previous first half-year period, they stood at 7,741 thousand euro, partly due to the resumption of investment activity during the year (+3,595 thousand euro compared to 30 June 2022).
This item also includes net charges for energy efficiency certificates (TEEs) totalling 2,493 thousand euro (+1,007 thousand euro), as well as compensation to customers that in the period generated costs to the extent of 1,368 thousand euro as a result of Resolution 269/2022/R/gas on the service level performance of redelivery points equipped with smart meters, such Resolution becoming effective on 1 April 2023.
Net provisions for risks and charges totalled 7,921 thousand euro, in line with the first half of 2022. The breakdown of the relevant provisions is shown in the comments on liabilities.

6.f Capitalised costs for internal work

Following the introduction of IFRIC 12, the costs directly related to construction work on the network under concession are no longer accounted for as capitalised costs for internal work. For this reason, the item now includes only any residual costs that can be capitalised but do not concern concessions. As at 30 June, this item totalled 506 thousand euro, slightly up compared to the first half of the previous year.

7. Income/(Expenses) from equity investments

The item, amounting to 27 thousand euro in the reporting period, includes the net income from investments in associates and other companies. In particular, as at 30 June 2023 this item refers to the equity method valuation of the investment in MEA S.p.A. (32 thousand euro) and 2i Servizi Energetici S.r.l. (-5 thousand euro).

8. Financial income/(expenses)

This item is broken down as follows:

Thousands of euro

	30.06.2023	30.06.2022	2023 - 2022
Financial income			
- Interest income from loans to employees	0	0	(0)
- Interest income from current accounts and post office deposits	1,145	16	1,129
- Interest income from receivables from customers	24	3	21
- Other financial interest and income	629	17	613
Total income	**1,798**	**35**	**1,763**
Financial expenses			
- Interest expense on medium/long-term loans	4,112	1,741	2,371
- Other expenses on medium/long-term loans from banks	251	251	-
- Financial expenses on debenture loans	26,549	25,918	631
- Financial expenses from amortised cost	1,323	1,230	93
- Interest expense on short-term bank loans	648	-	648
- Interest expense on current bank accounts	384	514	(130)
- Discounting of post-employment and other employee benefits	555	183	372
- Interests on taxes	2	3	(1)
- Change in fair value of hedging derivatives reclassified from comprehensive income	(1,244)	(612)	(631)
- Other financial and interest expense	232	3	229
- IFRS16 Financial Expenses	260	18	242
Total expenses	**33,072**	**29,249**	**3,823**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(31,274)**	**(29,214)**	**(2,060)**

The Group reported 31,274 thousand euro in financial expenses, largely arising from the recognition of the financial expenses on the debenture loan net of the current hedging, the costs related to the outstanding loan, and the amortised cost of both of them.
Expenses related to short-term lines also accounted for 648 thousand euro in the half-year.
Although the Group's debt is largely at a fixed rate, financial expenses in general rose both due to external factors, such as the rise in interest rates, as well as for management-related reasons, such as the acquisition of ATEM Naples 1 and the growth of the VAT credit resulting from negative billing following government measures designed to lower the price of gas. However, the balance was positively impacted by interest income (1,145 thousand euro) due to higher interest rates.

9. Taxes

This item is broken down as follows:

Thousands of euro	30.06.2023	30.06.2022	2023 - 2022
Current taxes			
Current income taxes: IRES	26,312	23,502	2,810
Current income taxes: IRAP	6,360	5,711	650
Total current taxes	**32,672**	**29,212**	**3,460**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	-	-	-
Positive adjustments for income taxes relating to previous years	-	(18)	18
Total adjustments for income taxes relating to previous years	**-**	**(18)**	**18**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(3,645)	(2,243)	(1,402)
Prepaid taxes (allocation)/use	838	1,978	(1,139)
Total current deferred and prepaid taxes	*(2,806)*	*(265)*	(2,541)
Total deferred and prepaid taxes	**(2,806)**	**(265)**	**(2,541)**
TOTAL TAXES	**29,866**	**28,929**	**937**

The income tax expense for the first half of 2023 amounted to a negative 29,866 thousand euro, basically in line with the previous year.
The changes in deferred tax assets and liabilities reflected normal operations.

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

10. Discontinued operations

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

XII. Information on the Statement of Financial Position

Assets

11. Property, plant and equipment

It should be noted that, following the introduction of IFRIC 12, property, plant and equipment include only those fixed assets that are not related to gas distribution concessions. The breakdown of, and changes in, property, plant and equipment for the years 2021, 2022 and 2023 are shown in the table below:

Thousands of euro	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Improvements to third-party assets	Fixed assets under construction and advances	Total
Historical cost	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)	-
Gross value	-	247	-	-	-	-	(247)	-
Acc. depr.	-	-	-	-	-	-	-	-
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)	-	34	739	154	811	6	92	1,836
Commissioning	-	-	-	-	-	-	-	-
Disposals	-	(3)	(239)	-	(35)	-	-	(277)
Gross value	-	(5)	(304)	(2)	(1,397)	-	-	(1,708)
Acc. depr.	-	2	65	2	1,362	-	-	1,431
Reclassifications	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fixed assets classified as available-for-sale	-	(2)	-	-	-	-	-	(2)
Gross value	-	(8)	-	-	-	-	-	(8)
Acc. depr.	-	6	-	-	-	-	-	6
Depreciation	-	(283)	(505)	(277)	(1,430)	(153)	-	(2,648)
Total changes	**-**	**(254)**	**(4)**	**(124)**	**(654)**	**(147)**	**92**	**(1,091)**
Historical cost	7,051	33,375	16,060	27,457	30,133	12,848	92	127,015
Accumulated depreciation	-	(24,732)	(4,907)	(25,422)	(23,059)	(11,904)	-	(90,024)
Balance as at 30.06.2023	**7,051**	**8,642**	**11,153**	**2,035**	**7,073**	**944**	**92**	**36,991**

As at 30 June 2023, this item decreased by 1,091 thousand euro compared to the 31 December 2022. This change was largely due to the net balance of investments (1,836 thousand euro), disposals (277 thousand euro), and depreciation (2,648 thousand euro). There were no events in the period worth noting.

