ANNUAL FINANCIAL REPORT

as at 31 December 2022

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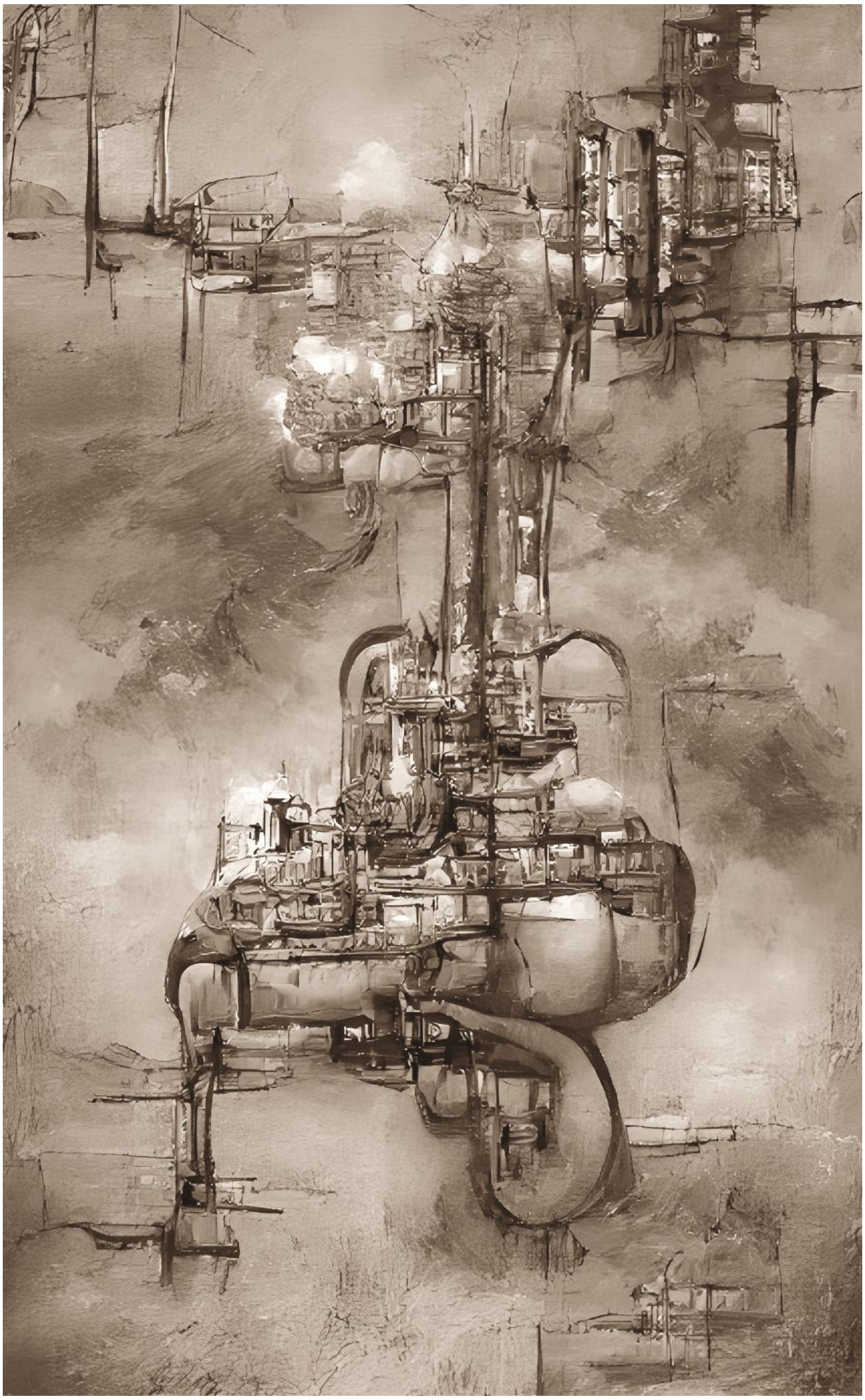
II Corporate Boards

Board of Directors	Board of Statutory Auditors	Independent Auditors
Chairman Ugo de Carolis	Chairman Giovanna Conca	95 PricewaterhouseCoopers S.p.A.
Deputy Chairman Carlo Michelini	Regular auditors Giovanni Cappa Marco Giuliani	
Chief Executive Officer Michele Enrico De Censi	Alternate auditors Walter Bonardi Ercole Fano	
Directors Rosaria Calabrese Alessandra Polerà Stefano Gatti Federica Rita Vasquez Carlo Maddalena		



III Directors' Report

1. Background

According to Bank of Italy's estimates published in the January 2023 Economic Bulletin, economic activity in Italy weakened in the last quarter of the past year. This was due to the combined effect of a slowdown in the recovery of value added in services, which returned to pre-pandemic values as early as in the summer months, and a decline in industrial production. Household spending decreased, despite measures to support disposable income against a high inflation backdrop. Businesses surveyed as part of the Bank of Italy's surveys consider conditions for investing still unfavourable.

In the autumn months, harmonised consumer inflation reached new highs (12.3% in December on an annual basis), still driven by the energy component as it continued to be reflected into the prices of other goods and services.

In 2022, year-over-year gross domestic product increased by about 4%, following on the previous year's record 6.5% increase.
The macroeconomic backdrop still shows significant areas of instability due to the Ukrainian conflict, while GDP projections for 2023-2025 point to a slowdown in GDP.

The 2022 report of the Italian Ministry of Economic Development on gas balancing shows a sharp decrease in gross domestic gas consumption at the national level. In December 2022, gas consumption was 68,543 million cubic metres, -9.8% compared to 75,983 million metres in the previous year, this being due to the cost of energy and the consumption reduction policies pursued.
It should be noted that this figure is provided in this report only to show the annual trends in the production chain, as the change did not have a direct impact on the Group's income statement, given the tariff system in place.

Regarding the activities of the 2i Rete Gas Group, in June 2022 a concession contract for ATEM [municipal area covered by a single gas distribution network operator] Naples 1 – City of Naples and Coastal Plant – was signed following award by tender in 2021. The plant was delivered on 1 December 2022.

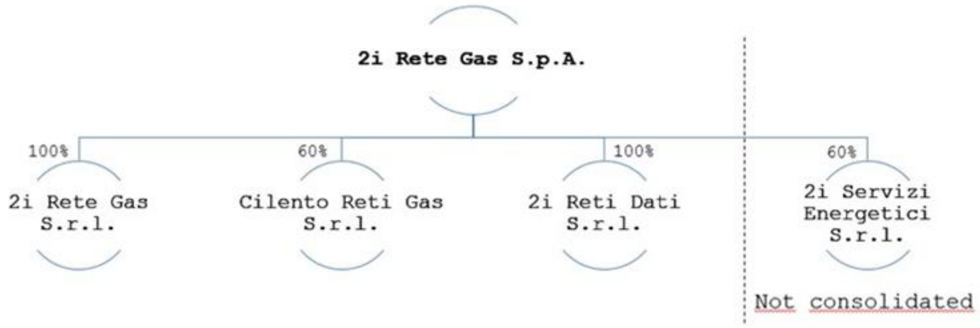
As a result of this event, in 2022 the Group's operating data (i.e. active redelivery points and km of managed network) were up from last year. Transported volumes were down about 12.5% chiefly due to the situation affecting the energy markets worldwide.
From an economic perspective, 2022 showed a decrease in revenues mainly due to the regulatory revision of the rate of return on net invested capital, while ATEM Naples 1 operations contributed positively in December only. EBITDA was down € 22 million as a result of lower revenues, even though these were offset by lower operating costs.
Net profit came in at € 169.5 million following a higher tax burden than in the

previous year, which on the contrary benefited from deferred tax assets due to an adjustment of higher tax values. The net financial position grew by 356.6 million following the acquisition of ATEM Naples 1, which was funded by reliance on shareholders' equity.

In accordance with the provisions of Legislative Decree 254/2016, at the same time as the approval of the Consolidated Financial Report, the 2i Rete Gas Group also approves the Non-Financial Disclosure ("NFD"), to which reference should be made to gain both insights into sustainability material issues in general and an overview of the most significant objectives chosen within the three-year Sustainability Plan with a view to the Sustainable Development Goals set by the United Nations.
The Group continues its formal and substantive endeavours to contribute concretely to the improvement of environmental and community conditions through target-oriented actions. All macro-themes pertaining to Environment, Social and Corporate Governance topics were considered.

2. Group structure and highlights

The chart below sets out the Group's equity investments at 31 December 2022:



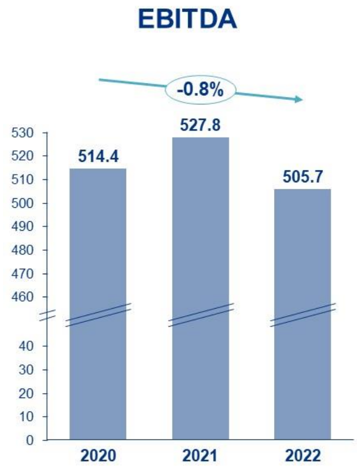
Regarding the Group's operating and financial highlights, the following table shows the key operating, economic and financial indicators of the Group:

	31.12.2022	31.12.2021	2022 - 2021
Served municipalities:	2,226	2,220	6
Active redelivery points:	4,861,083	4,521,498	339,585
Distributed Gas (Natural gas and LPG) in millions of cubic metres	5,599	6,395	(796)
EBITDA in millions of euro:	505.7	527.8	(22.0)
Net income in millions of euro:	169.5	211.2	(41.7)
Managed networks in kilometres:	71,755	69,864	1,891

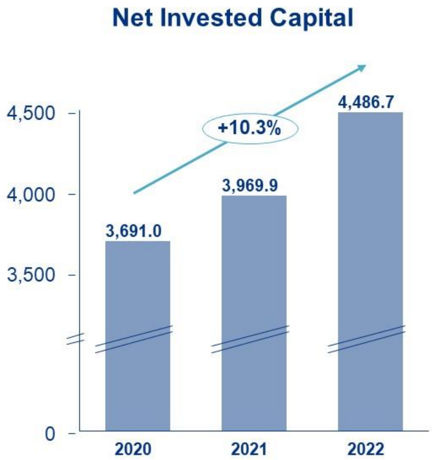
	31.12.2022	31.12.2021*	2022 - 2021
Net financial position in millions of euro:	3,187.9	2,831.3	356.6
Net invested capital in millions of euro:	4,486.7	3,969.9	516.9

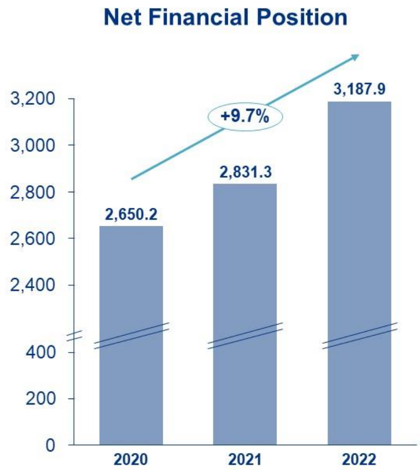
*2021 pro-forma restated figures

A comparison chart depicting some of the key economic and financial indicators is given below to gain a better understanding of how some key parameters for the Group changed over time. For an analysis of the reported figures, reference should be made to "Results of the 2i Rete Gas Group".
EBITDA trends from 2020 to 2022:

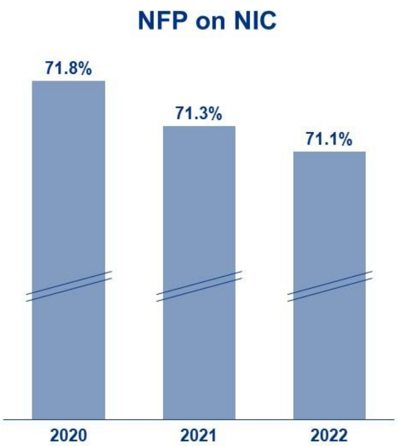


Trend in Net Invested Capital and Net Financial Position from 2020 to 2022:





In order to gain a better understanding of balance sheet movements over the years, the chart below shows the ratio of Net Financial Position to Net Invested Capital:



3. Significant events during the reporting period

In 2022, efforts continued to implement the major physical and virtual infrastructure development and revamping plan, which has been underway for several years. During the year, the Parent Company, which was awarded the tender to manage the Naples 1 area (City of Naples and coastal plant), further expanded its operations. As the plants were delivered in December 2022, the figures pertaining to the new site are already reflected in the current accounts. Following the plant handover, day-to-day operations began immediately as did the integration of resources hired in compliance with the regulatory provisions of the ATEM tender award process.

In terms of financial operations, in 2021 the Group had already raised, through its bond issue programme (4 billion Medium Term Note Programme or EMTN Programme), the necessary funding to finance the acquisition of the plant and refinance the issues maturing in the coming years.

As part of the annual rating review by Standard and Poor's and Moody's, the company presented, as it does every year, data on business outlook and related key metrics for financial strength assessment. In July 2022, both agencies confirmed the ratings given in previous years (BBB Outlook Stable and Baa2 Outlook Stable, respectively), stressing, among other things, the quality and thoroughness of the figures submitted. However, while maintaining the Group's credit rating at Baa2, in August Moody's announced a change in the outlook of nine Italian companies, including 2i Rete Gas, from Stable to Negative, following a change in the Italian government's debt outlook.

4. Results of the 2i Rete Gas Group

The Group consistently and constantly relies on certain widely used non-IAS/IFRS measures. More specifically, the income statement reflects intermediate measures, such as EBITDA and EBIT, which result from the algebraic sum of the items preceding them. As for statement of financial position data, similar considerations apply to net invested capital, net financial position, ESMA financial position, adjusted financial position, and 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.

The result from operations for the year is shown in the table below and has been obtained by reclassifying the income statement data in accordance with operational criteria that conform to international practice and reporting the costs for the purchase of Energy Efficiency Certificates net of the related revenues.

Millions of euro	31.12.2022	31.12.2021	Change
Revenue	**1,052.1**	**1,076.8**	**(24.7)**
Transport and sale of methane gas and LPG	652.8	682.4	(29.6)
Connection fees and accessory rights	16.6	14.9	1.7
Other sales and services	25.3	24.3	1.0
Revenue from intangible assets / assets under development	320.5	319.4	1.1
Other revenue	36.9	35.8	1.1
Operating costs	**(546.4)**	**(549.0)**	**2.6**
Labour costs	(123.2)	(124.0)	0.8
Raw materials and inventories	(45.5)	(54.4)	8.9
Services	(348.8)	(335.7)	(13.1)
Other costs	(17.2)	(21.6)	4.5
Net allocations to provisions for risks and charges	(12.6)	(14.3)	1.7
Increase in fixed assets not subject to IFRIC 12	0.9	1.0	(0.1)
EBITDA	**505.7**	**527.8**	**(22.0)**
Amortisation, depreciation and write-downs	**(213.4)**	**(209.5)**	**(4.0)**
Amortisation, depreciation and impairment losses	(213.4)	(209.5)	(4.0)
EBIT	**292.3**	**318.3**	**(26.0)**
Net financial income (expenses) and income (expenses) from equity i	(57.3)	(56.7)	(0.6)
Pre-tax income	**235.0**	**261.6**	**(26.7)**
Income taxes for the year	(65.5)	(50.4)	(15.1)
Net income (expenses) from continuing operations	**169.5**	**211.2**	**(41.7)**
Net income (expenses) from discontinued operations	-	-	-
Net income for the year	**169.5**	**211.2**	**(41.7)**

The interpretation of IFRIC 12, on which the presentation of the schedules of the separate and consolidated financial statements of the 2i Rete Gas Group is based, does not have any impact on profitability as it only results in revenues and costs being recognised to the same extent, which totalled € 320.5 million in the year and are related to the construction of distribution network infrastructure. Therefore, to gain a better view of deviations, the income statement showing consolidated revenues and costs – net of the impact resulting from the aforesaid interpretation – is also shown below.

Millions of euro	**31.12.2022 without IFRIC 12**	**31.12.2021 without IFRIC 12**	**Change**
Revenue	**731.6**	**757.4**	**(25.8)**
Transport and sale of methane gas and LPG	652.8	682.4	(29.6)
Connection fees and accessory rights	16.6	14.9	1.7
Other sales and services	25.3	24.3	1.0
Other revenue	36.9	35.8	1.1
Operating costs	**(229.1)**	**(232.4)**	**3.3**
Labour costs	(63.7)	(61.7)	(2.0)
Raw materials and inventories	(4.0)	(4.3)	0.3
Services	(133.4)	(132.4)	(1.0)
Other costs	(16.5)	(20.8)	4.3
Allocations to provisions for risks and charges	(12.6)	(14.3)	1.7
Increase in fixed assets not subject to IFRIC 12	0.9	1.0	(0.1)
EBITDA	**502.5**	**525.0**	**(22.5)**
Amortisation, depreciation and write-downs	**(210.2)**	**(206.7)**	**(3.5)**
Amortisation, depreciation and impairment losses	(210.2)	(206.7)	(3.5)
EBIT	**292.3**	**318.3**	**(26.0)**

The comment is shown for practical purposes on this second chart.
Revenues totalled € 731.6 million, showing an overall decrease of € 25.8 million. Revenues from natural gas transportation, totalling € 652.8 million, showed a decrease of € 29.6 million mainly due to the revision of the tariff and recognised cost WACC, partly offset by the increase in the Regulated Asset Base (RAB) due to (i) higher investments made in 2021, (ii) the contribution coming from Infrastrutture Distribuzione Gas S.p.A. (hereinafter IDG) and finally (iii) the coming on stream of ATEM Naples 1. This figure is also influenced by a net release of funds during the year in respect of tariff-related issues in the region of € 2.4 million in line with the previous year, and by the recognition of an incremental adjustment pertaining to the same issue, as mentioned, in the region of € 3.3 million.
The figure includes the positive impact on ATEM Naples 1 management tariff revenues for December, totalling about € 3.5 million.

Connection fees and associated costs, amounting to € 16.6 million, showed a slight increase compared to the previous year.
Revenues from other sales and services, totalling € 25.3 million, increased by € 1 million as a result of higher costs for meter readings and for managing the suspension and reactivation of delinquent customers.
Other revenues, totalling € 36.9 million, were up on the previous year, partly as a result of a capital gain (€ 1.5 million) following the sale of the Cinisello Balsamo plant (ATEM Milan 1 tender) and an insurance damage refund of € 2,6 million related to the atmospheric event that hit the datacenter in July 2021, offset by the write-off of net revenues for the management of Energy Efficiency Certificates, which are shown as a net value between revenues and related costs including any provision for risks and are, therefore, held under Other costs in the reporting period.

Operating costs, net of IFRIC 12, totalled € 229.1 million, showing a slight drop of € 3.3 million due to a decrease in other costs and net provisions for risks, which were offset by an increase in labour costs due to lower use of personnel for investment activities and the workforce associated with ATEM Naples 1 being included in the reporting scope.
In detail, labour costs, amounting to € 63.7 million net of capitalisation, actually increased by € 2.0 million compared to the previous year for the reasons mentioned above.
Costs relating to raw materials and inventories remained in line with the previous year, as did costs for services. Other costs, on the other hand, dropped to an overall extent of € 4.3 million. This figure is affected on the upside by net costs for EECs (in the previous year this figure was recognised under other revenues, whereas in the year under review it was held under other costs because margins show a negative balance) and on the downside by lower costs for capital losses on write-offs and asset disposals (€ 4.1 million) and lower other charges (€ 1.4 million).

Finally, provisions net of releases on provisions for risks and charges decreased by € 1.7 million, due to lower provisions on certain specific risks, such as short statute of limitations (€ 3.0 million less than in the previous year), risk of replacement of meters not meeting company standards (€ 0.8 million less), risk of litigation (€ 1.7 million less), such figures being, however, offset by higher net provisions for technical quality, totalling € 4.2 million.

EBITDA therefore amounted to € 502.5 million, down € 22.5 million compared to the previous period (€ 525.0 million). As commented above, affecting margin was essentially the lower tariff recognition on WACC and a reduction in recognised costs. The management of the pandemic situation did not have a significant impact on the year's figures apart from higher safety costs still being incurred following new protocols adopted by the Group.

Amortisation, depreciation and write-downs (+ € 3.5 million) were up in the reporting period to € 210.2 million due to the investments being made by the Group and by the ATEM Naples 1 acquisition deal completed in the early months of the year. These figures were mainly due to amortisations and only marginally to IFRS 16 right-of-use assets and depreciation, and are net of the portion of IFRS 16 assets capitalised in the year.

EBIT therefore totalled € 292.3 million, compared with € 318.3 million in the previous year, showing a decrease of € 26 million for the reasons mentioned above.

Net Financial Expenses totalled € 57.3 million, slightly up over the previous period due to (i) an increase in interest rates, to which, moreover, the company is marginally exposed, and, more importantly, (ii) the repurchase on the market of a portion of the bond maturing in 2024. This operation allowed surplus cash to be invested more effectively, creating benefits that will have an effect on the years to come.

The pre-tax profit of € 235.0 million was € 26.7 million down on the previous year.

The Group's income taxes for the year amounted to € 65.5 million. In 2021 this item stood at € 50.4 million but also reflected the current and deferred taxation balance as at 31 December 2020 (approx. € 28 million) resulting from the higher values of extraordinary past transactions already existing as at 31 December 2019.
As a consequence of the above, net income for the year stood at € 169.5 million, compared to € 211.2 million in the previous year.
The financial position for the year is shown in the table below. This was obtained by reclassifying the statement of financial position in accordance with operational criteria.

Millions of euro	31.12.2022	31.12.2021*	Change
	A	B	A-B
Net fixed assets	**4,435.3**	**3,905.3**	**530.1**
Property, plant and equipment	38.1	37.7	0.4
IFRS 16 right-of-use assets	26.1	26.0	0.1
Intangible assets	4,584.4	4,146.3	438.0
Equity investments	3.7	3.7	0.0
Other non-current assets	33.3	40.3	(7.0)
Other non-current liabilities	(353.9)	(338.5)	(15.3)
Fair value of derivatives	103.7	(10.2)	113.9
Net working capital:	**42.2**	**34.6**	**7.6**
Inventories	18.9	20.0	(1.2)
Trade receivables from third parties	55.4	223.0	(167.5)
Net receivables/(payables) for income taxes	12.5	(0.2)	12.7
Other current assets	547.5	214.9	332.5
Trade payables to third parties	(449.0)	(219.2)	(229.8)
Other current liabilities	(143.1)	(204.0)	60.9
Gross invested capital	**4,477.5**	**3,939.9**	**537.7**
Other provisions	**(9.2)**	**(30.0)**	**20.8**
Post-employment and other employee benefit	30.2	37.1	(6.9)
Provisions for risks and charges	75.5	78.6	(3.1)
Net deferred taxes	(114.9)	(145.7)	30.7
Net invested capital	**4,486.7**	**3,969.9**	**516.9**
Assets held for sale	**1.7**	**10.5**	**(8.8)**
Liabilities held for sale	**0.2**	**1.3**	**(1.1)**
Equity	**1,300.3**	**1,147.7**	**152.6**
Net Financial Position	**3,187.9**	**2,831.3**	**356.6**

*2021 pro-forma restated figures

Long-term fixed assets, € 4,435.3 million, mainly represent intangible assets related to gas distribution concessions and show a net increase of € 530.1 million compared to 31 December 2021 due to investments made during the year, including the acquisition of the plant related to ATEM Naples 1.

This item was also affected by an increase in "other non-current liabilities", totalling € 15.3 million (attributable to medium/long-term deferrals for connection and network fees and the payment of the INPS (National Social Security Institute) contribution for the abolition of the Gas Fund in 2015) and a decrease in other non-current assets (€ 7.0 million) due to the effect of the relationship with CSEA. The fair value of derivatives increased by about € 113.9 million due to the trend of interest rates. This item was offset, net of the relative tax effect, by a positive equity reserve.

Net working capital, coming in at € 42.2 million, shows an increase of € 7.6 million over the previous year resulting from the pattern of trade receivables and payables balances, offset by balances with CSEA.
In detail, trade receivables decreased by € 167.5 million due to the introduction of negative tariff components in billing and the elimination of positive components as a result of the energy cost containment actions established by the government. See in this regard section 7.3 of this report "Gas Invoicing and Balancing".
The increase of € 332.5 million under other current assets was due to the pattern of amounts due to and owned by CSEA, net of VAT credits, again due to the aforesaid pass-through items. The aforementioned items were in fact duly settled by CSEA, with the exclusion of the VAT credit.
Trade payables at the same time increased by € 229.8 million basically due to the management of negative balances with sales companies, which were reclassified in the year under trade payables, while the net balance of income tax receivables increased by € 12.7 million, reflecting normal patterns relating to advance payments and balances due to Inland Revenue.
Inventory balance for the period was € 18.9 million, down € 1.2 million due to increased activity in the distribution network.

Due to the combined effect of the changes in net fixed assets and net working capital, gross invested capital therefore increased by € 3,939.9 million in the previous year to € 4,477.5 million as at 31 December 2022, up € 537.7 due to the investments made.

Other provisions, showing an overall negative balance of € 9.2 million, decreased by € 20.8 million. The balance was affected in particular by changes in deferred tax provisions to the extent of € 30.7 million, which reflects deferred taxation on the fair value of the derivative instrument (€ 27.3 million).

As a result, net invested capital stood at € 4,486.7 million from € 3,969.9 million in the previous year, showing an increase of € 516.9 million.
Assets and liabilities held for sale, net, show a balance of € 1.5 million and relate to assets and liabilities pertaining to the Mortegliano plant – which is likely to be sold by early 2023 following its handover to the new operator that won the Udine 2 Area tender – as well as a property in the process of being disposed of.

Shareholders' equity rose from € 1,147.7 million at the end of 2021 to € 1,300.3 million at 31 December 2022, due to the net impact of the following changes:

- € 105.0 million decrease following the ordinary dividend payout;
- € 88.1 million rise in reserves for derivative instruments and other risks, net of the relevant tax impact;

- € 169.5 million increase following the recognition of the result as at 31 December 2022.

Minority interests stood at € 1.8 million as at 31 December 2022.

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

Millions of euro		31.12.2022	31.12.2021*	Changes
Medium/long-term bank loans	27	(352.3)	(470.5)	118.2
Medium/long-term debenture loans	27	(2,742.4)	(2,765.0)	22.6
Cash and cash equivalents with third parties	22	46.0	443.0	(396.9)
Short-term financial receivables	20	2.8	2.0	0.8
Other current financial assets	21	0.5	0.03	0.5
Current portion of medium/long-term loans	34	(118.1)	(18.2)	(100.0)
Current financial liabilities	38	(19.6)	(20.0)	0.4
Non-current IFRS 16 financial liabilities	31	(18.8)	(20.0)	1.2
Current IFRS 16 financial liabilities	39	(6.7)	(5.6)	(1.1)
ESMA Net Financial Position		**(3,208.6)**	**(2,854.3)**	**(354.3)**
Non-current financial assets	16	12.6	12.6	0.1
Adjusted Net Financial Position		**(3,196.0)**	**(2,841.7)**	**(354.3)**
Non-current financial assets - costs on loan	16	0.3	0.4	(0.1)
Adjustment of payables due to costs on ST loan (IAS 39)		0.0	-	0.0
Adjustment to payables due to costs on MLT loan (IAS 39)	27	7.7	9.9	(2.2)
Net Financial Position		**(3,187.9)**	**(2,831.3)**	**(356.6)**
Positive fair value of derivatives	16	103.7	-	103.7
Negative fair value of derivatives	38	-	(10.2)	10.2
Accounting net financial debt		**(3,084.2)**	**(2,841.5)**	**(242.7)**

*2021 pro-forma restated figures

The net financial position went from € 2,831.3 million at 31 December 2021 to € 3,187.9 million at the end of the period due chiefly to the aforementioned acquisition of ATEM Naples 1, the distribution of dividends and the rise in operational investments. The adjusted net financial position went from € 2,841.7 million to € 3,196.0 million.

5. Regulatory and tariff framework

In addition to industry laws and regulations, natural gas distribution is specifically regulated by the Regulatory Authority for Energy, Networks and Environment – ARERA.

The Authority regulates the sectors it is responsible for through specific provisions, which specifically involve determining and updating regulated infrastructure service tariffs, as well as defining the supply levels of these services and the rules for non-discriminatory access and use of the infrastructure.

The Authority also monitors the conduct of regulated operators and performs an advisory function, reporting and submitting recommendations to Parliament and the government.

5.1 Regulation

2022 was the third year of the 5th regulatory period (2020-2025) relating to tariffs and the quality of natural gas distribution service, during which the procedure for the infra-period review of tariff regulation (RTDG) was developed, resulting in the approval of the relevant updates for the 2023-2025 three-year period.

During the year, in the light of the significant increase in energy commodity prices as a result of the economic recovery and international geopolitical tensions resulting from the conflict between Russia and Ukraine, the Authority, partly in view of the measures adopted by the Government to mitigate the impact of high energy costs, focused a significant part of its activity on the adoption of measures intended to contain the repercussions on the costs of supplies to end customers and protect the economic-financial balance of operators. This activity – carried out in implementation of government measures – consisted, insofar as most relevant to the gas distribution sector, of improving the social bonus mechanism and removing or significantly adjusting certain tariff components to cover general system charges (including by introducing discounted tariff components aimed at partial compensation for the increase in the cost of gas).

However, while these measures proved supportive for end consumers, they resulted in an increasing, albeit temporary, financial exposure for the operators involved in the collection and transfer to the system of general charges – including distribution companies – as a result of the timing and manner in which CSEA settles financial transactions with the various players in the chain, to cover the amounts corresponding to the state financial aid that operators have been required to transfer in advance to end customers through consumption billing.

At the end of the year, in any case, the Authority, in consultation with CSEA, adopted provisions to limit operators' financial exposure.

At the beginning of the year, the Authority published its Strategic Framework for the 2022-2025 three-year period, setting out the strategic objectives and main lines of action for that period. Among the various aspects

covered in the Framework, interventions regarding the energy transition were also outlined, which transition requires an integrated view of all energy infrastructures (electricity and gas) and thus a selective development and efficient use of these infrastructures, with a view to economic and environmental sustainability.
Lines of action were outlined to establish new criteria for cost recognition in regulated infrastructure services under the authority of the Authority and to support necessary infrastructure developments for renewable gas.
In this regard, efforts continued during the year to develop a procedure for the adoption of the "tariff regulation by expenditure and service objectives" (ROSS) according to the ROSS-basis model, with a view to gradually overcoming the current differentiated approach for the recognition of capex and opex in tariffs. This aspect is deemed to be of particular relevance to energy infrastructure services.
Moreover, with regard to the goal of supporting the necessary infrastructure developments for renewable gas, during the year the Authority approved (Resolution 404/2022/R/gas) the regulation on incentives for pilot projects to optimise the management and innovative uses of gas networks, again with a view to energy transition.
November saw the Authority's customary annual Hearings – this time dedicated mainly to the energy crisis – where 2i Rete Gas also made a written contribution, submitting its own observations.

Overall, the Authority was very active in pursuing its activities during the year, with more than 700 deeds issued, including measures and consultation documents, together with many measures of interest to the Group and concerning the gas sector. These include, with specific reference to gas distribution, several resolutions concerning:

- Tariff matters and the quality and safety of distribution and metering services;
- Energy efficiency targets set for operators and contribution in order that tied distributors (i.e. electricity and gas distributors having more than 50,000 users connected to their networks) may obtain energy efficiency certificates;
- Smart gas metering and innovative uses of gas infrastructure;
- Access to gas distribution service and rules for gas settlement, as well as concerning transportation service and connections of biomethane plants to gas networks;
- Regulations on the gas default service;
- Technical rolling blackouts to interrupt withdrawals from gas transmission and distribution networks;
- Enforcement of implementation rules governing gas distribution service tenders;
- End-customer protection and two-year limitation period, social bonuses (with special reference to electricity and gas) and subsidies related to the 2016-2017 earthquakes;

- Subsidies for natural gas-intensive businesses and, finally, concerning controls intended for operators.

Among the briefs and contributions submitted to the relevant parliamentary commissions, as well as to the government and Ministries, in respect of issues related to the regulated sectors, ARERA also provided its opinion and/or considerations – from a technical point of view and for the sectors lying within its province – regarding (i) the rise in energy commodity prices, with triggered the ensuing increases in energy bills for end customers, and (ii) some EU measures having possible future impacts on national regulation. The Authority also submitted its own considerations with respect to the "2021 Annual Market and Competition Act" regarding specific aspects that pertain to matters falling under ARERA's direct jurisdiction and, in particular, among other things, regarding the provisions on gas distribution concessions and government empowerment to reorganise local public services.

Regulation on tariffs for the gas distribution and metering service

2022 was, as already mentioned, the third year of the 5th regulatory period for gas distribution and metering service tariffs (2020-2025), initiated with resolution 570/2019/R/gas at the end of 2019, broken down into two half-periods lasting three years.

During the year the Authority also set the final tariffs for gas distribution and metering services for 2021 (Resolution 154/2022/R/gas) based on definitive financial data for 2020, as communicated by the companies, the provisional tariffs for 2022 (Resolution 194/2022/R/gas), based on provisional data for 2021, the expected periodic updates of some tariff components (general system charges for the natural gas sector and tariffs for other gases) and, at year end, the mandatory tariffs for natural gas distribution, metering and sales services, together with bymonthly advance equalisation payments for 2023 (resolution 736/2022/R/gas).

In conjunction with the periodic updates of the tariff components, as mentioned above and as was the case in the last quarter of 2021, the Authority – in the light of the significant increases in energy prices with the consequent increases in energy bills and given the measures adopted in this regard by the government to counter the effects of these increases – ordered cancellation for all end customers of certain components related to system charges, the introduction of supplementary social bonuses and, for the second, third and fourth quarters (Resolutions 148/2022/R/gas, 296/2022/R/gas and 462/2022/R/com), the application of a discount item applicable to the UG2 distribution tariff component (for end customers with consumption up to 5,000 Sm3/year). This solution was devised to with a view to conveying immediately to end customers, particularly small-sized ones, the price containment effects of the measures adopted by the government in relation to the exceptional energy price situation (at the end of the year, by Resolution 735/2022/R/com, these forecasts were, consistent with the measures set out in the 2023 Budget Law, confirmed for the first quarter of 2023 as well, albeit contemplating a slightly lower discount applied to the UG2 tariff component, in view of the extent of resources made available thereunder).

During 2022 (the last year of the first regulatory 2020-2025 half-period), the Authority, as mentioned above, initiated (Resolution 406/2022/R/gas) and developed (with Consultation Paper 571/2022/R/gas) the procedure for the infra-period review of tariff regulation. This procedure was later completed with the update of the RTDG for the second half-period of the regulatory period, starting 1 January 2023 (Resolution 737/2022/R/gas).

In conjunction with this update, the Standard Network Code for Natural Gas Distribution (CRDG) was also updated regarding the timing of payment by distributors to distribution users in cases of invoices with a negative balance, this being a consequence, against the backdrop that characterised the year, of the need to ensure that state aid aimed at containing the cost of energy was timely transferred to end customers, as mentioned earlier).

As mentioned in the general overview of regulatory developments, during the year the Authority continued to develop the procedure (started in 2021 with Resolution 271/2021/R/com and subsequent Consultation Paper 615/2021/R/com) for the adoption, applicable to all regulated infrastructure services in the electricity and gas sectors, of a new model of tariff regulation by expenditure and service objectives (known as basic ROSS), aimed at overcoming the approach of differentiated tariff recognition of capex and opex. With Consultation Papers 317/2022/R/com and 655/2022/R/com, the Authority set out to adopt different configurations of the ROSS approach (transitional basic ROSS, full-scale ROSS and integral ROSS) depending on the infrastructure sector concerned. For gas distribution, as anticipated by the Authority, the application of the new basic ROSS model is currently scheduled to start in 2026. However, it will be adopted only after application to the other infrastructure services and following in-depth investigations required in view of the peculiarities of the service (i.e. ATEMs awarded under calls for tenders).

As part of the development of the ROSS approach, the Authority has also considered the definition of a consolidated act for the regulation of all regulated infrastructure sectors of the electricity and gas sectors, (known as TIROSS), to which the provisions on the rate of return on invested capital (now collected in the TIWACC) could also be merged. At the same time, the period of validity of the ROSS regulation (with an expected term of 8 years) could be synchronised with the specific period of validity of the different services (whose regulatory periods would have a uniform term of 4 years for all services).

The Authority announced the final basic ROSS regulation measure in early 2023.

In September, Resolution 6/2022 - DIEU defined the accounting procedure of costs relating to meters uninstalled to carry out metering checks under Ministerial Decree 93/17 and then reinstalled at other redelivery points (RPs).

At the end of October, following up on consultation exchanges at the end of 2021 (Consultation Paper 539/2021/R/gas), the implementation procedure for setting a cap on tariff recognition of investments in start-up locations, pursuant to Article 33 of RTDG 2020-25, was regulated (Resolution 525/2022/R/gas). Its application, based on a three-phase mechanism, was confirmed in respect of all sites with year of first supply after 2017, regardless of the year of concession assignment, such sites also including those to which Article 114-ter of Law Decree 34/20 applies (which contemplates full tariff recognition of investments made for the construction of plants in specific areas of the country and which ARERA has instead decided not to apply, as set out in Consultation Paper 337/2022/R/gas, published in July, as part of the proceedings initiated with Resolution 435/2020/R/gas precisely for the application of the provisions of the aforementioned Article 114-ter).

Accordingly, following on the provisions also outlined in Consultation Paper 337/2022/R/gas, the Authority established (Resolution 528/2022/R/gas) the non-application of the provisions of Article 114-ter of Law Decree 34/20 also in relation to the investments that contractors make as a result of the bids submitted for participation in ATEM tenders. Therefore, the criteria set out in Resolution 905/2017/R/gas to enable the Authority to make comments on the calls for tenders for the award of the natural gas distribution service were supplemented accordingly, without any further aspects regarding the revision of tariff areas being defined for the time being.

In early December, having established that the prerequisites for updating the WACC of all infrastructure services (based on the trigger mechanism set out in TIWACC 2022-2027) were not met, the Authority confirmed (Resolution 654/2022/R/com) the current levels of the parameters common to the different services for determining the WACC as well as those specific to each service set at the end of 2021 (by Resolution 614/2021/R/com).

Finally, in December, the values of the reference tariffs for gas distribution and metering services for the period from 2009 to 2021 were redetermined (Resolution 679/2022/ R/gas) to take into account – among other aspects and in addition to certain petitions being upheld in respect of adjustments of

structural and financial data submitted by a number of companies – certain changes regarding the treatment of decommissioning of conventional meters of class ≥ G10 replaced with smart meters in the years 2019 and 2020 for the purposes of updating the tariff components covering metering service depreciation.
Further information on tariffs is provided under 5.3 “Tariff framework”.

Regulation on gas distribution and metering service quality

In early August 2022, the Authority established (Resolution 383/2022/ R/gas) the incentives and technical quality penalties accrued by natural gas distributors for the year 2019 following all the audits.
2i Rete Gas was granted a total incentive of € 13.23 million (€ 4.71 million for the component related to measurements of the gas odorisation level and € 8.52 million for the component related to leak reduction), for a group-wide overall recognition of 30% of total incentives disbursed (€ 44.70 million extended to more than 160 companies participating in the incentive scheme).
The disbursement by CSEA of the amounts due to distribution companies, net of any advance payments already made, was then ordered by the end of September 2022.
Such a significant recognition, in line with previous years, bears witness to the high technical plant management quality.

The year also saw the conclusion (Resolution 231/2022/R/com) of the proceedings started by Resolution 571/2021/R/com to update the procedures for the Authority’s auditing of commercial quality data for gas and electricity distribution, metering and sales services as well (in addition to the procedures for auditing contractual quality data relating to the integrated water service), with a view to standardising certain aspects of the auditing rules applicable to the different sectors.
At the end of November, ARERA accepted (Resolution 624/2022/R/gas) the applications for a departure from the deadlines set for the replacement/remediation of pipelines made of material not meeting the technical standards in force, submitted in 2021 pursuant to Article 14.9 of RQDG 2020-2025 by some distribution companies (including Infrastrutture Distribuzione Gas S.p.A, later merged into 2i Rete Gas S.p.A., for one of its plants, in respect of which, given the special conditions, the deadline by which replacement was to be completed was extended to 31 December 2027).