12. IFRS 16 right-of-use assets

Following the application of IFRS 16, rental, lease or operating lease contracts are carried in this item as right-of-use assets.
Both additions and disposals are within the scope of ordinary management of rented or leased assets.
Below is the table showing changes in assets for 2021, 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	990	788	180	1,958
Disposal and changes in right-of-use assets	(502)	(94)	(27)	(624)
Gross value	(836)	(486)	(27)	(1,349)
Acc. depr.	334	392	-	725
Depreciation	(2,197)	(1,410)	(93)	(3,700)
Total changes	**(1,709)**	**(716)**	**59**	**(2,366)**
Historical cost	33,807	13,792	749	48,347
Accumulated depreciation	(16,535)	(7,598)	(507)	(24,641)
Balance as at 30.06.23	**17,271**	**6,193**	**242**	**23,707**

13. Intangible assets

It should be noted that, following the introduction of IFRIC 12, intangible assets also include fixed assets related to gas distribution concessions. The breakdown of, and changes in, intangible assets for the years 2021, 2022 and 2023 are reported 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	Advances	Total
Historical cost	98,824	7,593,141	42,509	1,024	180,497	306,467	-	8,222,461
Accumulated amortisation	(96,042)	(3,836,492)	-	-	(142,367)	(1,214)	-	(4,076,113)
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
Gross value	-	23,785	(23,785)	(625)	625	-	-	0
Acc. amort.	-	-	-	-	-	-	-	-
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	-	-	-	-	-
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	306,467	15	8,808,622
Accumulated amortisation	(97,067)	(3,995,887)	-	-	(130,098)	(1,214)	-	(4,224,265)
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)	157	133,003	34,096	1,126	6,776	-	-	175,158
Commissioning	-	21,717	(21,717)	(2,193)	2,193	-	-	0
Gross value	-	21,717	(21,717)	(2,193)	2,193	-	-	0
Acc. amort.	-	-	-	-	-	-	-	-
Decreases	-	(12,619)	(0)	-	-	-	-	(12,619)
Gross value	-	(24,615)	(0)	-	-	-	-	(24,615)
Acc. amort.	-	11,996	-	-	-	-	-	11,996
Reclassifications	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Fixed assets classified as available-for-sale	-	(4)	(3)	-	-	-	-	(7)
Gross value	-	(4)	(3)	-	-	-	-	(7)
Acc. amort.	-	-	-	-	-	-	-	-
Amortisation	(548)	(100,856)	-	-	(6,971)	-	-	(108,375)
Total changes	**(391)**	**41,241**	**12,376**	**(1,067)**	**1,997**	**-**	**-**	**54,157**
Historical cost	98,759	8,309,903	63,878	2,072	178,064	306,467	15	8,959,157
Accumulated amortisation	(97,615)	(4,084,746)	-	-	(137,069)	(1,214)	-	(4,320,644)
Balance as at 30.06.2023	**1,144**	**4,225,157**	**63,878**	**2,072**	**40,995**	**305,253**	**15**	**4,638,514**

Intangible assets increased by 54,157 thousand euro compared to 31 December 2022. This was due to the net balance of new investments (175,158 thousand euro), decreases and impairment losses (12,619 thousand euro), restatements to available-for-sale assets (7 thousand euro), and amortisation (108,375 thousand euro).

The item "Concessions and similar rights", broken down into fixed assets and fixed assets under development, showed a net increase of 167.099 thousand euro in the period, of which 34.096 thousand euro relating to fixed assets under development. In general, the item refers to the recognition of the Group's rights over fixed assets as concession operator and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions.

The amortisation of concession 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.

As described above, on 1 December 2022 the parent company effectively took over the management of the gas distribution service in ATEM Naples 1 – City of Naples and Coastal Plant.
The price paid (289.9 million euro) was based on a valuation defined by the Contracting Authority for a provisional updated situation as at 30 June 2022, with the parent company therefore recognising the values of the assets on the basis of this provisional consideration. There were no updates in the period under review with respect to a possible value revision.

At the end of the reporting period, "Fixed assets under development" totalled 2,072 thousand euro. Increases in the first half of the year, totalling 1,126 thousand euro, added up to negative 2,193 thousand euro relating to commissioning.

"Other intangible assets", amounting to 40,995 thousand euro, relate to software used. The increase was mainly due to developments and new software licenses, while amortisation for the period stood at 6,971 thousand euro, in line with the first half of last year.

"Goodwill" totalled 305,253 thousand euro and related to the deficit arising from the consolidation or merger by incorporation of previously controlled companies. There were no changes in this item during the half-year.

Goodwill is tested for impairment at least once a year, at the closing of the financial statements.
Up to the reporting date, no impairment indicators were identified, thus goodwill will be tested for impairment again at the closing of the financial statements as at 31 December 2023.

14. Deferred tax assets and deferred tax liabilities

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

Deferred tax assets totalled 254,778 thousand euro (255,608 thousand euro as at 31 December 2022), while deferred tax liabilities totalled 134,650 thousand euro (140,698 thousand euro as at 31 December 2022).