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

In connection with the provisions of Ministerial Decree dated 21 May 2021, in October the Authority, based on the quantities of electricity and natural gas distributed in 2020 by tied distributors, established (Decision 7/2022 - DMRT)

and transmitted to MiTE and GSE the primary energy savings targets applicable to them for the 2022 mandatory year. 2i Rete Gas S.p.A. was assigned a total target of 200,986 EECs.
Previously, at the end of June (Resolution 292/2022/R/efr), the extent of the unit tariff contribution to be recognised to tied distributors for the 2021 mandatory year, ending 31 May 2022, was determined (the contribution was 250 €/EEC, with an additional unit fee of 3.44 €/EEC, totalling a recognised contribution of 253.44 €/EEC).

Smart gas metering regulation

At the end of June, upon completion of a complex consultation process (latest proceedings started under Consultation Paper 263/2021/R/gas), the Authority approved (Resolution 269/2022/R/gas) the previously announced revision of the metering service regulation, with special reference to redelivery points fitted with smart meters. Following this revision, the expected outputs and performance of the metering service delivered through smart meters were redefined. In this connection, amendments were made to the previous regulation regarding their commissioning, frequency and method of collection of metering data for G4 and G6 gauge meters and automatic compensation to end customers in the event of failure to read meters. A compensation scheme designed for distribution users was also introduced with a view to increasing reliance on actual metering data as opposed to estimated data. Based on a predetermined and expected level of remote reading failure, distribution companies will be partially compensated for refunds granted to end customers as a result of failure to read meters.

Regulation on enhancement of operation and innovative uses of gas capabilities

Following up on the two consultations held in 2020 and 2021 (Consultation Papers 39/2020/R/gas and 250/2021/R/gas), ARERA – in relation to the objective of supporting the necessary infrastructure developments for renewable gas and as mentioned in the general framework of regulatory developments – in early August approved the regulation governing incentives to support the innovation of gas capabilities and pilot projects designed to improve the management and innovative use of gas transmission and distribution capabilities (Resolution 404/2022/R/gas). More specifically, it was established that a premium remuneration mechanism (considered as an "extra tariff" contribution) should be applied to the costs related to the part of the project containing innovative features, while the costs related to non-innovative solutions, i.e. related to "business as usual", should be covered through the ordinary tariff recognition mechanisms.
Later in December, Resolution 9/2022 - DIEU set out the (i) procedures for submission and evaluation of applications for accessing the incentive scheme for pilot projects, (ii) format and minimum contents of applications, (iii) technical and economic reporting

tools and (iv) criteria for recognition of costs incurred in experiments.

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

With reference to credit rating guarantees, which are one of the conditions in order that sales companies may gain access to distribution networks, in May the Authority (Resolution 210/2022/R/com) regulated the termination of derogation measures (previously introduced by Resolutions 248/2020/R/com and 81/2021/R/com) regarding the management of guarantees provided by way of credit rating in gas distribution and electricity transmission contracts in the event of downgrades related to the emergency situation arising from Covid-19 (setting 31 March 2023 as the final date for termination of derogations).

On the subject of settlement gas, following consultations conducted in 2021 under Consultation Paper 357/2021/R/gas, in the first days of August the Authority adopted a measure (Resolution 386/2022/R/gas) by which a mechanism was introduced to make distribution companies responsible for managing the differences between volumes of gas injected into the distribution networks and withdrawn from them (i.e. "in-out delta"). Initially, it will be applied in a simplified version as early as in relation to the 2020-2022 period, while a more detailed mechanism will possibly be defined in later measures.

In November, following consultations conducted in April and May (Consultation Paper 157/2022/R/gas), a measure reforming the processes for allocating transportation capacity at city gates (Resolution 555/2022/R/gas) was adopted. This measure also introduced, as part of the settlement system, an additional mechanism of accountability/penalty of distribution companies, the purpose being to encourage them to carry out timely checks and/or remedy abnormal metering data at redelivery points. This mechanism will take effect from 2024, with penalties being applied in relation to findings arising from the adjustment sessions and with penalty amounts being commensurate with automatic compensation for failure to meet specific distribution service quality levels.

Regulations governing transport service

Regarding the Gas Transmission Network Development Plans, in extending (Resolution 65/2022/R/com) the deadlines for the drafting of the joint Snam/Terna document describing the scenarios for the Electricity Transmission and Gas Transmission Network Development Plans, the Authority required that electricity and gas distribution companies should be involved in the preparation of these Plans, reflecting the need for a coordinated and integrated view of the developments to be deployed across all infrastructures.
In this connection, a general procedure got underway in October (Resolution 470/2022/R/gas) for a review of the

minimum requirements of the Gas Transmission Network Development Plans regarding coordination between transmission and distribution companies and evaluation criteria applicable to the Plans.
Most recently, at the end of November, an amendment to the Snam Rete Gas Network Code was approved (Resolution 600/2022/R/gas) to incorporate the provisions of Resolution 512/2021/R/gas on the reorganisation of gas transportation metering activities.

Regulation concerning connections of biomethane plants to natural gas networks

With regard to the directives adopted by the Authority regarding connections of biomethane plants to gas networks (the "Directives"), following consultations conducted in September and October (Consultation Paper 423/2022/R/gas), guidelines were outlined for the implementation of the provisions of Article 37 of Legislative Decree 199/21 regarding the optimisation of connections of biomethane production plants to gas networks and the ensuing adjustment of such Directives (in particular regarding the same point of connection to the network being shared with more than one production plant and regarding connection optimisation procedures to evaluate the cases where connection to the distribution network is preferable and more efficient for the system than connection directly to the transmission network). Extending the scope of the Directives to hydrogen feed-in, including blended hydrogen, was also considered.

Rules for gas distribution default service

In relation to the critical issues affecting the gas market, ARERA adopted a number of measures during the year regarding the default service of both gas transmission and distribution. With reference to the aspects of greatest interest to distribution companies and further in view of the increase in cases of termination of transportation contracts caused by the anomalous trend in wholesale gas prices and the difficulties encountered by distribution users in finding new balancing users to which withdrawals can be allocated, measures were adopted (Resolution 3/2022/R/gas) regarding default transportation service, with an extension of the timeframe that distribution users can rely on to submit a request for association with a new balancing user, while distribution companies are allowed to suspend – on a temporary basis – terminations of transportation contracts in respect of distribution users who are unable to identify a new balancing user within the stipulated timeframe.
At the beginning of December, as part of provisions (Resolution 639/2022/R/gas) aimed at mitigating the financial criticalities encountered by operators running last resort and default services (transmission and distribution) resulting from the increase in volumes supplied under these services, provisions were also included for updating the methods for determining penalties to be applied in the event of delayed disconnection, by distribution

companies, of redelivery points in default service, so as to take into account the new methods for updating the component (C_{MEM}) relating to gas procurement costs in wholesale markets.

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

In early December, following consultations conducted in November (Consultation Paper 584/2022/R/gas), ARERA, in compliance with the MiTE Decree dated 21 October 2022, defined (Resolution 649/2022/R/gas) the implementation method of technical rolling blackouts to interrupt withdrawals from gas transmission and distribution networks for Thermal Year 2022-2023.

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

In June, Resolution 282/2022/R/gas also updated the interest rate applied to refund the amounts relating to the one-off consideration paid in advance by outgoing operators to the contracting authority to cover the tender expenses pursuant to Ministerial Decree 226/11.

Moreover, following the proceedings initiated (Resolution 570/2022/R/gas) in accordance with the provisions of the “2021 Annual Market and Competition Act” (Act 118/22) and following consultations conducted in this regard in November (Consultation Paper 572/2022/R/gas), ARERA updated (Resolution 714/2022/R/gas) its own provisions laid down in Resolution 905/2017/R/gas regarding verification of the amount of refund for natural gas distribution networks for the purposes of area tenders, introducing provisions applicable to the sale at residual industrial value (RIV) of any networks and plants owned by local authorities (or public network asset companies), as well as some revisions and simplifications of the procedural processes for establishing any RIV-RAB deviations.

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

In relation to the provisions introduced by the Authority regarding the billing of amounts referring to consumption dating back more than two years and disclosure requirements established by the Authority for the various entities, including gas distribution companies (Resolution 603/2021/ R/com), in March ARERA, by making reference to the clarifications already published at the end of 2021, published further clarifications regarding the approach adopted with its provisions. Moreover, following an appeal filed by some operators (including 2i Rete Gas) regarding the provisions concerning some of the obligations binding distribution companies, the Lombardy Regional Administrative Court, in its decision published on 2 January 2023, annulled the challenged articles.

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

During the first months of the year, ARERA (Resolutions 188/2022/R/com and 245/2022/R/com) updated the method whereby the system for automatic granting of social bonuses (electricity and gas) is applied. The reason underlying this update was to increase reliance on this instrument as laid down by state legislation in response to rising energy bills (e.g. Article 6 of Law Decree 21/2022 on raising the ISEE (Equivalent Economic Status Indicator) threshold for access to social electricity and gas bonuses). As laid down by government provisions, ARERA also prepared a report on the use of resources made available by the state budget – through various legal provisions – for the purpose of reducing general system charges and expanding social bonuses (Report 212/2022/I/com published in May). In early August, the implementing procedures for access to social bonuses pertaining to 2022 were approved (Resolution 380/2022/R/com) for all eligible individuals, as resulting from the provisions of the aforementioned Law Decree 21/2022.
At the end of November, proceedings got underway (Resolution 619/2022/R/com), to be concluded by 30 June 2023, to revise the method of determining the amount of the different gas and electricity bonus profiles for customers facing financial hardship. As part of this process, consultations (Consultation Paper 646/2022/R/com) were conducted in the first half of December. On the basis of the outcome of such consultations, an further in view of the forecasts contained in the 2023 Budget Law, it was then planned (Resolution 735/2022/R/com on quarterly updating of tariff components) to adjust the levels of the "basic" bonus for 2023 to the new reference consumption levels adopted for the different subsidy profiles.

Subsidies related to the earthquakes occurred in 2016 and 2017

At the beginning of the year, in accordance with the provisions of the 2022 Budget Law and following the measures already adopted in previous years, the tariff subsidies under Resolutions 252/ 2017/R/com and 429/2020/R/com intended to support people affected by the earthquake events that occurred in 2016 and 2017 in Central Italy, as well as in other municipalities, were extended until 31 December 2022 (Resolution 34/2022/R/com).

Subsidies for natural gas-intensive businesses

As part of the proceedings started (Resolution 41/2022/R/gas) for the adoption of implementing provisions for the regulation of subsidies for natural gas-intensive businesses referred to in MiTE Ministerial Decree 541/2021, November saw the adoption (Resolution 541/2022/R/gas) of implementing provisions under which subsidies are granted to such businesses, which provisions have certain operational implications for gas distribution companies as well.

Inspections to be conducted on operators

With regard to inspections to be conducted on operators, the Authority defined (Resolution 87/2022/E/gas) a five-audit programme regarding service safety improvements to be carried out by 31 March 2023 and with reference to the data pertaining to 2020. The Authority will audit natural gas distribution companies selected from among those who have not been audited for the purposes of awarding incentives in the last 5 years, with account also being taken of their distribution across Italy.

Arrangements were also made (Resolution 382/2022/E/gas) to deploy the usual campaign of telephone checks (50 checks) and audits involving gas distribution companies to ensure compliance with first response regulations. This campaign is expected to be completed by 31 December 2023, with possible inspections ensuing based on the findings arising from the aforesaid telephone checks.

A two-audit programme was also approved (Resolution 469/2022/E/gas) regarding gas distribution and metering tariffs. Audits involved distribution companies, were completed on 31 December 2022, and were intended to establish the adequacy of the data transmitted by distributors on an annual basis for the purpose of determining reference tariffs (one of such audits involved 2i Rete Gas S.p.A. in November).

Finally, at the end of November, a documentary audit campaign was launched (Resolution 599/2022/E/com), with completion expected by 31 March 2024, on accounting and investment unbundling with reference to the period spanning 2018-2021. Audits were conducted on a sample of five gas distribution and transportation companies and three electricity distribution companies (including any parent companies and other group companies, including service companies).

5.2 Other significant events and/or aspects

Below are some of the events deemed most relevant to the Group during the year:

- In May, the Authority (Resolution 203/2022/A) published a report on the activities carried out in 2021 in respect of the contents set out in the "Strategic Framework for the Three-Year Period 2019-2021", highlighting some deviations from the actions planned and the impact of the epidemiological emergency from Covid-19, both in terms of time frames and the methods whereby objectives were achieved.
- Resolution 460/2022/A, published at the end of October, determined the rate of the Authority's operating contribution to be paid by entities operating in the electricity and gas sectors for 2022 (0.25‰ of revenues

resulting from the approved financial statements for financial year 2021, with an additional contribution of 0.02‰ of revenues for entities that engage in one or more tariff-based infrastructure activities).

- As part of the inspection and audit programme established by Resolution 176/2021/E/gas, ARERA personnel, together with military personnel of the Guardia di Finanza [Tax Police] (as per the relevant Memorandum of Understanding), conducted two audits in June concerning the application of the regulations on gas emergency first response, with reference, for the year 2020, respectively to the distribution plant of Mignano Monte Lungo (operated in 2020 by Monte Lungo Gas S.r.l, acquired and then merged by incorporation as of 1 October 2020) and the Colle Sannita plant (operated in 2020 by Powergas Distribuzione S.p.A. acquired and then merged by incorporation as of 1 January 2021). Following non-compliance issues found during the audits, sanctioning proceedings were started against 2i Rete Gas S.p.A. (in its capacity as the incorporating company of Monte Lungo Gas S.r.l. and Powergas Distribuzione S.p.A.) by Resolution DSAI/29/ 2022/ gas dated 5 December 2022. As a simplified procedure was available to terminate such proceedings by reduced payment (1/3rd) of the amount of the sanction assessed (€ 23,100), the Company made such payment in December, resulting in termination of proceedings.
- In addition to the consultations mentioned earlier, during 2022 the Authority conducted many consultations on issues pertaining to gas distribution, the Company and its subsidiaries, with publication of documents in reference to which 2i Rete Gas submitted its own observations and proposals on all topics deemed relevant.

Measures and/or other events after 31 December 2022

After 31 December 2022, in compliance with the provisions of the 2023 Budget Law and by Resolution 2/2023/R/com, ARERA further extended, i.e. until 31 December 2023, the tariff subsidies under Resolutions 252/2017/R/com, 429/2020/R/com and 34/2022/R/com intended for utility customers affected by the earthquake that occurred in 2016 and 2017.

In addition, with Resolution 13/2023/R/com, the Authority implemented the provisions on social bonuses set forth in the 2023 Budget Law, consequently updating the ISEE (Equivalent Economic Status Indicator) threshold for access to social bonuses by individuals facing financial hardship and amending the former subsidy classes effective 1 January 2023.

5.3 The tariff framework

In 2022, 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 will continue applying according to the basic principles for determining the components of revenues related to remuneration and depreciation based on the annual update to net invested capital (RAB), considering the (net) investments made in the year t-1.

The invested capital of distribution companies continues to be broken down into localised and centralised invested capital. The evaluation criterion for localised invested capital in distribution and metering is based essentially on the revised historical cost method, except for new investments in smart meters, whose cost continues to be determined as the weighted average between actual cost and the standard cost set by the Authority, with variable weights over the years of 70% and 30%, respectively, for 2022 tariffs. The centralised invested capital valuation criterion is based on a parametric method, except for assets pertaining to remote metering/remote management/concentrator systems, which are valued at actual cost until 2022, with a cap being applied per redelivery point at which a smart meter has been installed, including return on capital, depreciation and recognition of operating costs.

Under the same Resolution, the Authority also completed the regulatory framework concerning the portion of public and private contributions as at 31 December 2011 started with Resolution 573/2013/R/gas, envisaging complete amortisation thereof based on a 40-year useful life.

The rate of return on invested capital (WACC) of natural gas distribution and metering activity for 2022 was 5.6%, a figure set by resolution 614/2021/R/com with which ARERA defined criteria for determining and updating the WACC for infrastructure regulations of the electricity and gas sectors in the second 2022-2027 regulatory period (II PWACC).

With Resolution 570/2019/R/gas, the initial levels of operating costs and x-factors for the fifth regulatory period were also set. More specifically, as regards operating costs, the initial level was established on the basis of the separate annual accounts of the Unbundling Financial Statements of the operators, broken down by company size and customer density. As to 2022, operating costs were adjusted for inflation trends and subjected to an X-factor set in the RTDG, based on the size class of the enterprise (large, medium and small), which for large companies amounted to 3.53% for the distribution service, 0% for metering and 1.57% for sales.

Finally, 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, with audits to be performed in several stages, up to the sixth year, to establish whether such cap is exceeded.

As mentioned under 5.2 above, by Resolution 525/2022/R/gas the Authority approved the operating procedures for the application of the aforementioned cap to all areas whose first year of service was after 2017, regardless of the year the concession was granted, including areas covered under Article 114-ter of Law Decree 34/20, confirming non-application thereof.

The "final" annual reporting on investments for the purposes of determining the net invested capital of distribution and metering (RAB) for 2022 was submitted as expected in November by computing capital changes in the previous year. It should be noted that after the end of the financial year, investments for tariff purposes of ATEM Naples 1 were reported by 31 January 2023, in accordance with the procedures established for area management.

The Authority will publish the "final" 2022 tariffs including the above-mentioned changes in the first months of 2023, while Cassa per i Servizi Energetici e Ambientali (CSEA) will apply them to the equalisation account, which is scheduled to be calculated and settled by the end of 2023.

In 2022, the Authority issued Resolution 154/2022/R/gas to determine the "final" reference tariffs for gas distribution and metering services for 2021 and Resolution 194/2022/R/gas to determine the "provisional" reference tariffs for natural gas distribution and metering services for 2022.

During the same period, in order to mitigate the impact on end customers' total expenditure for the supply of natural gas in the current economic situation and the strong increase in natural gas prices, a number of measures were implemented, including, among others, 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.

In December, by Resolution 736/2022/R/gas the Authority published the "mandatory" tariffs for 2023 for invoicing natural gas distribution and metering services, the amount of the bi-monthly equalisation payments on account, and the tariff options for gas other than natural gas.

6. Concession development and operation

The delays run up by Contracting Authorities in calling ATEM tenders continued in 2022, despite regulatory intervention as early as 2017 to simplify the tender process. Hoped-for action by the Regions and by the Ministry for Economic Development (today renamed as Ministry for the Environment and Energy Safety) failed to materialise during the year.
During 2022, however, the Catanzaro – Crotone ATEM tender (about 110,000 active end users, contract value € 249.4 million for the management of the two provincial capitals and 105 other municipalities) was announced on 16 November by open bidding procedure.

As at 31 December 2022, the ARERA dashboard, i.e. the tool providing information on the findings of the review of tender documentation sent by the contracting authorities as set out in article 9(2) of Ministerial Decree 226 of 12 November 2011, portrayed the following situation in relation to the 30 ATEM tenders shown therein:

- Tenders in respect of which management operations were under way included: Turin 2 - Turin Plant, Aosta Valley, Milan 1 - Milan City and Plant, and Naples 1 - City of Naples and Coastal Plant;
- Tenders that were completed with final contract award totalled 4: Belluno, Turin 1 - City of Turin, La Spezia and Udine 2 - City of Udine and City Centre;
- Tenders in respect of which bid assessment by the tender committee was still ongoing totalled 1: Rimini;
- Tenders in respect of which ARERA temporarily postponed the review of the call for tender with a request for additional documentation totalled 10: Cuneo 1, Florence 1-Florence 2, Genoa 1, Lucca, Massa and Carrara, Modena 2, Pordenone, Rome 2, Verona 2 and Vicenza 3;
- Tenders in respect of which ARERA completed the review of the tender documentation submitted by the contracting authorities and, thus, the related calls for tenders were eligible for publication totalled 5: Forlì and Cesena, Modena 1, Prato, Rome 1, Rome 4 and Venice 1;
- Tender procedures started and in respect of which the call for tenders was cancelled and/or called off totalled 2: Trieste and Genoa 2.

The terms for the submission of bids for ATEM Biella (about 61,000 active users and a contract value in the region of € 135.8 million) is still pending, the tender being announced on 24 December 2021 and the deadline for the submission of bids being set at 28 April 2023.

As for “non-ATEM” tenders, during 2022 the following procedures were called, in respect of which the Group decided not to submit any bid:

- 2 March – Construction and operation of a natural gas distribution plant in the municipality of Trodena Nature Park (Bolzano);
- 15 April – Construction and operation of a natural gas distribution plant in the municipality of Canazei (Trento);
- 13 May – Construction and operation of a natural gas distribution plant in the municipality of Ogliastro Cilento (Salerno);
- 25 July – Construction and operation of a natural gas distribution plant in the municipality of Altavilla Silentina (Salerno);
- 23 September – Award of the Natural Gas Distribution Service in the Municipality of Nanto (Vicenza);
- 18 November – Construction and operation of a natural gas distribution plant in the municipality of Perdifumo (Salerno);
- 16 December – Construction and operation of a natural gas distribution plant in the municipality of Otgaviano (Naples);
- 23 December – Construction and operation of a natural gas distribution plant in the municipality of Controne (Salerno);
- 23 December – Construction and operation of a natural gas distribution plant in the municipality of Corleto Monforte (Salerno);
- 28 December – Construction and operation of a natural gas distribution plant in the municipality of Castelcivita (Salerno);

6.1 Participation in ATEM tenders

On 22 December 2022, 2i Rete Gas S.p.A. submitted a bid for the Rimini ATEM tender (198,000 active end users, contract value € 318.2 million for the management of the provincial capital and 42 other municipalities). It should be also noted that on 27 November 2021 the Company submitted a bid for La Spezia ATEM tender.
On 1 December 2021, the first public session was held, during which the Tender Committee established that the bidders, i.e. 2i Rete Gas S.p.A., IReti S.p.A. and Italgas Reti S.p.A., had provided appropriate administrative documentation and were admitted to the next stage.
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 Committee 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.

With reference to the tender for the management of the City of Naples and Coastal Plant Area, we deem it apposite to provide an overview of the main stages of the tender which, as mentioned above, led to the plant being awarded and delivered to the company during the second half of the year. On

26 June 2020, 2i Rete Gas S.p.A. submitted a bid for the tender of ATEM Naples 1; on 2 July 2020, the first public session was held, during which the Contracting Authority established that both bidders, i.e. 2i Rete Gas S.p.A. and Italgas Reti S.p.A. submitted adequate administrative documentation, admitting them to the next stage. The second stage, i.e. disclosure of technical bids, consisted of four public meetings (22 September, 29 September, 6 October and 13 October 2020), in which the Committee was able to establish that the technical documentation submitted via electronic media (CD-ROM) matched the hard copy list in the second envelope containing the technical bid. Following the appraisal of technical bids, in the public session held on 29 January 2021 the Committee disclosed the bidding price submitted by the bidders and drew up a temporary ranking, in which 2i Rete Gas S.p.A. came out on top. Following checks for any bidding irregularities and statutory checks, the tender was awarded to 2i Rete Gas S.p.A. pursuant to Executive Decision No. 20/E dated 21 June 2021, received on 23 June 2021.
The second successful bidder, Italgas Reti S.p.A., lodged an appeal on 22 July 2021 with the T.A.R. of Campania - Naples (RG 3201/2021) against the award to 2i Rete Gas S.p.A. and tender records. By Decision No. 6744 of 27 October 2021, the Regional Administrative Court rejected the appeal lodged by Italgas Reti S.p.A., which on 11 November 2021 filed an appeal with the Council of State (RG 9517/2021), subject to interlocutory proceedings seeking a stay of the aforementioned Decision. 2i Rete Gas S.p.A. filed a cross-appeal against such Decision and the Council of State, following in camera session held on 13 January 2022, set the hearing to debate the appeal and the stay for 7 April 2022.
Following Decision No. 4478 of the Council of State published on 1 June 2022, whereby the appeal filed by Italgas Reti S.p.A. was rejected, on 21 June 2022 the municipality of Naples and 2i Rete Gas S.p.A. signed the contract for the concession of the natural gas distribution service in the ATEM Naples 1.
On 1 December, the Company took over the facilities and personnel of the outgoing operator and officially started management operations at ATEM Naples 1.

On the other hand, with regard to the Udine 2 tender, on 30 Nov 2022 the Municipality of Udine, in its capacity as Contracting Authority, and AcegasApsAmga S.p.A. signed the contract for the concession of natural gas distribution service in the Udine 2 ATEM.

In relation to the ATEM Turin 2 tender, Italgas Reti S.p.A., in its capacity as the successful bidder thereof, contested the proceedings of the Metropolitan City of Turin and ARERA inasmuch as they did not require the contracting authority to cause the call for tenders to reflect ARERA's guidance regarding the residual industrial value to be recognised to 2i Rete Gas S.p.A. Following a public hearing held on 7 October 2020, with Decision No. 510 of 25 February

2021 the Regional Administrative Court of Lombardy - Milan rejected the appeal filed by Italgas Reti S.p.A., which proceeded to appeal the aforementioned Decision before the Council of State (RG 5219), which set a hearing of oral arguments to be held on 10 March 2022.
On 11 April 2022, Decision No. 2651 of the Council of State was published, rejecting the appeal filed by Italgas Reti S.p.A.

2i Rete Gas S.p.A., through its subsidiary 2i Rete Gas S.r.l. (a company subject to the management and coordination of 2i Rete Gas S.p.A.), submitted a bid on 16 January 2017 for the Milan 1 – Milan City and Plant tender.
Following final award to another distributor (Unareti S.p.A., a company of the A2A group) as notified on 3 September 2018, on 16 December 2021 the Municipality of Milan followed up on the contract award and signed the service contract with Unareti S.p.A. for management of the relevant ATEM.
On 1 March 2022, 2i Rete Gas S.r.l. handed over to the Area Operator the facilities and personnel related to the concession lost following the ATEM Milan 1 tender.

During the course of 2022, the Group continued to prepare and send to local authorities and/or Contracting Authorities all the documentation required under Article 4 (Operators' disclosure obligations) and Article 5 (Compensation to the outgoing operator) of the Ministerial Decree 226/2011 in order that they may draft and issue the call for tenders. This information, should it be necessary, needs to be updated.

6.2 Participation in "non-ATEM" tenders

With regard to the concession of the natural gas distribution service in the Municipality of Cisliano (MI), which on 31 July 2019 published a "single" tender notice for the award of the natural gas distribution public service in the municipality, 2iRG filed an appeal with the T.A.R. of Lombardy - Milan. The appeal was upheld by Decision No. 1009/2020 dated 8 June 2020, thereby voiding tender proceedings. The Local Authorities of Cisliano lodged an appeal against this decision with the Council of State. By Decision No. 07987/2021 dated 30 November 2021, the Council upheld the appeal and reversed the decision under appeal, without however judging the merits of the legitimacy of the single tender.
Following new tender proceedings, 2i Rete Gas S.p.A. submitted its bid on 25 February 2022.
On 6 October 2022, the Local Authorities of Cisliano called off the tender by Resolution No. 93 of the Town Executive Board.

6.3 Participation in tenders for the acquisition of companies

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

6.4 Concessions awarded

During 2022, 1 new concession was obtained for 6 municipalities (Ercolano, Naples, Portici, San Giorgio a Cremano, Torre Annunziata and Torre del Greco) following the award of the tender for gas distribution in ATEM Naples 1 to the parent company.

6.5 Concessions lost

During 2022, the Cinisello Balsamo (Milan) concession was handed over following the award of the tender for gas distribution in ATEM Milan 1 to another operator.

6.6 Company acquisitions

No company acquisitions took place in 2022.

7. Support for gas transport activities

7.1 Compliance with legislation changes

In the year under review, the Energy, Networks and Environment Regulatory Authority issued a number of measures on gas distribution and metering activities, as summarised in section 5.2.
The processes and related upgrading of corporate information systems pertaining to legislation coming into force in 2022 were all successfully implemented.

7.2 Relations with Traders and Customer Care

Commercial quality

In 2022, the group companies achieved the following results in relation to the index of "non-standard" performance, such index measuring the service quality parameters set by ARERA in Resolution 569/2019/R/gas, (with reference to the publication of the Commercial Quality report as of week 51/2022):
For specific quality levels, the overall result was 0.10% (0.24% in the previous year).
For general quality levels, the overall result was 0.18% (0.43% in the previous year).
Previous year's figures were impacted by both the acquisition of IDG S.p.a. and a disruption that affected the Data Center in July. In 2022, ranges were back to normal group operation levels.

Major customers

In 2022, the Group continued to manage its gas distribution business by maintaining normal commercial relations with its customers (gas sales companies or traders).
The Group's main customers include Italian companies of primary standing in the gas market. Notably, during the year Enel Energia was the only customer whose invoiced volumes accounted for more than 10% of the total.

Requirements of the Integrated Information System

In 2022, regulatory changes continued to be made in order to expand and update the information and data in the Official Central Register (locally known as RCU) made available to the Integrated Information System (IIS).
In particular, 2i Rete Gas focused on identifying and remedying any misalignments between its database and the RCU, with the aim of minimising the number of misalignments with continuous improvements, in accordance with the regulations issued on settlement and measurement.
The legislative aim being pursued was to provide the IIS with a complete and accurate database to ensure the appropriate management of all commercial processes, with special reference to network access by selling companies, metering, settlement and social

bonuses, based on the principle of shared responsibilities between the IIS and the distributor.
Regarding settlements, Resolution 3/2022/R/gas was published, in which ARERA adopted urgent provisions on the activation of the default transport service (locally known as SdDT), in view of the increase in cases of transport agreements being terminated and activation of the related default service caused by anomalous wholesale gas price trends and in view of various reports received from operators regarding possible difficulties for Distribution Users (locally known as UdDs) in finding, within the times established by the regulation, Balancing Users (locally known as UdBs) for withdrawals from redelivery points previously matched with the UdBs whose transport agreement had been terminated.
As a result, in the event of early termination of the transportation agreement of the relevant UdB:

- The deadline for a UdD to apply for matching with a new UdB is the 5th business day following the tenth day of the month;
- If the UdD fails to identify within this period a new UdB responsible for withdrawals from redelivery points covered by the terminated transport agreement, the distribution company will no longer be required to terminate its transport agreement due to loss of network access requirements, and the IIS will activate the last-resort services only for redelivery points owned by the UdD for which, at the end of the SdDT delivery period there is no valid matching relation.

ARERA also decided – with respect to the first quarter of 2022 only – that in cases of SdDT activation following termination of the transport agreement, a further extension of the deadline by which the UdD may to file a request for matching with a new UdB will be granted.
In view of the aforementioned extension, the prior notifications regarding last-resort service activation that the IIS sends to end customers will not be sent.
Attention is also drawn to the publication of Resolution 13/2022/R/gas, with ARERA approving the proposed amendments to Snam Rete Gas's (SRG) Network Code with a view to implementing the provisions of Resolution 496/2021/R/gas, laying down measures relating, among other things, to billing procedures for economic items further to adjustment sessions and the correction of distribution withdrawal data that did not pass consistency checks carried out by the IIS.
In particular, ARERA mandated:

- Extending to 21 March 2022 the deadline for the final publication of the results of the annual adjustment session for 2020 (in order to allow SRG to manage UdB requests for correction of withdrawal data);
- Extending to 31 May 2022 the deadline for the final publication of the results of the next multi-year adjustment session;
- In respect of such activities as may be required to be discharged for

the conduct of adjustment sessions planned for 2022, coordination between IIS and SRG and the obligation to disclose in advance the relevant detailed time frames on the IIS website.
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 publication of Resolution 188/2022/R/com, which implements the provisions of Article 6 on the question of raising the ISEE (Equivalent Economic Status Indicator) threshold for access to the electricity and gas social bonus, the following requirements will apply for the period spanning 1 April 2022 - 31 December 2022:

- INPS (National Social Security Institute) shall – effective May 2022 and in addition to the information already required under Resolution 63/2021/R/com – transmit to the Integrated Information System (IIS) a monthly communication containing the list of ISEE households that fall into "Class d" on the basis of the DSU (self-declaration form containing information about family unit and any income/assets) for 2022, filed as of 1 April 2022 and certified by INPS itself in the month prior to such transmission;
- INPS shall, in respect of each DSU, transmit to the IIS the information required under Article 4.2 of Annex A of Resolution 63/2021/R/com;

By Resolution 380/2022/R/com, the Authority approved the procedures whereby the new beneficiaries identified under Article 6 of Law Decree 21/2022 – as well as households meeting the financial requirements for access to the subsidies in force prior to such Law Decree, and further with account also being taken of the provisions of Article 1(2) of Law Decree 50/22 – may submit applications in order to gain access to the electricity and gas social bonus due to financial hardship pertaining to 2022.

Significant measures regarding the metering service include the publication of Resolution 269/2022/R/gas on the revision of service regulation.
The above resolution was set to come into force on 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 of actual over estimated readings) would be applied, albeit only to redelivery points fitted with a meter of a >= G10 class.
With regard to this new compensation system, ARERA resolved to entrust its management to the IIS as of March 2023 (with reference to metering data pertaining to January 2023), scheduling a testing/monitoring period during which compensation will be calculated by distributors (based on metering data for the period October 2022 to December 2022).

7.3 Gas invoicing and balancing

Invoicing of transport and services

Routine activities involving invoicing of transport service, commercial services and compensation disbursement were carried out regularly on a monthly basis during 2022.
Following publication of ARERA Resolution 34/2022/R/com, establishing a new extension (to 31 December 2022) for the application of tariff-related subsidies to the populations hit by the earthquakes in 2016 and 2017, the process for granting such subsidies continued.
Following publication of Decision 11/2020/DACU/Gas dated 29 December 2020 – governing the methods for managing the transitional period for granting social bonuses – disbursements made using the previous method continued in 2021 and in the first quarter of 2022, until they gradually stopped.
Indeed, following payment of bonuses in February 2022, disbursements under the rules laid down by the previous legislation came to an end.

In 2022, the social bonus measures continued to be issued, following up on the provisions set out in Resolution 63/2021/R/com, effective August 2021, as amended by the provisions set out in the subsequent Resolution 396/2021/R/com.
With reference to social bonuses, ARERA decided to leave the level of the bonus set in 2021 (CCG component) unchanged throughout 2022, and to maintain the application of social bonuses that supplement those already determined on an annual basis by Resolution 63/2021/R/com (CCI component) – to be updated on a quarterly basis – confirming the methods for determining the amount of the supplementary gas bonus and its disbursement.
It should be noted in particular that, as was the case in the first quarter of 2022, in the fourth quarter of 2022 (i.e. in the winter season) the value of the CCI component was, on a monthly basis, again higher than the value of the CCG component.

As a first step, pending conversion into law of Law Decree 21/2022 containing "Urgent measures to counteract the economic and humanitarian effects of the Ukrainian crisis", ARERA, with Resolution 188/2022/R/com, initially implemented the provisions of Article 6 to raise the ISEE threshold for access to electricity and gas social bonuses, laying down the following requirements for the period spanning 1 April 2022 - 31 December 2022:

- Introduction of a new subsidy class ("Class d") only for households having an ISEE between € 8,265 and € 12,000, less than 4 children, and who do not receive minimum income guaranteed by the state/pension;
- Transmission by INPS (National Social Security Institute) – effective May 2022 and in addition to the information already required under Resolution 63/2021/R/com – to the Integrated

Information System (IIS) of a monthly communication containing the list of ISEE households that fall into the aforesaid "Class d" on the basis of the DSU (self-declaration form containing information about family unit and any income/assets) for 2022, filed as of 1 April 2022 and certified by INPS itself in the month prior to such transmission;

- Transmission by INPS, in respect of each DSU, to the IIS of the information required under Article 4.2 of Annex A of Resolution 63/2021/R/com (e.g. filing dates, expiry and issue of DSUs as well as subsidy class);
- Compliance, with regard to the above information, with the same transmission methods (encryption and authentication) laid down by Resolution 223/2021/R/com to ensure the origin and confidentiality of the data disclosed.

Finally, by Resolution 380/2022/R/com the Authority approved the procedures whereby the new beneficiaries identified under Article 6 of Law Decree 21/2022 – as well as households meeting the financial requirements for access to the subsidies in force prior to such Law Decree, and further with account also being taken of the provisions of Article 1(2) of Law Decree 50/22 – may submit applications in order to gain access to the electricity and gas social bonus due to financial hardship pertaining to 2022.
Specifically, it was established that electricity and gas bonuses due to financial hardship shall:

- Be available from 1 April 2022 (or, if later, from the date of activation of the subsidised supply identified by the IIS) to 31 December 2022 for the new eligible individuals identified based on subsidy Class d) as under Article 2(1) of Resolution 188/2022/R/com (households with ISEE level between € 8,265 and € 12,000, having less than 4 children and who do not receive minimum income guaranteed by the state or a pension);
- Be available from 1 January 2022 (or, if later, from the date of activation of the subsidised supply identified by the IIS) for eligible individuals who fall into subsidy Classes a), b) and c) as under Article 4(1) of Annex A to Resolution 63/2021/R/com (households having less than 4 dependent children and an ISEE <= € 8,265, family units with at least 4 dependent children and an ISEE <= € 20,000, family units receiving minimum income guaranteed by the state or a pension), with the subsidy period having a regular duration of 12 months);

These provisions were applied as of October 2022 with respect to social bonuses pertaining to 2022 granted to new eligible individuals under Article 6 of Law Decree 21/2022.

By Resolutions 141/2022/R/gas and 144/2022/R/gas and further by Resolutions 295/2022/R/gas, 296/2022/R/gas and 440/2022/R/com, ARERA updated, for the quarter running from April to June, for the quarter running from July to September 2022 and for the quarter running from October to December 2022, respectively the financial conditions for the supply of natural gas under a regulated tariff scheme and the components intended to cover general system charges and

additional components, with the aim of mitigating the impacts of the economic situation and the sharp rise in gas prices.
More specifically, the Authority:
• Confirmed, for Q2, Q3 and Q4 2022 as well, the elimination of UG3, RE and GS component rates;
• Introduced and later confirmed the UG2c rate for the UG2 distribution tariff component, by applying a component carrying a minus sign. This component, amounting to -11.5000 c€/Scm for the second quarter and -34.6600 c€/Scm for the third and fourth quarter, applies to consumption brackets up to and including the bracket with a maximum consumption of 5,000 Scm/year.

With reference to social bonuses, in accordance with the provisions set out in Law Decree 115/22, ARERA decided to leave the level of the bonus set in 2021 unchanged and maintain the application of social bonuses that supplement those already determined on an annual basis by Resolution 63/2021/R/com, confirming the methods for determining the amount of the supplementary gas bonus and its disbursement.

Moreover, by Resolutions 295/2022/R/com and 440/2022/R/com, while confirming the elimination, for all users of the gas sector, of the RE and RET components for the period spanning July-September and October-December 2022, ARERA intends to enable the mechanism whereby subsidies are granted to gas-intensive businesses to be fully implemented as of the 2023, thereby avoiding adjustment requirements for the first application of these subsidies with reference to the period spanning 1 April - 31 December 2022.

The above measures regarding:
- Gas bonuses, together with the expansion 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,

resulted in a significant reduction in the taxable amount invoiced in relation to the transport service, which as of October 2022, has reflected considerable total amounts carrying a minus sign.

As a result of the above, upon acknowledging the reports received from organisations representing gas distribution operators, which highlighted growing financial criticalities in relation to the significant amounts to be paid to distribution users as a result of the gas bonus scheme and the extraordinary UG2c component, which are no longer offset by positive revenues in relation to the rates of general charges and which are reimbursed by CSEA with timelines currently set at 90 days – ARERA decided, with a view to mitigating the above-mentioned critical issues, to instruct CSEA to urgently define provisional operating procedures allowing transactions to be settled earlier (i.e. at 30 days) as early as in respect of invoices issued in 2022, thus aligning them with those pertaining to the additional components of the transport service as of 1 January 2023.

Gas balances

On 28 February 2022, activities for the production of data relating to the "Multi-year Adjustment Session" for the 2017-2019 period were completed, with delivery thereof to National/Regional Transporters and Interconnected Distributors.
Under the new regulatory framework – whereby effective 1 January 2020 the Single Buyer, with the Integrated Information System, is responsible for calculating balancing and settlement sessions, as there was no parallel run during the handover between the distribution company and the Single Buye, for the purpose of assessing the results of said sessions, reporting any inconsistencies, and preventing any complaints from network users – 2i Rete Gas continued the calculation in accordance with regulatory deadlines also in the period under review.
With the aim of resolving the critical issues that have emerged thus far and in an attempt to strengthen the new process for calculating Monthly Balancing/Annual and Multi-year Adjustment, endeavours continued as part of the "Technical discussions between operators and the IIS Operator for the purpose of addressing settlement activities in the gas sector", which discussions started in 2020.
By publication of Resolution 13/2022/R/gas, ARERA approved the proposed amendments to Snam Rete Gas's (SRG) Network Code with a view to implementing the provisions of Resolution 496/2021/R/gas, laying down measures relating, among other things, to billing procedures for economic items further to adjustment sessions and the correction of distribution withdrawal data that did not pass consistency checks carried out by the IIS.
By publication of Resolution 386/2022/R/gas, ARERA established, among other things, the possibility for the distribution company 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 Authority also established 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, in addition to any 10% delta between the value of recovered gas (if the recovery is worth > € 600) and the aforementioned limit of € 600.