Deferred tax assets and liabilities as at 30 June 2023 were determined using the tax rates in force: 24% for IRES and 4.68% for IRAP.

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

Thousands of euro	Balance as at 31.12.2022	Adjustments to UNICO	Total	Increases recognised in		Decreases recognised in		Other changes in		Other reclassifications	Balance as at 30.06.2023
				Profit and Loss Account	Equity	Profit and Loss Account	Equity	Profit and Loss Account	Equity		
Deferred income tax assets:											
allocation to provisions for risks and charges with deferred deductibility	**17,369**	-	17,369	4,074	-	(1,537)	-	-	-	-	**19,906**
allocation to provisions for incentives to leave and stock options	**521**	-	521	2	-	(12)	-	-	-	-	**511**
allocation to provisions for disputes	**3,099**	-	3,099	1,029	-	(1,007)	-	-	-	-	**3,121**
allocation to provisions for inventory obsolescence	**3,548**	-	3,548	343	-	(318)	-	-	-	-	**3,573**
impairment losses with deferred deductibility (impairment of receivables)	**2,179**	-	2,179	-	-	(171)	-	-	-	-	**2,008**
impairment losses with deferred deductibility (impairment of plants)	**1,899**	-	1,899	7	-	-	-	-	-	-	**1,906**
depreciation and amortisation with deferred deductibility	**137,450**	-	137,450	3,591	-	(2,506)	-	-	-	-	**138,536**
separation of land-buildings and component analysis	**114**	-	114	0	-	-	-	-	-	-	**115**
start-up costs	**2,225**	-	2,225	1	-	-	-	-	-	-	**2,225**
post-employment and other employee benefits	**2,748**	-	2,748	774	-	(849)	-	-	-	-	**2,673**
cash deductible taxes and duties	**4**	-	4	-	-	-	-	-	-	-	**4**
proceeds subject to deferred taxation (connection fees)	**30,425**	-	30,425	93	-	(143)	-	-	-	-	**30,374**
deferred deductibility charges	**11,785**	-	11,785	58	-	(943)	-	-	-	-	**10,900**
goodwill	**40,295**	-	40,295	162	-	(3,487)	-	-	-	-	**36,970**
post-employment and other employee benefits - OCI	**1,853**	-	1,853	-	8	-	-	-	-	-	**1,861**
for losses recoverable in future years	**1**	-	1	-	-	-	-	-	-	-	**1**
other consolidation adjustments	**94**	-	94	2	-	(1)	-	-	-	-	**95**
Total	**255,608**	**-**	**255,608**	**10,136**	**8**	**(10,974)**	**-**	**-**	**-**	**-**	**254,778**
Deferred income tax liabilities:											
differences on tangible and intangible assets – additional depreciation and amortisation	**23,858**	-	23,858	114	-	(370)	-	-	-	-	**23,602**
differences on intangible assets – goodwill	**5,194**	-	5,194	4	-	-	-	-	-	-	**5,199**
separation of land-buildings and component analysis	**3,825**	-	3,825	16	-	-	-	-	-	-	**3,841**
allocation to assets of costs relating to company mergers	**29,484**	-	29,484	145	-	(983)	-	-	-	-	**28,647**
post-employment and other employee benefits	**1,506**	-	1,506	-	32	-	(318)	-	-	-	**1,220**
proceeds subject to deferred taxation	**3,354**	-	3,354	218	-	(2,144)	-	-	-	-	**1,429**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	**26,656**	-	26,656	-	23,065	-	(25,189)	-	-	-	**24,533**
other...	**797**	-	797	19	-	(103)	-	-	-	-	**714**
ASEM - OCI	**177**	-	177	-	6	-	-	-	-	-	**183**
recognition of deferred taxes due to merger	**45,845**	-	45,845	442	-	(1,004)	-	-	-	-	**45,283**
5% dividends received already allocated to future years on an accruals basis	**0**	-	0	-	-	-	-	-	-	-	**0**
Total	**140,698**	**-**	**140,698**	**959**	**23,103**	**(4,603)**	**(25,506)**	**-**	**-**	**-**	**134,650**
Net deferred tax assets	**114,910**	**-**	**114,910**	**9,177**	**(23,095)**	**(6,371)**	**25,506**	**-**	**-**	**-**	**120,128**

15. Equity investments

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

Thousands of euro	Carrying amount	% ownership	Increases for the period	Disposals	Other increases	Other decreases	Original cost	Increase/(Decrease)	Carrying amount	% ownership
								as at 30.06.2023		
Associates										
Equity Method										
Melegnano Energia Ambiente S.p.A.	3,547	**40.00%**			32		2,451	1,127	3,579	**40.00%**
2i Servizi Energetici S.r.l.	37	**60.00%**	270			(5)	6		302	**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 S.r.l.	0	**0.05%**							0	**0.05%**
TOTAL EQUITY INVESTMENTS	**3,706**		**270**	**-**	**32**	**(5)**	**2,570**	**1,127**	**4,003**	

The following tables show the list of equity investments in the Group's investees as at 30 June 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%	3,578,637
2i Servizi Energetici S.r.l.	Milan	10,000	502,686	179,854	(8,589)	30.06.2023*	60%	301,612

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	(303,848)	5,999	(243,715)	31.12.2021	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

* Accounting position as at 30 June 2023

16. Non-current financial assets

The item, amounting to 12,999 thousand euro, under "financial receivables from others" mainly includes receivables relating to advances paid to contracting authorities in the event of an ATEM tender, which are of a financial nature. In the previous year, the item also included the Fair Market Value valuation of the hedging derivative, which was closed in May 2023 when the related debenture loan was issued, with a positive value of approximately 96 million euro. For this reason, the valuation of this receivable is zero as at 30 June 2023. The item also includes the prepayment of transaction costs incurred to obtain credit lines that were granted but had still not been used as at 30 June 2023.

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Non-current deferred financial charges	289	341	(52)
Long-term loans to employees	93	23	70
Financial receivables from others	12,617	12,607	11
Fair value measurement of IRS derivatives	-	103,690	(103,690)
Total	**12,999**	**116,660**	**(103,661)**

17. Other non-current assets

The item, amounting to 33,377 thousand euro, rose by 87 thousand euro compared to 31 December 2022.

Guarantee deposits of 3,839 thousand euro refer to receivables for work to be performed on distribution plants as well as from user contracts.

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

Receivables for tax reimbursements applied for, amounting to 306 thousand euro, relate to reimbursement requests pursuant to Article 6 of Legislative Decree 185/2008 (Deduction from IRES of the IRAP portion for labour costs and interest expense) and there were no changes during the period.

The balance of long-term receivables from CSEA relating to recoveries of capital losses generated as a result of the replacement of traditional meters with smart meters increased by 217 thousand euro (24,992 thousand euro as at 30 June 2023).

Current assets

18. Inventories

Closing inventories of raw materials in the reporting period stood at 21,918 thousand euro and rose by 3,067 thousand euro compared to 31 December 2022.
Specifically, closing inventories of raw and ancillary materials and consumables mainly consist of materials for the construction and maintenance of gas distribution plants. The item includes the provision for the write-down of inventories of 1,498 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

As compared to 31 December 2022, trade receivables increased overall by 15,693 thousand euro (66,910 thousand euro as at 30 June 2023), due to ordinary seasonal factors combined with the effects on the balance of Law Decrees and subsequent ARERA Resolutions, which eliminated some tariff components and created new negative components in order to minimise the impact of higher energy product prices on end users.
Receivables from third-party customers consist of trade receivables and receivables from operations, and largely include receivables related to gas distribution operations.
The item is broken down as follows:

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Third-party customers:			
Receivables from customers	66,910	51,055	15,856
- Bad debt provision	(6,875)	(7,515)	641
Receivables for returns under warranty	11,736	12,539	(804)
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**71,126**	**55,433**	**15,693**

Here below is the breakdown of the changes in the bad debt provision.

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Opening balance	**7,515**	**9,127**	**(1,612)**
Allocations	73	1,414	(1,340)
Releases	(551)	(2,142)	1,591
Uses	(163)	(884)	720
Closing balance	**6,875**	**7,515**	**(641)**

All Group companies operated exclusively in Italy.

20. Short-term financial receivables

Short-term financial receivables stood at 4,340 thousand euro and mainly consist of financial receivables from Gestore dei Mercati Elettrici (GME), i.e. cash deposited with GME in order to trade on the energy efficiency certificate (TEE) market.

21. Other current financial assets

Other current financial assets, standing at 853 thousand euro, consisted of accrued income on interest-bearing bank deposits.

22. Cash and cash equivalents

Cash and cash equivalents, amounting to 359,179 thousand euro, increased by 313,141 thousand euro, mainly due to the new tranche of the debenture loan issued in May 2023. Operations in the first half of the year continued to guarantee positive cash flows net of distribution of the dividend for 110,946 thousand euro.
The item consists of 359,025 thousand euro in bank accounts, 5 thousand euro in postal accounts and 149 thousand euro in cash on hand.

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

23. Income tax receivables

Income tax receivables, amounting to 3,839 thousand euro, mainly refer to receivables for IRES corporation tax requested for reimbursement directly by the Group, primarily due to the non-deduction of personnel and similar costs (pursuant to Legislative Decree 201/2011), as well as tax credit for Industry 4.0. Compared to the previous year, they show a decrease of 9,878 thousand euro due to the ordinary trend of tax advance payments in June.

24. Other current assets

Other current assets, totalling 489,364 thousand euro, were down 58,087 thousand euro compared to 31 December 2022. This decrease, attributable to the changes that some items experienced as a consequence of the implementation of measures to reduce the impact of gas prices, is mainly the net result of:

- an increase in VAT receivables from Italian tax authorities totalling 133,100 thousand euro due to billing trends. As at 30 June, the Parent Company requested reimbursement of 223,932 thousand euro from the competent offices;
- A decrease in receivables from the Equalisation Fund (*Cassa Conguaglio*) totalling 196,497 thousand euro, mainly due to lower amounts billed in the last quarter, which nonetheless required the recognition of receivables relating to the written-off or negative components under the applicable Decree, such decrease being only partially offset by an increase in receivables for energy saving targets achieved against energy efficiency certificates (*Titoli di Efficienza Energetica* – TEEs) purchased (21.6 million euro, compared to 4.4 million euro as at 31 December 2022). The item is correlated with the payables due to the Equalisation Fund reported in note 40 "Other current liabilities";
- Deferred charges for insurance premiums rose by 1,125 thousand euro—given the annual renewal of policies—while other deferred charges rose by 5,310 thousand euro, due to both deferred charges for concession fees paid to municipalities (2.6 million euro) and the prepayment of the additional tariff relating to network insurance (1.1 million euro) as well as to the Single Property Tax (2.6 million euro).