During 2022, as part of the corporate sustainability plan, monitoring and analysis activities continued to be conducted on the "In-Out Δ", with special reference to cases of significant deviations between

the volume injected into and the volume withdrawn from the network, already begun in 2021, while the scope of operations on the "In-Out Δ project" broadened, with the expansion of the set of plants with significant historical In-Out Δ values.
This project is allowing a two-fold goal to be achieved:

- on the one hand, the definition of a shared, traceable and replicable methodology that makes it possible – by analysing the data available – to gain insights into studies carried out in the field, define/complete work on plants, undertake support initiatives as required, identify the origin of the In-Out Δ and develop appropriate mitigation actions;
- on the other, the implementation of concrete actions leading to the containment of the In-Out Δ for the specific cases analysed.
- The more complex operational activities already defined continued throughout 2022, 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 got underway to analyse the contents of ARERA Resolution 512/2021/R/gas on the reorganisation of gas metering activities at the entry and exit points of the transport network, such measure implying an impact on the in-out delta.

7.4 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 31 December 2022, about 92% (a figure unchanged compared to the first half of the year, including following the acquisition of ATEM Naples 1 effective 1 December 2022) of the redelivery points with active transport agreements managed by the group, transmit metering data by remote reading.
Regarding the short statute of limitations, it is worth noting the publication of the favourable decision issued by the Lombardy Regional Administrative Court, Milan section, dated 9 April 2022, whereby – following the appeal filed by 2i Rete Gas – a stay was decreed in respect of Article 6.4 of ARERA Resolution 603/2021/R/com, which establishes the distributor's obligations in responding to the sales companies' requests for a two-year statute of limitations in the transitional phase, setting the substantive hearing on 1 December 2022.
Indeed, the Court held that the report filed by ARERA did not express an unambiguous interpretation of the contested resolution and that the article of the resolution in question – in the part in which it obliges distributors to provide information on the "occurrence of documented circumstances hindering acceptance of the end customer's objection of limitation", specifying the "regulatory reference" and providing a "detailed, accurate and exhaustive description of the alleged hindering causes" – requires the provision of information which, on the

one hand, goes beyond the factual findings that can be verified in the discharge of the distribution and metering services, and on the other hand, requires the distributor to make legal evaluations and assessments regarding the existence of causes hindering the statute of limitations, which do not appear to be attributable to the scope of the services assigned to distributors.

By Decision No. 36 dated 2 January 2023, the Lombardy Regional Administrative Court upheld the appeal of 2i Rete Gas.

More specifically, the Court considered the main objections to Resolution No. 603/2021/R/com to be well founded, and established that the:

- Resolution was to be considered unlawful, inasmuch as ARERA changed the general rules governing the statute of limitations and underlying evidentiary mechanisms;
- Resolution was to be considered unlawful, inasmuch as it required the distributor to fulfil requirements unrelated to the metering service;
- Time limits for the discharge of the activities required to be performed by the distributor were unreasonable.

The Court also found that Resolution No. 604/2021/R/com unlawful insofar as ARERA extended single-handedly the application of the provisions of Articles 5 and 6.4 of Annex A to Resolution 569/2018/R/com, as amended by Resolution 603/2021/R/com, to end customers not falling within the scope of Article 2 of such Resolution.

As a result, the Court voided:

(1) Articles 5 ("Distributor's disclosure requirements") and 6.4 of Annex A ("Seven-day time limit for responding to sales instances on the statute of limitations, specifying the reasons preventing the statute of limitations from running");

(2) Article 9 of ARERA Resolution dated 21 December 2021, No. 604/2021/R/COM ("Disclosure requirements lying with the distribution company").

Regarding the performance of the metering service, ARERA's provisions included:

- Setting a deadline for the commissioning of smart meters (within 90 days of installation);
- Preventing smart meters not permanently read remotely from being reclassified as traditional meters, (implicitly) granting a transitional period (until the coming into force of the provisions) within which the distributor can restore the smart meter classification in respect of any smart meters previously reclassified as traditional;
- 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 monthly, the possibility of collecting meter readings in the 3 days following the end of the month, postponing the introduction of the obligation of daily reading in the event of unavailability of actual meter readings, with the distributor estimating readings at the end of the month (or in the following 3 days);
- Voidance of the "exceptions" to the frequency of meter reading under 6 of Resolution 117/2015/R/gas;
- Shorter time frames for meter readings to be fed into the Integrated Information System.

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). A distinction was introduced in terms of annual consumption threshold, entailing:

- Disbursement of compensation in the event of unavailability of meter 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 (as in the electricity sector);
- Granting to each end customer all due compensation, with no annual limit;
- (subsequent) reassessment of the period after which compensation is accrued, in relation to the performance that will be detected/measured.

With reference to compensation due to UdDs, the introduction of a mechanism to raise performance regarding the reading and provision of metering data in terms of data quality and compliance with time frames was confirmed. In particular ARERA decreed:

- A simplification of the performance indicators initially recommended during the consultation phase;
- The coming into force of the rules relating to "new" compensation only for redelivery points fitted with smart meters of class >= G10 while maintaining the current compensation pursuant to Article 15(5)(c) of the TIVG (Consolidated Act of provisions governing activities connected with the retail sale of natural gas) for redelivery points fitted with smart meters <G10 (for the latter, the application of new compensation in respect of the quality of metering data was postponed to a future measure);
- The introduction of a minimum threshold (in terms of number of redelivery points owned by an UdD on each distribution network) for the application of "new compensation", namely 10 redelivery points;
- That the management of this system must be entrusted to the IIS as of March 2023 (with reference to metering data pertaining to January 2023), scheduling a testing/monitoring period during which
- Compensation will be calculated by distributors (on metering data for the period October 2022 to December 2022).

With regard to costs incurred by distributors for the compensation paid to end customers for failure to read meters, ARERA established partial reimbursement thereof by relying on the existing equalisation system, up to a to-be-expected level of remote reading 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, namely the lesser between compensation actually disbursed and compensation corresponding to a cap of 50% of the maximum payable amount if no communications have been provided throughout the year, and in any case with the application of an incentive reduction coefficient for recognised costs (0.8);

- 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 according to methods that will later be specified by ARERA).

Finally, following publication of Resolution 555/2022/R/gas, it was clarified that the provisions under Articles 7 and 8 of Resolution 269/2022/R/gas (regarding compensation paid by distributors to sales companies) relating to redelivery points fitted with smart meters having a ≥G10 gauge already applied to data pertaining to October 2022 with reference to the current terms in force whereby metering data are to be made available. On the other hand, Article 63.2 of the RQDG (automatic compensation to be paid to end customers for non-compliance with the specific quality level related to failure to collect metering data by accessible meter) no longer applies to the same redelivery points as of data pertaining to October 2022.

7.5 Commercial development

Commercial development initiatives conducted in 2022 are described in the 2022 Non-Financial Disclosure (NFD).

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

8. Plant construction, environment and safety

8.1 Gas distribution plants

During 2022 a total of approx. 315 km of piping was laid, of which around 130 was medium pressure and 180 low pressure.

In line with past years and with the Company's technological choices, around 98% of the piping laid in the year was in HDPE (high-density polyethylene), a technologically advanced material widely used by major international gas operators, involving lower operating and laying costs compared to traditional coated steel piping.

This material, moreover, based on studies conducted to date, also performs better for the future conveyance of renewable gases such as methane and hydrogen blends. Indeed, steel networks rolled out in 2022 totalled less than 10 km, and chiefly related to short stretches that were part of existing networks already made of steel. These efforts arose from the need to (i) deploy upgrades in order to maintain service levels and broaden our customer base, (ii) meet the concession obligations deriving from agreements with the relevant Entities and (iii) implement rationalisation initiatives in relation to existing plant distribution structures.

The total length of piping managed by 2i Rete Gas at 31 December 2022 was, therefore, over 71,700 km, servicing approx. 2,200 municipalities.

More specifically, the network consists of steel piping (around 76%), HDPE piping (24%), and residual amount (less than 1%) of cast iron pipes.

Further to the acquisition of the company IDG, merged into 2iRG in 2021, the network now also includes approx. 100 km of PVC piping with regard to which – as early as in the previous year and in accordance with ARERA regulations on materials that are no longer allowed by law – a multi-year removal plan has been drawn up. Therefore, during 2022, pipelines no longer meeting technical requirements were replaced in the region of 40 km, resulting in a PVC network size of approximately 60 km at the end of the year.

In addition, assets also include over 1,279 primary substations, which, upstream of the distribution networks that the Group manages, reduce, measure and odorise gas coming from the national transport networks.

The network also hosts over 17,000 secondary reduction groups with a capacity of at least 125 sm3/h used to reduce pressure between the medium- and low-pressure networks, direct supply to large customers and intermediate pressure reductions between medium pressure networks.

During 2022, 3 biomethane production plants were activated and connected to the gas distribution networks of Terranova de' Passerini, Poirino, and Melpignano.

8.2 Network and plant design

During 2022, design endeavours related to ATEM tenders focused on preparing the technical documentation for the Rimini tender (completed and delivered in December).

During the year, in keeping with the work planned by the local units, a number of projects were developed, including:
- 9 projects for full renovation of main regulation and metering systems;
- 32 projects for the rationalisation of existing secondary regulation facilities;
- 25 plant interconnection projects, with the goal of making the operation of the network and of the main regulation and metering facilities more efficient;
- 80 analysis efforts for the implementation of extensions and upgrades to meet new demands.

Projects were also developed to extend the network to new areas not yet reached by gas distribution service or projects aimed at facilities that need technical upgrading.

In addition to the above, emphasis is placed on projects for the potential injection of biomethane into distribution networks by producers in six Municipalities in Piedmont, Lombardy, Veneto and Emilia Romagna.

8.3 Service continuity and safety

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

The main parameters monitored pertained to services showing the distributor's ability to promptly intervene in potentially dangerous situations (emergency interventions, intervention time), or to organise and carry out preventative checks to ensure correct monitoring of safety conditions (percentage of network subject to inspection, level of gas odorisation, percentage of network with cathodic protection).

In compliance with current ARERA regulations, by March 2023 the Group will publish the data on the 2022 technical standards. This activity is performed by retrieving the data that local units entered directly into the IT systems during the year, verifying whether they are correct and consistent as needed.

In general, as was the case in previous years, we can confirm as early as now that the quality of the service provided exceeds the Regulator's requirements, in line with best market practices.

With a view to a constant focus on the safety of plants and end customers, preventive leak search campaigns were launched as part of scheduled inspections on the distribution network, involving about 80% of high and medium pressure piping and over 70% of low pressure piping.

As regards checks on the level of odorisation of the gas distributed, which were carried out in the field in order to provide a complete check on the actual level of odorisation of such gas, data was recorded (more than 17,500 gas chromatography tests) well above the minimum value required by ARERA (around 3,500 tests), a sign of the particular attention paid to service safety.

8.4 Smart meters

The installation of smart meters continued in 2022, while the infrastructure for collecting consumption reading data was entrusted to the Group company established for the purpose of supplying the data transmission service (2i Rete Dati). This is one of the most important activities the Group has been engaging in over the past few years, both in terms of innovative and technological content as well as from an investment perspective. The installation and use of new generation smart meters ensures greater metering accuracy and timeliness, prompt recording of the actual consumption while making corporate processes more effective. The rollout plan for the integrated remote handling of non-payment with remote valve shut-off got underway. Pilot project activity had been temporarily suspended due to the health emergency.
Work continued to standardise the new meter models, analyse the faulty ones, and perform specific tests at the Group's testing laboratory.

The obligations laid down by the Authority were met and exceeded.

In addition to the mass substitution of mass market meters, work continued on improving the efficiency and routine maintenance of installed meters.

A project to develop an innovative meter capable of measuring hydrogen blend and efficient remote connectivity by simultaneously exploiting multiple communication technologies was also launched. One of the main purposes of this innovation is to enhance remote connectivity with network metering points, allowing more data to be collected for analytical and process-related activities.

8.5 Regulatory oversight

During 2022, the 2i Rete Gas Group played an active role in regulatory oversight both at national level, in numerous working groups and committees of the UNI-CIG (Italian Gas Committee), and in Europe (Marcogaz).

8.6 Innovation and research

During 2022, a calculation model was implemented to assess methane emissions to the atmosphere, including based on field-measured data, consistent with participation in the OGMP 2.0 (Oil & gas Methane Partnership 2.0) framework and related reporting requirements to be met by 2023.

As part of the three-year scientific cooperation agreement entered into in the second half of 2020 between the Polytechnic University of Milan and 2i Rete Gas, centring on research into the management, development and exploitation of gas distribution technologies and procedures, with special reference to energy transition, studies continued in 2022, with the involvement of a number of University Departments. More specifically, the activities carried out entailed assessing whether the use of hydrogen-natural gas blends in the pipelines of existing gas distribution networks was compatible. A model for dynamic simulation of distribution networks with features for managing constant green gas inputs and simulating the behaviour of reverse-flow systems was also developed. During 2023, work will continue on issues related to the compatibility, in the medium and long term, between natural gas and hydrogen blends with the current materials of which existing gas distribution facilities are made.

9. Quality, Safety and Environment

9.1 Management of the Integrated Quality, Safety and Environment (QS&E) System

Maintenance of 2i Rete Gas S.p.A. Integrated QS&E System

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

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

During May 2022, activities required for the first annual validation of three-year certificates renewed in 2021 and valid through 3 June 2024 were conducted.
The service contract was awarded to Certiquality S.r.l. (a body accredited by ACCREDIA for certification, inspection and verification activities and for validating Management Systems).
The audits conducted resulted in a full conformity judgement, confirming compliance with IMS/QS&E requirements and the absence of any non-conformities to reference regulatory standards.
Renewed certification refers to the following standards:

- Quality Management, UNI EN ISO 9001:2015;
- Environmental Management, UNI EN ISO 14001:2015;
- Health and Safety Management ISO 45001:2018.

All certifications apply to all facilities and activities where the company operates.
The organisational model implemented to manage Health and Safety meets the requirements for exemption of liability laid down by Article 6 of Legislative Decree 231/2001.
Consistent with the regulations in force, a further supervisory audit will be conducted in 2023 to confirm that the Management Systems are being properly maintained.
To meet the required in-house supervisory requirements, during 2022 the QS&E Function of the Operations Department scheduled inspections (internal audits), the purpose of which was to test/check the management model with reference to the standards expected by the Quality, Safety and Environment management system, and carried out the actions planned to control relevant risks.
Audits were carried out by a team of internal auditors, all qualified as "Auditors for management systems" according to reference regulations, having passed an examination to prove possession of the necessary technical and methodological knowledge.
All scheduled audits were carried out, with the completion of audits at 9 head-office units, 6 departmental units and all 24 local offices. Department functions, with QS&E staff auditors, also monitored 12 secondary local offices;

The 51 audit visits carried out showed that no Serious Non-Compliance situations existed, and that corrective actions required to keep management aligned with the IMS had been appropriately identified and implemented.

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

2i Rete Gas S.r.l. held its own UNI EN ISO 9001:2015 certification, valid through 13 May 2024.
Following the sale of the only concession operated by the company and all related assets on 1 March 2022, it was decided not to proceed with the renewal of such certification upon its expiration.
Then, following the completion of the corporate merger of 2i Rete Gas S.r.l. into 2i Rete Gas S.p.A., effective for statutory and accounting purposes as of 1 January 2023, the certificate was withdrawn and voided.

9.2 Prevention and Protection Service

During 2022, the Risk Assessment Documents (DVR) concerning the Business Units were updated. Updates mainly pertained to Biological Agent Risk Assessment; Legionnaire's disease protocol, Improvement of working conditions in the workplace; Introduction of a new chapter pertaining to Remote Working; Work-related stress assessment. The Risk Assessment Documents of all Business Units, with the exception of UP Centro, were changed as a result of new organisational provisions governing safety responsibilities. For the South-West Business Unit, supporting documentation related to noise risk was updated as a result of the acquisition of ATEM Naples.
The yearly meetings required under Article 35 of Legislative Decree 81/08 referring to activities in 2021 were held in June and July 2022. Safety-related issues based on the events of the year under review were discussed within all Business Units. The following issues were addressed and discussed at the meetings: the trend in injuries and work-related illnesses; review of the Risk Assessment Document; verification of the suitability and effectiveness of protective equipment; assessment of training programmes; analysis of workplace health monitoring.
During the year 2022, the Safe Driving project reached further milestones, with about 1,000 resources being expected to be involved over a three-year period (2021/2023).

9.3 Workplace injuries

With regard to injuries involving blue-collar workers, 2022 saw a decrease compared with the previous year.
Indeed, in the previous year, 8 "minor" accidents occurred (i.e. accidents with initial diagnosis of under 30 days) involving blue-collar workers. In 2022, 6 accidents occurred, all being "minor". One of these occurred while an employee was on duty, travelling in a company vehicle, which was hit by another vehicle that failed to stop at stop sign.
With regard to accidents involving

blue-collar workers, 2 of them were rejected by INAIL [National Institute for Insurance against Accidents at Work) because they were deemed not relevant to the work activity.
The year-end situation showed 4 injuries involving white-collar workers, compared with one accident only occurred in 2021. It should be noted that 2 injuries occurred while employees were working from home (remote working).
With regard to "commuting" accidents, no accidents occurred involving blue-collar workers, as opposed to 3 such accidents occurred in 2021.
During 2022, white-collar workers were involved in 2 commuting accidents. In 2021, 5 such accidents had been occurred. The number of accidents for 2022 as a whole was 5 down on the previous year due to fewer injuries involving blue-collar workers. A total of 12 injuries were recorded during 2022, down on the previous year when a total of 17 injuries were recorded.
In order to achieve 'zero injuries', the QS&E Function, in collaboration with the Head of the Prevention and Protection Service, continued auditing workplace safety at the local facilities as well as at work sites managed by contractors, performing checks while work was underway.
In 2022, health surveillance resumed full operation with the implementation of the Health Protocol by conducting in-person visits. Compared with 2021, inspection visits at workplaces by Designated Physicians resumed full operation. During 2022, aside activities not performed due to staff being on sick leave, the Health Protocol was implemented, including visits at the workplace. Workplace health monitoring involved 563 Middle Managers/White-collar workers and 553 Blue-collar workers.

9.4 Environmental issues

The QS&E Function of the Parent Company's Operations Department constantly monitors material environmental aspects and ensures the Company is aligned with changes in environmental legislation.
With regard to the latter aspect, the QS&E Function published most corporate documents updated, with such activity also continuing in 2022.
The Corporate Environmental Analysis, i.e. the main document for the assessment of corporate environmental impacts, meets the requirements of the new version of UNI EN 14001:2015 and other system documents.
in 2022, efforts continued for the removal of asbestos from buildings as a preventative action, analysing on-site airborne fibres in collaboration with the Head of the Prevention and Protection Service.
Regarding environmental system indicators, the adoption of the sustainability policy related to the new regulatory framework made it possible to review the goals set, such goals being broken down into metrics to monitor regulatory compliance and objectives for continuous improvement.

With reference to compliance with the regulations in force, in 2022 checks were conducted to assess the Organisation's ability to monitor the environmental aspects linked to the management of worksites by contractors (generation of noise and vibrations, handling of land and rocks/waste/spills), the management of waste products by the 2i Rete Gas Group, the management of asbestos in properties in compliance with Italian Law 257/92, as amended, and Regional Regulations, the appropriate management of the authorisation process for water discharges (Italian Legislative Decree 152/06, as amended), and compliance with environmental restrictions applicable in the planning and construction stages.

The environmental parameters set out in the sustainability policy – and introduced as improvement goals – were found to meet expectations in 2022, too.

As to the special non-hazardous and hazardous waste produced by the Company, it managed in accordance with the law, with movements being tracked by completing paper-based loading and unloading logs as well as electronically by using an ad hoc software application.

9.5 Technical and Commercial Quality, communication of commercial quality data to ARERA

In 2022, as in previous periods, test-checks were conducted at local areas to measure technical quality service performance.

To ensure the conduct of the audits planned for 2022, the QS&E/IMS unit introduced a new specific procedure for performing ON-SITE inspections at major plants, maintaining an OFF-SITE solution whereby the range of Areas audited during the year can be expanded conveniently. In the period under review, a total of 13 plants were audited (as opposed to 9 in 2021).

The checks are intended to verify the quality of the documents certifying service safety and continuity (management of the emergency service, management of leaks, management of checks on the level of odorisation of the gas distributed) guaranteed during 2021 and the first half of 2022.

The overall assessment, referring to the selected sample, made it possible to issue a low-risk or no-risk opinion on the operations carried out. The proposed corrective or preventative actions, once implemented by the units concerned, ensured greater confidence on compliance of the audited data, where necessary.

This activity was also geared towards ensuring that any changes to technical standards in force are constantly reflected in the instructions related to operating procedures monitored by ARERA and used as bid documentation during calls for tenders.

As was the case with Safety and Continuity events, the QS&E/IMS unit – working in close collaboration with the colleagues from Operations and Departments – conducted 8 inspections in 2022 to establish compliance of the audits on service commercial quality, which were conducted on samples selected on the basis of the Province's territory. The findings recorded made it possible to certify, with some confidence, a low level of risk related to data non-compliance.

9.6 Coordination of Safety at Worksites

During the course of 2022, coordination by site construction safety key roles continued, as did monitoring activities aimed at ensuring appropriate management of safety aspects related to core and non-core business operations under Article 26 and under Title IV of Legislative Decree No. 81/08. Such tasks were performed on the basis of corporate instructions and procedures which, among other things, set out clear guidelines regarding the approach to safety issues at construction sites run by the 2i Rete Gas Group.
Corporate documents relating to the definition of roles and responsibilities of the staff involved were updated in order to reflect the foregoing provisions.
The "CSE Guidelines" – a document that sets out to provide unambiguous criteria for the management of specific safety aspects and that was first introduced in 2020 – were also amended in view of the implementation of best practices adopted during the course of certain work performed at 2i Rete Gas worksites.
It should be stressed that the aforesaid document is intended to provide practical guidance for Safety Coordinators in the Execution Phase (CSEs) who, in addition to performing the activities relating to statutory obligations as set forth in Legislative Decree 81/08, as amended, may order and enact the same coordination and safety measures for similar situations at all 2i Rete Gas worksites across the country.
As for safety coordination management during the execution of work at worksites, the activities undertaken by internal and external CSEs throughout the Group were monitored.
All CSEs use the same company format for reporting site visits (guaranteeing a uniform approach to carrying out controls), suitably integrated with checkpoints for the management of efforts to curb the Covid-19 virus at worksites, applying the Ministerial Protocol and the 2i Rete Gas construction site anti-contagion Safety Protocol updated to come into line with new regulations.
In 2022, internal and external CSEs produced a total of 6,031 inspection reports (a figure in line with 2021) showing a number of non-conformities that appears to have decreased by about 50% compared to 2021, all of which were remedied as a result of actions implemented by companies at the CSEs' request.
In addition, two coordination meetings with all internal CSEs and six Department CVC (worksite control and inspection) meetings were held in 2022, while a three-day CVC cross-check effort was conducted on the territory, consisting chiefly of worksites checked by the local QS&E/CVC Business Unit with support from internal CSEs, if necessary.

In the second half of the year, a project was presented, having as its main to harmonise conduct based on the rationalisation and monitoring of the activities carried out by operational control staff (ACO), based in part on experience acquired as part of CSE coordination. In connection with the above project, a two-day training session was held on the safety and environmental aspects most impactful at worksites, followed by a further two-day technical training session on welding and gas tapping aspects by bringing together all ACOs at the Department Headquarters in Perugia. In addition, the first CVC meeting with corporate ACOs was held in December.

9.7 Checks on Cilento Reti Gas operations

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

During 2022, a one-day inspection effort was carried out on worksites – during the testing of finished works – through surveys and sample tests; on 3 plants under construction, 8 technical checks and 3 document checks were carried out in total, the results of which generally attested to the compliance of works with technical specifications and quantities accounted for.

With regard to the materials supplied, 2i Rete Gas ensured that checks were performed on the supplies required by the construction partner, such checks consisting of production visits or documentary audits on quality certifications and test outcome declarations. All materials that were test-checked were found to comply with expected standards.

10. Human resources

10.1 Corporate organisation

In 2022, the corporate organisational structure underwent many changes concerning both business and staff functions. Notably, the first half of the year saw the completion of the reorganisation of the Northern Department, which became effective on 1 February 2022, and the new Unit reporting to the Operations Department, Network Digitisation and Transmission Systems, dedicated to innovation initiatives and integration of new technologies with gas distribution assets.
The second half of the year, on the other hand, required specific efforts to define the new organisation for the operation of the gas distribution service in Naples Area 1. Indeed, the HR Department, through the relevant Unit, was involved both in the preliminary phase of the transfer of the facilities and in the definition of the organisational structure that would later take over the local structure dedicated to the operation of the concession. In the preparatory phase, analyses of the previous organisation were conducted to build the future organisational structure in a way that would mitigate the impact on operations and business processes as much as possible. Subsequently, the organisational structure known as Naples Area was built both from an operational perspective – by relying on the support of corporate technical departments – and with regard to the system of powers and responsibilities of the different departments.
With regard to the other processes falling under the Unit's responsibility, attention is drawn to the structuring of the workforce sizing system, which, by taking into consideration the different local characteristics underlying the organisation and business processes, allows a detailed assessment to be made with a view to an effective workforce planning process.
A process for periodically updating information on business processes and professional profiles of personnel was also standardised. It will ensure the constant involvement of all heads of functions while providing a detailed and timely mapping of business activities.
2022 was also the first year in which regulated remote working was relied upon for the entire period, according to the pilot agreement signed the previous year. The Operations Department has therefore provided management with periodic monitoring reports on the progress of work activities to observe the maintenance of production levels, verify compliance with the agreement and help reach a solution upon expiration of the aforementioned agreement. These analyses were also supplemented with reports, related to hours

worked and leaves, which were submitted to the Operations Department and first line managers. This provided a quick tool useful for both monitoring the trend of remote working in different operational areas and for checking the trend of other parameters related to staff on duty and hours worked. Finally, during the last period of the year, a project was launched to analyse the on-call service management system, which will involve the local structures during the coming year.

10.2 Relations with Unions

In the first half of 2022, the transfer of resources allocated to Cinisello Balsamo plants as part of the distribution service concession of ATEM Milan 1 completed successfully, following disclosure with the local trade unions and RSUs (Work Councils) pursuant to Ministerial Decree dated 21 April 2011 (aka Social Clause Decree). On 28 February 2022, the consequent transfer of 15 employees was finalised, with termination of the employment relationship and simultaneous hiring by incoming operator Unareti.
Still on the subject of ATEM tenders, on 1 December 2022 the 238 resources assigned to the facilities of ATEM Naples 1 were hired in accordance with the provisions of Ministerial Decree dated 21 April 2011, while focused meetings and discussions with national and local trade unions got underway as a result of such integration.

In relation to ATEM Udine 2, technical discussions regarding "Staff" got underway following the award of the gas distribution tender to AcegasApsAmga S.p.A. In this regard, preliminary checks were conducted and discussions took place with a view to regulating the (seamless) transfer of 2i Rete Gas staff already assigned to the facilities in compliance with the technical time frames allowing for turnover of operators (outgoing and incoming) and with the provisions of the Ministerial Decree dated 21 April 2011.

The goal of promoting fruitful and meaningful industrial relations at all levels and with account being taken of each role was confirmed and strengthened. To this end, engagement from social partners will be sought. In this regard, consistent with the provisions of the Industrial Relations Protocol, the CEO's first plenary meeting was held with company trade unions and the national and local trade union offices who are signatories to the aforesaid protocol. During this meeting, the sector outlook was illustrated with a specific focus on the role and mission of 2i Rete Gas.

With regard to agreements with trade unions, agreements were reached on the reorganisation of offices and remote working. The regulation for the latter was transposed into individual agreements, signed by eligible workers, effective as of 1 April 2022, in conjunction with the end of the pandemic state of emergency.

The final results relating to indicators for the 2021 performance bonus were reflected in a report signed by the parties concerned. The employees were

given the opportunity to elect to convert the monetary component into benefits/services using a new and innovative company application. With specific reference to the family, health, assistance and wellness area, the possibility of accessing Welfare Services through a Performance Bonus mixed credit was offered again.
In addition, the agreement on the Performance Bonus limited to the year 2022 was signed. While confirming some of the previous technical indicators, it also contemplated converting 100% of the total amount of the bonus into welfare services or allocating it to supplementary industry pension funds, setting out an additional welfare credit to the maximum extent of 15%.

In 2022, 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, and Selvazzano Dentro, during the December long weekend (7 ,8 and 9 December) and the two central weeks of August.

With a view to reinforcing corporate sustainability policies, additional welfare measures were adopted, including entering into an agreement with trade unions for a "petrol bonus" to be granted in 2022 in the amount of € 200, together with the introduction of two more flexible and extended "2together" "Family and Health" welfare packages.

Consistent with the provisions of the renewal of the Gas and Water Collective Bargaining Agreement, as well as in implementation of the procedure governing remote working on an experimental basis, action was taken to monitor reliance on remote working. To this end, a bilateral and mixed-composition Committee (company representatives and union representatives chosen from within the Work Council) was established. The Committee met during the year with the aim of monitoring the application of remote working company-wide.

Through periodic information and discussion, during the year actions were repeated and undertaken with a view to making effective all the measures adopted by the Company to contain the spread of COVID-19. Moreover, the Company Guidelines shared also within the local and Headquarters Committees having a mixed composition, i.e. corporate (Employer, Head of Prevention and Protection Function, Human Resources) and unions (Safety Representatives/Work Council). Guidance under the Protocol for updating measures to limit the spread of the SARS-CoV-2/COVID-19 virus in the workplace, signed on 30 June 2022, was also implemented, replacing the previous Protocol dated 6 April 2021.

As part of the elections of delegates representing companies in the Fondenergia General Meeting, participation of 2i Rete Gas was confirmed, putting forth its representative among the 20 national delegates.

At the collective bargaining level, in the second half of 2022 trade unions Filctem-CGIL Femca-CISL and UILTEC-UIL announced the lifting of the reservation regarding the possible renewal of the 2022-2024 Gas and Water Collective Labour Agreement, which was signed on 30 September and became effective on that date.

At the close of the year, implementing the recommendations arising from the last renewal of the Gas and Water Collective Labour Agreement and the company agreement, a virtual union bulletin board was implemented on the intranet as an additional tool to facilitate communication for union representatives, including remotely.

On the subject of equal opportunity, the report on the situation of male and female personnel referring to the 2020-2021 two-year period was presented through the ClicLavoro portal. The report was also sent to union representatives (internal Work Councils).

10.3 Recruitment

At 31 December 2022, the Group had 2,222 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 selection plan. In the first half of 2022, it resulted in 344 new hires, 105 of whom were recruited through new external selection schemes, 238 came from the acquisition of ATEM Naples 1, and 1 was hired upon completion of an internship period.
The hiring process pertained to white-collar as well as blue-collar staff profiles and was designed to meet the need to replace resources that had left the company, primarily for retirement reasons. It was also necessary to fill positions that had become vacant as a result of employees leaving the company or internal transfers following job posting or job rotation. The new hires were also partly intended to address staffing requirements.
Of the 105 new hires coming from external selection, 38 were recruited on fixed-term contracts, while the other 67 on permanent contracts.
Of these 105, 82 out of 36 white-collar hires were female staff.
With regard to in-house job posting, a 50-position recruitment process was activated. A total of 38 applications were received. The selection process resulted in 6 vacancies being filled.

10.4 Training and development

On the training front, a number of training efforts were designed in 2022, focusing both on management and specialist skills (including IT skills), as well as on technical and safety matters.

The most relevant management and specialist courses delivered included:
- Project Management, following on from 2020 and 2021, with basic and advanced courses designed to support participants in dealing with projects of different economic and time scale.

- Problem Solving & Time Management, which in the year under review was delivered to about 35 participants. Its aim was to improve self-organisation – proposing methods that help define priorities – and the ability to make decisions consistent with the skills demanded of the position held.
- Team Working delivered to 35 colleagues. Its aim was to develop the skills for managing and dealing with conflicts and encourage teamwork through various meetings that included face-to-face training and experiential role play sessions.
- Specialist courses for HR staff, including focused training on labour costs for Staff Administration colleagues and, with a view to continuous development, a course on company conflict and labour relation management, intended for local HR officers.
- Future It Leaders master's course, designed to develop managerial skills for middle managers in the IT department.
- Remote working, designed to provide managers with the appropriate tools to deal with and manage remote working and learn the key concepts to be transferred to their workers/collaborators, including by illustrating best practices.
- The support of all department managers made it possible to resume the course "Getting to know our company and our business", designed for all workers hired over the previous two years. Participants were recruited at an unusual time, as the Covid-19 pandemic affected their ability to get to know the Company as part of a natural process. The course was thus very useful for gaining an in-depth picture of the activities performed by different corporate functions.
- "Tax offences and updates to the Compliance Programme pursuant to Legislative Decree 231", a course given by the heads of the Legal and Administration Departments.

As for technical and operational training, a whole range of significant initiatives were launched and delivered. Most notably:

- Following developments in local IT systems and digitisation processes (electronic STI, Tablet-based cartography, as part of POM, Planning Forecast) in the first half of the year training was delivered to all local areas, involving a total of about 700 area and department technicians.
- First Response and Leakage training continued to be delivered to operators and area technicians, involving about 350 colleagues, including external staff (350 employees) belonging to contractors working on our plants.
- As in previous years and with a constant focus on the quality of the service provided, training was delivered on User Management and Plant Maintenance and Operation, involving about 120 colleagues.
- With a view to gaining a complete picture of work assigned to companies, including from a financial perspective, basic training was delivered on Technical Specifications and Fee Schedule, involving about 180 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 personnel in charge of distribution plant surveillance to allow them to continue to meet the knowledge, skill and expertise requirements. The training was delivered to about 230 qualified technicians and workers.
In partnership with QS&E and the Prevention and Protection Function, a number of training courses were organised and delivered concerning safety at work, including:

- Safe driving: Theory and on-the-road DriveCheck organised in co-operation with ASC - GuidaSicura Quattroruote aimed at gaining insight into safety issues in perceptive, defensive and eco driving.
- With a view to ensuring a better management of vehicle traffic and safety in worksites, basic and refresher courses were organised on road signs, involving about 260 department and area workers. With regard to safety at work, training was delivered to 5 workers in their capacity as occupational health and safety trainers.
- In compliance with the five-year expiry of qualification, a refresher course was delivered to 5 resources acting as CSEs (Safety Coordinators in the Execution Phase), while another colleague was trained to perform this task.

Corporate climate

In 2022, remote working was introduced as a structural, and yet experimental, life balance policy, without prejudice however to the great significance of in-presence relations and work performed on-site as well as 'back to normal'.

Following the experimental introduction of remote working, the rules governing the use of corporate communication tools were revisited with a focus on the Teams tool and the organisation of meetings. A Guide to Remote Working was released on the one hand to ensure compliance with some directions given by the government and regulatory provisions and, on the other hand, to provide an overview of and insights into the application rules and procedures set out in the current Agreement. The above Guide provides useful instructions and guidance on how to (i) organise appropriate spaces/tools to perform work under the best and safest conditions; (ii) plan and organise work when working from home; (iii) formalise and properly address communications; (iv) interact and collaborate fruitfully with colleagues and supervisors; (v) participate in calls/meetings effectively; and, last but not least, (vi) take care of oneself.

With a view to continuing company-wide knowledge-sharing efforts, 2022 saw the implementation of a number of training endeavours developed with the support of staff and business managers to drive generational transformation and diversity smoothly.

In this connection, it should be noted that several generations with different professional seniorities and experience coexist within the Group. Focus on the needs and expectations that such generations express is one of the mainstays of 2i Rete Gas' strategy in terms of providing on-boarding paths, engagement actions, targeted training and inclusiveness.

A number of senior individuals were identified within the company's staff based on their experience and expertise. Their background was deemed suitable for creating an internal pool of qualified teachers for certain processes and tools, with a view to providing support to less experienced and in any case junior employees.

With a view to increasingly developing and applying the principle of internal migration of skills and launching new initiatives for knowledge sharing and staff engagement, working groups were established, some processes were streamlined and specific professional networks were created.

With reference to the meaningful initiative launched in October 2021, when a survey was administered on corporate climate and assessment of work-related stress, its findings were disclosed in 2022. As a result of employee input, an action plan was defined with the aim allowing work activities to be performed in an even smoother and more sustainable fashion, while preserving health and safety. These findings were shared through ad hoc local meetings, while the entire corporate population is expected to be reached in the first quarter of 2023.

The 2022 Welfare Plan was expanded and renewed with the aim of offering employees even more concrete and extended benefits, also through agreements with a number of organisations and facilities (wellness, medical centres, etc.) in order to increasingly ensure greater coverage all over the country.

In order to promote greater credit flexibility, in the year under review two packages were defined, called "2insieme a Te", with 2 types of services and credit that can be combined, related to health, wellness and family. The novelty introduced in 2022 is that these packages extend coverage to the employee's family members, so as to ensure a greater potential spending range.
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, with the possibility therefore of deferring certain expenses linked to child education, family assistance services and medical expenses. Finally, the telemedicine service continued to operate.

10.5 Staff administration

Remote working - Application of Company Agreement

The company agreement dated 27 January 2022 requires that thorough information is provided to staff regarding the implementation of remote working. This was done by sending preliminary information notes to each employee.

1. Agreement disclosure.
2. Mapping of staff joining the agreement.
3. Individual notification of the choice made by each employee.

Following this initial information phase, the agreement was fed into the IT systems, triggering automated functions intended for both employees and their supervisors.

Notably, a new "Remote Working Group" function was developed. Based on the employee's Business Unit, it automatically updates the method whereby remote working is used, assigns the maximum amount of remote working hours that can be used, and ensures that the relevant agreement is applied to the employee as appropriate.

Document dematerialisation

During financial year 2022, in order to further consolidate the objectives of environmental sustainability and the reduction of paper-based archives, online digital archives pertaining to additional activities managed by Staff Administration were expanded.

Digital archiving was extended to the time and attendance management of all staff.

In addition, online consultation of monthly pay slips and the wage and tax return was extended to operational staff. This resulted in reduced postal costs, elimination of delivery disruptions, and timely notification of the processed documents.

Gas Fund extraordinary contribution

In July 2022, the National Social Security Institute (INPS), through certified email (PEC) communications, notified the final calculations of the extraordinary social security contribution and payment requests.

In accordance with Law Decree 78/2015, the amounts were due by way of extraordinary contribution to cover charges related to supplementary pension benefits for the years 2015 to 2020 following cancellation of the Gas Fund.

The Company paid the extraordinary contribution within the required time limit.

Gas distribution concession ATEM Naples 1

As 238 employees joined the workforce as of 1 December, some critical issues had to be dealt with due to the annual time frame of the takeover, the number of employees, and data processing turnaround time.

Administrative data analysis, communications to job centres, preparation of company computer systems for data migration, interviews targeted at complex individual cases, in-person training of new staff in the use of SAP HR applications, and other related tasks were carried out in an extremely short time frame.

The administrative on-boarding for ATEM Naples 1 staff was completed successfully, with payroll printouts and related flows being finalised on 15 December 2022.

11. IT systems

The project for system integration of the plants, network and supplies of ATEM Naples 1, which has been operating directly on 2i Rete Gas information system since December, required significant efforts in 2022. A comprehensive and complex work plan was deployed in the second half of the year for the upgrading of the information system and the import of maps, assets, meters and all the information needed to start the business processes and operation and maintenance, as well as the emergency response process. As part of this integration project, a new platform was also implemented for collecting, processing and uploading to 2i Rete Gas systems data on the plants to be acquired. This will make it possible to rely on an even more flexible and efficient data import process in the future.

The information system transformation programme started in 2021 continued. In this connection, three main initiatives were developed in relation to the (i) renewal of the commercial front-office system for handling requests from Sales Companies, (ii) upgrading of the billing system for the transport service with the adoption of SAP HANA in-memory database platform, and (iii) implementation of the new Internet Of Things (IoT) platform for the management of field peripherals and sensors installed to support network digitisation. As a result, feasibility and project setup studies were carried out to implement the technology upgrading of the billing solution, enabling efficiency in the billing processes of transport services, and to assess the evolution of the IT Operations infrastructure.