This item is broken down as follows:

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Other tax receivables:			
VAT receivables claimed for reimbursement	223,932	19,280	204,652
Receivables due from tax authorities for VAT	35,325	106,877	(71,552)
Other tax receivables	2	2	(0)
Other receivables:			
From social security and insurance agencies	1,564	464	1,100
Receivables for grants related to plants	1,345	1,512	(166)
Receivables from CSEA	209,164	405,660	(196,497)
Receivables from third parties for tender / concession expiration	2,764	2,996	(232)
Receivables from municipalities	246	246	-
Receivables from suppliers	3,516	3,128	388
Other receivables	2,043	4,251	(2,208)
Provision for other doubtful debts	(2,402)	(2,402)	-
Accrued income	17	26	(9)
Deferred charges for other multi-year fees	36	37	(1)
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	13	9	4
Deferred charges for insurance premiums	1,125	-	1,125
Other deferred charges	10,232	4,922	5,310
Total	**489,364**	**547,451**	**(58,087)**

25. Assets held for sale

During the period, assets held for sale included one property being disposed of. The assets valued totalled 2 thousand euro.

Liabilities

Equity

26. Equity

Equity totalled 1,257,100 thousand euro, down by 43,208 thousand euro, due to:

- A decline due to the ordinary dividend payout totalling 111,011 thousand euro;
- A decrease of 6,396 thousand euro in IAS reserves, resulting from the change in the measurement of the derivative, which was negative by 6,725 thousand euro, and the positive change of 329 thousand euro for the discounting of defined benefit plans;
- An increase of 74,199 thousand euro resulting from the profit for the period.

Share capital

The share capital as at 30 June 2023 totalled 3,639 thousand euro and was entirely subscribed and paid up; this item did not show any changes during the period.

Share premium reserves

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

Legal reserve

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

Reserve for the measurement of derivatives

The reserve for the measurement of derivatives includes the measurement of hedging derivatives. During the period, it decreased by 6,725 thousand euro due to the measurement at fair value of the hedging derivative in place on the debenture loan. The reserve relating the two terminated hedging derivatives will be used in the profit and loss account over the life of the tranche of the hedged debenture loan.

Other reserves

Other reserves were up 4,440 thousand euro from the previous year. The change was determined by the reclassification, from the retained earnings reserve, of the amount of 4,111 thousand euro following the merger of the subsidiary 2i Rete Gas S.r.l. into the parent company 2i Rete Gas S.p.A., as well as by the change in IAS reserves resulting from the revision of the value of defined benefit obligations according to IAS 19.

Retained earnings (accumulated losses)

Retained earnings and accumulated losses increased 54,693 thousand euro compared to the previous year, mainly as a result of the allocation of the previous year's result net of distributions.

Net profit/(loss) for the period

In the first half of 2023, the Group reported a net profit of 74,280 thousand euro, down 2,801 thousand euro compared to the same prior-year period due to a higher impact of depreciation and amortisation for the period, which offset the improved EBITDA against a higher impact of taxes compared to the first half of 2022.

Non-current liabilities

27. Long-term loans

The item refers to the six tranches of the long-term debenture loan the Parent Company issued as part of the overall management the of its financial structure, as well as to outstanding bank loans totalling 343,182 thousand euro.
The EIB loans have some covenants that the Company must meet every six months to continue using the credit lines. The covenants concern the following consolidated indicators: Total net financial debt, RAB (Regulatory Asset Base), EBITDA, and Net Financial Expenses.
As at 30 June 2023, the covenants relating to the level of default were all fulfilled.
The table below shows long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro	Carrying amount		Notional amount		Interest rate	Interest rate
	30.06.2023	31.12.2022	30.06.2023	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	118,182	127,273	118,182	127,273	Eur+0.59%	4.51%
Debenture loan expiring 2024	489,705	577,393	489,705	577,393	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000	500,000	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)	(14,502)	(7,667)				
TOTAL LONG-TERM	**3,533,384**	**3,086,998**	**3,547,887**	**3,094,666**		

The tranche of the debenture loan maturing in 2024 decreased following a repurchase operation carried out by the company on the market in June (so-called "Tender offer").
The contract maturity schedule for the loans and debenture loan tranches is set out in the following table, also including current loans and the portion maturing within 12 months, which are presented in section 33 and 34 of these Notes:

Thousands of euro	Notional as at 30.06.2023	Notional as at 31.12.2022	1 year	2 - 5 years	Beyond 5 years
Short and medium / long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	343,182	352,273	-	297,727	45,455
Loan - Short-term Capex Line	118,182	118,182	118,182	-	-
Loan - Hot Money	25,000		25,000		
Medium/long-term debenture loans	3,204,705	2,742,393	-	2,154,705	1,050,000
Total	**3,691,069**	**3,212,848**	**143,182**	**2,452,432**	**1,095,455**

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

28. Post-employment and other employee benefits

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

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

Pursuant to IAS 19, these “defined benefit obligations” were determined using the “Projected Unit Credit Method”, which requires to calculate the liability in proportion to the service already rendered at the reporting date, and not the service that could presumably be rendered overall.
The actuarial assumptions underlying the new measurement, as compared to 31 December 2022, are as follows:

	30.06.2023	31.12.2022
Actuarial assumptions		
Discount rate	3.60%	3.70%
Annual rate of increase in cost of living	2.10%	2.30%
Rate of increase in cost of health spending	3.10%	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

Below are comments on the main items making up the aggregate, which as at 30 June 2023 totalled 29,465 thousand euro.

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.
Following the approval of Italian Law No. 296 of 27 December 2006 (the 2007 budget law) and subsequent implementing decrees and 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 at 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 supplemental healthcare in addition to that provided by the Italian Health Service, during both the employment relationship and retirement. The reimbursement of health care expenses is provided by Asem and FASI, the health care funds set up for workers in the electricity sector in Italy.

Fondo Gas

Italian Law Decree No. 78/2015, combined with Law 78/2015 (Official Journal of 14 August 2015), ordered the elimination of the so-called "Fondo Gas" (gas fund) effective 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as "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 balance of the fund, which amounts to 5,432 thousand euro, is the best estimate at the time of the preparation of these financial statements of the liability arising from this law.

29. Provisions for risks and charges

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

Provisions for risks and charges (considering both the short-term and the medium/long-term portion) increased by 8,519 thousand euro overall compared to 31 December 2022.

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	30.06.2023	Of which current portion	Of which non-current portion
Provision for litigation and disputes	5,575	-	5,575	800	(1,866)	(644)	3,866	-	3,866
Provision for taxes and duties	2,025	-	2,025	-	-	(18)	2,007	-	2,007
Provision for disputes with personnel	100	-	100	-	-	-	100	-	100
Provision for disputes on concessions	32,064	32,064	-	2,944	-	(184)	34,823	34,823	-
Other provisions for risks and charges	33,723	30,937	2,786	13,749	(420)	(5,799)	41,252	38,028	3,224
Total	**73,486**	**63,001**	**10,486**	**17,493**	**(2,286)**	**(6,645)**	**82,048**	**72,851**	**9,197**
Provision for charges pertaining to leave incentives	2,000	2,000	-	-	-	(43)	1,957	1,957	-
Total	**75,486**	**65,001**	**10,486**	**17,493**	**(2,286)**	**(6,688)**	**84,005**	**74,808**	**9,197**

The provisions for risks and charges stood at 84,005 thousand euro (short-term portion: 74,808 thousand euro) and were broken down as follows:

- "Provision for litigation and disputes", which decreased. It covers liabilities amounting to 3,866 thousand euro mainly arising from some ongoing legal disputes for potentially damaging events. Releases in the first half of the year amounted to 1,866 thousand euro, while provisions amounted to 800 thousand euro and uses stood at 644 thousand euro;
- "Provision for taxes and duties", standing at 2,007 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 these financial statements;
- "Provision for disputes on concessions", totalling 34,823 thousand euro; it rose by 2,944 thousand euro following adjustments to the risk relating to a review of the agreed concession fees and related disputes with the municipalities, while uses in the period were limited to 184 thousand euro;

- "Other provisions for risks and charges", totalling 41,252 thousand euro, mainly covering the costs that could potentially arise from the need for maintenance or replacement of meters not fully compliant with corporate standards, the risk that the contribution to derecognise energy efficiency certificates (TEEs) does not cover the cost to purchase such certificates in order to comply with regulatory obligations, and other operational risks;
- "Provision for charges pertaining to leave incentives", totalling 1,957 thousand euro, addressing possible liabilities that may arise from agreements already finalised or being negotiated concerning early

retirement incentives. The Group used 43 thousand euro of this provision during the period.

30. Non-current financial liabilities

The item, which included the negative Fair Value of derivatives outstanding up to 31 December 2021, had already been zeroed as at 30 June 2022, with the Fair Value moving into positive territory owing to the rise in interest rates.

31. Non-current IFRS 16 financial liabilities

This item consists of the long-term portion of the financial liability arising from the recognition of rental and lease costs in accordance with IFRS 16. To view the overall impact of the related payable, it is necessary to add to the value of the item also that of "Current IFRS 16 financial liabilities". The balance as at 30 June 2023 was 16,451 thousand euro.

Below is the breakdown by due date of the future cash flows that make up IFRS 16 financial liabilities, for both the long-term and short term-portion. Details of non-discounted contractual flows are also shown, with the same breakdown by due date.

Thousands of euro		Present value of IFRS 16 cash flows 30.06.2023	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**16,451**	**-**	**15,783**	**668**
	IFRS 16 Property			12,026	668
	IFRS 16 Vehicles			3,696	-
	IFRS 16 ICT			62	-
Current IFRS 16 financial liabilities		**6,585**	**6,585**	**-**	**-**
	IFRS 16 Property		4,409		
	IFRS 16 Vehicles		1,995		
	IFRS 16 ICT		181		
Total		**23,037**	**6,585**	**15,783**	**668**

32. Other non-current liabilities

This item increased by 449 thousand euro compared to the previous year. A breakdown is provided below:

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Sundry payables	1,052	1,052	-
Deferred income for grants related to plants	57,362	58,554	(1,192)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	295,888	294,248	1,640
Total deferred income	**354,302**	**353,854**	**449**

Deferred income for grants related to plants fell as a result of the portion accrued during the period, while the 1,640 thousand euro increase in deferred income for connection fees was mostly attributable to the fees received during the year.

Current liabilities

33. Short-term loans

This item increased by 25,000 thousand euro in the period, following the opening of a hot money line to meet operational cash requirements.

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

This item stood at 118,176 thousand euro and includes bank loan instalments due to expire within the next 12 months.

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

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

36. Trade payables

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

This item decreased by 221,984 thousand euro compared to 31 December 2022.

The balance mainly consists of outstanding payables due to companies to which the Group outsourced gas distribution plant construction and maintenance operations, as well as purchases of electricity and gas for internal use. The significant decrease in payables, besides being due to normal seasonal patterns, during the year also resulted from a lower reclassification made in respect of customer balances that, following the introduction of mechanisms to safeguard the price of gas charged to end users, became negative. With the seasonal drop in volumes, these negative balances also decreased.