The project for the evolution of the Commercial Front Office (SINAPSI, formerly the FOUR Gas portal) required adjustments to be made to the implementation plan. During the year, design and implementation activities relating to the main regulated commercial processes neared completion, so that in the first half of 2023 testing may be carried out and the first batch of supplies may get underway. The current system is expected to be replaced by the end of 2023. As part of the SINAPSI project, the solution for billing services and commercial services was also redesigned through a modular solution that integrates the new portal with SAP R/3 modules.

The Iot platform implementation project was launched, adopting new paradigms for the integration and management of sensors and equipment installed in plants, enabling a more efficient interaction with the systems underpinning operational maintenance and running processes. This allowed Advanced Analytics solutions to be adopted to evaluate and prioritise field interventions. The project consists of several phases, the first of which led to

the launch of the platform for the integration and management of the first group of units and stations, with the deployment of peripherals being expected to be completed during the first half of 2023.
The project for the technology upgrading of the current solution saw the completion of the setup and analysis phase ahead of the (i) upgrading and testing cycles due to be run on the solution starting in the first quarter of 2023, and (ii) definition of the historical data storage criteria.
In 2022, the upgrade of the technology platform implementing the solution for handling gas fault reporting service call management was completed.
The initiatives defined under the Sustainability Plan continued to be implemented. A data analysis effort was completed to support the evaluation and assessment of fugitive emissions, supplementing the information deriving from the leak search systems with asset management systems, enabling a more efficient localisation of leaks in systems for the purposes of subsequent evaluations. Having completed the scouting phase, work for the implementation of a solution allowing the worksite situation to be shared with local authorities and citizens for maintenance and extension works to be performed on the city network. Finally, with the support of Advanced Analytics technologies, a study was first conducted and then some algorithms for predicting calls to the Gas Emergency Service were implemented.
In the light of the growing risk of cyber attacks, during the year significant efforts were made and resources were allocated to initiatives under the Cyber Security programme, which was launched in late 2020 and will continue through 2023.
More specifically, the enhancement of Vulnerability Assessment & Penetration Test activities – performed on the whole Group, in central & network systems and in the IoT area – was completed.
In order to increase group-wide awareness regarding cyber attack risks, a number of social engineering initiatives were undertaken to guard against “Phishing” attacks more effectively. Training sessions were delivered and features were implemented to support interception of attacks and to protect access in the event of credential theft.
The device and server protection solution covering personal mobile devices and distributed cloud services was enhanced.
The group-wide extension of the Data Loss Prevention solution integrated with Office Automation was completed, enabling all sensitive business information of 2i Rete Gas covering all business processes to be fully classified.
In 2022, significant efforts were also made in the area of regulatory compliance, in light of the changes brought about by standardisation and regulation, with special emphasis on compliance in the area of quality of service.
With regard to Electronic Meters, activities focused on ensuring the supervision, monitoring as well as efficiency of processes related to remote reading and remote management of electronic meters, including both residential and industrial meters. Special emphasis

was placed on the recovery of historical meter readings, completing initiatives for the optimisation of communication with SAC (the central acquisition system) in order to minimise consumption of modem batteries.
The budget planning and management system and the technical forecasting of works were revised, with the aim of improving and making efficient both work schedules and the monitoring of progress of planned and ongoing activities. This also makes it possible to support the automation of some of the management processes of network inspections carried out under a contract service and supporting of works management, extending the adoption of a graphical works summary report by contractors
Finally, the management processes of an ever-increasing number of IT assets were reviewed, with the implementation of a platform ensuring integrated and efficient management of the entire procurement, activation and deactivation process of 2i Rete Gas distributed and centralised IT assets.

12. Research and development

Research and development activities were carried out mainly in the IT field and on the smart metering management system.
During the year, a new algorithm was implemented for validating consumption in order to automate remote reading procedures and predict meter malfunctions.
On the innovation side, new digital solutions and new algorithmic features were introduced to support reporting activities of field operations.
Research continued on solutions for meter battery optimisation and for the deployment, including on “business” meters, of NB-IoT (NarrowBand Internet of Things) technology, an innovative point-to-point smart meter communication technology, replacing GPRS.

In the area of digitisation, development efforts got underway regarding the 2i-IoT platform for the centralised collection of remote control and remote alarm data from the distribution network, the aim being to increasing security levels through digitised process monitoring and streamline field operations regarding network operation.

Still in the area of digitisation, yet another project got underway to develop an innovative meter capable of measuring hydrogen blend and improve remote connectivity by simultaneously exploiting two communication technologies, i.e. the RF WM-Bus 169 MHz technology and the NB-IoT technology.

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

13. Risk management

This section concerning Enterprise Risk Management describes the main operational risks involved in the sector in which the Group operates. Regarding liquidity, credit and market risks, reference should be made to the relevant section in the notes to the financial statements and consolidated financial statements.

13.1 Operational risks

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

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

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

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

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

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

13.2 Risks linked to changes in the legal and regulatory context

The Group might be exposed to risks related to changes in the tariffs for

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

13.3 Risks pertaining to gas distribution service tenders

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

13.4 Risks deriving from any likely reduction in natural gas consumption

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

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

13.5 Environmental and safety risks

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

As part of its operations, the Group uses potentially hazardous products and 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.

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

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

13.6 Risks pertaining to energy transition

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

In this regard, the Group is working on transforming its networks into digital infrastructures to allow, where possible, gases other than natural gas to be distributed, such as hydrogen and biomethane, and contribute to the development of power-to-gas so as to produce gas that can be used in existing networks by relying on renewable energy transformation and storage systems and developing energy efficiency projects.

13.7 Risks related to climate change

In defining climate-related risks and opportunities, the Group began by identifying the time horizons on which to base its analyses regarding impacts due to climate change, which were identified as "Short-term" (0 to 5 years), "Medium-term" (between 5 and 10 years) and "Long-term" (between 10 and 20 years).

With regard to the short/medium-term time horizon, the events that were identified refer mainly to the intensification and propagation, across new geographical areas, of hydrogeological instability (chronic risk) and an increase in acute meteorological events, such as rainfall of exceptional magnitude (aka "water bombs"). If, on the other hand, we consider longer, medium- to long-term time frames, the major risks refer to rising average temperatures with consequent impact on energy consumption (chronic risk) and changes to policies and regulations in relation to the transport and distribution of climate-changing energy carriers (transition risk).

In an effort to mitigate the impact of such events on the company's business, 2i Rete Gas has implemented a constant monitoring of hydrogeological instability and large-scale meteorological events. At the same time, it is conducting an in-depth assessment to intensify energy supply both in terms of replacement of climate-changing energy carriers and of green energy distribution (mixtures of CH_4 and hydrogen, feeding biogas or synthetic gas into networks).

13.8 Risks related to the supply chain

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

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

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

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

This section of the Directors' Report describes the main features of the Group's Corporate Governance, thus discharging the specific disclosure obligations under Article 123 bis of Italian Legislative Decree 58/1998 – Consolidated Law on Finance (known as TUF, *Testo Unico della Finanza*) (Report on corporate governance and shareholding structure) regarding the information required under paragraph 2, letter b).

14.1 Background

The Internal Control System, in its broadest sense, adopted by the Group is defined as a process undertaken by the Board of Directors, Executives and other individuals who are part of the corporate structure. Its purpose is to provide a reasonable assurance as to the achievement of all the corporate objectives, whether strategic or operational in nature or related to compliance with legislation/regulations.
Specifically, the Internal Control System aims to provide reasonable assurance that the Company:

- Complies with the laws, regulations and internal procedures;
- Protects the Company's assets;
- Provides reliable accounting and management-related information;
- Applies criteria of efficiency and effectiveness in the conduct of its business.

The Internal Control System, in relation to the financial disclosure process, aims to identify and assess the actions or events the occurrence or non-occurrence of which may jeopardise, in full or in part, the achievement of the objectives of reliability, accuracy and timeliness of the above-mentioned disclosure.

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

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

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

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

The Board of Statutory Auditors

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

(a) Financial disclosure process;

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

(c) Auditing of the annual accounts and consolidated accounts;

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

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

The Compliance Programme is structured as follows:

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

ii. Special Sections: They are broken down depending on the categories of the predicate offences considered therein. Specifically, the breakdown of each Special Section is as follows: description of the purposes of the Special

Section, identification of the types of relevant offence, list of the potentially sensitive processes connected to the specific types of offence, general principles of conduct and implementation, specific procedural principles, powers of the Supervisory Board and flows from the heads/contact persons to the Supervisory Board. With special reference to the "information flows" to the Supervisory Board – which are necessary for the latter to carry out control and advisory activities, while ensuring full traceability of the analyses conducted on the relevant aspects, the above-mentioned Compliance Programme sets out the:

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

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

- Ms Daniela Mainini, Chairwoman;
- Ms Giovanna Conca and
- Ms Maria Cristina Fortunati, Head of the Legal and Corporate Affairs Function, reporting to the General Affairs Department of the Company.

The Supervisory Board's duties or tasks include:

- Overseeing the operation of and compliance with the Compliance Programme adopted;
- Checking the actual suitability and adequacy of the Compliance Programme adopted, in other words its ability to prevent offences constituting administrative liability arising out of an offence committed by a legal entity pursuant to Italian Legislative Decree 231/2001 from being committed;
- Monitoring the effective implementation of the Compliance Programme pursuant to Article 7(4)(a) of Legislative Decree 231/2001, i.e. ensuring that such Programme constantly reflects the corporate and organisational structure and the core business of the company;
- Providing advice with a view to amending the Compliance Programme and the Code of Ethics adopted, so as to reflect regulatory changes or new company needs;
- Collecting, reviewing and retaining all the information flows received or sent. In this regard, the Supervisory Board reviews the reports sent every four months by the heads/contact persons as under the Compliance Programme, including the central Administration, Finance and Control Function.

Independent Auditors

On 29 April 2015, the Shareholders' Meeting of 2i Rete Gas S.p.A. appointed

PricewaterhouseCoopers S.p.A. as its Independent Auditors for the period 2015-2023.
As set forth in Article 11 of Regulation (EU) 537/2014, the Independent Auditors will submit to the Board of Statutory Auditors, in the latter's capacity as "internal Control and Auditing Committee", a report on key issues arisen during the audit and, in particular, on any significant shortcomings found in the Internal Control System with reference to the financial disclosure process.

Internal Audit

By decision dated 1 January 2015, the Board of Directors entrusted COGITEK S.r.l. with Internal Audit, Compliance and Risk Analysis tasks, coordinated by Mr Pierantonio Piana, acting as Head of the Internal Audit Function.

The Head of the Internal Audit Function reports to the Board of Directors and, through it, to the Chief Executive Officer (hereafter "Senior Management"), and therefore acts independently of the heads of operational areas, including Administration and Finance. He also has direct access to all the information needed to discharge his duties, as specified in the "Terms of Reference".
In 2016, the Group started insourcing the Internal Audit Function by hiring two professionals that operate under the supervision of Mr Piana.

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

In other words, by focusing on issues that are particularly significant for the business and group-wide compliance, the Internal Audit Function helps to (i) raise the organisation's awareness and perception of the business risks that the company may face in the conduct of its business, and (ii) urge and empower the various local and dotted-line managers to draft suitable prevention and corrective action plans to avert such risks.

The Internal Audit Function drafts a summary report each year to inform the Board of Directors, at the time the annual financial statements are approved, about the activities carried out, results achieved and audit strategies included in the subsequent three-year Audit Plan.

On that occasion, it also submits an annual assessment of the reliability of the company's control system to the Board of Directors and the corporate control bodies, in accordance with the criteria of the "Integrated" Co.SO.

Detailed results of risk analysis and audits conducted are systematically reported to senior management and to the functions being audited so that any existing or potential weaknesses of the Internal Control System can be duly remedied with appropriate preventive/corrective measures.

Responsibilities and time frames are assigned for these measures, which are suitably monitored until they are fully implemented, under the supervision of senior management.

The three-year Audit Plan – approved annually by the Board of Directors, after consultations with senior management – is drawn on an annual rolling basis, following a structured and organic risk analysis whose method is based on international best practices known as ERM (Enterprise Risk Management) and CRSA (Control Risk Self Assessment).

This analysis enables the Internal Audit Function to define the most appropriate areas and level of analysis to carry out "third line of defence" controls (set out in the Audit Plan, namely process, compliance and follow-up audits), and to plan and make the best use of allocated resources.
Other qualifying aspects of the 2023-2025 three-year Audit Plan and the audit strategy are shown below:

- Ensuring intense audit coverage" whereby, with reference to the period 2014-2024, auditing activity will cover several times all processes and all local areas in which the company operates;
- Preparing the annual risk analysis, setting out the related methodological rules (according to the ERM - Enterprise Risk Management and Control Risk Self Assessment international best practices) and checking the adequacy of the assessments made on business risks and risks relating to compliance with legislation and regulatory provisions;
- Continuing to rely heavily on follow-ups on key business processes, establishing the effectiveness of any improvement made to the Internal Control System as a result of preventive/corrective action plans implemented following Risk Analysis and previous audit activities;
- Conducting merit assessments on process controls by leveraging the increasingly stronger support provided by the continuous audit methodology introduced by the Internal Audit Function. This methodology, which goes beyond typical audits performed on a test basis, was carried out by analysing the entire company database – with an appropriate “focus” on the indicators defined as Red Flags and pertaining to the main business processes – to highlight, based on the desired frequency (monthly, quarterly, semi-annually, annually), “all” situations requiring attention, analysis and further looking into that emerged;
- Developing and disseminating, on a gradual basis, the above methodological and IT approach to the Corporate Functions – again in accordance with international best practices known, in this case, as “continuous monitoring” – with a view to improving and making more effective and responsive its self-control system;

- Monitoring the complete and effective implementation of preventive or corrective action plans required as a result of audits performed in previous years, the deployment of which was entrusted to the various functions and local areas.

CFO and Administration, Finance and Control Function

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

In the discharge of his/her duties the CFO:

- Interacts with the Independent Auditors and with the Internal Audit Function;
- Relies on the support of the Heads of Function involved who, to the extent as lying within their province, will ensure that the information flows to the CFO for the purposes of preparing the financial disclosure are thorough and reliable;
- Coordinates activities performed by the Administrative Heads of relevant subsidiaries, who are responsible for the implementation, within their own company, together with the empowered bodies, of an adequate accounting control system to oversee administrative and accounting processes and assess their effectiveness over time, submitting the results to the parent company through an internal certification process.

Other corporate Functions involved

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

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

When it established its own Internal Control System, the Parent Company followed guidance provided in this regard in the relevant laws and regulations, including the Italian Civil Code, Legislative Decree No. 58 of 24 February 1998 (Consolidated Act on Finance), more specifically Articles 123-bis(2)(B), 184 and 185, the Market Abuse (Directive 2003/6/EC) Regulations 2005 and the Transparency (Directive 2004/109/EC) Regulations 2007 issued by the Central Bank of Ireland, Legislative Decree 231/2001 (Compliance Programme under Legislative Decree 231/01, as amended in 2020), Legislative Decree 39/2010, and the applicable IAS/IFRS accounting standards. As a result, the relevant description of the above system is provided below based on the new Co.SO Framework, which – in terms of international best practices – is part and parcel of ERM - Enterprise Risk Management.

The control mechanisms in the "integrated" Co.SO have indeed been permeated with the risk management inherent in all stages of the corporate governance system, i.e. from strategy to operations and business performance.

This framework consists of the core elements of an effective control system:

- Governance and culture – The core elements of effective Enterprise Risk Management. Notably, Governance – which defines "management style" and ensures corporate governance balance by defining units, responsibilities and supervisory systems – provides assurance for stakeholders on corporate affairs. The culture of risk is viewed as the mainstay underpinning ethical values, integrity, transparency and accountability of conduct by company employees and colleagues at all organisational levels of the corporate structure.

  With a view to "continuous improvement" as promoted by top management and corporate functions, and based on risk analyses carried out annually, guidelines, company procedures, key operational and IT control processes, etc. continued to be updated and drafted. The paramount purpose of

this effort is to build a "suitable control environment" and a well-defined and increasingly target-oriented decision-making and behavioural framework for top management and all employees.
As usual, the aforementioned documentation was published on the corporate intranet, where it can be accessed by everyone working within the Company to gain insights into aspects that may help support their work and make it compatible with corporate values and the principles of "sound governance".
Third parties have gradually become more involved in this updating process. This includes suppliers and other firms, which have been subjected to an increasingly more demanding "qualification" process and increasingly stringent controls on transparent and fair conduct, with ethical assessments and quality performance reviews (e.g. vendor rating) playing a role in this regard.
To obtain good ratings in this sphere, suppliers are required to comply with the Company's ethical principles by incorporating appropriate clauses in the agreements entered into with the Company. Suppliers are also allowed to access, via the Internet, conduct guidelines provided by the Company (e.g. the aforesaid Compliance Programme under Legislative Decree 231/2001 – General Section).
To improve the structure of top-down controls and the self-monitoring of workers, the HR Department has implemented organisational analysis activities to avoid the possibility of material differences between the structure described in company documents and the actual operational organisation.

- Strategy and goal-setting – This aspect focuses on the use of Risk Analysis from a management and operational perspective which, as mentioned earlier, is becoming part and parcel of all company activities. Over time, this will enable each level of the organisation to be aware of the inherent risks of the tasks being carried out, from strategic planning to functional and local operations.
  The four types of risk considered in Risk Analysis (strategic, operational, reporting and legislative/regulatory compliance) provide a wealth of information about analysis of the corporate environment, the definition of risk propensity, the appraisal of alternative strategies and setting of business goals.
  Risk Analysis is an activity promoted, developed and run by the Internal Audit Function under the guidance of top management and the Board of Directors (with approval of Audit Plan 2021-2023). It sets out to identify, assess and manage strategic, operational, financial/reporting risks and legislative/regulatory non-compliance

risks that the Company may face in the conduct of its business.
This activity also includes a critical assessment of the "company defence" system (controls) in relation to the aforementioned risks.
This will allow all company units to become aware, based on a structured and holistic approach, of (i) the aforementioned potential threats and related weaknesses in the defence systems in place, and (ii) the need to implement the most appropriate preventive/corrective action plans designed to remedy any potential criticalities identified, according to strict action prioritisation criteria and accurate accountability and scheduling thereof.
The Risk Analysis process is carried out each year by the Company through yearly updates that reflect organisational, regulatory and legislative and/or business changes characterising each year and other or further risk conditions that may emerge in the period.
As far as assessment-related aspects are concerned, subject to an update of the mapping of all business processes to the extent as necessary, the various company managers (top management and process owners) relied on risk self-assessment, while the assessment of controls designed to counter such risks was carried out by the Internal Audit Function itself (on the basis of information gathered and insights gradually gained following the audits conducted up to that point).
Risks were assessed in terms of "severity and probability", while controls were examined on the basis of their "adequacy and activation". All the assessments made by the various parties were supported by specific metrics prepared for this purpose.
Updated assessments of the aforementioned risks and related controls resulted in they being "plotted" in ad hoc diagrams represented by the "theoretical risk profile" (risk appetite) and "control profile". These profiles – in agreement with top management – were divided into acceptable ("tolerance of risks and reliability of controls") and unacceptable ("unacceptable risks and inadequate controls") areas.
The comparison between potential risks and related controls highlights "residual risks", in other words the unacceptable risks that have not been adequately managed by the controls and that may have an impact, to a different extent, on various corporate objectives.
In addition to triggering a remediation plan process with prioritised actions, risk analysis findings allow audits to be identified and scheduled over the next three-year period.
As was the case in the previous period, also in 2022 the method was applied across the head office departments and local areas and enabled – as usual – a broad analysis to be conducted on potential risks and the related controls under way. This analysis showed that only a small percentage of the risks proved not

to be adequately managed and therefore required implementation of preventative/corrective plans, which had however already been completed or were well underway.
In conclusion, the risks that proved not to be adequately managed did not point to critical situations deemed to be important and/or significantly and completely out of control, since the Company is keeping watch over all possible situations that might cause it to face difficulties, taking appropriate organisational, IT security-related, regulatory and other measures on an ongoing basis.

- Performance: Having the organisation developed its strategy and objectives in line with the desired risk profile, this aspect focuses on the principles of identifying and assessing risks that could affect the ability to achieve objectives and related expected performance. During this phase, a holistic vision has been developed regarding the likelihood of threats actually happening and of the reach of such threats, with a view to deciding whether and to what extent they might have a bearing on performance and results.
Using the results of Risk Analysis, as well as relying on control activities normally carried out by all organisations involved, integrated control activities are developed by operational and local departments (first-defence controls), the Quality, Safety and Environment Function, Administration and Management Control Function, HR Function, Operations Department and other Headquarters Functions (second-defence controls) and the Internal Audit Function (third-defence controls, in agreement with the Board of Statutory Auditors, the Supervisory Board under Italian Legislative Decree 231.01 and the independent auditor).
The guiding principles underlying the aforementioned controls, which are carried out, as noted earlier, by relying on increasingly broad and structured rules organised and adequately codified by procedures, pertain to the separation of duties and roles, the authorisation system for all accounting and management operations, their tracking through appropriate documentation and recording, choice objectification, physical control over tangible and intangible assets, as well as over accounting records and underlying transactions, and any other matter else falling under the control of the Internal Audit Function.
Company support tools enabling the aforesaid control tasks to be carried out efficiently include the:

- Management Procedures, Operational Procedures, Operational Instructions and Technical Specifications;
- Quality Manual;
- Accounting and Administrative Control System, through IT procedures on SAP;

- Group's accounting manual and chart of accounts – A document that seeks to promote the development and implementation of standard accounting criteria within the Group as regards the recognition, classification and measurement of operations;
- Operational instructions for financial statements and reporting and year-end timetables – Documents that seek to inform the various Functions of the detailed operating methods to manage the preparation of the financial statements within the established and agreed deadlines;
- Administrative and accounting procedures – Documents that establish the responsibilities and control rules to be followed, with special reference to administrative and accounting processes;
- Three-year Audit Plan and audit manuals;
- Continuous auditing and continuous monitoring processes – These tools are promoted by the Internal Audit Function and help improve the internal control system to prevent and/or identify any cases of non-compliance with law provisions and/or internal regulations, fraud, unethical conduct, etc., which can be assessed during all the main corporate processes (accounts receivable, accounts payable, finance and cash management, human resources).

This approach is used to "analyse" the Company's entire database on a regular basis in order to detect "any of the aforesaid situations requiring analysis and further looking into" and not just randomly-selected situations as normally done by control bodies.
While Continuous Auditing is a tool used by the Internal Audit Function, Continuous Monitoring is "a new self-monitoring tool" designed to help individual functions and local areas to conduct appropriate and recurring analyses to gauge the soundness of their governance and control systems. Activity conducted in this area by the Internal Audit Function will continue with a more selective choice of sensitive aspects requiring further looking into.

Notably, with reference to the three-year Plans that have been enacted over time, auditing activity was guided – based on the findings of the annual Risk Analysis – by the following approach strategies and criteria:

- At the start of internal audit activity, targeted audits were conducted to establish the basic conditions of the internal control system, i.e. checks were performed to establish whether rules were in place and if they were effective (including strategies, policies, procedures, guidance on Legislative Decree 231/01, in accordance with and/or on behalf of the Supervisory Board, regulatory aspects, etc.). This control activity was followed by the important of company rule fine-tuning process, which is still being honed, thereby completing the "coverage audit" that allowed all company processes to be verified through specific audits and subsequent targeted follow-ups.

Follow-ups and audits carried out in 2022 both in the local areas reviewed and at the Headquarters Functions being audited, highlighted over time a gradual yet systematic improvement in the level of control risk, which over the years has shifted from "red flag" situations seen in previous years to indicators increasingly showing a "smoother operational and management backdrop". Another major overhaul pertained to the complex "Electronic Meter" process, which saw significant efforts being made by the Functions involved to make the related control systems increasingly effective. Consequently, the assessment made by the IA – despite the fact that it was the first time this process was reviewed – showed a "Medium to Low" level of criticality.

- Review and revision: Having (i) prioritised the risks identified through the Risk Analysis, (ii) defined the strategies to be deployed and (iii) established the related initiatives and actions to be taken to achieve "performance targets", the review and revision phase entails reviewing the changes being made and any related risks, adjusting initiatives in the light of performance deviations and revisiting planned strategies, if necessary. Again, Risk Analysis and the three-year Audit Plan are strictly related to one another.

- Information, communication and reporting: The sharing and timely dissemination of information within the organisation is key to good internal control. The systems and technologies in place are useful for both communicating risks, in terms of uncertainties and opportunities, and retrieving, processing, managing, and producing reports on risks, culture and performance.

  To this end, the Company relies on the logic underlying the planning, budgeting and periodic reporting process (e.g. Tableau de Board/monthly Report), which is implemented across the main organisation levels.

  Moreover, this approach relates to the activities aimed at constantly checking over time the quality of the Internal Control System.

  At the same time, at the end of the Risk Analysis and during the implementation of each annual Audit Plan, the Internal Audit Function checks the quality level of the Internal Control System, including following completion of the implementation of preventive/corrective measures assigned to the various process owners (monitoring of action plans required during audits/follow-ups).

  This approach leads to a periodical summary from IA which, at least once a year and with the participation and agreement of the CEO, provides the Board of Directors with an assessment of the extent to which the internal control system has lived up to the expectations of "sound governance".

15. Outlook

During financial year 2023, the Group will work to integrate and streamline the assets and resources acquired following the handover of the ATEM Naples 1 facilities, with a view to optimising resources and curbing costs.
The expected profitability for financial year 2023 will reflect all the economies of scale and cost effectiveness to be achieved by the Group.
The Russian-Ukrainian conflict led to very significant tensions in financial and energy markets during the year, the outlook of which to date is still unfolding.
During the year, the Group did not experience any real difficulty in procuring the materials required for its operations, despite a general increase in prices resulting from the rising prices of products and services. Therefore, no particular issues seem to lie ahead that may cause the Group's business to falter in financial year 2023.
Regarding government interventions made with the aim of mitigating the impact of energy market rises on end users, financial conditions for distributors worsened in 2022, encouraging government to take action. By 2023, a gradual return to normal sales conditions is expected, thereby ensuring a partial rebalancing of the Group's normal cash flows.
However, the situation remains under the control of the National Gas System Emergency Technical and Monitoring Committee.
For its part, the Group continues to monitor the situation closely to ensure business continuity and to assess any possible impact in a timely fashion and follow any instructions issued by the relevant authorities as promptly as possible.

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

- Continuing efforts to prevent injuries at work while improving work quality and safety in the performance of all work activities;
- Placing a stronger focus on the approach to environmental, social and governance issues by constantly renewing its sustainability policy and constantly updating the Sustainability Plan approved in past years so that meaningful results may be achieved at all times on the material issues identified;
- Continuing improving its local foothold, operating with ever increasing effectiveness where it has a presence;
- Concentrating resources on the highest value-added network operations by relying on increasingly focused and specialised operational units;
- Leveraging the gas distribution infrastructure to allow the largest number of prospects to connect to the network and use methane – the fossil fuel with the lowest environmental impact featuring a flexible and easily scalable use – while

promoting the use and injection in the network of renewable fuels such as bio-methane and, in the future, methane gas and hydrogen blends.

16. Key figures of the Parent Company

An overview of the result of operations and financial position for the year is provided in the schedules below, which were prepared by reclassifying income statement and balance sheet data, respectively, based on operational criteria, in accordance with international practices.

16.1 Reclassified Income Statement

Millions of euro	31.12.2022	31.12.2021	2022 - 2021
Revenue	**1,044.3**	**1,067.1**	**(22.8)**
Transport and sale of methane gas and LPG	651.5	675.4	(23.9)
Connection fees and accessory rights	16.6	14.8	1.7
Other sales and services	27.3	27.6	(0.3)
Revenue from intangible assets / assets under development	312.9	312.6	0.4
Other revenue	35.9	36.6	(0.7)
Operating costs	**(544.0)**	**(544.8)**	**0.9**
Labour costs	(123.2)	(124.0)	0.8
Raw materials and inventories	(45.2)	(54.1)	8.9
Services	(349.9)	(335.3)	(14.6)
Other costs	(13.1)	(17.4)	4.3
Allocations to provisions for risks and charges	(12.6)	(14.1)	1.5
Increase in fixed assets not subject to IFRIC 12	-	0.0	(0.0)
EBITDA	**500.3**	**522.3**	**(21.9)**
Amortisation, depreciation and write-downs	**(211.7)**	**(207.6)**	**(4.1)**
Amortisation, depreciation and impairment losses	(211.7)	(207.6)	(4.1)
EBIT	**288.6**	**314.7**	**(26.0)**
Net financial income (expenses) and income (expenses) from equity investm	(56.9)	(56.0)	(0.9)
Pre-tax income	**231.8**	**258.7**	**(26.9)**
Income taxes for the year	(64.6)	(49.6)	(15.0)
Net income (expenses) from continuing operations	**167.2**	**209.1**	**(41.9)**
Net income (expenses) from discontinued operations	-	-	-
Net income for the year	**167.2**	**209.1**	**(41.9)**

16.2 Reclassified Statement of Financial Position

Millions of euro	31.12.2022	31.12.2021*	2022 - 2021
	A	B	A-B
Net fixed assets	**4,411.0**	**3,887.4**	**523.6**
Property, plant and equipment	27.0	26.6	0.3
IFRS 16 right-of-use assets	26.1	26.0	0.1
Intangible assets	4,540.8	4,109.4	431.4
Equity investments	24.6	24.6	(0.0)
Other non-current assets	33.2	40.3	(7.0)
Other non-current liabilities	(344.4)	(329.3)	(15.1)
Fair value of derivatives	103.7	(10.2)	113.9
Net working capital:	**44.7**	**36.7**	**8.0**
Inventories	18.2	19.5	(1.3)
Trade receivables from third parties and the Group	56.0	222.5	(166.5)
Net receivables/(payables) for income taxes	12.3	0.4	11.9
Other current assets	539.3	205.1	334.2
Trade payables to third parties and the Group	(439.8)	(210.0)	(229.7)
Other current liabilities	(141.3)	(200.8)	59.4
Gross invested capital	**4,455.7**	**3,924.1**	**531.6**
Other provisions	**(11.3)**	**(30.5)**	**19.2**
Post-employment and other employee benefits	30.2	37.1	(6.9)
Provisions for risks and charges	71.9	76.6	(4.6)
Net deferred taxes	(113.5)	(144.2)	30.7
Net invested capital	**4,467.0**	**3,954.6**	**512.4**
Assets held for sale	**1.7**	**2.2**	**(0.5)**
Liabilities held for sale	**0.2**	**0.3**	**(0.1)**
Equity	**1,291.2**	**1,141.0**	**150.3**
Net Financial Position	**3,177.3**	**2,815.6**	**361.7**

*2021 pro-forma restated figures

17. Reconciliation of Equity and Net Income for the year

Below is the reconciliation of movements in shareholders' equity and net income for the year as reflected in the financial statements of 2i Rete Gas S.p.A. for the year ended 31 December 2022 and the corresponding figures shown in the consolidated financial statements:

Thousands of euro	Net income for the year recognised through profit or loss at 31 December 2022	Equity at 31.12.2022
Separate financial statements of 2i Rete Gas S.p.A.	167,160	1,291,229
Surplus of shareholders' equity from financial statements of subsidiaries used for the purposes of consolidation, compared to the carrying values of the equity investments in subsidiaries	2,249	8,957
Consolidation adjustments for:		
Valuation of equity investments with the equity method	38	316
Intercompany margins	41	(288)
Deferred and prepaid taxes	(12)	94
Consolidated financial statements of 2i Rete Gas S.p.A.	169,476	1,300,308
Non-controlling interests	**339**	**(1,829)**
Consolidated financial statements of 2i Rete Gas S.p.A. - owners of the	**169,815**	**1,298,479**

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

IV Consolidated financial statements of the 2i Rete Gas Group

1. Income Statement

Thousands of euro	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Revenue					
Revenue from sales and services	5.a	694,682	-	721,615	-
Other revenue	5.b	36,894	99	35,780	86
Revenue from intangible assets / assets under development	5.c	320,538	-	319,395	-
Running total		**1,052,115**		**1,076,791**	
Costs					
Raw materials and consumables	6.a	45,521	-	54,373	-
Services	6.b	348,827	5,972	335,678	4,247
Personnel costs	6.c	123,177	3,583	124,013	2,358
Amortisation, depreciation and impairment losses	6.d	213,447	-	209,464	-
Other operating costs	6.e	29,738	340	35,955	356
Capitalised costs for internal work	6.f	(894)	-	(1,013)	-
Running total		**759,816**		**758,471**	
EBIT		**292,299**		**318,320**	
Income (expenses) from equity investments	7	37	38	(115)	(115)
Financial income	8	1,290	29	506	62
Financial expenses	8	(58,657)	-	(57,087)	-
Running total		**(57,330)**		**(56,696)**	
Pre-tax income		**234,969**		**261,624**	
Taxes for the period	9	65,493	-	50,434	-
Net income (expenses) from continuing operations		**169,476**		**211,190**	
Net income (expenses) from discontinued operations	10	**-**		**-**	
NET INCOME FOR THE YEAR		**169,476**		**211,190**	
Net income for the year attributable to:					
- Owners of the Parent		169,815		210,927	
- Non-controlling interests		(339)		263	

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

2. Statement of Comprehensive Income

Thousands of euro	31.12.2022	31.12.2021
Net income recognised through profit or loss	**169,476**	**211,190**
- Net income attributable to owners of the Parent	169,815	210,927
- Net income attributable to non-controlling interests	(339)	263
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities/assets for defined benefits - owners of the Parent	3,500	(9)
Deferred tax assets and liabilities on items which will never be classified through profit/(loss) - owners of the Parent	(983)	(44)
	2,517	(53)
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives - owners of the Parent	113,874	28,568
Change in fair value of hedging derivatives reclassified in profit for the period - owners of the Parent	(1,235)	(1,235)
Change in fair value of hedging derivatives (tax effect) - owners of the Parent	(27,330)	(6,856)
Change in fair value of hedging derivatives reclassified in profit for the period (tax effect) - owners of the Parent	296	296
	85,606	20,773
Total other comprehensive income	**88,123**	**20,720**
Total comprehensive income	**257,599**	**231,910**
Total comprehensive income attributable to:		
- Owners of the Parent	257,938	231,647
- Non-controlling interests	(339)	263

Earnings per share: € 0.4667

Diluted earnings per share: € 0.4667

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

3. Statement of Financial Position

Assets

Thousands of euro	Notes	31.12.2022	of which to related parties	31.12.2021*	of which to related parties
ASSETS					
Non-current assets					
Property, plant and equipment	11	38,082	-	37,680	-
IFRS 16 right-of-use assets	12	26,073	-	25,957	-
Intangible assets	13	4,584,357	-	4,146,348	-
Net deferred tax assets	14	114,910	-	145,657	-
Equity investments	15	3,706	3,584	3,669	3,546
Non-current financial assets	16	116,660	-	13,012	-
Other non-current assets	17	33,290	-	40,323	-
	Total	**4,917,077**		**4,412,646**	
Current assets					
Inventories	18	18,852	-	20,049	-
Trade receivables	19	55,433	72	222,972	55
Short-term financial receivables	20	2,822	960	2,014	480
Other current financial assets	21	489	6	26	18
Cash and cash equivalents	22	46,038	-	442,956	-
Income tax receivables	23	13,717	-	2,262	-
Other current assets	24	547,451	-	214,946	-
	Total	**684,802**		**905,225**	
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	1,703	-	10,486	-
	Total	**1,703**		**10,486**	
TOTAL ASSETS		**5,603,582**		**5,328,356**	

*2021 pro-forma restated figures

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

Liabilities

Thousands of euro	Notes	31.12.2022	of which to related parties	31.12.2021*	of which to related parties
EQUITY AND LIABILITIES					
Equity - Owners of the Parent	26				
Share capital		3,639	-	3,639	-
Treasury Shares		-	-	-	-
Other Reserves		607,275	-	519,152	-
Retained earnings/(accumulated losses)		517,750	-	411,830	-
Net income for the year		169,815	-	210,927	-
Total equity - Owners of the Parent		**1,298,479**		**1,145,548**	
Equity - non-controlling interests					
Non-controlling interests		2,168	-	1,905	-
Net income for the year - non-controlling interests		(339)	-	263	-
Total equity - non-controlling interests		**1,829**		**2,168**	
TOTAL EQUITY		**1,300,308**		**1,147,716**	
Non-current liabilities					
Long-term loans	27	3,086,998	-	3,225,548	-
Post-employment and other employee benefits	28	30,207	-	37,092	-
Provision for risks and charges	29	10,486	-	8,206	-
Deferred tax liabilities	14	-	-	-	-
Non-current financial liabilities	30	-	-	10,184	-
Non-current IFRS 16 financial liabilities	31	18,811	-	20,006	-
Other non-current liabilities	32	353,854	-	338,512	-
	Total	**3,500,356**		**3,639,548**	
Current liabilities					
Short-term loans	33	-	-	-	-
Current portion of long-term loans	34	118,147	-	18,182	-
Short-term portion of long-term and short-term provisions	35	65,001	-	70,360	-
Trade payables	36	448,994	6,850	219,218	4,450
Income tax payables	37	1,221	-	2,438	-
Current financial liabilities	38	19,611	-	20,009	-
Current IFRS 16 financial liabilities	39	6,660	-	5,606	-
Other current liabilities	40	143,054	10	203,999	7
	Total	**802,688**		**539,812**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	230	-	1,280	-
	Total	**230**		**1,280**	
TOTAL LIABILITIES		**4,303,274**		**4,180,640**	
TOTAL EQUITY AND LIABILITIES		**5,603,582**		**5,328,356**	

*2021 pro-forma restated figures

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

4. Statement of Cash Flows

Thousands of euro		31.12.2022	31.12.2021
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**442,956**	**186,991**
Cash flow from operating activities			
Pre-tax income		234,969	261,624
Taxes for the period	9	(65,493)	(50,434)
1. Net income for the period		**169,476**	**211,190**
Adjustments for:			
Depreciation and amortisation	6.d	214,157	207,636
Impairment/(Reversals)/(Releases)	6.d	(711)	1,828
Capital (gains)/losses	5.b/6.e	5,754	11,544
Allocations to provisions for risks and charges and post-employment benefits		21,802	20,057
Financial (income)/expenses	7 and 8	57,330	56,696
2. Total adjustments		**298,332**	**297,760**
Change in net working capital			
Inventories	18	1,198	(1,162)
Trade receivables	19	168,267	18,571
Trade payables	36	229,776	(2,287)
Other current assets	24	(332,462)	50
Other current liabilities	40	(61,121)	(6,551)
Net tax receivables/(payables)	23 and 37	(12,672)	8,115
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(17,621)	(19,697)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	2,731	(25,711)
Other non-current assets	17	7,037	3,788
Other non-current liabilities	32	14,460	7,927
Financial income/(expenses) other than for financing	8	148	308
3. Total change in net working capital		**(261)**	**(16,649)**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**467,548**	**492,301**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(653,256)	(347,194)
Purchase of subsidiary and income from equity investments	7, 15 and IFRS 3	0	(105,091)
Settlement of loan for purchase of equity investment	33 and IFRS 3	-	(45,733)
Cash acquired through company acquisition		-	4,106
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(653,256)**	**(493,912)**
D) FREE CASH FLOW (B+C)		**(185,708)**	**(1,610)**
Cash flow from financing activities			
Dividend payout		(105,008)	(125,019)
Change in amortised cost	16, 27 and 34	2,309	(587)
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(1,235)	(1,235)
Financial income for financing activities	8	562	16
Financial (expenses) for financing activities	8	(58,078)	(56,905)
Receipts from debenture loan issues	27	-	500,000
Debenture loan settlements	27 and 33	(22,607)	
Change in short-term and long-term financial debt	27 and 33	(18,182)	(54,609)
Change in other non-current financial assets	16	(64)	1
Change in other financial receivables	20 and 21	(1,271)	(204)
Change in IFRS 16 financial leases	31, 39 and 11	(7,239)	(6,828)
Change in other financial payables	38	(399)	2,944
E) CASH FLOW FROM FINANCING ACTIVITIES		**(211,210)**	**257,574**
F) CASH FLOW FOR THE PERIOD (D+E)		**(396,918)**	**255,964**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**46,038**	**442,956**

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

5. Statement of Changes in Equity

	Share capital and reserves									
Thousands of euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)	Net income for the year	**Total - Owners of the Parent**	**Total - Non-controlling interests**	**Total consolidated equity**
Total 31 December 2020	**3,639**	**286,546**	**728**	**(21,967)**	**233,118**	**353,381**	**183,476**	**1,038,921**	**1,905**	**1,040,825**
Allocation of income for 2020:										
Distribution of income	-	-	-	-	-	58,457	(58,457)	-	-	-
- Dividend payout	-	-	-	-	-	-	(125,019)	**(125,019)**	-	**(125,019)**
Total contribution from shareholders and payments to them as shareholders	-	-	-	-	-	-	-	***(125,019)***	-	***(125,019)***
- Other changes	-	-	-	-	7	(7)	-	-	-	-
- Change in IAS reserves	-	-	-	20,773	(53)	-	-	**20,720**	-	**20,720**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	210,927	**210,927**	263	**211,190**
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 income for 2021:										
Distribution of income	-	-	-	-	-	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**
- Net income for the year recognised in profit or loss	-	-	-	-	-	-	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**

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

6. Notes to the Consolidated Financial Statements

Format and contents of the Financial Statements

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

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

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

On 27 March 2023 the Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements, which were made available to the Shareholders within the terms set forth in art. 2429 of the Civil Code.