37. Income tax payables

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

38. Current financial liabilities

Current financial liabilities referred to accrued interest expense on the debenture and bank loan, which are due within 12 months. These liabilities rose as at 30 June

2023 as a result of the normal rolling effect caused by interest on the debenture loan becoming due.

Thousands of euro

	30.06.2023	31.12.2022	2023 - 2022
Accrued liabilities for interest on short-term bank loans and bank expenses	40,585	18,785	21,800
Other current financial payables	891	826	65
Total	**41,476**	**19,611**	**21,865**

39. Current IFRS 16 financial liabilities

The item includes the short-term portion of the financial liabilities generated by the application of IFRS 16. The balance of this item (6,585 thousand euro) must be added to the medium/long-term portion, which has already been commented on in section 31, in order to obtain a complete picture of the impact on financial debt of accounting pursuant to IFRS 16.

40. Other current liabilities

Other current liabilities increased in the period under review due to the interaction mechanism with CSEA. Other current liabilities are set out below:

Thousands of euro

	30.06.2023	31.12.2022	2023 - 2022
other tax payables	3,220	3,881	(662)
payables to social security and pension agencies	11,048	9,173	1,876
other payables	85,099	113,045	(27,946)
accrued liabilities	4,154	3,525	629
deferred income	16,507	13,429	3,078
Total	**120,029**	**143,054**	**(23,025)**

Other tax payables are set out below:

Thousands of euro

	30.06.2023	31.12.2022	2023 - 2022
due to tax authorities for VAT	221	149	72
due to tax authorities for taxes withheld from employees	2,903	3,703	(800)
due to tax authorities for withholding taxes	96	30	66
other payables to tax authorities	0	0	0
Total	**3,220**	**3,881**	**(662)**

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

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
due to INPS	9,598	8,143	1,455
due to other agencies	1,450	1,029	421
Total	**11,048**	**9,173**	**1,876**

Other payables are set out below:

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Payables to employees	15,396	10,986	4,410
Payables to municipalities for rights and fees	1,192	1,201	(9)
Payables for connections, network extension and other payables to customers	11,299	10,555	744
Payables for security deposits and user advances	8,379	5,440	2,940
Payables to CSEA	43,578	77,241	(33,663)
Other payables	5,254	7,623	(2,368)
Total	**85,099**	**113,045**	**(27,946)**

Payables to CSEA, totalling 43,578 thousand euro, consist of amounts due in respect of items transiting through the mechanism of invoicing to trading companies, which are then transferred to the Equalisation Fund. The 33,663 thousand euro decrease compared to 31 December 2022 is related to the seasonal trend of billing in 2023 and to the written-off or negative pass-through items established to control gas prices charged to end users.
Below is a breakdown of accrued liabilities and deferred income:

Thousands of euro	30.06.2023	31.12.2022	2023 - 2022
Accrued liabilities			
Accrued liability for additional monthly salaries paid to employees	3,909	3,337	572
Other accrued liabilities	245	188	57
Total accrued liabilities	**4,154**	**3,525**	**629**
Deferred income			
Deferred income for grants related to plants	2,588	2,694	(105)
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	10,154	10,094	60
Other deferred income	3,765	641	3,124
Total deferred income	**16,507**	**13,429**	**3,078**
Total accrued liabilities and deferred income	**20,661**	**16,954**	**3,707**

25. Liabilities held for sale

During the half year, liabilities relating to a deposit on a property being disposed of were recorded as liabilities held for sale. As at the reporting date, these liabilities stood at 12 thousand euro.

Related party disclosures

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

The dividends paid to related parties, totalling 110,945 thousand euro, refer to the distribution of the 2022 profit to F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr S.p.A.) and Finavias Sarl.

Pursuant to art. 2427-bis of the Italian Civil Code, financial and trade transactions between the Group and related parties are part of ordinary operations and have always been carried out at arm's length.

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

Trade and other transactions

30 June 2023

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A.	-	30	30	-
MEA S.p.A.	4	-	-	4
APG Infrastructure Pool 2017 II	-	10	10	-
Bonatti S.p.A.	28	6,974	1,998	-
2i Servizi Energetici S.r.l.	22	148	93	28
Key management personnel, including directors and statutory auditors	-	50	2,380	-
Total	**55**	**7,212**	**4,511**	**32**

31 December 2022

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i SGR S.p.A.	-	60	60	-
MEA S.p.A.	9	-	-	9
APG Infrastructure Pool 2017 II	-	20	20	-
Bonatti S.p.A.	28	6,656	5,824	28
2i Servizi Energetici S.r.l.	35	71	149	62
Key management personnel, including directors and statutory auditors	-	53	3,843	0
Total	**72**	**6,860**	**9,895**	**99**

Financial transactions

30 June 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 S.p.A.				32	
2i Servizi Energetici S.r.l.	1,041		5	12	
Total	**1,041**	**-**	**5**	**44**	**110,945**

31 December 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 S.p.A.				238	
2i Servizi Energetici S.r.l.	966		200	29	
Total	**966**	**-**	**200**	**267**	**104,945**

It should also be noted that the Group’s financial statements also include Equity investments in related parties, namely MEA S.p.A. (3,579 thousand euro) and 2i Servizi Energetici S.r.l. (302 thousand euro).

41. Contractual commitments and guarantees

The company provided 156,104 thousand euro by way of guarantees in the interests of third parties. These guarantees refer to bank guarantees (123,935 thousand euro) and insurance and other guarantees (32,169 thousand euro).
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
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.

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 top management.
The reporting format used by top management to take operating decisions is consistent with the formats used in the consolidated financial statements shown herein, excluding the impact of IFRIC 12 highlighted in note 5.c as well as in the section covering costs.