For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 27 March 2023.
These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The consolidated financial statements for the year ended 31 December 2022 have been drafted in compliance with the *International Financial Reporting Standards* – IAS/IFRS issued by the International Accounting Board (IASB), recognised by the European Community in accordance with Regulation (EC) no. 1606/2002 in force at the close of the year, and with the relative SIC/IFRIC interpretations issued by the *Interpretation Committee*, in force on the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

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

Basis of presentation

The consolidated financial statements consist of the Income Statement, the

Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes.

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

Current assets, which include cash and cash equivalents, are those intended to be realised, sold or used during the Group's normal operating cycle or in the twelve months following the reporting period; current liabilities are those expected to be settled during the Group's normal operating cycle or in the twelve months following the reporting period.

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

The consolidated financial statements are presented in euro (the functional currency) and the values shown in the notes are expressed in thousands of euro, unless otherwise stated.

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

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

Consolidation criteria

The consolidated financial statements are prepared consolidating the data of the Parent Company and of the investee companies it controls, directly or indirectly, on a line-by-line basis. Control exists when the Group is exposed to variable returns arising from its relationship with the company, or has rights over such returns, and at the same time has the ability to affect them by exercising its power over the company. The financial statements of subsidiaries are included in the consolidated financial statements from when the Parent Company starts to exercise control until the date when such control ends.

The Group accounts for business combinations by applying the acquisition method on the date when it effectively obtains control of the purchased company. In this regard, reference should be made to the section "Business combinations" below.

Third-party equity investments are valued in proportion to the related share of net identifiable assets of the purchased company at the acquisition date. The changes in the Group's stake in a subsidiary which do not entail loss of control are recognised as transactions among shareholders in their role as shareholders.

In the case of loss of control, the Group derecognises the subsidiary's assets and liabilities, any third-party equity investments and other equity items relating to the subsidiaries. The profit or loss deriving from the loss of control is recognised in profit or loss. Any resid-

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

Use of estimates

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

Revenue recognition

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

Pensions and other post-employment benefits

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

Recoverability of non-current assets

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

Disputes

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

Bad debt provision

This provision reflects the estimates of losses on the company's receivables

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

Equity investments in associates and companies subject to joint control

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

Business combinations

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

Combinations of entities under common control

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

Property, plant and equipment

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

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

Should significant parts of individual tangible assets have different useful lives, the identified components are recognised and depreciated separately.
The costs incurred subsequent to the purchase are recognised as an increase in the carrying amount of the asset to which they refer, when it is probable that future economic benefits deriving from the cost will flow to the Group and the cost of the item can

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

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

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

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

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

Intangible assets

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

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

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

at least annually; any changes are applied on a prospective basis.
Amortisation begins when the intangible asset is ready for use.
The estimated useful life of the main tangible assets is as follows:

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

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

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

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

Rights of use under IFRS 16

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

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

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

Impairment losses

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

Inventories

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

Financial instruments

The initial recognition of non-derivative financial assets and liabilities takes place, for loans, receivables and

debt securities issued, at the moment when they originated, while for all the other financial assets and liabilities it takes place on the trading date.
Financial assets are derecognised when: i) the contractual rights to receive cash flows end; ii) when the Group has maintained the right to receive cash flows from the asset, but has taken on the contractual obligation to pay them in full without any delay to a third party; or iii) when the Group has transferred the right to receive cash flows from the asset and has substantially transferred all the risks and benefits of ownership of the financial asset, or has transferred control over the financial asset.
Any residual involvement in the transferred asset which is originated or maintained by the Group is recorded as a separate asset or liability.
The Group derecognises a financial liability when the obligation specified in the contract is fulfilled or cancelled or has expired.

Fair Value hierarchy under IFRS 13

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

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

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

Level 3: unobservable data for the asset or liability, reflecting the assumptions that market participants should use in pricing the asset or liability, including the risk assumptions (of the model and the inputs used).
The *fair value* measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire *fair value* measurement requires judgement, taking into account factors specific to the asset or liability.

A *fair value* measurement developed using a present value technique might be categorised within Level 2 or Level 3, depending on the inputs that are significant to the entire measurement and the level of the *fair value* hierarchy within which those inputs are categorised.
If an observable input requires an adjustment using unobservable inputs and that adjustment is material to the measurement, the resulting measurement would be categorised within the

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

Financial assets measured at *fair value* through profit or loss

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

Financial assets held to maturity

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

Loans and receivables

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

When the credit is cancelled, the relative fund is also eliminated if the credit had previously been written down.

Financial assets available for sale

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

Cash and cash equivalents

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

Trade payables

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

Financial liabilities

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

Derivative financial instruments

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

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

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

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

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

Employee benefits

Liabilities related to employee benefits paid upon or after leaving employment and in connection with defined benefit plans or other long-term benefits granted during the employment period are determined separately for each plan, using actuarial assumptions to estimate the amount of the future benefits that employees have accrued at the end of the reporting period. The liability is recognised on an accrual basis over the vesting period of the related rights. These measurements are performed by independent actuaries. Following the adoption of IAS 19 (2011), the actuarial gains/losses that emerge following these measurements are immediately recognised in other comprehensive income.
Where the Group shows a demonstrable commitment, with a detailed formal plan without realistic possibility of withdrawal, to a termination before retirement eligibility has been reached, the benefits due to employees in respect of the termination are recognised as a cost and measured on the basis of the number of employees that are expected to accept the offer.

Provisions for risks and charges

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

Contributions

Whether they are from public entities or third parties operating in the private sector, contributions or grants are recognised at *fair value* when it is reasonably certain that they will be received and that the conditions for their recognition will be met.
Contributions received for specific expenditures are systematically recognised among other liabilities and taken to profit or loss over the period in which the related costs are incurred.
Public contributions (plant contributions) received for specific assets whose value is recognised among tangible and intangible assets are recognised among other liabilities and taken to profit or loss over the amortisation/depreciation period of the assets they refer to.
Private contributions (connection fees, including property subdivision contributions) are recognised in a specific liability item in the statement of financial position and taken to profit or loss in relation to the amortisation/depreciation period of the assets they refer to.

Revenue and costs

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

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

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

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

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

Financial income and expenses

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

Dividends

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

Income taxes

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

Discontinued operations and non-current assets held for sale

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

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

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

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

Recently issued accounting standards

Pursuant to IAS 8, the following section "Accounting standards, amendments and interpretations applicable by the Group as from this year" sets out the main features of the amendments to the International Accounting Standards in force as from 1 January 2022 and of potential interest for the Group.
In the following sections, there is an indication of the accounting standards and interpretations which have already been issued, but not yet come into force, or which have not yet been endorsed by the European Union and are therefore not applicable for the drafting of the financial statements at 31 December 2022, the impact of which may be included as from the financial statements for subsequent years.

Accounting standards, amendments and interpretations applicable by the Group as from this year

As from 1 January 2022 some additions have been applied consequent to specific sections of the international accounting standards which have already been adopted by the Group in previous years.
Regulation no. 2021/1080 issued by the European Commission on 28 June 2021 has resulted in the approval of:

- amendments to IAS 37, aimed at providing clarifications on how the onerousness of a contract is calculated; these amendments specify that the costs to be taken into account when measuring onerous contracts are both the incremental costs of fulfilling the contract (e.g. direct labour and materials) and a percentage of other costs that refer directly to the performance of the contract;
- amendments to IAS 16, designed to establish that proceeds from the sale of goods produced by an asset before it is ready for its intended use shall be recognised in profit or loss along with the relevant production costs.
- amendments to IFRS 3, aimed at: (i) completing updates of references to the Conceptual Framework

for Financial Reporting present in the accounting standard; (ii) providing clarifications about assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and tax liabilities (so-called levies) assumed as part of a business combination; (iii) stressing the fact that contingent assets cannot be recognised as part of a business combination;

- the document "Annual improvements to IFRSs 2018-2020", containing changes, essentially technical or of wording, to international accounting standards.

These provisions are effective for reporting periods starting on or after 1 January 2022.

There are no significant changes in Group financial statements resulting from such changes.

Accounting standards and interpretations issued by IASB and not yet approved by the European Commission

Regulation no. 2021/2036 issued by the European Commission on 19 November 2021 approved IFRS 17 "Insurance contracts" (hereinafter IFRS 17), including the related amendments, issued in 2020, designed to defer its entry into force by two years. IFRS 17, which replaces IFRS 4 "Insurance contracts", defines the accounting of insurance contracts issued and reinsurance contracts held. The provisions of IFRS 17 are effective for reporting periods beginning on or after 1 January 2023.

Regulation no. 2022/357 issued by the European Commission on 3 March 2022 approved the changes to IAS 1 "Classification of Liabilities as Current or Non-current" (hereafter amendments), aimed at providing clarifications about the classification of liabilities as current or non-current, as a result of the deferral defined by the amendments made on 15 July 2020 ("Classification of Liabilities as Current or Non-current - Deferral of Effective Date"). The same measure also endorsed the amendments to IAS 8 on the definition of "Accounting".
These changes will come into force on or after 1 January 2023.

Regulation no. 2022/1392 issued by the European Commission on 12 August 2022 approved the changes to IAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (hereafter amendments), designed to require the recognition of deferred taxation for transactions that give rise to taxable and deductible temporary differences of equal amount upon initial recognition.
The amendments are effective for reporting periods beginning on or after 1 January 2023.

Finally, on 9 September 2022 Regulation no. 2022/1491 issued by the European Commission approved the changes to IFRS 17 "Insurance contracts", concerning the initial application of IFRS 17 and IFRS 9 on comparative information.

The amendments are effective for reporting periods beginning on or after 1 January 2023.

None of these Standards or Interpretations was adopted early by the Group.

Accounting standards and interpretations issued by IASB and not yet approved by the European Commission

On 10 November 2022 the IASB issued changes to IFRS 16 – Liabilities for leasing for Sale and Leaseback operations.

On 22 December 2022 the IASB issued changes to IAS 1 to improve the classification of Current and non-current liabilities and Non-current liabilities secured by covenants".

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Information on Profit and Loss Account

Revenues

Methane gas is transported by the company exclusively within Italy.

5.a Revenue from sales and services – € 694,682,000

"Revenue from sales and services" refers mainly to gas transport activity and the connection fees.
Below is a breakdown of "Revenue from sales and services":

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Sales and services			
Gas and LPG transport	650,402	679,285	(28,884)
Release / (Allocation) to the provision for risks	2,369	3,079	(709)
Connection fees	10,627	8,987	1,640
Ancillary fees	5,969	5,933	37
Revenue from customer operations	83	95	(11)
Sundry revenue and other sales and services	25,232	24,237	995
Total revenue from sales and services	**694,682**	**721,615**	**(26,932)**

Revenue from gas transport totalled € 650,402,000, and mainly refers to the 2022 Tariff Revenue Cap for natural gas together with revenue from adjustments relating to previous years.
During the year this item fell by € 26,932,000, once the changes to the item "Release/provisions for risks" was considered, due mainly to the loss of € 28,884,000 from the lower rate of remuneration established for the current regulatory period, the reduction in recognised operating costs, and the fact that in the previous year the result included higher revenues related to the value of the tariff for the replacement of traditional meters that were not fully depreciated and replaced in previous years (Resolution 559/2020/R/Gas, so-called IRMA - Amount to Recover Lost Depreciation).
Further to Resolution 525/2022/R/GAS, the item "Release/(Provisions) for Risks" includes the allocation of € 2,786,000 to cover the risk of downgrading, for locations with a year of first supply after 2017, of part of the Tariff Revenue Cap in the event that at the end of the observation period set by the Authority the minimum number of active users needed for full recognition of investments undertaken is not reached.

Connection fees, which totalled € 10,627,000, increased during the year mainly due to the acquisition of ATEM Naples 1, net of which they would be in line with previous years.

"Sundry revenues and other sales and services", amounting to € 25,232,000 in 2022, include revenues from the suspension and reactivation of defaulting customers at the request of the sales companies (€ 7,591,000); in addition to revenues from meter reading, which amounted to € 6,480,000 (a further improvement over the previous year), revenues from the T.Col tariff component, substantially in line with the previous year, also belonged to this item (€10,277,000).

5.b Other revenues – € 36,894,000

"Other revenues" rose by € 1,114,000 , broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Other revenue			
Revenue from energy efficiency certificates	-	1,822	(1,822)
Revenue from plant contributions	3,465	2,322	1,143
Revenue from contributions	93	-	93
Revenue from contributions - R&D tax credit	-	160	(160)
Revenue from contributions - tax credit for extraordinary events	-	48	(48)
Contingent assets	1,651	4,856	(3,205)
Revenue from Resolution 574/13	18,928	17,919	1,009
Rental income	295	413	(118)
Capital gains from assets	2,194	548	1,647
Compensation for damages	3,669	973	2,696
Other revenue and income and services	6,490	6,570	(79)
Revenue and contribution concerning photovoltaic plants	110	150	(41)
Total other revenue	**36,894**	**35,780**	**1,114**

It is noted that since 2018 revenue, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year. Nel 2022 the net balance for EEC management was negative, therefore it is included in the item Other Costs and not in this item.
Contingent assets returned to a standard business management level, whereas in the previous year the agreement reached with the municipality of Anzio concerning ownership of a portion of the distribution network and the relative price to be paid had significantly improved this item.

Revenues as per Resolution 574/2013/R/gas concerning the quality of gas distribution and metering services grew by a further € 1,009,000 thanks to the Group's constant attention to the high technical quality and standards of its network device services. The positive result depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken using new, cutting-edge technologies).

Capital gains from asset disposals include a capital gain of € 1.5 million from sale of the ATEM Milan 1 concession (Cinisello Balsamo), to total € 2,194,000.
Lastly, the item "Other revenues and income and provision of services" is in line with the previous year's result; this item basically consists of revenues from activities carried out on defaulting end customers, the administrative management of which has been delegated to the gas distributor.

5.c Revenue from intangible assets/assets under construction – € 320,538,000

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

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	320,538	319,395	1,143
Total revenue from intangible assets / assets under development	**320,538**	**319,395**	**1,143**

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

Costs

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

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	11,197	9,079	2,118
Costs for services	215,472	203,293	12,179
Other operating costs	716	857	(141)
Depreciation and amortisation	3,289	2,783	506
Capitalised costs for materials, personnel and services	89,864	103,384	(13,520)
of which personnel costs	*59,501*	*62,346*	*(2,845)*
of which raw materials and consumables	*30,363*	*41,037*	*(10,674)*
Total costs relating to revenue from intangible assets / assets under development	**320,538**	**319,395**	**1,143**

6.a Raw materials and consumables – € 45,521,000

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

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Raw materials and consumables			
Third parties:			
Costs for the purchase of gas, water and lubricants	3,176	2,536	640
Stationery and printed materials	141	105	36
Various materials	41,007	52,895	(11,888)
(Change in inventories of raw materials)	1,198	(1,162)	2,360
Total costs of raw materials and consumables	**45,521**	**54,373**	**(8,852)**
- of which capitalised for intangible assets	41,560	50,116	(8,556)
- of which capitalised for other internal work	590	701	(111)

“Costs of raw materials and consumables” substantially comprise the cost for the purchase of the materials, fuel and lubricants used in the process of laying the pipes; compared to the previous year, these costs decreased by € 8,852,000 overall, due in the main to fewer material acquisitions for network maintenance and meter installation.

6.b Services – € 348,827,000

“Costs for services” are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Costs for services			
Maintenance, repair and realisation of assets	222,952	209,185	13,766
Costs for electricity, power and water	1,863	2,381	(518)
Gas (for internal use)	3,134	2,932	203
Telephone and data transmission costs	2,969	2,746	222
Insurance premiums	4,404	4,125	279
Costs for services and other expenses relating to personnel	3,817	3,732	85
Fees	892	739	153
Legal and notary costs	1,444	1,582	(138)
Costs for company acquisitions and disposals/strategic cons	44	101	(56)
Advertising	217	214	2
IT services	12,117	11,106	1,010
Meter reading service	2,776	2,995	(220)
Audit fees	606	583	23
Repairs and emergency service	3,804	3,505	299
Plant certifications Resolution no. 40	439	395	45
Gas transport by third parties	1,184	1,572	(388)
Professional and other services	5,853	5,244	609
Other costs for services	9,442	8,693	749
Costs for the use of third-party assets			
Leases	736	842	(106)
Rentals	903	424	478
Other costs for the use of third-party assets	2,238	2,255	(17)
Fee for temporary occupation of public space (C.o.s.a.p.)/Sir	4,458	4,129	329
Municipal gas concession fees	62,537	66,198	(3,661)
Total	**348,827**	**335,678**	**13,148**
- of which capitalised for intangible assets	215,472	203,293	12,179

The aggregate figure of costs for services (including for third-party leases not falling within the scope of IFRS16) showed a marked increase (+€ 13,148,000) compared to the previous year. However, there were higher costs for maintenance activities (€ +13,766,000), of which € 10,960,000 capitalised, applying the IFRIC 12 interpretation. Net of capitalised costs, however, maintenance costs increased by about € 2.8 million, reflecting the higher costs required for activities performed on distribution networks, even considering the extension of the perimeter for the inclusion of 12 months of Infrastrutture Distribuzione Gas SpA and one month of ATEM Naples 1.

It is noted that the item "Third-party lease costs" is the part of the cost for those contracts whose fees do not fall within the scope of application of IFRS 16 (intra-annual or low-value leases).

The most significant changes from last year concerned the following:

- asset maintenance, repair and construction costs, which increased by €13,766,000 due to an increase in operations carried out during the year on managed networks, with the use of higher-costing tender contracts with external firms than the previous year. As anticipated above, this item largely pertained to investment activities;
- a slight decline of € (93,000) in costs for utilities (electricity, water, gas, telephony) with an improvement in the financial terms of the respective contracts;
- business acquisition charges also fell due to efforts made to internalise most of these costs;
- IT service costs increased further, due to operations to improve the IT service architecture and the integration of ATEM Naples 1;
- meter reading service costs continued to fall (€ -220,000) thanks to the increasing use of remote readings;
- With regard to costs for the use of third-party assets, rents and leases continued to fall, offset by leases, in particular hardware; the change in the single property tax (CUP) is a result of the increase in that tax;
- finally, municipal fees fell due to lower payables to some municipalities and to the sale of the Cinisello Balsamo concession.

6.c Personnel costs – € 123,177,000

Personnel costs are broken down as follows:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Wages and salaries	88,916	89,353	(437)
Social security charges	27,521	27,095	426
Post-employment benefits	5,936	5,919	17
Asem/Fisde	(26)	(8)	(18)
Company Welfare Scheme	668	273	395
Other personnel costs	(191)	251	(441)
Total personnel costs	**122,824**	**122,883**	**(59)**
Non-recurring personnel costs			
Incentives to leave	353	1,131	(778)
Total non-recurring personnel costs	**353**	**1,131**	**(778)**
Total personnel costs	**123,177**	**124,013**	**(836)**
- of which capitalised for intangible assets	59,501	62,346	(2,845)
- of which capitalised for other internal work	270	246	25

“Personnel costs” include all expenses incurred on an ongoing basis that directly or indirectly involve employees, and were down by a global € 836,000 notwithstanding the entry of 238 new employees in the final month of the year from the acquisition of ATEM Naples 1.

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

	Executives	Middle Managers	White collars	Blue collars	Total
Personnel as at 31 December 2021	**35**	**120**	**1,258**	**616**	**2,029**
Increase	-	7	213	124	**344**
Decrease	(3)	(6)	(85)	(57)	**(151)**
Change in category	1	9	(6)	(4)	-
Personnel as at 31 December 2022	**33**	**130**	**1,380**	**679**	**2,222**

During the year there was a normal level of turnover, with a decrease on a like-for-like basis, while of the 344 new recruitments, 238 came from the aforementioned ATEM Naples 1 operation.

6.d Impairment and depreciation – € 213,447,000

Impairment, depreciation of tangible assets and rights of use and amortisation of intangible assets amounted to € 213,447,000, up by € 3,983,000 compared to the previous year.
This change is due to the rise in amortisation of intangible assets, due to the acquisition of ATEM Naples 1.
The item also includes amortisation related to long-term contracts for the right to use third-party assets, according to IFRS 16, amounting to € 6,984,000.
It is noted that, with the introduction of IFRIC 12, amortisation mainly concerns the rights to concessions through which the Group manages gas distribution networks.

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Depreciation	5,096	4,760	336
Depreciation of IFRS 16 right-of-use assets	6,984	7,065	(81)
Amortisation of intangible assets	202,078	195,812	6,266
Impairment losses:			
- Impairment of tangible assets	17	182	(165)
- Impairment of intangible assets	-	459	(459)
- Write down of receivables	(728)	1,186	(1,914)
Total amortisation and impairment	**213,447**	**209,464**	**3,983**
- of which capitalised for intangible assets	3,289	2,783	506

6.e Other operating costs – € 29,738,000

"Other operating costs" fell by € 6,217,000 compared to last year, with the capitalised quota basically unchanged, and is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Other operating costs			
Remuneration of statutory auditors, Supervisory Body and Committees	129	152	(23)
Remuneration of members of the Board of Directors	258	254	3
Association fees	385	380	5
Contribution to the Supervisory Authority	200	248	(48)
Compensation to customers	577	926	(349)
Municipal tax on property	492	502	(10)
CCIAA (chamber of commerce) fees and duties	535	599	(64)
Net costs for energy efficiency certificates	1,229	-	1,229
Tax on the occupation of public space (Tosap)	36	40	(3)
Capital losses on the disposal of assets	7,949	11,914	(3,966)
Capital losses on the sale of assets	0	178	(177)
Local and sundry taxes	670	1,107	(437)
Other costs	4,711	5,343	(631)
(Net) provision for risks and charges	12,567	14,312	(1,745)
Total other operating costs	**29,738**	**35,955**	**(6,217)**
- of which capitalised for intangible assets	716	857	(141)

The decrease in other operating costs was mainly the result of:

- lower capital losses from the disposal and sale of assets for €4,143,000; in this year too a portion of the capital losses was reduced by the utilisation of a provision specifically allocated for meters with faults requiring replacement. It should also be noted that a portion of the capital losses, where related to meters that at the date of replacement were not yet fully depreciated in terms of tariffs, is repaid through tariffs on an annual basis;

- lower costs for risk provisions, down significantly compared to the previous year. The breakdown of the relevant provisions is shown in the comments on liabilities.

These changes, which are in addition to other smaller changes, are partially offset by higher net charges for Energy Efficiency Certificates for the 2020, 2021 and 2022 targets amounting to € 1,229,000;

6.f Capitalised costs for internal work – € (894,000)

Following the introduction of IFRIC 12, the costs directly related to construction work on the network under concession are no longer accounted for as capitalised costs for internal work.
For this reason, the item now only includes those residual costs which can be capitalised but do not concern concessions. In the specific case, the value mainly refers to capitalisations of concentrators, equipment for the communication network of the new smart meters which are not part of the assets linked to the concessions.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Internal services	(270)	(246)	(25)
Other capitalised costs	(34)	(67)	33
Materials	(590)	(701)	111
Total capitalised costs for internal work	**(894)**	**(1,013)**	**118**

7. Income / (expenses) from equity investments – € 37,000

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

8. Financial income/(expenses) - € (57,367,000)

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Financial income			
- Interest income from loans to employees	0	0	0
- Interest on arrears receivable	0	0	0
- Interest income from current accounts and post office deposits	562	16	546
- Interest income from receivables from customers	103	82	21
- Other financial interest and income	625	408	217
Total income	**1,290**	**506**	**784**
Financial expenses			
- Interest expense on medium/long-term loans	4,111	3,527	584
- Other expense on medium/long-term loans from banks	560	507	53
- Financial expenses on debenture loans	51,423	50,999	424
- Financial expenses from amortised cost	2,309	2,191	118
- Interest expense on short-term bank loans	144	-	144
- Interest expense on current bank accounts	580	339	241
- Discounting of post-employment and other employee benefits	367	160	207
- Interests on taxes	7	1	6
- Change in fair value of hedging derivatives reclassified from comprehensive income	(1,235)	(1,235)	-
- Other financial and interest expense	206	21	185
- IFRS16 Financial Expenses	186	577	(391)
Total expenses	**58,657**	**57,087**	**1,571**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(57,367)**	**(56,581)**	**(786)**

Financial income and expenses posted a negative result, mainly due to the recognition in the year of interests relating to debenture loans and the related amortised cost, and the related change in Fair Value of the hedging derivative, as well as to interest payable for used medium- and long-term lines of credit. Mention should also be made of charges related to the repurchase transaction of securities issued by the Company maturing in 2024 (Open Market Repurchase) necessary to better invest corporate liquidity. The benefits of this operation will be manifested in future years with a reduced share of borrowing costs.

At 31 December 2022 the Group held € 3,212,848,000 in loans outstanding, including € 2,742,393,000 for five instalments of the debenture loan 2024-2031, as well as € 470,455,000 for three credit lines.

The structure of the Group's debt is almost entirely "fixed rate" (€ 3,067,393,000), thanks mainly to the debenture loan instalments, lengthening the average duration of the existing debt while significantly reducing the cost of debt.

9. Taxes – € (65,493,000)

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Current taxes			
Current income taxes: IRES	50,833	60,655	(9,822)
IRES substitute tax on realignment	-	2,990	(2,990)
Current income taxes: IRAP	11,947	13,802	(1,855)
Total current taxes	**62,780**	**77,447**	**(14,667)**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	3	82	(79)
Positive adjustments for income taxes relating to previous years	(18)	(1,385)	1,367
Total adjustments for income taxes relating to previous years	**(15)**	**(1,303)**	**1,287**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(4,336)	(3,899)	(437)
Prepaid taxes (allocation)/use	7,064	(21,812)	28,876
Total current deferred and prepaid taxes	*2,728*	*(25,711)*	*28,439*
Total deferred and prepaid taxes	**2,728**	**(25,711)**	**28,439**
TOTAL TAXES	**65,493**	**50,434**	**15,060**

The Group's income taxes for 2022 totalled € 65,493,000, which was € 15,060,000 higher than the previous year. The 2021 balance was affected by the realignment of goodwill, the tax value of which had not been previously realigned, and the related recognition of deferred tax assets of € 28.4 million. The substitute tax for the realignment carried out was € 2,990,000, a third of which was paid, as required by law.
Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES taxes of € 50,833,000 and IRAP taxes of € 11,947,000.
Following the publication of the Budget Law for 2022 (Law no. 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill were amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to alter the choices made in June. The parent company assessed the economic and financial convenience of the transaction, and decided to confirm the option already exercised, considering it absolutely plausible, given its business model, that deferred tax receivables created in the period indicated by the current budget law would be used.
As a result of this operation, the company as expected has blocked an amount of equity reserves, corresponding to the value of the undertaken realignment.
Deferred and prepaid taxes followed the normal course of the business.
For more in-depth comments on this item, reference should be made to the relevant section of the notes to the Statement of financial position.

The effective IRES tax incidence for 2022 was 21.6%.

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

Thousands of euro

	31.12.2022	31.12.2021
Pre-tax profit	234,969	261,611
Theoretical IRES taxes	**56,374**	**62,852**
Lower taxes:		
- release of contributions taxed in prior years	893	1,464
- use of provisions	6,278	6,425
- release of provisions	3,844	5,219
- reversal of statutory amortisation / depreciation not deducted in prior years	6,045	4,552
- deducted tax amortisation	7,432	7,163
- others	6,444	4,346
Higher taxes:		
- write-downs for the year	-	154
- allocations to provisions	9,307	10,177
- amortisation / depreciation on amounts that are not recognised for tax purposes	3,595	3,878
- statutory amortisation / depreciation exceeding the fiscal limits	10,369	10,548
- reversal of excess fiscal amortisation / depreciation deducted in prior years	868	694
- partially deductible costs	636	588
- connection fees	4	-
- taxes	4	106
- others	613	828
Total current income taxes (IRES)	**50,833**	**60,655**
IRAP	**11,947**	**13,802**
IRES substitute tax on realignment	**-**	**2,990**
Total deferred and prepaid taxes	**2,728**	**(25,711)**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**65,509**	**51,736**

10. Discontinued operations – € 0

The result from discontinued operations was zero.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment –€ 38,082,000

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions. Such assets are recognised as intangible.

The breakdown and changes in property, plant and equipment in 2022 and 2021 are shown 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	7,929	32,727	13,572	25,204	56,749	13,979	159	**150,319**
Accumulated amortisation	-	(25,261)	(2,856)	(23,616)	(49,508)	(13,378)	-	**(114,620)**
Balance as at 31.12.2020	**7,929**	**7,465**	**10,716**	**1,588**	**7,241**	**600**	**159**	**35,699**
Contribution from change in the scope of consolidation:	35	1,689	55	188	67	11	-	**2,045**
Gross value	35	2,642	286	628	663	64	-	**4,319**
Acc. amort.	-	(953)	(232)	(440)	(596)	(53)	-	**(2,274)**
Increases (including Fixed assets classified as assets available for	-	404	1,814	216	5,426	472	236	**8,567**
Commissioning	-	98	-	-	-	2	(100)	**-**
Gross value	-	98	-	-	-	2	(100)	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Disposals	(178)	(376)	(532)	-	(2,003)	-	-	**(3,089)**
Gross value	(178)	(1,803)	(673)	(6)	(4,094)	-	-	**(6,753)**
Acc. amort.	-	1,427	141	6	2,091	-	-	**3,665**
Reclassifications	-	7	(55)	55	-	(7)	-	**0**
Gross value	-	35	(286)	286	-	(35)	-	**(0)**
Acc. amort.	-	(27)	232	(232)	-	27	-	**0**
Impairment losses	(159)	(23)	-	-	-	-	-	**(182)**
Fixed assets classified as assets available for sale	(526)	(74)	-	-	-	-	-	**(600)**
Gross value	(526)	(1,139)	-	-	-	-	-	**(1,664)**
Acc. amort.	-	1,064	-	-	-	-	-	**1,064**
Depreciation and amortisation	-	(631)	(888)	(433)	(2,584)	(224)	-	**(4,760)**
Total changes	**(827)**	**1,094**	**394**	**25**	**906**	**253**	**136**	**1,981**
Historical cost	7,102	32,963	14,713	26,328	58,745	14,482	295	**154,628**
Accumulated amortisation	-	(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 assets available for	-	679	1,387	999	2,409	503	-	**5,979**
Commissioning	-	247	-	-	-	-	(247)	**-**
Gross value	-	247	-	-	-	-	(247)	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Disposals	(2)	(7)	(371)	(0)	(0)	(4)	(48)	**(432)**
Gross value	(2)	(463)	(476)	(22)	(30,436)	(2,143)	(48)	**(33,590)**
Acc. amort.	0	456	105	22	30,435	2,139	-	**33,158**
Reclassifications	-	-	-	-	-	-	-	**-**
Gross value	-	-	-	-	-	-	-	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Impairment losses	(17)	-	-	-	-	-	-	**(17)**
Fixed assets classified as assets available for sale	(32)	-	-	-	-	-	-	**(32)**
Gross value	(32)	(72)	-	-	-	-	-	**(104)**
Acc. amort.	-	72	-	-	-	-	-	**72**
Depreciation and amortisation	-	(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 amortisation	0	(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**

This item at 31 December 2022 shows a net change compared to 31 December 2021 of € 402,000 due to normal investment, divestment and depreciation trends for these assets.

Plant and machinery related to concentrators, data receiving and transmitting equipment as part of the communication network of electronic meters are excluded from the scope of IFRIC 12, since they are not recognised as service concession assets.

12. Rights of use under IFRS 16 – € 26,073,000

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

Below is the table of changes in assets for 2022.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	28,339	8,683	367	37,389
Accumulated amortisation	(8,466)	(4,551)	(115)	(13,132)
Balance as at 31.12.2020	**19,873**	**4,132**	**252**	**24,258**
Merger contribution:	77	209	-	285
Gross value	77	209	-	285
Acc. amort.	-	-	-	-
Increase and change in right-of-use assets	2,483	6,915	-	9,398
Disposal and changes in right-of-use assets	(847)	(72)	-	(920)
Gross value	(2,091)	(2,351)	-	(4,442)
Acc. amort.	1,244	2,279	-	3,523
Depreciation and amortisation	(4,304)	(2,669)	(92)	(7,065)
Total changes	**(2,591)**	**4,382**	**(92)**	**1,699**
Historical cost	28,807	13,456	367	42,630
Accumulated amortisation	(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. amort.	967	1,024	-	1,991
Depreciation and amortisation	(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 amortisation	(14,672)	(6,580)	(414)	(21,666)
Balance as at 31.12.2022	**18,981**	**6,910**	**182**	**26,073**

13. Intangible assets – € 4,584,357,000

It is noted that following the introduction of IFRIC 12, intangible assets also include the fixed assets related to gas distribution concessions.
The breakdown and changes in intangible assets in 2022 and 2021 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets	Fixed assets under construction	Other intangible assets	Goodwill	Advances	Total
Historical cost	96,145	7,142,080	39,580	1,986	159,480	270,311		**7,709,582**
Accumulated amortisation	(94,581)	(3,607,900)	-	-	(125,752)	(1,214)		**(3,829,446)**
Balance as at 31.12.2020	**1,564**	**3,534,180**	**39,580**	**1,986**	**33,729**	**269,097**		**3,880,136**
Contribution from change in the scope of consolidation:	-	118,725	-	-	786	36,156		**155,667**
Gross value	14	208,174	-	-	3,882	36,156		**248,226**
Acc. amort.	(14)	(89,449)	-	-	(3,096)	-		**(92,559)**
Increases (including Fixed assets classified as assets available for sale)	2,679	292,547	28,296	641	15,517	-		**339,679**
Commissioning	-	24,862	(24,862)	(1,604)	1,604	-		**(0)**
Gross value	-	24,862	(24,862)	(1,604)	1,604	-		**(0)**
Acc. amort.	-	-	-	-	-	-		**-**
Decreases	-	(22,591)	(432)	-	-	-		**(23,023)**
Gross value	-	(51,897)	(432)	-	-	-		**(52,329)**
Acc. amort.	-	29,306	-	-	-	-		**29,306**
Reclassifications	-	-	-	-	-	-		**-**
Gross value	(14)	-	-	-	14	-		**-**
Acc. amort.	14	-	-	-	(14)	-		**-**
Impairment losses	-	(459)	-	-	-	-		**(459)**
Fixed assets classified as assets available for sale	-	(9,767)	(73)	-	-	-		**(9,840)**
Gross value	-	(22,624)	(73)	-	-	-		**(22,697)**
Acc. amort.	-	12,857	-	-	-	-		**12,857**
Amortisation	(1,461)	(180,847)	-	-	(13,505)	-		**(195,812)**
Total changes	**1,219**	**222,470**	**2,929**	**(962)**	**4,401**	**36,156**		**266,212**
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 assets 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	-	-	-	-	**-**
Gross value	-	(3)	3	-	-	-	-	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as assets 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**

Intangible assets rose, vis-à-vis 31 December 2021, by € 438,009,000, thanks partly to the ATEM Naples 1 acquisition.
The items "Concessions and similar rights" and "Concessions and similar rights - fixed assets under construction" showed an aggregate balance of € 4,235,418,000 in the financial year, an overall change of € 436,259,000.
The item refers to the recognition of the Group's rights over fixed assets as concession holder and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions.
Operating investments during the year amounted to € 320,538,000 and were added to the ATEM acquired during the year, for a total of € 641,917,000. Assets that became operational during the year affected the balances by € 23,785,000.

As described above, on 1 December 2022 the Company took over management of the gas distribution service in ATEM Naples 1 "City of Naples and Coastal System", with more than 1,600 km of network and almost 400,000 Redelivery Points, and at the same time hired 238 people, who had been released by the outgoing operator.
The concession is for a 12 year-year period of time. The company carried out the so-called "concentration test" required by IFRS3 (Appendix A paragraphs B7A and B7B) to check whether the transaction qualified as a purchase of a business or an individual asset. In the case of this transaction, the price paid relates exclusively to the acquisition of the assets pertaining to the concession, the value of which is largely attributable to the infrastructure operated by the previous concession holder. Given the substantial concentration of the fair value of the gross assets acquired in a single asset, following the test performed, and considering the regulatory framework to which this procedure conforms, the transaction was accounted for as an asset acquisition.
The price paid (€ 289.9 million) is based on a valuation defined by the Contracting Authority for a provisional updated situation as at 30 June 2022. This price is the best estimate of the value of the acquired concession and has been divided between the item intangible fixed assets - concessions and for the remainder between other non-current and current liabilities, representing those assets whose value has been strongly impacted by grants/contributions related to the same concession.
The Company therefore recorded asset values based on the provisional consideration. Any additions and divestments made from 30 June 2022 to 30 November 2022 by the previous concession holder, as well as the related impacts in terms of revenue and depreciation on one month of concession operation, are not considered significant. Lastly, it should be noted that in December 2022 the previous concession holder filed a petition for preventive technical assessment with the Court of Naples, in order to request the admission of a technical expert's report aimed at redetermining the amount owed to the operator awarded the ATEM Naples 1 contract by way of reimbursement value. The Company is not directly involved in the appeal, which could restate the price paid for the concession and thus see a potential increase in the value of the registered concession.

Disposals during the year for these two classes amounted to € (18,622,000), and related to routine replacement and improvement of equipment. Depreciation and amortisation amounted to € (186,841,000), an increase resulting from both investments made and the ATEM acquisition.
The amortisation of concession charges has been determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession.
The Group determined the terms of the concessions using the same criteria adopted in the previous year.

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

In particular, it is recalled that under the Decree of the Ministry of Economic Development dated 19 January 2011, "Determination of territorial ambits in the natural gas distribution sector", which came into force on 1 April 2011, according to art. 3(3) of the decree: "as from the entry into force of this measure, the tenders for the award of the gas distribution service as per article 14(1) of Legislative Decree no. 164 of 23 May 2000, for which the call for tenders has not been published or for which the deadline for the submission of tenders has not expired, shall be awarded only in respect of the areas determined in annex 1, which forms an integral part of this measure" and that, in accordance with article 14(7) of Legislative Decree no. 164/2000, "The outgoing operator, pursuant to article 14(7) of Legislative Decree No. 164 of 23 May 2000, remains obliged, however, to continue the management of the service until the effective date of the new assignment."
"Fixed assets under construction and advances", totalling € 3,139,000, mainly consisted of investments in software being developed to manage the Company's activities more efficiently.
During the year € 625,000 in fixed assets under construction were turned into permanent fixed assets.

"Other intangible assets" of € 38,997,000 include other long-term costs, also linked to the implementation of the remote reading system for smart meters.

"Goodwill" totalled € 305,253,000, and relates to the deficit from the consolidation and merger of companies which had previously been subsidiaries. This item was recognised in agreement with the Board of Statutory Auditors.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the Discounted Cash Flow model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a *Cash Generating Unit*, consistently with the corporate vision.
In detail, cash flows are considered for a forecast period of 5 years, consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 17 January 2023 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

Within this framework, the main assumptions are:

- continuity in concession management, since the redefinition of the relevant local areas resulting from the territorial tenders will be a concrete opportunity for the Group to expand its business on the competitive market also thanks to its economic capacity, available credit lines, and top position in a market that is experiencing concentration;

- the continuous management of end customers, with the assumption of a further organic growth only on the already existing networks at a rate compatible with the experience on the market in recent years;

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

Tax Rate (2)	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6%	4.4%	2023 - 2027	0%

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

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

The recoverability of the Group's invested capital was also confirmed by a further *sensitivity* analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the *impairment test*.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows by around 15%, a percentage which is much higher than the reductions considered possible by the Group.

14. Net deferred tax assets - € 114,910,000

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled € 255,608,000, while deferred tax liabilities totalled € 140,698,000.

Deferred tax assets and liabilities at 31 December 2022 were determined using the tax rates in force: 24% for IRES and 4.55% for IRAP.

Deferred tax assets fell as a result of normal movements during the year; in the previous period, on the other hand, normal movements combined with the realignment of tax values to statutory values by realigning the value at 31 December 2020 of non-realigned goodwill that existed at 31 December 2019 (€ +28,430,000).
With regard to deferred tax liabilities, in addition to normal movements during the year, the balance increased due to the recognition of tax effects on the particularly positive hedging derivative value.

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

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

Thousands of euro	Balance as at 31.12.2021	Adjustments to UNICO	Total	Increases recognised in		Decreases recognised in		Other changes in			Balance as at 31.12.2022
				Profit and Loss Account	Equity	Profit and Loss Account	Equity	Profit and Loss Account	Equity	Other reclassifications	
Deferred income tax assets:											
allocation to provisions for risks and charges, deferred deductibility	**17,923**	-	17,923	6,573	-	(7,127)	-	-	-	-	**17,369**
allocation to provisions for incentives to leave and stock options	**492**	-	492	101	-	(72)	-	-	-	-	**521**
allocation to provisions for disputes	**3,510**	-	3,510	1,633	-	(2,044)	-	-	-	-	**3,099**
allocation to provisions for inventory obsolescence	**3,310**	-	3,310	410	-	(172)	-	-	-	-	**3,548**
impairment losses with deferred deductibility (impairment of receivables)	**2,219**	-	2,219	670	-	(709)	-	-	-	-	**2,179**
impairment losses with deferred deductibility (impairment of plants)	**1,900**	-	1,900	-	-	(0)	-	-	-	-	**1,899**
depreciation and amortisation of tangible and intangible assets with deferred deductibility	**132,617**	(3)	132,614	10,431	-	(5,596)	-	-	-	-	**137,450**
separation of land-buildings and component analysis	**114**	-	114	-	-	(0)	-	-	-	-	**114**
start-up costs	**2,225**	-	2,225	-	-	(0)	-	-	-	-	**2,225**
Post-employment and other employee benefits	**4,716**	-	4,716	11	-	(1,978)	-	-	-	-	**2,748**
cash deductible taxes and duties	**4**	-	4	-	-	0	-	-	-	-	**4**
proceeds subject to deferred taxation (connection fees)	**30,756**	-	30,756	-	-	(331)	-	-	-	-	**30,425**
deferred deductibility charges	**13,652**	-	13,652	21	-	(1,889)	-	-	-	-	**11,785**
goodwill	**47,281**	-	47,281	-	-	(6,985)	-	-	-	-	**40,295**
post-employment and other employee benefits - OCI	**2,363**	-	2,363	-	-	-	(511)	-	-	-	**1,853**
derivative financial instruments (in case of a net negative change in the relevant equity reserve)	**2,440**	-	2,440	-	-	-	(2,440)	-	-	-	**(0)**
for losses recoverable in future years	**1**	-	1	-	-	-	-	-	-	-	**1**
other consolidation adjustments	**105**	-	105	(10)	-	(2)	-	-	-	-	**94**
Total	**265,625**	**(3)**	**265,623**	**19,841**	**-**	**(26,905)**	**(2,950)**	**-**	**-**	**-**	**255,608**
Deferred income tax liabilities:											
differences on tangible and intangible assets – additional depreciation and amortisation	**24,397**	-	24,397	201	-	(740)	-	-	-	-	**23,858**
differences on intangible assets – goodwill	**5,195**	-	5,195	-	-	(0)	-	-	-	-	**5,194**
separation of land-buildings and component analysis	**3,826**	-	3,826	-	-	(1)	-	-	-	-	**3,825**
allocation to assets of costs relating to company mergers	**31,610**	-	31,610	-	-	(2,125)	-	-	-	-	**29,484**
Post-employment and other employee benefits	**1,121**	-	1,121	-	619	(7)	(226)	-	-	-	**1,506**
proceeds subject to deferred taxation	**3,312**	-	3,312	435	-	(392)	-	-	-	-	**3,354**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	**2,062**	-	2,062	-	24,890	-	(296)	-	-	-	**26,656**
other…	**971**	-	971	33	-	(206)	-	-	-	-	**797**
ASEM - OCI	**97**	-	97	-	80	-	(0)	-	-	-	**177**
recognition of deferred taxes due to merger	**47,377**	-	47,377	489	-	(2,021)	-	-	-	-	**45,845**
5% dividends received allocated to future years on an accruals basis	**0**	-	0	-	-	-	-	-	-	-	**0**
Total	**119,968**	**-**	**119,968**	**1,157**	**25,589**	**(5,493)**	**(523)**	**-**	**-**	**-**	**140,698**
Net deferred tax assets	**145,657**	**(3)**	**145,655**	**18,683**	**(25,589)**	**(21,412)**	**(2,427)**	**-**	**-**	**-**	**114,910**

15. Equity investments – € 3,706,000

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

Thousands of euro	Carrying amount	% ownership	Increases for the period	Disposals	Other increases	Other decreases	Adjustments	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31.12.2021									**as at 31.12.2022**	
Associates											
Equity Method											
Melegnano Energia Ambiente SpA	3,309	**40.00%**			238			2,451	1,095	3,547	**40.00%**
2i Servizi Energetici Srl	237	**60.00%**	-			(200)		6		37	**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 Srl	1	**0.19%**					(1)	1		(0)	**0.19%**
Banca Popolare Pugliese	11	**0.00%**								11	**0.00%**
Immobiliare Cestia srl	0	**0.05%**								0	**0.05%**
TOTAL EQUITY INVESTMENTS	**3,669**		**-**	**-**	**238**	**(200)**	**(1)**	**2,570**	**1,095**	**3,706**	

The tables below show the list of equity investments in associates and their values as recognised in the Group's financial statements at 31 December 2022:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Consolidated carrying amount (euro)
Melegnano Energie Ambiente SpA	Melegnano (MI)	4,800,000	8,866,854	5,340,835	595,227	31.12.2021	40%	3,546,742
2i Servizi Energetici Srl	Milan	10,000	61,274	283,110	(333,925)	31.12.2022	60%	36,765

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

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	6,904,886	7,184,955	1,960,303	200,377	31.12.2021	0.30%	41,634
Fingranda S.p.A. in Liquidazione	Cuneo	2,662,507	1,170,153	2	(23,943)	31.12.2021	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	23,079,108	22,792,109	1,030,076	33,474	31.12.2021	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,059,777	9	(31,928)	31.12.2021	0.09%	10,989
Borgo Offida Srl *	Offida (AP)	10,000 *	(303,848)	5,999	(243,715)	31.12.2021	0.19%	0
Banca Popolare Pugliese	Parabita (LE)	183,084,198	340,988,987	128,040,477	10,916,376	31.12.2021	0.01%	11,127
Immobiliare Cestia srl	Rome (RM)	50,000	439,985	127,867	(69,491)	31.12.2021	0.05%	26

*change of name and share capital on 25.05.2022

16. Non-current financial assets – € 116,660,000

The item mainly includes the Fair Value valuation of outstanding hedging derivatives, which rose sharply compared to the previous year due to interest rate trends during the year.
Receivables for sums paid to contracting stations for the purpose of tender preparation and which could be returned at the end of the procedure if the procedure is lost have also been classified under this item as of 2022.
Lastly, there is a residual deferral of transaction costs incurred in obtaining unused loan facilities as of 31 December 2022.

Thousands of euro	**31.12.2022**	**31.12.2021***	**2022 - 2021**
Non-current prepaid financial expenses	341	446	(105)
Long-term loans to employees	23	12	11
Financial receivables due from others	12,607	12,554	52
Fair value measurement of IRS derivatives	103,690	-	103,690
Total	**116,660**	**13,012**	**103,648**

*2021 pro-forma restated figures

17. Other non-current assets – € 33,290,000

This item fell by € 7,033,000 compared to 31 December 2021; it is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
security deposits	3,754	3,718	36
receivables for plant contributions	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	48	57	(9)
from municipalities for disposals of assets due to expiration of concessions	1,029	811	218
non-current receivables from CSEA	24,775	31,738	(6,963)
other non-current assets	2,955	3,269	(315)
bad debt provision	(137)	(137)	-
Total	**33,290**	**40,323**	**(7,033)**

*2021 pro-forma restated figures

Guarantee deposits of € 3,754,000 refer to receivables for work to be performed on distribution plants as well as from user contracts.

The € 560,000 receivable for contributions to be received was attributable to the recognition of the medium/long-term portion of receivables for plant-related contributions to be received: this item was unchanged during the year.

Tax receivables of 306,000 relate to reimbursement requests pursuant to art. 6 of Leg. Dec. 185/2008 (deduction from IRES of the IRAP portion for labour costs and interest expenses). There were no changes to this item in the year.

Credit due from municipalities for disposals of assets due to the expiration of concessions had a balance of € 1,029,000. This was the result of similar disputes or proceedings ongoing with some municipalities to define the amount of the refund owed to the company as outgoing operator for the relevant concessions and plants. Local action continued to resolve existing situations.

The balance of non-current receivables due from CSEA, totalling € 24,775,000, referred to the amount payable to distribution companies for the conventional meters that must be replaced by smart meters under Resolution 155/09 but that had not yet been fully amortised through tariffs at the date of their replacement. This considerable sum was due to the intense replacement activity that has taken place in recent years, and will be repaid by CSEA according to the time frame set out in the resolution.

Finally, the balance of miscellaneous non-current assets includes the residual value of prepaid expenses in the form of rent paid in advance to API, the company that owns the networks managed in the municipality of Rozzano (€ 2,500,000). As pointed out in the comments to Item 16, Non-current Financial Assets, as of this year the balance of advances for tender charges that distribution companies have to pay to contracting stations for ATEM tenders, which previously appeared in this item, has been reclassified in this item for better presentation.

Current assets

18. Inventories – € 18,852,000

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.
Compared to the previous year, this item fell by € 1,198,000; the decrease is basically due to fewer purchases of electronic meters during the year.
The item includes the provision for the write-down of inventories of € 1,466,000. The provision was set up to take into account inventories with unlikely future use.
The company uses the weighted average cost method.

19. Trade receivables – € 55,433,000

Compared to 31 December 2021 trade receivables fell by € 167,539,000.

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Third-party customers:			
Receivables from customers	51,055	225,655	(174,601)
- Bad debt provision	(7,515)	(9,127)	1,612
Receivables for returns under warranty	12,539	7,089	5,450
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**55,433**	**222,972**	**(167,539)**

*2021 pro-forma restated figures

The significant decrease in the same at the end of the year is due to government regulations and consequent actions of the Authority carried out in order to reduce the impact of energy market trends on end consumers, through the introduction of negative tariff components and the elimination of certain existing components.
This factor caused a decrease in existing receivables from customers, an increase in receivables from CSEA (under Other Current Assets), and an increase in Trade Payables

(into which the resulting negative customer balances were reclassified due to these components).
Such receivables are recognised net of a € 7,515,000 bad debt provision.
As for the impact assessment pursuant to IFRS 9, the company did not consider it had to update its assessments since the guarantees hedging receivables significantly reduce the risk of insolvency.
Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables from the manufacturers of meters for non-functioning assets that have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings that lead to the belief that the receivable is no longer collectable.
The assessment in this regard, as can be seen, has not changed in the year.
Changes in the bad debt provision are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Opening balance	**9,127**	**8,076**	**1,051**
Contribution from change in the scope of consolidation	-	377	(377)
Allocations	1,414	2,054	(640)
Releases	(2,142)	(860)	(1,282)
Uses	(884)	(520)	(364)
Closing balance	**7,515**	**9,127**	**(1,612)**

Bad debt provision at 31 December 2022 was taxed to the tune of € 7,512,000 (€ 7,164,000 at 31 December 2021).
All Group companies operated exclusively in Italy.

20. Short-term financial receivables – € 2.822,000

Short-term financial receivables consisted of financial receivables (€ 1,166,000) arising from exercising the right of withdrawal of Azienda Elettrica Valtellina e Valchiavenna. The amount reflects the estimate based on the preliminary withdrawal value that (i) was disputed by the company, (ii) was updated following payment of the company's dividend and (iii) will have to be updated based on the outcome of the ensuing litigation. The balance recognises other receivables, including € 960,000 from associate company 2i Servizi Energetici.

21. Other current financial assets – € 489,000

Other current financial assets include the accrued interest income unpaid by 2i Servizi energetici at 31 December 2022 and prepayments to third parties.

22. Cash and cash equivalents – € 46,038,000

Cash and cash equivalents fell by € 396,918,000 as a result of the financial transactions carried out during the year - the acquisition of ATEM Naples 1 and the partial repurchase with cancellation of a tranche of the bond loan - as well as normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Bank deposits	45,784	441,810	(396,026)
Post office deposits	96	989	(893)
Cash in hand	158	156	1
Total	**46,038**	**442,956**	**(396,918)**

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

23. Income tax receivables – € 13,717,000

Income tax receivables related to both IRES and IRAP, the € 11,456,000 increase in the year was due to normal changes for the payment of advances and balances during 2022.

24. Other current assets – € 547,451,000

Other current assets increased by € 332,505,000, mainly due to receivables from CSEA of € 215,305,000 and higher VAT receivables of € 111,886,000, of which € 8,443,000 extra claimed for reimbursement during the year.
Both increases can be attributed to the particular situation during the year, with the introduction of negative pass-through components and the elimination of some tariff components, as described in the report on operations.
During the year, a part of the accrued receivables from CSEA were disposed of. These disposals had all the characteristics necessary for the de-recognition of the receivable on the Group's balance sheets. As of 31 December 2022 there was still an open operation worth € 44.3 million, collected and repaid in early 2023.

In particular, receivables from CSEA include the equalisation of the gas distribution service (€ 60,803,000), so-called UG2 and Gas Bonus "pass-through" items (€ 285,553,000 in total) and recognition of Technical Quality (€ 46,052,000). This item also includes residual receivables for EECs (€ 4,378,000) and receivables for the recognition of remuneration on traditional meters disposed of before the end of their useful lives (€ 6,685,000).
The item is always correlated with payables to the Compensation Fund, as reported in note 40 "Other current liabilities".

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Other tax receivables:			
VAT receivables claimed for reimbursement	19,280	10,837	8,443
Receivables due from tax authorities for VAT	106,877	3,434	103,443
Other tax receivables	2	11	(8)
Other receivables:			
from social security and insurance agencies	464	767	(303)
receivables for plant contributions	1,512	2,875	(1,364)
from CSEA	405,660	190,355	215,305
Receivables from third parties for tender / concession expiration	2,996	2,062	934
from municipalities	246	246	-
from suppliers	3,128	2,446	682
Other receivables	4,251	1,918	2,333
Provision for other doubtful debts	(2,402)	(2,915)	513
Accrued income	26	19	7
Deferred charges for other multi-year fees	37	16	21
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	9	9	(0)
Deferred charges for insurance premiums	-	78	(78)
Other deferred charges	4,922	2,344	2,578
Total	**547,451**	**214,946**	**332,505**

*2021 pro-forma restated figures

25. Assets held for sale – € 1,703,000

Among assets held for sale, the Group reports for the year the sum of assets concerning, primarily, concessions being divested after the outcome of the Udine 2 ATEM tender, which is expected to be awarded in the first half of 2023.

Liabilities

Equity

26. Equity – € 1,300,308,000

Equity rose by € 152,591,000 in the year as a result of the following changes:

- a decrease in the ordinary dividend payout of an overall € 105,008,000;
- positive change in IAS reserves of € 88,123,000 following the *Fair Value* adjustment of derivatives and recognition of the discounting of defined benefits;
- an increase in the operating profit of € 169,476,000, of which € (339,000) the operating result for minority interests;

Share capital – € 3,639,000
At 31 December 2022 the share capital consisted of 363,851,660 2i Rete Gas S.p.A. ordinary shares, worth a value of € 3,639,000, fully subscribed and paid up.

Share premium reserve – € 286,546,000
The share premium reserve did not change in the year.

Legal reserve – € 728,000
The legal reserve stood at € 728,000, with no change during the year.

Reserves for valuation of derivatives – € 84,412,000
The reserve for valuation of derivatives was created in 2016 following the first execution of *Forward Starting Interest Rate Swap* contracts. In 2018 the swap was closed as planned, while the effect on the income statement is recorded on the basis of the interest expense flow of the Debenture Loan for the following 10 years. This movement is in addition to the *Fair Value* measurement of the new derivative contract opened in 2019.

Other reserves – € 235,589,000
Other reserves rose by € 2,517,000 owing to the recognition of the impact of the actuarial valuation of the Company's defined benefit plan on equity.

Retained earnings – € 517,750,000
Retained earnings rose by € 105,919,000 from the previous year as a result of the allocation of the profit for the year 2021.

Profit for the period – € 169,476,000
The result for 2022 was down by € 41,714,000 on the previous year.

Non-current liabilities

27. Long-term loans – € 3,086,998,000

The item refers to the five instalments of the long-term debenture loan issued by the parent company maturing between 2024 and 2031 and to three credit lines (totalling €452 million).

Changes in the year were caused by the Open Market Repurchase (OMR) transaction, with the repurchase and cancellation of part of a tranche of the outstanding debenture loan.

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

Thousands of euro	Balance		Notional value		Interest rate	Interest rate
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	in force	actual
Fixed rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed rate debt	-	100,000	-	100,000		
Fixed rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating rate debt	127,273	145,455	127,273	145,455	Eur+0,59%	3.29%
Debenture loan expiring 2024	577,393	600,000	577,393	600,000	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000	500,000	500,000	500,000	0.58%	0.64%
Costs linked to loans (long term)	(7,667)	(9,906)				
TOTAL LONG TERM	**3,086,998**	**3,225,548**	**3,094,666**	**3,235,455**		
Floating rate debt	18,182	18,182	18,182	18,182	Eur+0,59%	3.29%
Fixed rate debt	100,000	-	100,000	-	0.25%	0.25%
Costs connected to loans (short term)	(35)	-				
TOTAL SHORT TERM	**118,147**	**18,182**	**118,182**	**18,182**		

The maturity schedule of financial liabilities, whether medium-/long-term (€ 3,094,666,000 notional) or short-term (€ 118,182,000 – see points 33 and 34 of these notes), is shown in the following table:

Thousands of euro	**Notional as at 31.12.2022**	**Notional as at 31.12.2021**	**1 year**	**2 - 5 years**	**Beyond 5 years**
Short and medium/long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	352,273	470,455	-	297,727	54,545
Loan - Short-term Capex Line	118,182	18,182	118,182	-	
Medium/long-term debenture loans	2,742,393	2,765,000	-	2,242,393	500,000
Total	**3,212,848**	**3,253,636**	**118,182**	**2,540,120**	**554,545**

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

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

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

As at 31 December 2022 the company had met all covenants.

28. Post-employment and other employee benefits – € 30,207,000

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

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

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Post-employment benefits	23,326	28,043	(4,717)
ASEM health service	1,277	1,567	(290)
Fondo GAS	5,605	7,482	(1,877)
Total	**30,207**	**37,092**	**(6,885)**

An analysis of the main items is provided below.

TFR

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, corresponding, for each year of service, to an amount calculated by dividing their gross annual salary by 13.5.
It is noted that following the approval of Law 296 of 27 December 2006 (2007 finance law) and subsequent decrees and enabling legislation, only the portions of post-employment

benefits held with the company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the treasury fund held by INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Health care benefits

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

Fondo Gas

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

	31.12.2022	31.12.2021
Actuarial assumptions		
Discount rate	3.70%	1.00%
Annual rate of increase in cost of living	2.30%	1.50%
Rate of increase in cost of health spending	3.30%	2.50%
Demographic scenarios		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provisions for risks and charges – € 10,486,000

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

Provisions for risks and charges (considering both the short-term and the medium-/long-term portions) fell by € 3,079,000 overall compared to the previous year.
The table below shows the total provisions for risks and charges (both the short-term and the medium/long-term portion). The short-term portion is disclosed separately.

Thousands of euro	31.12.2021	Of which current portion	Of which non-current portion	Allocations	Releases	Uses	31.12.2022	Of which current portion	Of which non-current portion
Provisions for litigation and disputes	6,293	-	6,293	1,292	(919)	(1,091)	5,575	-	5,575
Provision for taxes and duties	1,813	-	1,813	510	(276)	(21)	2,025	-	2,025
Provisions for disputes with personnel	100	-	100	-	-	-	100	-	100
Provision for disputes on concessions	29,142	29,142	-	6,458	(3,537)	-	32,064	32,064	-
Other provisions for risks and charges	39,317	39,317	-	20,962	(8,951)	(17,605)	33,723	30,937	2,786
Total	**76,665**	**68,460**	**8,206**	**29,222**	**(13,682)**	**(18,718)**	**73,486**	**63,001**	**10,486**
Provisions for charges pertaining to leave incentives	1,900	1,900	-	353	-	(253)	2,000	2,000	-
Total	**78,565**	**70,360**	**8,206**	**29,575**	**(13,682)**	**(18,971)**	**75,486**	**65,001**	**10,486**

Provisions for risks and charges totalled € 75,486,000 with a short-term portion of € 65,001,000 and a long-term portion of € 10,486,000.
Existing funds broken down as follows:

- “Provisions for litigation and disputes”, € 5,575,000, to cover contingent liabilities mainly arising from ongoing litigation cases;
- “Provision for taxes and duties”, standing at € 2,025,000, referring mainly to ongoing litigation or disputes concerning local taxes;
- “Provision for disputes with personnel”, amounting to € 100,000, covering expected charges arising from disputes with personnel of a company acquired in previous financial years. The Company did not consider it necessary to change this item in the year;
- “Provision for disputes on concessions", totalling € 32,064,000, generally refers to estimated costs of sundry disputes with licensing Municipalities; over the year this item underwent a net increase of € 2,921,000 based on the likelihood of Municipalities requesting revision of the agreed concession fees. The likely maximum risk is estimated in the fund taking into account the limitation times dictated by the legislation itself;
- "Other provisions for risks and charges", amounting to € 33,723,000, mainly cover charges that may arise from the need to maintain or replace metering equipment that does not fully meet company standards as well as the provision for the risk that the EEC cancellation contribution may not cover the cost of purchasing all

the EECs for which the Group has an obligation to purchase as at 31 December 2022;

- "Provision for charges pertaining to incentives to leave", totalling € 2,000,000, addresses possible liabilities that may arise from agreements defined or in the process of being defined for incentives for personnel to leave, which started during the year and are still under way. The provision was used during 2022 to the extent of € 253,000.

The fiscal position of the Group has been defined up to 2017.

30. Non-current financial liabilities – € 0,000

At 31 December 2022 non-current financial liabilities stood at zero. Last year, the item included the negative value for the Fair Value of the derivative opened by the parent company during the year; this value has now turned positive due to interest rate trends.

31. Non-current financial liabilities pursuant to IFRS 16 – € 18,811,000

As at 31 December 2022 this item included financial liabilities falling due after 12 months deriving from the application of IFRS 16, i.e. payables arising from future leases that the Group will have to pay for the exclusive use of those assets whose hire, rental or lease contracts fall under the application of the aforesaid standard.
The table below shows details of maturities broken down by short, medium and long-term debt and by type of contract.

Thousands of euro

		Present value of IFRS 16 cash flows 31.12.2022	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**18,811**	**-**	**17,883**	**928**
	IFRS 16 Property			13,572	928
	IFRS 16 Vehicles			4,311	-
	IFRS 16 ICT			-	-
Current IFRS 16 financial liabilities		**6,660**	**6,660**	**-**	**-**
	IFRS 16 Property		4,204		
	IFRS 16 Vehicles		2,275		
	IFRS 16 ICT		182		
Total		**25,472**	**6,660**	**17,883**	**928**

32. Other non-current liabilities – € 353,854,000

This item rose by € 15,341,000 compared to the previous year, made up as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
payables to social security and insurance agencies	-	2,137	(2,137)
other payables	1,052	961	91
Deferred income for plant contributions	58,554	48,771	9,783
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	294,248	286,644	7,604
Total deferred income	**353,854**	**338,512**	**15,341**

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

Current liabilities

33. Short-term loans – € 0,000

This item stood at zero, just as in 2021.

34. Current portion of medium/long-term bank loans – € 118,182,000

At 31 December 2022 the item included the total bank debt, including the debt to the EIB, which is contractually due to be repaid within the next 12 months.
For details, see Section 27.

35. Current portion of long-term provisions and short-term provisions – € 65,001,000

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

36. Trade payables – € 448,994,000

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

This item increased by € 229,776,000 compared to the previous year, mainly due to the classification within it of debit balances with customers generated by the presence of negative tariff components in the billing, as established by the Authority following Government provisions aimed at limiting the impact of international energy market tensions and the consequent increase in prices.

The breakdown of trade payables to third-party suppliers is set out below.

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Suppliers	448,994	219,218	229,776
Total	**448,994**	**219,218**	**229,776**

*2021 pro-forma restated figures

The balance at 31 December 2022 mainly consists of the residual amount payable to supplier companies to which gas distribution plant construction and maintenance is outsourced, payables arising from staff and operating support services, and the purchase of electricity and gas services for internal use.

37. Income tax payables – € 1,221,000

At 31 December 2022 income tax payables were higher than in the previous year due to normal trends for advance and final payments.

38. Current financial liabilities – € 19,611,000

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

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Accrued liabilities for interest on short-term bank loans and bank expenses	18,785	19,243	(458)
Other current financial payables	826	767	60
Total	**19,611**	**20,009**	**(399)**

39. Financial liabilities IFRS 16 – € 6,660,000

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

40. Other current liabilities – € 143,054,000

Other current liabilities decreased in the year by € 60,945,000, mainly due to the fall in "Other payables", an item which also includes the amount due to the Fund for Energy and Environmental Services (CSEA) for the items relating to various tariff components.
The position with CSEA must be seen in light of the relevant receivables due from CSEA included under Other current assets.
Other current liabilities are set out below:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
other tax payables	3,881	6,782	(2,900)
payables to social security and pension agencies	9,173	10,629	(1,456)
other payables	113,045	171,931	(58,885)
accrued liabilities	3,525	3,324	201
deferred income	13,429	11,334	2,095
Total	**143,054**	**203,999**	**(60,945)**

*2021 pro-forma restated figures

Other tax payables, amounting to € 3,881,000, are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
due to tax authorities for VAT	149	2,898	(2,749)
due to tax authorities for taxes withheld from employees	3,703	3,755	(53)
due to tax authorities for withholding taxes	30	128	(99)
other payables to tax authorities	0	0	(0)
Total	**3,881**	**6,782**	**(2,900)**

Amounts due to social security institutions, totalling € 9,173,000, were down compared with the previous year, in line with personnel changes during the year:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
due to INPS	8,143	9,552	(1,409)
due to other agencies	1,029	1,077	(48)
Total	**9,173**	**10,629**	**(1,456)**

Other payables, amounting to € 113,045,000, are set out below.

Thousands of euro	31.12.2022	31.12.2021*	2022 - 2021
Payables to employees	10,986	13,426	(2,440)
Payables to municipalities for rights and fees	1,201	1,204	(3)
Payables for connections, network extension and other payables to custome	10,555	8,199	2,356
Payables for security deposits and user advances	5,440	4,524	916
Payables to CSEA	77,241	137,858	(60,617)
Other payables	7,623	6,720	902
Total	**113,045**	**171,931**	**(58,885)**

*2021 pro-forma restated figures

Payables to the Fund for Energy and Environmental Services (CSEA) consisted of € 36,850,000 in payables for entries that are transferred to trading companies through the invoicing mechanism and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Re, Gs and Rs), and residual payables of € 32,323,000 mainly relating to equalisation amounts for previous years and the current year.

Accruals and deferred income, amounting to € 16,954,000, are set out below.

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Accrued liabilities			
Additional monthly accrual for employees	3,337	3,309	28
Other accrued liabilities	188	15	173
Total accrued liabilities	**3,525**	**3,324**	**201**
Deferred income			
Deferred income for plant contributions	2,694	2,204	490
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	10,094	8,978	1,117
Other deferred income	641	152	489
Total deferred income	**13,429**	**11,334**	**2,095**
Total accrued liabilities and deferred income	**16,954**	**14,658**	**2,297**

25. Liabilities held for sale – € 230,000

At 31 December 2022 this item mainly included liabilities regarding concessions being divested further to the outcome of the ATEM Udine 2 tender, which is due to be awarded in the first half of 2023.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

"Related parties" with whom the Group had dealings in 2022 included:

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

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

All trade balances relate to transactions undertaken at market values.

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

Trade and other transactions

Year 2022

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

Year 2021

	Trade		Trade	
Thousands of euro	Receivables	Payables	Costs	Revenue
F2i SGR S.p.A	-	15	68	-
MEA SPA	9	-	-	9
APG Infrastructure Pool 2017 II	-	60	20	-
Bonatti Spa	31	4,322	4,184	19
2i Servizi Energetici Srl	16	13	63	59
Key management personnel, including directors and statutory auditors	-	48	2,626	-
Total	**55**	**4,457**	**6,960**	**86**

Financial transactions

Year 2022

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

Year 2021

	Financial		Financial		
Thousands of euro	Receivables	Payables	Costs	Revenue	Dividends paid
F2i – Terzo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					79,887
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)					10,136
Finavias S. à r.l.					34,922
MEA SPA				130	
2i Servizi Energetici Srl	498		245	62	
Total	**498**	**-**	**245**	**192**	**124,945**

Significant extraordinary events and operations

Pursuant to Consob communication no. DEM/6064293 dated 28 July 2006 it is noted that there were no significant events and transactions of a non-recurring nature during the year that have not already been disclosed in this document.

Positions or transactions arising from atypical and/or unusual operations

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

Fees for Directors, auditors and key management personnel

Fees for directors totalled € 258,000 in 2022 (of which € 177,000 to personnel given strategic responsibility); fees for Statutory Auditors totalled € 69,000 (fully included in the category of personnel given strategic responsibility) and fees for managers with strategic responsibility totalled € 3,585,000.

Remuneration of the Independent Auditors

The remuneration of the independent auditors totalled € 606,000 in 2022, and included the annual auditing of the statutory and consolidated financial statements, the auditing of the unbundling financial report and the statements required by ARERA.

Public grants received

With regard to the changes contained in Law no. 124 of 4 August 2014, the "Annual competition law", more precisely article 1(125-129), it is reported that during the course of 2022 the following grants were received by Group companies from public bodies:

Euro

Name	Prov.	31.12.2022	Type
Municipality of Baselice - Municipality of San Bartolomeo in Galdo - Municipality of Foiano Val Fortore	BN	230,021	CONTRIBUTIONS - Campania Region contributions in response to 2015 extreme events
MUNICIPALITY OF ISOLA DEL GRAN SASSO	TE	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORANO NUOVO	TE	5,638	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTEL CASTAGNA	TE	15,592	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF LUCOLI	AQ	30,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CANZANO	TE	18,262	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORNIMPARTE	AQ	7,656	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF BASCIANO	TE	16,876	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF RIPA TEATINA	CH	18,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		100,029	Incentives for photovoltaic projects
MUNICIPALITY OF VIBONATI	SA	67,106	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF MORIGERATI	SA	59,107	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF TORRACA	SA	71,661	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF TORRACA	SA	266,304	NATURAL GAS SERVICE GOVERNMENT GRANT TO SOUTHERN ITALY AS PER LAW 147/13
MUNICIPALITY OF ISPANI	SA	43,863	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF TORTORELLA	SA	130,724	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF CASALETTO SPARTANO	SA	70,021	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF CAMEROTA	SA	71,601	REGIONAL GRANT AS PER CAMPANIAN LAW 100/2018
MUNICIPALITY OF CAMEROTA	SA	652,767	NATURAL GAS SERVICE GOVERNMENT GRANT TO SOUTHERN ITALY AS PER LAW 147/13
Total public grants collected		**1,951,061**	

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

Contractual commitments and guarantees

The company provided €161,108,000 by way of guarantees in the interests of third parties. These guarantees include € 122,251,000 in bank guarantees and € 38,857,000 in insurance and other guarantees.
These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.
Further to section 22(b) of art. 2427 of the Civil Code, it is stressed that there are no agreements that have not been disclosed in the financial statements that might significantly impact the Group's financial statements.

Operating segment reporting

The Group is managed as a single business unit engaging mainly in natural gas distribution through networks. As a result, the Group's operations are analysed as a whole by 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 and highlighted in note 5.c as well as in the section covering costs.

Contingent liabilities and assets

Contingent liabilities

Currently there are no contingent liabilities.

Contingent assets

Currently there are no contingent assets.

Credit, liquidity and market risk

Credit risk

The 2i Rete Gas Group provides its distribution services to over 260 sales companies, the most significant of which is Enel Energia S.p.A.
With regard to invoiced volumes, no significant cases of counterparty non-compliance were detected in 2022.
User access to the gas distribution service is governed by the Network Code, which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, credit lines to external counterparties are closely monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits for the purpose of ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled € 236,238,000.

This resulted in a mitigation of the credit risk.

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

At 31 December 2022 the maximum credit risk exposure was € 681.3 million:

Millions of euro

	31.12.2022	31.12.2021*	2022 - 2021
Third parties:			
Non-current financial assets	116.7	13.0	103.6
Other non-current financial assets (gross of bad debt provisi	33.4	40.5	(7.0)
Trade receivables (gross of bad debt provision)	63.6	232.7	(169.2)
Other current financial assets	3.3	2.0	1.3
Cash and cash equivalents	46.0	443.0	(396.9)
Other receivables (gross of bad debt provision)	418.3	200.7	217.6
Total	**681.3**	**931.9**	**(250.6)**

*2021 pro-forma restated figures

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, the 2i Rete Gas Group is able to autonomously meet the financial requirements of its ordinary operations and ensure business continuity.
In addition to the debenture loans issued, maturing between 2024 and 2031, the company took out two loans with the European Investment Bank in 2015 and 2016, totalling € 425 million, plus a line of credit with a leading bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2022 are set forth below:

Financial liabilities			
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**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2021 are set forth below:

Financial liabilities			
Millions of euro	**1 year**	**1 - 5 years**	**Beyond 5 years**
Financial liabilities as at 31 December 2021			
Long-term loans	-	172.7	297.7
Medium/long-term debenture loans	-	1,535.0	1,230.0
Current portion of long-term loans	18.2		
Other long-term financial liabilities	10.2		
Other short-term financial liabilities	20.0		
Non-current IFRS 16 financial liabilities		17.5	2.5
Current IFRS 16 financial liabilities	5.6		
Total	**54.0**	**1,725.2**	**1,530.3**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are regularly monitored as regards compliance with some financial covenants at a consolidated level.
At 31 December 2022, these covenants had been fully met.

"Medium/long-term debenture loans" totalling € 2,742.4 million refer to the aforementioned debenture loan instalments issued by 2i Rete Gas and expiring between 2024 and 2031.
The company's growth plan requires refinancing existing debt, but given the company's excellent performance, the rating obtained, and the ongoing compliance

with the financial covenants established by the lending banks, currently the company does not face any problems in obtaining said refinancing.
The company constantly monitors opportunities to optimise its financial structure.
For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

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

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

The Group does not hold derivatives for trading or speculative purposes.
During 2019, the parent company entered into 5 "Forward Starting Interest Rate Swap" hedging instrument contracts with a notional amount of € 500 million.
In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and Fair Value.
The company has no financial assets held to maturity, available for sale or held for trading.

Thousands of euro	carrying amount							
	Notes	Measured at fair value	Derivatives*	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets 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
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*

In order to enable comparison, the same table as the one used in 2021 is provided:

Thousands of euro	carrying amount							
	Notes	Measured at fair value	Derivatives*	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets measured at fair value								
Non-current financial assets	16		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			13,012			13,012	13,012
Other non-current assets	17			40,266			40,266	40,266
Trade receivables	19-25			222,972			222,972	222,972
Short-term financial receivables	20			2,014			2,014	2,014
Other current financial assets	21			26			26	26
Cash and cash equivalents	22			442,956			442,956	442,956
Other current assets	24			212,054	46		212,100	212,100
TOTAL ASSETS			**-**	**933,299**	**46**	**-**	**933,345**	**933,345**
Financial liabilities measured at fair value								
IRS Derivatives	38		10,184				10,184	10,184
Financial liabilities not measured at fair value								
Long-term loan	27					470,455	470,455	470,455
Medium/long-term debenture loans	27					2,755,094	2,755,094	2,894,339
Non-current IFRS 16 financial liabilities	31	20,006					20,006	20,006
Other non-current liabilities	32					961	961	961
Short-term loans	33-34					18,182	18,182	18,182
Trade payables	36-25					219,218	219,218	219,218
Current financial liabilities	38					19,243	19,243	19,243
Current IFRS 16 financial liabilities	39	5,606					5,606	5,606
Other current liabilities	40				80	192,665	192,745	192,745
TOTAL LIABILITIES		**25,611**	**10,184**	**-**	**80**	**3,675,818**	**3,711,694**	**3,850,939**

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

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

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

Interest rate risk

The company manages interest rate risk with the aim of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest

rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, notably *interest rate swaps*.
Concerning the current debt structure, € 3,067 million out of a reported € 3,213 million was not exposed to interest rate risk at 31 December 2022.

During 2019 the parent company entered into 5 forward start interest rate swap derivative contracts (maturity set at 10 years after the start date) with as many leading banks in order to hedge against the risk of an increase in interest rates on the future issue of the Debenture Loan planned to refinance part of the existing loan reaching maturity in the coming years.

Thousands of euro	**Notional**		**Fair value**		**Fair value asset**		**Fair value liability**	
	as at 31.12.2022	**as at 31.12.2021**	**as at 31.12.2022**	**as at 31.12.2021**	**as at 31.12.2022**	**as at 31.12.2021**	**as at 31.12.2022**	**as at 31.12.2021**
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	103,690	(10,184)	103,690	-	-	(10,184)
Total Interest Rate Derivatives	500,000	500,000	103,690	(10,184)	103,690	-	-	(10,184)

The contract expiry dates are shown below:

Thousands of euro	**Notional**		**1 year**	**2 - 5 years**	**Beyond 5 years**
	as at 31.12.2022	**as at 31.12.2021**			
Cash flow hedge derivatives					
Forward Start Interest Rate Swap	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

The values are also shown, assuming interest rate shocks of +0.10% and -0.10%:

Thousands of euro	**Notional**		**-0,10%**	**Fair value**	**+0,10%**	**-0,10%**	**Fair value**	**+0,10%**
	as at 31.12.2022	**as at 31.12.2021**		**as at 31.12.2022**			**as at 31.12.2021**	
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	100,615	103,690	107,720	(15,369)	(10,184)	(5,148)
Total	500,000	500,000	100,615	103,690	107,720	(15,369)	(10,184)	(5,148)

Significant events after the reporting period

No events worthy of particular mention have been recorded after the reporting period at a consolidated level.