Contingent liabilities and assets

Contingent liabilities

As at 30 June 2023 there were no contingent liabilities.

Contingent assets

As at 30 June 2023 there were no contingent assets.

Market, credit, liquidity, and interest rate risk

Credit Risk

The 2i Rete Gas Group provides its distribution services to around 260 sales companies, the most significant of which is Enel Energia S.p.A.
In relation to invoiced volumes, no significant cases of non-compliance by the counterparties were found in the first half of 2023.
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, commercial 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 254,636 thousand euro.

As a result, credit risk is 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.
As at 30 June 2023 the maximum credit risk exposure was 710.2 million euro:

Millions of euro

	30.06.2023	31.12.2022	2023 - 2022
Non-current financial assets	13.0	116.7	(103.7)
Other non-current financial assets (gross of bad debt provision)	33.5	33.4	0.1
Trade receivables (gross of bad debt provision)	78.6	63.6	15.1
Other current financial assets	5.2	3.3	1.9
Cash and cash equivalents	359.2	46.0	313.1
Other receivables (gross of bad debt provision)	220.6	418.3	(197.6)
Total	**710.2**	**681.3**	**28.9**

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, four credit lines with leading banks totalling 686.4 million euro are being used (486.4 million euro used as at 30 June 2023).
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 as at 30 June 2023 and, for comparative purposes, 31 December 2022, are set forth below:

Millions of euro	1 year	1 - 5 years	Beyond 5 years
Financial liabilities as at 30 June 2023			
Long-term loans	-	297.7	45.5
Medium/long-term debenture loans	-	2,154.7	1,050.0
Short-term loans	125.0		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	41.5		
Non-current IFRS 16 financial liabilities		15.8	0.7
Current IFRS 16 financial liabilities	6.6		
Total	**191.2**	**2,468.2**	**1,096.1**

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.
As at 30 June 2023, the covenants relating to the level of default were fully complied with.

The "Medium/long-term debenture loans", totalling 3,204.7 million euro, refer to the aforementioned six debenture loan tranches issued by 2i Rete Gas and expiring between 2024 and 2033.
The Group's growth plan requires refinancing existing debt, but at present—given the Group's strong performance, the rating obtained, as well as the ongoing compliance with the financial covenants established by the lending banks—no difficulties are expected in obtaining such refinancing.
The Group constantly monitors opportunities to improve its financial structure.
To gain further insights into long-term loans, reference should be made to note 27 in these interim consolidated financial statements.

Market Risk

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

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

As at 30 June 2023 the company did not hold any derivatives.

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

		carrying amount						
Thousands of euro	**Notes**	**Measured at fair value**	**Derivatives**	**Receivables**	**Available for sale**	**Other financial liabilities and payables**	**Total**	**Fair value**
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			12,999			12,999	12,999
Other non-current assets	17			33,333			33,333	33,333
Trade receivables	19-25			71,126			71,126	71,126
Short-term financial receivables	20			4,340			4,340	4,340
Other current financial assets	21			853			853	853
Cash and cash equivalents	22			359,179			359,179	359,179
Other current assets	24			477,514			477,514	477,514
TOTAL ASSETS			**-**	**959,344**	**-**	**-**	**959,344**	**959,344**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27					343,182	343,182	343,182
Medium/long-term debenture loans	27					3,190,203	3,190,203	3,048,126
Short-term debenture loans	33						-	-
Non-current IFRS 16 financial liabilities	31	16,451					16,451	16,451
Other non-current liabilities	32					1,052	1,052	1,052
Short-term loans	33-34					143,176	143,176	143,176
Trade payables	36-25					227,010	227,010	227,010
Current financial liabilities	38					40,585	40,585	40,585
Current IFRS 16 financial liabilities	39	6,585					6,585	6,585
Other current liabilities	40				12	103,522	103,534	103,534
TOTAL LIABILITIES		**23,037**	**-**	**-**	**12**	**4,048,728**	**4,071,777**	**3,929,700**

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 measured 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 to 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.

In order 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. To this end, the Company uses derivative contracts, notably interest rate swaps.
As at 30 June 2023, the debt structure was not subject to interest rate risk to the extent of 3,555 million euro out of 3,691 million euro reflected in the financial statements. As at the same date, the company did not hold any derivatives.

The 5 forward start Interest Rate Swap derivative contracts (with start date in 2 years and maturity at 10 years from the start date) entered into by the parent company to hedge against the risk of rising interest rates for the Debenture Loan issue were terminated in May in conjunction with the issue of such Loan.
No further information is therefore provided.

Significant events after the reporting period

No significant events occurred after the end of the reporting period.

Management and coordination

The parent company manages and coordinates the subsidiaries Cilento Reti Gas S.r.l. and 2i Rete Dati S.r.l., whereas 2i Rete Gas S.p.A. is not subject to management and coordination by any company.

Corporate governance

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

XIII. Report of the Independent Auditors

REVIEW REPORT ON CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

To the Board of Directors of
2i Rete Gas SpA

Foreword

We have reviewed the accompanying consolidated condensed interim financial statements of 2i Rete Gas SpA and its subsidiaries (the 2i Rete Gas Group) as of and for the six-month period ended 30 June 2023, comprising the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cashflow statement and related notes. The directors of 2i Rete Gas SpA are responsible for the preparation of the consolidated condensed interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated condensed interim financial statements of 2i Rete Gas Group as of and for the six-month period ended 30 June 2023 are not prepared, in all material respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Milan, 28 September 2023

PricewaterhouseCoopers SpA

Giulio Grandi
(Partner)

This review 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.