V Report of the Independent Auditors

Independent auditor's report

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

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of 2i Rete Gas SpA (the Group), which comprise the consolidated statement of financial position as of 31 December 2022, the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of 2i Rete Gas SpA (the Company) pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers SpA

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Key Audit Matters	*How our audit addressed the key audit matter*
Capitalisation in intangible assets of capital expenditure on the gas distribution network under service concession agreements *Annual Report* *Chapter III Directors' Report – Section 5 Regulatory and tariff framework* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 13 Intangible assets*	
Concessions and similar rights recognised as intangible assets as of 31 December 2022 totalled €4,236 million, accounting for 76% of the Group's total assets. Amounts capitalised in the year totalled €642 million. The Group operates in gas distribution, an activity regulated by Autorità di Regolazione per Energia Reti e Ambiente (ARERA), the energy, networks and environment regulator. Revenues from gas distribution are determined annually on the basis of the tariff in force, which is mainly calculated on the basis of a pre-determined rate of remuneration of capital expenditure made, amortisation charges and operating costs. A correct capitalisation of intangible assets for assets under concession, in accordance with IFRIC 12, is a key audit matter in consideration of the significant amounts of capital expenditure and their impact in the quantification of the tariff determined by ARERA every year.	We performed an understanding and evaluation of the system of internal control over the capital expenditure cycle, with particular reference to identification and testing of key controls. We assessed the accounting policy adopted by the group in relation to the capitalisation of costs. We performed detailed tests analysing, on a sample basis, the supporting documentation of costs capitalised to verify accuracy, completeness and proper period of capitalisation. We have verified the accuracy and completeness of the disclosure made in the notes to the financial statements.
Recoverability of goodwill *Annual Report* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 13 Intangible assets*	
Goodwill recognised as of 31 December 2022 totalled €305 million, accounting for 5% of the Group's total assets. The recoverability of goodwill is tested by the	Also, with the support of PwC experts, we verified: • The adequacy of the entire process of verification of the recoverability of

Key Audit Matters	*How our audit addressed the key audit matter*
directors at the year-end in accordance with IAS 36 – Impairment of assets. The recoverable amount of the group of cash generating units ("CGUs") "Gas distribution", which is the business in which the Group operates, to which goodwill is allocated, is determined on the basis of value in use, calculated on the future cash flows estimated in the 2022-2026 business plan approved by the board of directors of the parent company on 17 January 2023. The recoverable amount of the "Gas distribution" business is compared with the carrying amounts of the assets and liabilities directly attributable to the business, including goodwill. In consideration of the materiality of the balance and of the degree of subjectivity of some of the variables used to estimate value in use, the verification of the recoverability of goodwill was a key matter in our audit of the consolidated financial statements.	goodwill, in accordance with the applicable financial reporting standards; • The method of allocation of goodwill to the CGUs; • The reasonableness of the assumptions used to determine the value in use of the "Gas distribution" business, with particular reference to the growth rates of revenues, costs and capital expenditure and the discount rates, also through sensitivity analyses; • The correct identification of the carrying amounts of the assets and liabilities directly attributable to the "Gas distribution" business; • The mathematical accuracy of the calculation model used. We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.
Measurement of provisions for risks and charges *Annual Report* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 29 Provision for risks and charges*	
Provisions for risks and charges recognised as of 31 December 2022 totalled €75 million and comprise probable liabilities arising from past events, the amount of which can be reasonably estimated at the reporting date. Provisions for risks and charges are mainly related to charges for sundry litigation with municipalities and charges that may arise from the need to maintain or replace measurement devices that do not fully meet corporate standards. In consideration of the materiality of the balance and of the use of estimates by management, the measurement of provisions for risks and charges was key matter in our audit of the consolidated financial statements.	We carried out activities to understand and evaluate relevant controls over the measurement of provisions for risks and charges. We verified, on a test basis, supporting evidence for the most significant positions in order to assess the adequacy of the provisions. We obtained confirmations from the main legal counsels retained by the Group, with an indication of individual positions and their assessment of the risk of possible liabilities. We had a critical discussion with management about their conclusions on the criteria applied to quantify provisions for risks and charges.

Key Audit Matters	*How our audit addressed the key audit matter*
	We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.
Acquisition of Atem Napoli 1 *Annual Report* *Chapter III Directors' Report – Section 5 Regulatory and tariff framework* *Chapter IV Consolidated financial statements - Section 6 Notes to the consolidated financial statements – Note 13 Intangible assets*	
In the course of the year the Company acquired and took over the operation of the gas distribution service in the area of ATEM Napoli 1 "Città di Napoli e Impianto Costiero". The process and method of recognition of the transaction entailed evaluations by management about the accounting impact of the concession acquired. In detail, analyses focused on the accounting treatment of the acquisition of the concession in accordance with 'IFRIC 12, the recognition of the assets acquired and the determination of the related revenues, the amortisation charges and the provisional purchase price. Given the materiality of the effects of the acquisition and in consideration of the complexity of the evaluations required of management, we considered this transaction a key audit matter.	We carried out activities to understand and evaluate relevant controls over the measurement of intangible assets. We verified the method of recognition of assets underlying the concession acquired and the related accounting treatment. We verified the reasonableness of the assumptions used to determine the values of capital expenditure, amortisation charges and revenues and we verified the correct determination of the carrying amounts of assets recognised in intangible assets and in other current and non-current liabilities. We had a critical discussion with management about factors likely to determine potential price adjustments in relation to the transaction, and the related disclosures in the consolidated financial statements. We verified the accuracy and completeness of disclosures provided in the notes to the consolidated financial statements.

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

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

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

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

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

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

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

- We identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No. 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the consolidated financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of 2i Rete Gas SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of the 2i Rete Gas Group as of 31 December 2022, including their consistency with the relevant consolidated financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the consolidated financial statements of the 2i Rete Gas Group as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of 2i Rete Gas Group as of 31 December 2022 and are prepared in compliance with the law.

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

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

Management of 2i Rete Gas SpA is responsible for the preparation of the non-financial disclosure in accordance with Legislative Decree 254/2016. We have verified that the non-financial disclosure was approved by the board of directors.

In accordance with article 3, paragraph 10, of Legislative Decree 254/2016, the non-financial disclosure is subject to separate audit reporting by our firm.

Milan, 11 April 2023

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.

VI Statutory financial statements of 2i Rete Gas S.p.A.

1. Income Statement

Euro	Notes	31.12.2022	of which to related parties	31.12.2021	of which to related parties
Revenue					
Revenue from sales and services	5.a	695,439,223	2,059,054	717,887,479	3,351,252
Other revenue	5.b	35,923,145	1,235,360	36,648,737	1,251,406
Revenue from intangible assets / assets under development	5.c	312,925,435		312,555,760	
Running total		**1,044,287,803**		**1,067,091,976**	
Costs					
Raw materials and consumables	6.a	45,202,747		54,063,132	
Services	6.b	349,884,397	7,550,542	335,260,562	6,858,770
Personnel costs	6.c	123,176,938	3,583,007	124,013,374	2,357,863
Amortisation, depreciation and impairment losses	6.d	211,681,222		207,609,354	
Other operating costs	6.e	25,709,396	322,316	31,495,213	327,396
Capitalised costs for internal work	6.f	-		(1,373)	
Running total		**755,654,700**		**752,440,262**	
EBIT		**288,633,104**		**314,651,715**	
Income (expenses) from equity investments	7	(320)		123,612	123,520
Financial income	8	1,950,896	689,320	992,979	548,898
Financial expenses	8	(58,830,881)	(173,928)	(57,117,741)	(31,593)
Running total		**(56,880,304)**		**(56,001,151)**	
Pre-tax income		**231,752,800**		**258,650,564**	
Taxes for the period	9	64,592,618		49,551,110	
Net income (expenses) from continuing operations		**167,160,181**		**209,099,454**	
Gain on the sale of discontinued operations	10	-		-	
Tax effect	10	-		-	
Net income (expenses) from discontinued operations	10	**-**		**-**	
NET INCOME FOR THE YEAR		**167,160,181**		**209,099,454**	

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

2. Statement of Comprehensive Income

Euro	31.12.2022	31.12.2021
Net income recognised through profit or loss	**167,160,181**	**209,099,454**
Other comprehensive income		
Items that will never be restated under profit/(loss):		
Revaluations of net liabilities/assets for defined benefits	3,499,813	(8,768)
Deferred tax assets and liabilities on items which will never be classified through profit / (loss)	(982,854)	(44,467)
	2,516,959	(53,235)
Items that may be restated subsequently under profit/(loss):		
Change in fair value of hedging derivatives	113,874,303	28,568,204
Change in fair value of hedging derivatives reclassified in the income for the year	(1,234,918)	(1,234,918)
Deferred tax (assets)/liabilities from change in fair value	(27,329,833)	(6,856,369)
Deferred tax (assets)/liabilities from change in fair value of hedging derivatives reclassified in the income for the year	296,380	296,380
	85,605,932	20,773,297
Total other comprehensive income	**88,122,890**	**20,720,062**
Total comprehensive income / (loss) recognised in the year	**255,283,071**	**229,819,516**

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

3. Statement of Financial Position

Assets

Euro	Notes				
ASSETS		**31.12.2022**	**of which to related parties**	**31.12.2021***	**of which to related parties**
Non-current assets					
Property, plant and equipment	11	26,974,666		26,629,194	
IFRS 16 right-of-use assets	12	26,072,565		25,956,690	
Intangible assets	13	4,540,774,161		4,109,377,571	
Net deferred tax assets	14	113,470,029		144,206,121	
Equity investments	15	24,640,386	24,517,705	24,640,934	24,517,705
Non-current financial assets	16	116,660,281		13,011,938	
Other non-current assets	17	33,232,561		40,261,528	
	Total	**4,881,824,650**		**4,384,083,977**	
Current assets					
Inventories	18	18,176,421		19,502,459	
Trade receivables	19	56,036,327	1,494,678	222,522,236	1,546,736
Short-term financial receivables	20	26,700,744	24,838,987	23,701,443	22,167,596
Other current financial assets	21	728,797	245,588	165,388	156,994
Cash and cash equivalents	22	45,885,592		442,933,528	
Income tax receivables	23	13,705,352		2,514,903	285,338
Other current assets	24	539,262,167		205,100,762	
	Total	**700,495,400**		**916,440,721**	
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	1,702,518		2,220,947	
	Total	**1,702,518**		**2,220,947**	
TOTAL ASSETS		**5,584,022,568**		**5,302,745,644**	

*2021 pro-forma restated figures

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

Liabilities

Euro	Notes				
EQUITY AND LIABILITIES		**31.12.2022**	**of which to related parties**	**31.12.2021***	**of which to related parties**
Equity	26				
Share capital		3,638,517		3,638,517	
Treasury Shares		-		-	
Other Reserves		607,275,287		519,152,396	
Retained earnings/(accumulated losses)		513,154,982		409,063,117	
Net income for the year		167,160,181		209,099,454	
TOTAL EQUITY		**1,291,228,966**		**1,140,953,484**	
Non-current liabilities					
Long-term loans	27	3,086,998,348		3,225,548,321	
Post-employment and other employee benefits	28	30,207,334		37,091,860	
Provision for risks and charges	29	8,759,911		8,076,584	
Deferred tax liabilities	14	-		-	
Non-current financial liabilities	30	-		10,184,491	
Non-current IFRS 16 financial liabilities	31	18,811,365		20,005,582	
Other non-current liabilities	32	344,370,835		329,300,704	
	Total	**3,489,147,793**		**3,630,207,542**	
Current liabilities					
Short-term loans	33	13,251,962	13,251,962	6,053,004	6,053,004
Current portion of long-term loans	34	118,147,267		18,181,818	
Short-term portion of long-term and short-term provisions	35	63,183,346		68,511,759	
Trade payables	36	439,770,026	1,577,751	210,046,832	711,866
Income tax payables	37	1,366,028	370,656	2,109,378	104,359
Current financial liabilities	38	19,706,156	95,572	20,016,810	7,599
Current IFRS 16 financial liabilities	39	6,660,403		5,605,886	
Other current liabilities	40	141,330,892	9,831	200,769,910	6,990
	Total	**803,416,080**		**531,295,397**	
Non-current liabilities (or liabilities included in disposal groups) held for sale					
Non-current liabilities (or liabilities included in disposal groups) held for sale	25	229,729		289,222	
	Total	**229,729**		**289,222**	
TOTAL LIABILITIES		**4,292,793,602**		**4,161,792,161**	
TOTAL EQUITY AND LIABILITIES		**5,584,022,568**		**5,302,745,644**	

*2021 pro-forma restated figures

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

4. Statement of Cash Flows

Euro		31.12.2022	31.12.2021
A) CASH AND CASH EQUIVALENTS - OPENING BALANCE	**22**	**442,933,528**	**186,727,477**
A) CASH AND CASH EQUIVALENTS ACQUIRED THROUGH COMPANY ACQUISITION		**-**	**224,935**
Cash flow from operating activities			
Pre-tax income		231,752,800	258,650,564
Taxes for the period	9	(64,592,618)	(49,551,110)
1. Net income for the period		**167,160,181**	**209,099,454**
Adjustments for:			
Depreciation and amortisation	6.d	212,391,102	205,786,246
Impairment/(Reversals)/(Releases)	6.d	(709,881)	1,823,107
Capital (gains)/losses	5.b/6.e	6,832,093	10,989,260
Allocations to provisions for risks and charges and post-employment benefits		20,100,673	19,414,846
Financial (income)/expenses	7 and 8	56,880,304	56,001,151
2. Total adjustments		**295,494,293**	**294,014,610**
Change in net working capital			
Inventories	18	1,326,038	(1,355,830)
Trade receivables	19	167,212,800	21,944,684
Trade payables	36	229,723,194	(2,118,621)
Other current assets	24	(334,161,405)	2,927,585
Other current liabilities	40	(59,507,506)	(6,787,109)
Net tax receivables/(payables)	23 and 37	(11,933,799)	7,394,511
Increase / (decrease) in provisions for risks and charges and post-employment benefits	28, 29 and 35	(17,485,694)	(19,568,704)
Increase / (decrease) in provisions for deferred tax assets and liabilities	14	2,719,785	(25,541,882)
Other non-current assets	17	7,028,966	3,837,664
Other non-current liabilities	32	15,071,791	2,233,462
Financial income/(expenses) other than for financing	8	148,627	308,254
3. Total change in net working capital		**142,797.340**	**(16,725,987)**
B) CASH FLOW FROM OPERATING ACTIVITIES (1+2+3)		**462,797,271**	**486,388,076**
Cash flow (used in)/generated by investing activities			
Net fixed assets		(654,117,612)	(338,536,806)
Equity investments	7 and 15	229	(105,090,879)
Settlement of loan for purchase of equity investment	33		(45,733,178)
Cash acquired through company acquisition			4,106,382
C) CASH FLOW (USED IN)/GENERATED BY INVESTING ACTIVITIES		**(654,117,383)**	**(485,254,481)**
D) FREE CASH FLOW (B+C)		**(191,320,112)**	**1,133,595**
Cash flow from financing activities			
Payment of dividends		(105,007,589)	(125,019,430)
Change in amortised cost	16, 27 and 34	2,309,429	(586,539)
Financial income/(expenses) relating to the FV of the derivative instrument from Comprehensive Income	7 and 8	(1,234,918)	(1,234,918)
Financial income for financing activities	8	1,223,035	503,238
Financial (expenses) for financing activities	8	(58,251,647)	(56,936,254)
Change in short-term and long-term financial debt	27 and 33	(10,982,860)	(53,164,651)
Receipts from debenture loan issues	27	-	500,000,000
Debenture loan settlements	27 and 33	(22,607,000)	-
Other non-current financial assets	16	(63,666)	833
Change in other financial receivables	20 and 21	(3,562,709)	(4,828,205)
Change in IFRS 16 financial leases	31, 39 and 11	(7,239,243)	(6,827,706)
Change in other current financial payables	38	(310,655)	2,941,155
E) CASH FLOW FROM FINANCING ACTIVITIES		**(205,727,824)**	**254,847,521**
F) CASH FLOW FOR THE PERIOD (D+E)		**(397,047,936)**	**255,981,116**
G) CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**22**	**45,885,592**	**442,933,528**

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

5. Statement of Changes in Equity

	Share capital and reserves							
Euro	Share capital	Share premium reserve	Legal reserve	Reserves for valuation of derivatives	Other reserves	Retained earnings (accumulated losses)	Net income for the year	**Total**
Total 31 December 2020	**3,638,517**	**286,546,491**	**727,703**	**(21,967,280)**	**233,122,036**	**351,489,659**	**182,592,889**	**1,036,150,015**
Allocation of income for 2020:								
Distribution of income						57,573,459	(57,573,459)	**-**
- Increase in legal reserve								
Contribution from shareholders and payments to them as shareholders								**-**
Payment of dividends							(125,019,430)	**(125,019,430)**
-Shareholders' contribution for share capital increase								
Total contribution from shareholders and payments to them as shareholders								***(125,019,430)***
- Other changes (merger of Powergas)					3,384			**3,384**
Net income for the year recognised in equity				20,773,297	(53,235)			**20,720,062**
Net income for the year recognised in profit or loss							209,099,454	**209,099,454**
Total 31 December 2021	**3,638,517**	**286,546,491**	**727,703**	**(1,193,983)**	**233,072,184**	**409,063,117**	**209,099,454**	**1,140,953,484**
Allocation of income for 2021:								
Distribution of income						104,091,865	(104,091,865)	**-**
- Increase in legal reserve								
Contribution from shareholders and payments to them as shareholders								**-**
Payment of dividends							(105,007,589)	**(105,007,589)**
-Shareholders' contribution for share capital increase								
Total contribution from shareholders and payments to them as shareholders								***(105,007,589)***
Net income for the year recognised in equity				85,605,932	2,516,959			**88,122,890**
Net income for the year recognised in profit or loss							167,160,181	**167,160,181**
Total 31 December 2022	**3,638,517**	**286,546,491**	**727,703**	**84,411,949**	**235,589,143**	**513,154,982**	**167,160,181**	**1,291,228,966**

2i Rete Gas S.p.A.
Chief Executive Officer

Michele Enrico De Censi

6. Notes to the Statutory Financial Statements of 2i Rete Gas S.p.A.

Format and contents of the Financial Statements

The company 2i Rete Gas S.p.A., operating in the gas distribution sector, is a public limited company and is located in Milan, Via Alberico Albricci, 10.

The territorial structure of the company consists of six departments.
The departmental offices are:

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

The Directors of 2i Rete Gas S.p.A. approved these consolidated financial statements on 27 March 2023, which were made available to the Shareholders within the terms set forth in art. 2429 of the Civil Code.

For the purposes of IAS 10.17, the date taken into consideration by the Directors in preparing the financial statements is 27 March 2023.
These consolidated financial statements are audited by PricewaterhouseCoopers S.p.A.

Compliance with IFRS/IAS

The statutory financial statements for the year ended 31 December 2022 have been drafted in compliance with the *International Financial Reporting Standards* – IAS/IFRS issued by the International Accounting Board (IASB), recognised by the European Community in accordance with Regulation (EC) no. 1606/2002 in force at the close of the year, and with the relative SIC/IFRIC interpretations issued by the *Interpretation Committee*, in force on the same date. The above standards and interpretations are hereinafter referred to as "IFRS-EU".

Reporting and valuation criteria

The statutory financial statements consist of the Income statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related Notes. The financial statements are presented in euro, and the values shown in the Notes to the statutory financial statements are expressed in ,000s of euro.

The reporting and valuation criteria are the same as those adopted to draw up the consolidated annual financial Report, to which reference should be made, except as indicated hereafter.

In the statutory financial statements, equity investments in subsidiaries, jointly controlled companies and associates are valued at purchase cost.

When there is objective evidence of impairment, the recoverability is checked by comparing the carrying value with the recoverable value represented by the greater of the *fair value*, net of disposal costs, and the value in use. Should the grounds which caused the impairment no longer exist, the value of the equity investment is restated, up to the limits of the original cost.

The dividends received by subsidiaries and associates are recognised through profit or loss.

Information on Profit and Loss Account

Revenues

Methane gas is transported by the company exclusively within Italy.

5.a Revenue from sales and services – € 695,439,000

"Revenue from sales and services" mainly refers to gas transport activity and connection fees.

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

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Sales and services			
Third parties:			
Gas and LPG transport	647,483	672,336	(24,852)
Release / (Allocation) to the provision for risks	4,053	3,092	961
Connection fees	10,624	8,972	1,652
Ancillary fees	5,956	5,873	83
Revenue from customer operations	83	94	(11)
Sundry revenue and other sales and services	25,181	24,169	1,012
Group companies:			
Sundry revenue and other sales and services	2,059	3,351	(1,292)
Total revenue from sales and services	**695,439**	**717,887**	**(22,448)**

Revenue from gas transport totalled € 647,483,000, and mainly refers to the 2022 Tariff Revenue Cap for natural gas.
This figure was calculated further to the publication of ARERA Resolution 570/2019/R/gas, which indicated the means for calculating the tariffs for the 2020-2025 regulatory period. The fall is due to the lower rate of return on net invested capital recognised by ARERA, while last year the item reflected the positive effect of revenues arising from Resolution 559/2020/R/Gas. Net releases for the year (€ 4,053,000) derive from the same resolution.

Connection fees, totalling € 10,624.000, increased due to the positive one-off contribution of the ATEM Naples 1 acquisition.

"Sundry revenues and other sales and services" included revenue associated with the suspension and reactivation of defaulting customers at the request of retail sales companies, totalling around € 7,580,000 (€ 7,157,000 in the previous year), and revenue relating to the TCol tariff component of € 10,277,000, compared to € 10,260,000 in the previous year.
Revenue from readings rose compared to the previous year to € 6,468,000.

"Sundry revenue and other sales and services" from Group companies included all the amounts charged back by the parent company to subsidiaries as a result of operations and staff services provided in the year. The intercompany model in place since 1 July 2018 envisages that the parent company operates in an integrated way also on behalf of the subsidiaries, charging back a fee in line with market rates for the services provided.

5.b Other revenues – € 35,923,000

"Other revenues" of € 35,923,000 (€ 36,649,000 in 2021) fell by € 726,000, due in the main to lower contingent assets, which in the previous year had been impacted by the settlement of a dispute with a municipality, partially offset by higher revenues for reimbursement of damages following the incident that occurred to the company's servers in the previous year. This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Other revenue			
Third parties:			
Revenue from energy efficiency certificates	-	1,822	(1,822)
Revenue from plant contributions	3,265	2,131	1,135
Revenue from contributions - R&D tax credit	-	160	(160)
Revenue from contributions - tax credit for extraordinary events	-	48	(48)
Contingent assets	1,651	4,853	(3,203)
Revenue from Resolution 574/13	18,801	17,880	921
Rental income	295	413	(118)
Capital gains from assets	668	548	120
Compensation for damages	3,669	973	2,696
Other revenue and income and services	6,300	6,487	(187)
Revenue and contribution concerning photovoltaic plants	110	150	(41)
Group companies:			-
Other revenue and services	1,165	1,184	(19)
Total other revenue	**35,923**	**36,649**	**(726)**

It is noted that since 2018 revenues, costs and allocations for EECs have been recognised in aggregate form, thus presenting only the net margin (positive or negative) for the year.

In 2022, unlike the previous year where the net balance for EEC management was positive, and therefore included under Other Revenues, in 2022 the balance appears under Other Costs. This is why a difference of €1,822,000 appears here.

Revenues pursuant to Resolution 574/2013/R/gas concerning the quality of gas distribution and metering services testifies to the company's continuous focus on the technical quality of its services. The positive result depends on both the number of gas chromatography tests undertaken by the distributor (a parameter which the Group can control) and on the fall in leaks at the distributor's plants (a parameter that cannot be governed directly by the distributor except through continuous monitoring, undertaken using new, cutting-edge technologies). These revenues were up by € 921,000 for the year.

Gains from asset disposals show a result in line with the previous year, the result of ordinary business management.
The item "Other revenues and income and provision of services" is in line with the previous year's result. This item basically consists of revenues from activities carried out on defaulting end customers, the administrative management of which has been delegated to the gas distributor.

Finally, the item "Other revenues and services" refers to intercompany balances concerning a series of services that the parent company provides to its subsidiaries. The value was practically unchanged.

5.c Revenue from intangible assets/assets under construction – € 312,925,000

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Revenue from intangible assets / assets under development			
Revenue from intangible assets / assets under development	312,925	312,556	370
Total revenue from intangible assets / assets under development	**312,925**	**312,556**	**370**

As from 1 January 2010 the company has been recognising this revenue pursuant to IFRIC 12 "Service concession arrangements".
Revenue from intangible assets and assets under construction represents the proportion of revenue directly attributable to the construction and enhancement of gas distribution networks held under concession. Since it is not possible to identify specific items related to the network construction service within the tariff structure, they are estimated to correspond to costs for a similar purpose, with zero impact on operating margin.

The increase in this item was mainly due to a related increase in investments during the year, with the change in the scope of consolidation resulting from the merger with the subsidiary also playing a role to this end.

Costs

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

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Costs relating to revenue from intangible assets / assets under development			
Raw materials and consumables	11,157	9,034	2,123
Costs for services	208,829	197,752	11,077
Other operating costs	707	850	(143)
Depreciation and amortisation	3,283	2,769	515
Capitalised costs for materials, personnel and services:	88,949	102,151	(13,202)
of which personnel costs	*58,705*	*61,326*	*(2,621)*
of which raw materials and consumables	*30,244*	*40,825*	*(10,581)*
Total costs relating to revenue from intangible assets / assets under development	**312,925**	**312,556**	**370**

6.a Raw materials and consumables – € 45,203,000

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

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Raw materials and consumables			
Third parties:			
Costs for the purchase of gas, water and lubricants	3,176	2,536	640
Stationery and printed materials	141	105	36
Various materials	40,560	52,779	(12,219)
(Change in inventories of raw materials)	1,326	(1,356)	2,682
Total costs of raw materials and consumables	**45,203**	**54,063**	**(8,860)**
- of which capitalised for intangible assets	41,401	49,859	(8,458)
- of which capitalised for other internal work	-	-	-

The item "Costs of raw materials and consumables" is essentially made up of costs for the purchase of materials, fuel and lubricants used in the pipe-laying process. In the year the value fell significantly due to the reduced purchase of meters and the use of existing meter stocks.

6.b Services – € 349,884,000

"Costs for services" are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Costs for services			
Third parties:			
Maintenance, repair and realisation of assets	217,107	205,001	12,106
Costs for electricity, power and water	1,848	2,367	(520)
Gas (for internal use)	3,203	2,934	269
Telephone and data transmission costs	2,959	2,740	219
Insurance premiums	4,332	4,062	270
Costs for services and other expenses relating to personnel	3,817	3,729	87
Fees	818	670	149
Legal and notary costs	1,375	1,540	(165)
Costs for company acquisitions and disposals/strategic consulting	26	101	(75)
Advertising	217	207	9
IT services	12,022	11,026	996
Meter reading service	2,776	2,995	(220)
Audit fees	573	555	18
Repairs and emergency service	3,804	3,505	299
Plant certifications Resolution no. 40	439	395	45
Gas transport by third parties	1,178	1,572	(394)
Professional and other services	5,827	5,257	570
Other costs for services	9,441	8,693	748
Group companies:			
Other costs for services	7,402	6,796	606
Costs for the use of third-party assets			
Third parties:			
Leases	729	835	(106)
Rentals	903	424	478
Other costs for the use of third-party assets	2,202	2,242	(40)
Fee for temporary occupation of public space (C.o.s.a.p.)/Single Property Tax (CUP)	4,432	4,117	315
Municipal gas concession fees	62,456	63,497	(1,041)
Total costs for services	**349,884**	**335,261**	**14,624**
- of which capitalised for intangible assets	208,829	197,752	11,077

The aggregate figure of costs for services (including use of third-party leases) was up compared to the previous year (€ 335,261,000). This value was affected however by higher costs for maintenance activities (€ +12,106,000), capitalised as per the application of the IFRIC 12 interpretation (€ 9,889,000 more than the previous year). Net of capitalised costs, the Services item rose by approximately € 3,547,000, reflecting the greater activity carried out in general on distribution networks. This variation was attributable to the following factors:

- an increase of € 12,106,000 resulting from increased repair and maintenance activity carried out by third parties on distribution networks;
- Costs for utilities (electricity, water, gas, telephony) similar to the previous year;
- personnel-related services and expenses rose by € 87,000, continuing the resumption in staff mobility in the year;
- a further drop in costs related to the meter reading service (€ -220,000) as a result of the better performance and pervasiveness of existing remote reading systems;
- costs for services to Group companies include the item relating to the cost of the parent company's remote reading and remote management for the service managed by 2i Rete Dati S.r.l.
- costs for the use of third-party assets, rents and leases continued to fall, while the change in the single property tax (CUP) is a result of the increase in that tax. Costs increased however for leases over the year, in particular for hardware;
- municipal fees fell by € 1,041,000 due to lower payables to some municipalities.

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

6.c Personnel costs – € 123,177,000

Personnel costs are broken down as follows:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Wages and salaries	88,916	89,353	(437)
Social security charges	27,521	27,095	426
Post-employment benefits	5,936	5,919	17
Asem/Fisde	(26)	(8)	(18)
Company Welfare Scheme	668	273	395
Other personnel costs	(191)	251	(441)
Total personnel costs	**122,824**	**122,883**	**(59)**
Non-recurring personnel costs			
Incentives to leave	353	1,131	(778)
Total non-recurring personnel costs	**353**	**1,131**	(778)
Total personnel costs	**123,177**	**124,013**	**(836)**
- of which capitalised for intangible assets	**58,705**	**61,326**	**(2,621)**
- of which capitalised for other internal work	**-**	**1**	**(1)**

"Personnel costs" include all expenses incurred on an ongoing basis that, directly or indirectly, involve employees. This item was down by € 836,000.
During the year the existing fund for incentives to leave, regarding a part of the company population with whom there are contacts to reach an agreement on their exit from the company, was supplemented.
Capitalisation for intangible assets fell from the previous year by € 2,621,000 as a result of the drop in meter installation activities.
The table below shows employee variations in the year by category. Of the 344 persons hired during the year, 238 came from the ATEM Naples 1 acquisition of 1 December 2022.

	Executives	Middle Managers	White collars	Blue collars	Total
Personnel as at 31 December 2021	**35**	**120**	**1,258**	**616**	**2,029**
Increase	-	7	213	124	**344**
Decrease	(3)	(6)	(85)	(57)	**(151)**
Change in category	1	9	(6)	(4)	-
Personnel as at 31 December 2022	**33**	**130**	**1,380**	**679**	**2,222**

6.d Impairment and depreciation – € 211,681,000

Depreciation, amortisation and impairment losses totalled € 211,681,000, compared to € 207,609,000 in the previous year.
It is noted that, with the application of IFRIC 12, amortisation mainly concerns the rights over concessions in which the company manages the gas distribution networks.
Amortisation due to the rights of use under IFRS 16 stood at € 6,984,000, and accounted for the portion of annual cost relating to the exclusive use of leased or rented assets that are subject to IFRS 16.

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Depreciation	4,135	3,880	255
Depreciation of IFRS 16 right-of-use assets	6,984	7,065	(81)
Amortisation	201,272	194,841	6,431
Impairment losses:			-
Impairment of tangible assets	17	182	(165)
Impairment of intangible assets	-	459	(459)
Write down of trade and other receivables	(727)	1,181	(1,908)
Total depreciation, amortisation and impairment	**211,681**	**207,609**	**4,072**
- of which capitalised for intangible assets	3,283	2,769	515

6.e Other operating costs – € 25,709,000

"Other operating expenses" fell by € 5,786,000, of which € 4,037,000 from lower capital losses on the disposal or write-off of assets and € 1,480,000 lower net provisions for risks and charges, in addition to other expenses of € 686,000.
For a better description of relative trends, please refer to point 29 (Provisions for risks and charges) of these notes.
The item also includes a net balance of € 1,229,000 for the purchase of Energy Efficiency Certificates in 2022 (the previous year yielded a net income for this item, which can be found in Other Revenues in 2021).

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

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Other operating costs			
Third parties:			
Remuneration of statutory auditors, Supervisory Body and	91	104	(13)
Remuneration of members of the Board of Directors	258	254	3
Association fees	385	380	5
Contribution to the Supervisory Authority	198	246	(48)
Compensation to customers	574	913	(339)
Municipal tax on property	490	502	(11)
CCIAA (chamber of commerce) fees and duties	531	594	(63)
Net costs for energy efficiency certificates	1,229	-	1,229
Tax on the occupation of public space (Tosap)	36	40	(3)
Capital losses on the disposal of assets	7,500	11,359	(3,860)
Capital losses on the sale of assets	0	178	(177)
Local and sundry taxes	641	984	(343)
Other costs	1,185	1,870	(686)
(Net) provision for risks and charges	12,591	14,072	(1,480)
Total other operating costs	**25,709**	**31,495**	**(5,786)**
- of which capitalised for intangible assets	707	850	(143)

6.f Capitalised costs for internal work – € 0

The item includes residual costs that can be capitalised but do not relate to concession assets.

7. Income/(expenses) from equity investments – € 0

This item includes the economic impact of dividends and valuations of associate companies.

8. Financial income/(expenses) - € (56,880,000)

This item is broken down as follows:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Financial income			
Third parties:			
- Interest income from loans to employees	0	0	0
- *Sundry financial income*			
- Interest on arrears receivable	-	0	(0)
- Interest income from current accounts and post office deposits	562	16	546
- Interest income from receivables from customers	103	82	21
- Other financial interest and income	625	408	217
Group companies:			
- Interest income	661	487	174
Total income	**1,951**	**993**	**958**
Financial expenses			
Third parties:			
- Interest expense on medium/long-term loans	4,111	3,527	584
- Other expense on medium/long-term loans from banks	560	507	53
- Financial expenses on debenture loans	51,423	50,999	424
- Financial expenses from amortised cost	2,309	2,191	118
- Interest expense on short-term bank loans	144	-	144
- Interest expense on current bank accounts	580	339	241
- Discounting of post-employment and other employee benefits	367	160	207
- Interests on taxes	7	1	6
- Change in fair value of hedging derivatives reclassified from comprehensive income	(1,235)	(1,235)	0
- Other financial and interest expense	206	21	185
- IFRS16 Financial Expenses	186	577	(391)
Group companies:			
- Interest expense	174	32	142
Total expenses	**58,831**	**57,118**	**1,713**
TOTAL FINANCIAL INCOME AND (EXPENSES)	**(56,880)**	**(56,125)**	**(755)**

Financial income and expenses posted a negative result (€ -56,880,000), mainly due to the recognition in the year of interest relating to debenture loans and the related amortised cost, and the related change in Fair Value of the hedging derivative, as well as interest payable for used medium- and long-term lines of credit.

Mention should also be made of charges related to the repurchase transaction of securities issued by the Company maturing in 2024 (Open Market Repurchase) necessary to better invest corporate liquidity. The benefits of this operation will be seen in future years with a reduced percentage of borrowing costs.

At 31 December 2022 the Group held € 3,212,848,000 in loans outstanding, including € 2,742,393,000 for five instalments of the debenture loan 2024-2031, as well as € 470,455,000 for three credit lines.

The structure of the Company's debt is almost entirely "fixed rate" (€ 3,067,393,000), thanks mainly to the debenture loan instalments, lengthening the average duration of the existing debt while significantly reducing the cost of debt.

During the year, a liability management transaction was carried out, which involved a partial repurchase of a tranche of the debenture loan maturing in 2024.

As a result of this transaction, the balance of related financial expenses rose by € 424,000.

Finally, it is stressed that the rise in interest rates in 2022 led to a rise in bank interest income of € 546,000.

9. Taxes – € 64,593,000

This item is broken down as follows:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Current taxes			
Current income taxes: IRES	50,184	59,799	(9,616)
IRES substitute tax on exemption/realignment	-	2,990	(2,990)
Current income taxes: IRAP	11,704	13,606	(1,902)
Total current taxes	**61,888**	**76,396**	**(14,508)**
Adjustments for income taxes relating to previous years			
Negative adjustments for income taxes relating to previous years	0	82	(82)
Positive adjustments for income taxes relating to previous years	(16)	(1,385)	1,369
Total adjustments for income taxes relating to previous years	**(15)**	**(1,303)**	**1,287**
Deferred and prepaid taxes			
Deferred taxes (use)/allocation	(4,191)	(3,889)	(302)
Prepaid taxes (allocation)/use	6,911	(21,653)	28,564
Total current deferred and prepaid taxes	*2,720*	*(25,542)*	*28,262*
Total deferred and prepaid taxes	**2,720**	**(25,542)**	**28,262**
TOTAL TAXES	**64,593**	**49,551**	**15,042**

Income taxes for 2022 totalled € 64,593,000, up by € 15,042,000 year-on-year.
Specifically, taxes represent the recognition of the charge for current taxes for the year, including IRES of € 50,184,000 and IRAP of € 11,704,000.
In the previous year there had also been the substitute tax paid to realign the tax value with the book value at 31 December 2020 for goodwill in place at 31 December 2019, totalling € 2,990,000, one third of which paid as at 31 December 2021.
As a result, deferred tax assets benefited in the year from the relevant appropriation, amounting to € 28,430,000.
Following the publication of the Budget Law for 2022 (Law no. 234 of 30 December 2021, published in the Italian OJ on 31 December 2021), the terms regarding the realignment of tax values for intangible assets and goodwill were amended (i) providing for a tax recovery period of 50 years instead of the 18 originally envisaged, and (ii) providing companies with more options to alter the choices made in June. The parent company assessed the economic and financial convenience of the transaction, and decided to confirm the option already exercised, considering it absolutely plausible, given its business model, that deferred tax receivables created in the period indicated by the current budget law would be used.

IRES tax incidence for 2022 was 21.7%.

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

Thousands of euro

	31.12.2022	31.12.2021
Pre-tax profit	231,753	258,651
Theoretical IRES taxes - 2022:	**55,621**	**62,076**
Lower taxes:	**30,134**	**29,027**
- release of contributions taxed in prior years	850	1,454
- use of provisions	6,138	6,390
- release of provisions	3,843	5,219
- reversal of statutory amortisation / depreciation not deducted in prior years	5,461	4,533
- deducted tax amortisation	7,414	7,144
- others	6,427	4,287
Higher taxes:	**24,697**	**26,751**
- write-downs for the year	-	154
- allocations to provisions	8,790	10,018
- amortisation / depreciation on amounts that are not recognised for tax purposes	3,595	3,861
- statutory amortisation / depreciation exceeding the fiscal limits	10,323	10,504
- reversal of excess fiscal amortisation / depreciation deducted in prior years	740	694
- partially deductible costs	636	587
- taxes	4	106
- others	609	826
Total current income taxes (IRES)	**50,184**	**59,799**
IRAP - 2022:	11,704	13,606
IRES substitute tax on exemption/realignment	-	2,990
Total deferred and prepaid taxes	**2,720**	**(25,542)**
TOTAL INCOME TAXES FROM CONTINUING AND DISCONTINUED OPERATIONS	**64,608**	**50,854**

10. Discontinued operations – € 0

The result from *discontinued operations* was zero.

Information on the Statement of Financial Position

Assets

Non-current assets

11. Property, plant and equipment – € 26,975,000

Following the introduction of IFRIC 12, property, plant and equipment include only those assets that are not related to gas distribution concessions.
The breakdown and changes in tangible assets for 2021 and 2022 are shown 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	7,929	32,727	13,555	25,196	56,678	13,979	159	**150,222**
Accumulated amortisation	0	(25,261)	(2,853)	(23,611)	(49,454)	(13,378)	-	**(114,557)**
Balance as at 31.12.2020	**7,929**	**7,465**	**10,702**	**1,585**	**7,224**	**600**	**159**	**35,665**
Merger contribution:	35	1,689	55	191	84	11	-	**2,065**
Gross value	35	2,642	286	638	712	64	-	**4,378**
Acc. amort.	-	(953)	(232)	(448)	(628)	(53)	-	**(2,313)**
Business unit Contribution	-	-	(10,635)	-	-	-	-	**(10,635)**
Gross value	-	-	(12,440)	-	-	-	-	**(12,440)**
Acc. amort.	-	-	1,805	-	-	-	-	**1,805**
Increases (including Fixed assets classified as assets available for sale)	-	404	-	216	5,426	472	236	**6,753**
Commissioning	-	98	-	-	-	2	(100)	**-**
Gross value	-	98	-	-	-	2	(100)	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Disposals	(178)	(376)	-	-	(2,003)	-	-	**(2,557)**
Gross value	(178)	(1,803)	-	(6)	(4,094)	-	-	**(6,081)**
Acc. amort.	-	1,427	-	6	2,091	-	-	**3,524**
Reclassifications	-	7	(55)	55	-	(7)	-	**0**
Gross value	-	35	(286)	286	-	(35)	-	**(0)**
Acc. amort.	-	(27)	232	(232)	-	27	-	**0**
Impairment losses	(159)	(23)	-	-	-	-	-	**(182)**
Fixed assets classified as assets available for sale	(526)	(74)	-	-	-	-	-	**(600)**
Gross value	(526)	(1,139)	-	-	-	-	-	**(1,664)**
Acc. amort.	-	1,064	-	-	-	-	-	**1,064**
Depreciation and amortisation	-	(631)	(8)	(433)	(2,584)	(224)	-	**(3,880)**
Total changes	**(827)**	**1,094**	**(10,643)**	**28**	**923**	**253**	**136**	**(9,036)**
Historical cost	7,102	32,963	1,115	26,331	58,722	14,482	295	**141,010**
Accumulated amortisation	0	-24,404	-1,056	-24,718	-50,575	-13,628	-	**(114,381)**
Balance as at 31.12.2021	**7,102**	**8,560**	**59**	**1,613**	**8,147**	**853**	**295**	**26,629**
Increases (including Fixed assets classified as assets available for sale)	-	679	-	999	2,409	503	-	**4,591**
Commissioning	-	247	-	-	-	-	(247)	**-**
Gross value	-	247	-	-	-	-	(247)	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Disposals	(2)	(7)	-	(0)	(0)	(4)	(48)	**(62)**
Gross value	(2)	(463)	-	(22)	(30,436)	(2,143)	(48)	**(33,115)**
Acc. amort.	0	456	-	22	30,435	2,139	-	**33,053**
Reclassifications	-	-	-	-	-	-	-	**-**
Gross value	-	-	-	-	-	-	-	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Impairment losses	(17)	-	-	-	-	-	-	**(17)**
Fixed assets classified as assets available for sale	(32)	-	-	-	-	-	-	**(32)**
Gross value	(32)	(72)	-	-	-	-	-	**(104)**
Acc. amort.	-	72	-	-	-	-	-	**72**
Depreciation and amortisation	-	(582)	(8)	(454)	(2,829)	(262)	-	**(4,135)**
Total changes	**(51)**	**337**	**(8)**	**545**	**(420)**	**237**	**(295)**	**345**
Historical cost	7,051	33,354	1,115	27,308	30,696	12,841	(0)	**112,365**
Accumulated amortisation	-	(24,458)	(1,065)	(25,149)	(22,969)	(11,751)	-	**(85,391)**
Balance as at 31.12.2022	**7,051**	**8,897**	**50**	**2,159**	**7,727**	**1,091**	**(0)**	**26,975**

As at 31 December 2022 this item had risen by € 345,000, with increased investments of € 4,591,000, divestments totalling € 62,000, reclassifications to available-for-sale assets of € 32,000 and impairment losses of € 17,000, and finally depreciation of € 4,135,000.

Investments in property, plant and equipment are broken down as follows:

Thousands of euro	31.12.2022	31.12.2021
Increases for internal services	-	1
Increases for materials	-	-
Increases for external acquisitions / services	4,591	6,752
Increases for intercompany acquisitions / services	-	-
Total	**4,591**	**6,753**

In compliance with the provisions of art. 10 of Law 72/83, the historical figures (expressed in thousands of euro) for the monetary revaluations included in the asset categories and contained in the item in question and for intangible assets are broken down as follows:

LAND	
Revaluation Law 576/75	12
Revaluation Law 72/83	12
Revaluation Law 413/91	231
Revaluation Law 350/03	1,612
Total revaluation of land and buildings	**1,866**

LAND CONC	
Revaluation Law 576/75	1
Revaluation Law 72/83	15
Revaluation Law 413/91	0
Revaluation Law 350/03	77
Total revaluation of land and buildings	**93**

BUILDINGS	
Revaluation Law 576/75	9
Revaluation Law 72/83	5
Revaluation Law 413/91	265
Revaluation Law 350/03	2,081
Total revaluation of land and buildings	**2,360**

BUILDINGS CONC	
Revaluation Law 576/75	16
Revaluation Law 72/83	96
Revaluation Law 413/91	138
Revaluation Law 350/03	2,156
Total revaluation of land and buildings	**2,406**

PLANT AND EQUIPMENT	
Revaluation Law 576/75	2,249
Revaluation Law 72/83	18,107
Revaluation Law 413/91	22
Revaluation Law 342/00	8,822
Revaluation Law 350/03	491,686
Total revaluation of plant and equipment	**520,886**

INDUSTRIAL AND COMMERCIAL EQUIPMENT	
Revaluation Law 576/75	1
Revaluation Law 72/83	10
Revaluation Law 350/03	6
Total revaluation of industrial and commercial equipment	**17**

OTHER ASSETS	
Revaluation Law 576/75	1
Revaluation Law 72/83	11
Revaluation Law 350/03	1
Total revaluation of other assets	**12**

12. Rights of use under IFRS 16 – € 26,073,000

Following the application of IFRS 16 standard, hire, rental or lease contracts are carried as the sum of the discounted value of future fees, in a capacity as exclusive use rights.
Below is the table of changes in fixed assets for 2021 and 2022.

Thousands of euro	IFRS 16 Property	IFRS 16 Vehicles	IFRS 16 ICT	Total
Historical cost	28,339	8,683	367	**37,389**
Accumulated amortisation	(8,466)	(4,551)	(115)	**(13,132)**
Balance as at 31.12.2020	**19,873**	**4,132**	**252**	**24,258**
Merger contribution:	77	209	-	**285**
Gross value	77	209	-	**285**
Acc. amort.	-	-	-	**-**
Increase and change in right-of-use assets	2,483	6,915	-	**9,398**
Change in right-of-use assets	-	-	-	**-**
Gross value	-	-	-	**-**
Acc. amort.	-	-	-	**-**
Disposal and changes in right-of-use assets	(847)	(72)	-	**(920)**
Gross value	(2,091)	(2,351)	-	**(4,442)**
Acc. amort.	1,244	2,279	-	**3,523**
Depreciation and amortisation	(4,304)	(2,669)	(92)	**(7,065)**
Total changes	**(2,591)**	**4,382**	**(92)**	**1,699**
Historical cost	28,807	13,456	367	**42,630**
Accumulated amortisation	(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**
Change in right-of-use assets	-	-	-	**-**
Gross value	-	-	-	**-**
Acc. amort.	-	-	-	**-**
Disposal and changes in right-of-use assets	(2,976)	(171)	-	**(3,147)**
Gross value	(3,942)	(1,196)	-	**(5,138)**
Acc. amort.	967	1,024	-	**1,991**
Depreciation and amortisation	(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 amortisation	(14,672)	(6,580)	(414)	**(21,666)**
Balance as at 31.12.2022	**18,981**	**6,910**	**182**	**26,073**

13. Intangible assets – € 4,540,774,000

It is noted that following the introduction of IFRIC 12, intangible assets also include the fixed assets related to gas distribution concessions.
The breakdown and changes in intangible assets for 2021 and 2022 are shown below:

Thousands of euro	Patent and intellectual property rights	Concessions and similar rights	Concessions and similar rights - Fixed assets under construction	Fixed assets under construction	Other intangible assets	Goodwill	Advances	Total
Historical cost	97,375	7,078,657	33,347	1,986	166,513	267,271		**7,645,149**
Accumulated amortisation	(95,812)	(3,582,962)	-	-	(132,794)	-		**(3,811,568)**
Balance as at 31.12.2020	**1,563**	**3,495,694**	**33,347**	**1,986**	**33,719**	**267,271**		**3,833,581**
Merger contribution:	0	124,876	81	-	795	37,130		**162,882**
Gross value	24	222,583	81	-	4,034	37,130		**263,852**
Acc. amort.	(24)	(97,707)	-	-	(3,239)	-		**(100,970)**
Business unit Contribution	-	-	-	-	-	-		**-**
Gross value	(184)	-	-	-	(111)	-		**(295)**
Acc. amort.	184	-	-	-	111	-		**295**
Increases (including Fixed assets classified as assets available for sale)	2,679	288,699	25,300	641	15,517	-		**332,836**
Commissioning	-	23,241	(23,241)	(1,604)	1,604	-		**(0)**
Gross value	-	23,241	(23,241)	(1,604)	1,604	-		**(0)**
Acc. amort.	-	-	-	-	-	-		**-**
Decreases	-	(22,568)	(432)	-	-	-		**(23,000)**
Gross value	-	(51,834.9)	(432)	-	-	-		**(52,267)**
Acc. amort.	-	29,267	-	-	-	-		**29,267**
Reclassifications	-	-	-	-	-	-		**-**
Gross value	(14)	-	-	-	14	-		**-**
Acc. amort.	14	-	-	-	(14)	-		**-**
Impairment losses	-	(459)	-	-	-	-		**(459)**
Fixed assets classified as assets available for sale	-	(1,621)	(0)	-	-	-		**(1,621)**
Gross value	-	(4,127)	(0)	-	-	-		**(4,128)**
Acc. amort.	-	2,507	-	-	-	-		**2,506.77**
Amortisation	(1,461)	(179,876)	-	-	(13,505)	-		**(194,841)**
Total changes	**1,219**	**232,292**	**1,707**	**(962)**	**4,411**	**37,130**		**275,797**
Historical cost	99,881	7,557,217	35,054	1,024	187,570	304,402		**8,185,148**
Accumulated amortisation	(97,099)	(3,829,231)	-	-	(149,440)	-		**(4,075,770)**
Balance as at 31.12.2021	**2,782**	**3,727,986**	**35,054**	**1,024**	**38,129**	**304,402**	**-**	**4,109,378**
Increases (including Fixed assets classified as assets available for sale)	-	605,738	28,563	2,775	14,232	-	15	**651,323**
Commissioning	-	21,901	(21,901)	(625)	625	-	-	**0**
Gross value	-	21,901	(21,901)	(625)	625	-	-	**0**
Acc. amort.	-	-	-	-	-	-	-	**-**
Decreases	-	(18,377)	(168)	(35)	(0)	-	-	**(18,581)**
Gross value	(222)	(45,785)	(168)	(35)	(26,259)	-	-	**(72,469)**
Acc. amort.	222	27,408	-	-	26,258	-	-	**53,888**
Reclassifications	-	-	-	-	-	-	-	**-**
Gross value	-	-	-	-	-	-	-	**-**
Acc. amort.	-	-	-	-	-	-	-	**-**
Impairment losses	-	-	-	-	-	-	-	**-**
Fixed assets classified as assets available for sale	-	(72)	(1)	-	-	-	-	**(73)**
Gross value	-	(90)	(1)	-	-	-	-	**(90)**
Acc. amort.	-	17	-	-	-	-	-	**17**
Amortisation	(1,247)	(186,036)	-	-	(13,989)	-	-	**(201,272)**
Total changes	**(1,247)**	**423,154**	**6,493**	**2,115**	**867**	**-**	**15**	**431,397**
Historical cost	99,659	8,138,982	41,547	3,139	176,168	304,402	15	**8,763,911**
Accumulated amortisation	(98,124)	(3,987,842)	-	-	(137,171)	-	-	**(4,223,137)**
Balance as at 31.12.2022	**1,535**	**4,151,140**	**41,547**	**3,139**	**38,997**	**304,402**	**15**	**4,540,774**

Intangible assets include the investments for normal company operations and for the purchase of ATEM Naples 1 facilities.
There were decreases totalling € 18,581.000, reclassifications to available-for-sale assets of € 73,000, and amortisation and impairment losses totalling € 201,272.000.

The item "Patent and intellectual property rights" is not significant in terms of amounts recognised, while the item "Concessions and similar rights" includes the amounts relating to the recognition of the Company's rights as concession holder and gas distribution service provider, as well as one-off fees for the acquisition of natural gas distribution concessions. The figure must be considered in conjunction with the related item "Fixed assets under construction". The total of the two items shows a final balance after accumulated amortisation of € 4,192,687,000.

As described above, on 1 December 2022 the Company took over management of the gas distribution service in ATEM Naples 1 "City of Naples and Coastal System", with more than 1,600 km of network and almost 400,000 Redelivery Points, and at the same time hired 238 people, who had been released by the outgoing operator. The concession is for a 12 year-year period. The company carried out the so-called "concentration test" required by IFRS3 (Appendix A paragraphs B7A and B7B) to check whether the transaction qualified as a purchase of a business or an individual asset. In the case of this transaction, the price paid relates exclusively to the acquisition of the assets pertaining to the concession, the value of which is largely attributable to the infrastructure operated by the previous concession holder. Given the substantial concentration of the fair value of the gross assets acquired in a single asset, following the test performed, and considering the regulatory framework to which this procedure conforms, the transaction was accounted for as an asset acquisition.
The price paid (€ 289.9 million) is based on a valuation defined by the Contracting Authority for a provisional updated situation as at 30 June 2022. This price is the best estimate of the value of the acquired concession and has been divided between the item intangible fixed assets - concessions and for the remainder between other non-current and current liabilities, representing those assets whose value has been strongly impacted by contributions related to the same concession.
The Company therefore recorded asset values based on the provisional consideration. Any additions and divestments made from 30 June 2022 to 30 November 2022 by the previous concession holder, as well as the related impacts in terms of revenue and depreciation on one month of concession operation, are not considered significant. Lastly, it should be noted that in December 2022 the previous concession holder filed a petition for preventive technical assessment with the Court of Naples, in order to request the admission of a technical expert's report aimed at redetermining the amount owed to the operator awarded the ATEM Naples 1 contract by way of reimbursement value. The Company is not directly involved in the appeal, which could restate the price paid for the concession and thus see a potential increase in the value of the registered concession.
The amortisation of concession charges was determined on a straight-line basis and on the basis of the estimated realisable value at the end of the concession. The company determined the terms of the concessions using the same criteria adopted in the previous year.

In the case of concessions obtained through an ATEM tender, as per existing regulations, the useful life of the fixed assets making up the concession has been revised to come into line with tariff rules.

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

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

"Assets under construction and advances", standing at € 3,139,000, mainly accounted for the year's investments in software developed by the Company to improve the digital management of the network and corporate operations. During the year assets that became operational having a value of € 625,000 were effected.

"Other intangible assets" of € 38,997,000 include other long-term costs, such as capitalised costs linked to the implementation of the remote reading system for smart meters.

"Goodwill" totalled € 304,402,000 and relates to the deficit from the merger of companies that had previously been subsidiaries. This item was recognised in agreement with the Board of Statutory Auditors.

The estimate of the recoverable value of goodwill recognised in the financial statements is based on the *Discounted Cash Flow* model that uses estimates of future cash flows, applying an appropriate discount rate, to measure an asset's value in use.
For the purposes of this estimate, the whole Group is considered as a *Cash Generating Unit*, consistently with the corporate vision.
In detail, cash flows are considered for a forecast period of 5 years (2023-2027), consistent with the 2i Rete Gas Group plan approved by the Board of Directors on 17 January 2023 and drafted on a going concern assumption, plus the terminal value calculated with the perpetual income algorithm.

In this *framework*, the two main assumptions are:

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

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

Tax Rate (2)	WACC (1)	Cash flow forecast period	TV (g) growth rate
28.6%	4.4%	2023 - 2027	0%

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

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

The recoverability of the Group's invested capital was also confirmed by a further *sensitivity* analysis undertaken by considering possible changes in the key assumptions included in the business and financial plan used for the *impairment test*.
In particular, a worsening scenario was simulated by changing the value of net cash flows within the plan. Without prejudice to all the other assumptions included in the plan, the analysis carried out showed that, in order to reach the indifference point (i.e. the value in use of the asset being equal to the net invested capital), there would have to be damaging changes to the plan such as to reduce the net cash flows by around 15%, a percentage which is significantly higher than the reductions considered possible by the Group.

14. Net deferred tax assets – € 113,470,000

Deferred tax assets and deferred tax liabilities are determined based on the tax rates in force at the reporting date. Deferred tax assets totalled € 254,144,000, while deferred tax liabilities totalled € 140,674,000.

Deferred tax assets and liabilities at 31 December 2022 were determined using the tax rates in force: 24% for IRES and 4.55% for IRAP.

Deferred tax assets changed due to normal business trends, while deferred tax liabilities increased due to both normal movements during the year and to the significant impact on the item of € 24,890,000 following the improved Fair Value valuation of the existing hedging derivative.

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

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

Thousands of euro	At 31.12.2021	Balance after adjustments to Unico	Total	Increases recognised in		Decreases recognised in		Other changes in					Balance as at 31.12.2022
				Profit and Loss Account	Equity	Profit and Loss Account	Equity	Profit and Loss Account	Equity	Other reclassifications	Reclassifications (if any) under the item Available for sale	Adjustments (if any) under the item Available for sale	
Deferred income tax assets:													
allocation to provisions for risks and charges, deferred deductibility	17,376	-	17,376	6,078	-	(7,123)	-	-	-	-	-	-	**16,331**
allocation to provisions for incentives to leave and stock options	543	-	543	101	-	(72)	-	-	-	-	-	-	**571**
allocation to provisions for disputes	3,486	-	3,486	1,507	-	(1,884)	-	-	-	-	-	-	**3,109**
allocation to provisions for inventory obsolescence	3,310	-	3,310	410	-	(172)	-	-	-	-	-	-	**3,548**
impairment losses with deferred deductibility (impairment of receivables	2,572	-	2,572	668	-	(708)	-	-	-	-	-	-	**2,532**
impairment losses with deferred deductibility (impairment of plants)	1,900	-	1,900	-	-	(0)	-	-	-	-	-	-	**1,899**
depreciation and amortisation of tangible and intangible assets with def	133,962	-	133,962	10,385	-	(5,011)	-	-	-	-	-	-	**139,336**
separation of land-buildings and component analysis	114	-	114	-	-	(0)	-	-	-	-	-	-	**114**
start-up costs	2,225	-	2,225	-	-	(0)	-	-	-	-	-	-	**2,225**
Post-employment and other employee benefits	4,556	-	4,556	11	-	(1,978)	-	-	-	-	-	-	**2,589**
cash deductible taxes and duties	4	-	4	-	-	-	-	-	-	-	-	-	**4**
proceeds subject to deferred taxation (connection fees)	28,111	-	28,111	-	-	(292)	-	-	-	-	-	-	**27,819**
deferred deductibility charges	13,644	-	13,644	21	-	(1,889)	-	-	-	-	-	-	**11,777**
goodwill	47,242	-	47,242	-	-	(6,963)	-	-	-	-	-	-	**40,279**
post-employment benefits - Italian Accounting Body (OCI)	2,522	-	2,522	-	-	-	(511)	-	-	-	-	-	**2,012**
derivative financial instruments (in case of a net negative change in the	2,440	-	2,440	-	-	-	(2,440)	-	-	-	-	-	**(0)**
for losses recoverable in future years	0	-	0	-	-	-	-	-	-	-	-	-	**0**
Total	**264,005**	**-**	**264,005**	**19,182**	**-**	**(26,093)**	**(2,950)**	**-**	**-**	**-**	**-**	**-**	**254,144**
Deferred income tax liabilities:													
differences on tangible and intangible assets – additional depreciation and amortisation	24,397	-	24,397	201	-	(740)	-	-	-	-	-	-	**23,858**
differences on intangible assets – goodwill	4,823	-	4,823	-	-	(0)	-	-	-	-	-	-	**4,822**
separation of land-buildings and component analysis	3,826	-	3,826	-	-	(1)	-	-	-	-	-	-	**3,825**
allocation to assets of costs relating to company mergers	31,831	-	31,831	-	-	(1,974)	-	-	-	-	-	-	**29,856**
post-employment benefits	1,121	-	1,121	-	619	(7)	(226)	-	-	-	-	-	**1,506**
proceeds subject to deferred taxation	3,294	-	3,294	425	-	(389)	-	-	-	-	-	-	**3,330**
derivative financial instruments (in case of a net positive change in the relevant equity reserve)	2,062	-	2,062	-	24,890	-	(296)	-	-	-	-	-	**26,656**
other…	739	-	739	33	-	(206)	-	-	-	-	-	-	**566**
Derivative financial instruments and ASEM - Italian Accounting Body (OCI)	97	-	97	-	80	-	(0)	-	-	-	-	-	**177**
recognition of deferred taxes due to merger	47,609	-	47,609	489	-	(2,021)	-	-	-	-	-	-	**46,077**
Total	**119,799**	**-**	**119,799**	**1,148**	**25,589**	**(5,339)**	**(523)**	**-**	**-**	**-**	**-**	**-**	**140,674**
Net deferred tax assets	**144,206**	**-**	**144,206**	**18,034**	**(25,589)**	**(20,754)**	**(2,427)**	**-**	**-**	**-**	**-**	**-**	**113,470**

15. Equity investments – € 24,640,000

The table below shows the changes in the year for each equity investment, with the corresponding values at the beginning and end of the year, as well as the list of equity investments held in other companies.
This item did not undergo any change during the year.

The list of equity investments and the change in their value during 2022 are given on the following page.

Thousands of euro	Carrying amount	% ownership	Merger contribution	Increases for the period	Disposals	Other changes	Adjustments	Original cost	Increase / (Decrease)	Carrying amount	% ownership
	as at 31.12.2021				Changes in 2022				as at 31.12.2022		
A) Subsidiaries											
2i Rete Gas Srl	**6,906**	**100%**						**6,906**	**-**	**6,906**	**100%**
Cilento Reti Gas Srl	**2,580**	**100%**						**2,580**	**-**	**2,580**	**100%**
2i Rete Dati Srl	**11,764**	**100%**						**20**	**-**	**11,764**	**100%**
Total subsidiaries	**21,250**		**-**	**-**	**-**	**-**	**-**	**9,506**	**-**	**21,250**	
B) Associates											
Melegnano Energie Ambiente SpA	**2,451**	**40%**						**2,451**	**-**	**2,451**	**40%**
2i Servizi Energetici Srl	**816**	**60%**						**6**	**-**	**816**	**60%**
Total associates	**3,267**		**-**	**-**	**-**	**-**	**-**	**2,457**	**-**	**3,267**	
C) Other companies											
Interporto di Rovigo S.p.A.	**42**	**0.30%**						**42**	**-**	**42**	**0.30%**
Fingranda S.p.A. in liquidazione	**26**	**0.58%**						**26**	**-**	**26**	**0.58%**
Agenzia di Pollenzo S.p.A.	**33**	**0.27%**						**33**	**-**	**33**	**0.27%**
Industria e Università S.r.l.	**11**	**0.09%**						**11**	**-**	**11**	**0.09%**
Terme di Offida Spa	**1**	**0.19%**					(1)	**1**	(1)	**(0)**	**0.19%**
Banca Popolare Pugliese	**11**	**0.01%**						**11**	**-**	**11**	**0.01%**
Immobiliare Cestia srl	**0**	**0.05%**							**-**	**0**	**0.05%**
Total other companies	**123**		**-**	**-**	**-**	**-**	**(1)**	**123**	**(1)**	**123**	
TOTAL EQUITY INVESTMENTS	**24,641**		**-**	**-**	**-**	**-**	**(1)**	**12,087**	**(1)**	**24,640**	

The tables below show the list of equity investments in subsidiaries and their values as recognised in the company's financial statements at 31 December 2022:

A) Subsidiaries	Registered office	Share Capital (euro)	Equity (euro)	Profit / (Loss)	End of the reporting period	% ownership	Carrying amount	Equity (ITA GAAP) (euro)
2i Rete Gas SRL	Milan	50,000	11,017,225	1,658,813	31.12.2022	100.00%	6,906,000	11,017,225
Cilento Reti Gas Srl	Acquaviva delle Fonti (BA)	4,300,000	4,288,262	(847,119)	31.12.2022	60.00%	2,580,000	2,572,957
2i Rete Dati Srl	Milan	120,000	14,167,908	1,437,079	31.12.2022	100.00%	11,764,238	14,167,908

As regards associates, the values at 31 December 2022 were as follows:

B) Associates	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Melegnano Energie Ambiente SpA	Melegnano (MI)	4,800,000	8,866,854	5,340,835	595,227	31.12.2021	40%	2,451,467
2i Servizi Energetici Srl	Milan	10,000	61,274	283,110	(333,925)	31.12.2022	60%	816,000

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

C) Other companies	Registered office	Share Capital (euro)	Equity (euro)	Revenue (euro)	Income/loss in previous year (euro)	End of the reporting period	% ownership	Carrying amount (euro)
Interporto di Rovigo S.p.A.	Rovigo	6,904,886	7,184,955	1,960,303	200,377	31.12.2021	0.30%	41,634
Fingranda S.p.A. in liquidazione	Cuneo	2,662,507	1,170,153	2	(23,943)	31.12.2021	0.58%	25,822
Agenzia di Pollenzo S.p.A.	Bra (CN)	23,079,108	22,792,109	1,030,076	33,474	31.12.2021	0.27%	33,082
Industria e Università S.r.l.	Varese	13,440,528	11,059,777	9	(31,928)	31.12.2021	0.09%	10,989
Borgo Offida Srl *	Offida (AP)	10,000 *	(303,848)	5,999	(243,715)	31.12.2021	0.19%	0
Banca Popolare Pugliese	Parabita (LE)	183,084,198	340,988,987	128,040,477	10,916,376	31.12.2021	0.01%	11,127
Immobiliare Cestia srl	Rome (RM)	50,000	439,985	127,867	(69,491)	31.12.2021	0.05%	26

*change of name and share capital on 25.05.2022

16. Non-current financial assets – € 116,660,000

The item mainly includes the Fair Value valuation of outstanding hedging derivatives, which rose sharply compared to the previous year due to interest rate trends during the year.

Receivables for sums paid to contracting stations for the purpose of tender preparation and which could be returned at the end of the procedure if the procedure is lost have also been classified under this item as from 2022.

Lastly, there is a residual deferral of transaction costs incurred in obtaining loan facilities unused as of 31 December 2022.

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Non-current prepaid financial expenses	341	446	(105)
Long-term loans to employees	23	12	11
Financial receivables due from others	12,607	12,554	52
Fair value measurement of IRS derivatives	103,690	-	103,690
Total	**116,660**	**13,012**	**103,648**

17. Other non-current assets – € 33,233,000

The item includes the following entries:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
security deposits	3,740	3,708	32
receivables for plant contributions	560	560	-
tax receivables reimbursements applied for	306	306	-
prepaid promotional expenses	48	57	(9)
from municipalities for disposals of assets due to expiration of concessions	1,029	811	218
non-current receivables from CSEA	24,732	31,688	(6,955)
other non-current assets	2,955	3,269	(315)
bad debt provision	(137)	(137)	-
Total	**33,233**	**40,262**	**(7,029)**

*2021 pro-forma restated figures

Guarantee deposits of € 3,740,000 refer to receivables for work to be performed on distribution plants as well as from user contracts.

The receivable for contributions to be received (€ 560,000) consisted of the recognition of the medium/long-term portion of receivables for plant-related contributions to be received: this item was unchanged during the year.

Tax receivables of € 306,000 relate to reimbursement requests pursuant to art. 6 of Leg. Dec. 185/2008 (deduction from IRES of the IRAP portion for labour costs and interest expenses). There were no changes to this item in the year.

Credit due from municipalities for disposals of assets due to the expiration of concessions totalled € 1,029,000. This was the result of disputes or similar proceedings ongoing with some municipalities to define the amount of the refund owed to the company as outgoing operator for the relevant concessions and plants. Local action continued to resolve existing situations.

The balance of non-current receivables due from CSEA, totalling € 24,732,000, referred to the amount payable to distribution companies for the conventional meters that must be replaced by smart meters under Resolution 155/09 but that had not yet been fully amortised through tariffs at the date of their replacement. This considerable sum was due to the intense replacement activity that has taken place in recent years, and will be repaid by CSEA according to the time frame set out in the resolution.

Finally, the balance of miscellaneous non-current assets includes the residual value of prepaid expenses in the form of rent paid in advance to API, the company that owns the networks managed in the municipality of Rozzano (€ 2,500,000). As pointed out in the comments to Item 16, Non-current Financial Assets, as of this year the balance of advances for tender charges that distribution companies have to pay to contracting stations for ATEM tenders, which previously appeared in this item, has been reclassified in the former item for better presentation.

Current assets

18. Inventories – € 18,176,000

Closing inventories of raw materials, ancillaries and consumables mainly consisted of materials for construction and maintenance of gas distribution plants and, in particular, new smart meters.

Compared to the previous year, this item fell by € 1,326,000, due to fewer purchases of electronic meters during the year.

The item includes the provision for the write-down of inventories of € 1,466,000. The provision was set up to take into account inventories with unlikely future use. The company uses the weighted average cost method.

19. Trade receivables – € 56,036,000

Trade receivables are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Third-party customers:			
Receivables from customers	50,693	224,115	(173,422)
- Bad debt provision	(7,502)	(9,104)	1,602
Receivables for returns under warranty	12,039	6,634	5,405
- Bad debt provision for returns under warranty	(646)	(646)	-
Total	**54,585**	**221,000**	**(166,415)**
Group companies:			
Receivables due from subsidiaries	1,452	1,523	(71)
Total	**1,452**	**1,523**	**(71)**
TOTAL	**56,036**	**222,522**	**(166,486)**

*2021 pro-forma restated figures

Receivables due from third-party customers consist of trade receivables and receivables from operations, and largely relate to gas distribution operations.

The significant decrease in this item at the end of the year is due to government regulations and consequent actions of the Authority carried out in order to reduce the impact of energy market trends on end consumers, through the introduction of negative tariff components and the elimination of certain existing components.

This factor led to a decrease in existing receivables from customers, an increase in receivables from CSEA (under Other current assets), and an increase in Trade payables (into which the resulting negative customer balances were reclassified due to these components).

Such receivables are recognised net of a € 7,502,000 bad debt provision.

With regard to the impact assessment pursuant to IFRS 9, the company did not consider it had to update its assessments, since the guarantees hedging receivables significantly reduce the risk of insolvency.
Receivables for returns under warranty, which are recognised net of the relevant bad debt provision, concern receivables from the manufacturers of meters for non-functioning assets that have long-term warranties. The amount is stated net of the bad debt provision to take account of changed contractual conditions and findings that lead to the belief that the receivable is no longer collectable.
Changes in the bad debt provision are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Opening balance	**9,104**	**8,058**	**1,046**
Merger contributions		377	(377)
Allocations	1,410	2,049	(639)
Releases	(2,137)	(860)	(1,277)
Uses	(875)	(520)	(355)
Closing balance	**7,502**	**9,104**	**(1,602)**

Bad debt provision at 31 December 2022 was taxed to the tune of € 7,502,000 (€ 7,154,000 in previous year).

The breakdown of receivables from subsidiaries is as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Receivables due from subsidiaries:			
2I Rete Dati Srl	188	114	74
2I Rete Gas S.r.l.	132	446	(314)
Cilento Reti Gas S.r.l.	1,132	963	169
TOTAL	**1,452**	**1,523**	**(71)**

All the Company's operations are in Italy.

20. Short-term financial receivables – € 26,701,000

This item mainly consisted of receivables amounting to € 23,879 from subsidiary Cilento Reti Gas S.r.l. for the intercompany loan agreement entered into during the year, financial receivables of € 1,166,000 after Azienda Elettrica Valtellina e Valchiavenna exercised the right of withdrawal, plus € 960,000 from associate company 2i Servizi Energetici S.r.l. for a loan agreement entered into over the past year.

21. Other current financial assets – € 729,000

This item includes prepayments and accrued income of € 483,000, plus current financial receivables from subsidiary Cilento Reti Gas S.r.l. of € 240,000 and from 2i Servizi Energetici S.r.l. of € 6,000.

22. Cash and cash equivalents – € 45,886,000

This item fell by € 397,048,000 further to the ATEM Naples 1 acquisition and as a result of normal business operations.

Cash and cash equivalents are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Bank deposits	45,635	441,791	(396,156)
Post office deposits	96	989	(893)
Cash in hand	155	153	2
Total	**45,886**	**442,934**	**(397,048)**

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

23. Income tax receivables – € 13,705,000

Receivables from Italian tax authorities for income taxes mainly include IRES receivables of € 11,342,000, IRAP receivables of €1,907,000 and tax relief mostly for the Industry Framework 4.0 (€ 297,000).

24. Other current assets – € 539,562,000

This item is broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Other tax receivables:			
VAT receivables claimed for reimbursement	17,780	9,337	8,443
Receivables due from tax authorities for VAT	103,060	70	102,990
Other tax receivables	2	11	(8)
Other receivables:			
from social security and insurance agencies	464	767	(303)
receivables for plant contributions	1,350	1,580	(230)
from CSEA	403,692	186,927	216,765
Receivables from third parties for tender / concession expiration	2,281	2,062	219
from municipalities	246	246	-
from suppliers	3,128	2,446	682
Other receivables	4,251	1,918	2,333
- Provision for other doubtful debts	(2,402)	(2,915)	513
Accrued income	26	19	7
Deferred charges for other multi-year fees	37	16	21
Deferred charges for property lease fees	445	445	-
Deferred charges for promotional expenses	9	9	(0)
Deferred charges for insurance premiums	-	78	(78)
Other deferred charges	4,894	2,086	2,808
Total	**539,262**	**205,101**	**334,161**

*2021 pro-forma restated figures

This item rose by € 334,161,000 mainly due to greater receivables from CSEA (€ 216,765,000) and VAT credit from revenue authorities of € 111,433,000, of which € 8,443,000 extra claimed for reimbursement during the year.
During the year, a part of the accrued receivables from CSEA were disposed of. These disposals had all the characteristics necessary for the de-recognition of the receivable on the Group's balance sheets. As of 31 December 2022 there was still an open operation worth € 44.3 million, collected and repaid in early 2023.
Both increases can be attributed to the particular situation during the year, with the introduction of negative pass-through components and the elimination of some tariff components.
In particular, receivables from CSEA include the equalisation of the gas distribution service (€ 59,341,000), so-called UG2 and Gas Bonus "pass-through" items (€ 285,343,000 in total) and recognition of Technical Quality (€ 45,860,000). This item also includes residual receivables for EECs (€ 4,378,000) and receivables for the recognition of remuneration on traditional meters disposed of before the end of their useful lives (€ 6,677,000).
The item must always be correlated with payables to the Compensation Fund, as reported in note 40 "Other current liabilities".

25. Assets held for sale – € 1,703,000

In assets held for sale, the company reported for 2022 the sum of assets relating primarily to divestiture concessions further to the outcome of the ATEM Udine 2 tender, which is expected to be awarded by the end of 2022.

Liabilities

Equity

26. Equity – € 1,291,229,000

Equity rose by € 150,275,000 as a result of the following changes:

- a fall due to the ordinary dividend payout of € 105,008,000;
- a rise in reserves for the valuation of derivatives of € 85,606,000 (relating to the *fair value* of the derivative) and a rise in other reserves (€ +2,517, relating to the discounting of defined benefits) due to the profit for the year being recognised directly in equity;
- a € 167,160,000 increase in profit for the year.

Share capital – € 3,639,000

At 31 December 2022 the share capital consisted of 363,851,660 ordinary shares, fully subscribed and paid up, with no change during the year.

Share premium reserve – € 286,546,000

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

Legal reserve – € 728,000

The legal reserve amounted to € 728,000 and was unchanged, after reaching the legal limit.

Reserves for valuation of derivatives – € (84,412,000)

The reserve for the valuation of derivatives came into being in 2016 following the signing of *Forward Starting Interest Rate Swaps*; during 2018 the swap was closed as planned, but the impact on profit or loss will be recognised on the basis of the element covered by the derivative, i.e. the interest expense of the debenture loan for the next 10 years. The valuation at 31 December 2022 gives the residual value of the derivative as reported above as well as the positive Fair Value of the derivative, having characteristics similar to that closed in 2018, which was contractualised in 2019 (€ +86,544,000 net of the relative tax impact).

Other reserves – € 235,589,000

Other reserves show a change compared to the previous year (€ 2,517,000) owing mainly to recognition of the impact of the actuarial valuation of the company's defined benefit plan in equity.

Retained earnings – € 513,155,000

Retained earnings rose by € 104,092,000 from the previous year as the general shareholder meeting resolved to distribute part of the profit for 2021 and allocate the rest to this reserve.

Profit for the period – € 167,160,000

The table relating to the availability and possibility of distributing equity in civil law terms is shown below:

	Amount	Possibility of use	Amount available	Amount unavailable
Share capital	3,638,517		-	3,638,517
Share premium reserve	286,546,491	A,B,C	286,546,491	
Legal reserve	727,703	B	-	727,703
Other reserves	195,596,638	A,B,C	195,596,638	
Reserves other than merger surplus	129,293,515	A,B	129,293,515	
Reserves other than FTA	(86,021,234)		(86,021,234)	
Reserves other than post-employment benefit (TFR)	(3,279,775)		(3,279,775)	
Reserves other than derivative measurement	84,411,949		84,411,949	
Retained earnings (accumulated losses)	513,154,982	A,B,C	513,154,982	
Net income for the year	167,160,181	A,B,C	167,160,181	
Total	**1,291,228,966**		**1,286,862,746**	**4,366,220**

Key:
A: Available for Share Capital Increase
B: Available to cover losses
C: Available to shareholders payment

From a fiscal point of view, the Company has blocked some reserves. These reserves, subject to the Company's tax suspension arrangements, amounted to € 349,963,428.

Non-current liabilities

27. Long-term loans – € 3,086,998,000

The item refers to the four instalments of the long-term debenture loan issued by the company maturing between 2024 and 2031 as part of the overhaul of its financial structure, as well as the loans outstanding with the European Investment Bank and another leading lender.
The table below shows short- and long-term debt expressed in the original currency and the relevant interest rate. The notional amount of the loan is the same as its carrying amount.

Thousands of euro

	Balance		Notional value		Interest rate	Interest rate
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	in force	actual
Fixed rate debt	70,000	70,000	70,000	70,000	1.39%	1.39%
Fixed rate debt	-	100,000	-	100,000		
Fixed rate debt	155,000	155,000	155,000	155,000	1.40%	1.40%
Floating rate debt	127,273	145,455	127,273	145,455	Eur+0,59%	3.29%
Debenture loan expiring 2024	577,393	600,000	577,393	600,000	3.00%	3.13%
Debenture loan expiring 2025	500,000	500,000	500,000	500,000	2.20%	2.29%
Debenture loan expiring 2026	435,000	435,000	435,000	435,000	1.75%	1.91%
Debenture loan expiring 2027	730,000	730,000	730,000	730,000	1.61%	1.62%
Debenture loan expiring 2031	500,000	500,000	500,000	500,000	0.58%	0.64%
Costs connected to loans (long term)	(7,667)	(9,906)				
TOTAL LONG TERM	**3,086,998**	**3,225,548**	**3,094,666**	**3,235,455**		
Floating rate debt	18,182	18,182	18,182	18,182	Eur+0,59%	3.29%
Fixed rate debt	100,000	-	100,000	-	0.25%	0.25%
Costs connected to loans (short term)	(35)	-				
TOTAL SHORT TERM	**118,147**	**18,182**	**118,182**	**18,182**		

The maturity schedule for financial liabilities, whether medium-/long-term (€ 3,094,666,000 notional) or short-term (€ 118,182,000 – see points 33 and 34 of these notes), is shown in the following table:

	Notional		1 year	2 - 5 years	Beyond 5 years
	31.12.2022	31.12.2021			
Short and medium/long-term bank loans and debenture loans					
Loan - Medium/long-term Capex Line	352,273	470,455	-	297,727	54,545
Loan - Short-term Capex Line	118,182	18,182	118,182	-	-
Medium/long-term debenture loans	2,742,393	2,765,000	-	2,242,393	500,000
Total	3,212,848	3,253,636	118,182	2,540,120	554,545

The debenture loan regulation, issued for a market of institutional investors, does not contemplate *covenants*.

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

The *covenants* relate to the following indicators:

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

As at 31 December 2022 the company had met all covenants.

28. Post-employment and other employee benefits – € 30,207,000

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

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

Pursuant to IAS 19 Revised, these “defined benefit obligations” were determined using the “Projected Unit Credit Method”, 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.

In greater detail, the plans provided for the following benefits:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Post-employment benefits	23,326	28,043	(4,717)
ASEM health service	1,277	1,567	(290)
Fondo GAS	5,605	7,482	(1,877)
TOTAL	**30,207**	**37,092**	**(6,885)**

An analysis of the main items is provided below.

Post-employment benefits (TFR)

Under Italian law, when the employment relationship ends, the employee is entitled to receive post-employment benefits, corresponding, for each year of service, to an amount calculated by dividing their gross annual salary by 13.5.
It is noted that following the approval of Law 296 of 27 December 2006 (2007 finance law) and subsequent decrees and enabling legislation, only the portions of post-employment benefits held with the company qualify as a defined benefit plan, while the accrued portions allocated to supplementary pension schemes and the treasury fund held by INPS (the Italian Social Security Agency) qualify as a defined contribution plan.

Healthcare benefits

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

Fondo Gas

Italian Law Decree No. 78/2015, coordinated with Law no. 125/2015 (Official Journal 14.08/2015), ordered the elimination of the so-called "Fondo Gas" (Gas Fund) as from 1 December 2015. The decree also provided for the payment, either to current employees or as a voluntary continuation of the contribution to Fondo Gas, of an amount (to be paid by the employer) equal to 1% of the 2014 contribution to Fondo Gas, for each full year or any part thereof that the person has been a member of the fund. Said amount can be set aside with the employer or paid as a contribution to a supplementary pension scheme (hereinafter referred to as Contribution to the former Fondo Gas). The provision shall be made in 240 equal monthly instalments. Should the employment relationship end before the payments are completed, the remaining amount to be paid to Fondo Gas shall be paid in a lump sum at the time of the final wage.

The main assumptions in the actuarial estimates of employee benefit liabilities (Fondo Gas and post-employment benefits) are set out below.

	31.12.2022	31.12.2021
Actuarial assumptions		
Discount rate	3.70%	1.00%
Annual rate of increase in cost of living	2.30%	1.50%
Rate of increase in cost of health spending	3.30%	2.50%
Demographic scenarios		
Mortality rate	ISTAT Table 2017	ISTAT Table 2017
Resignation rate < 50 years of age	2.00%	2.00%
Resignation rate > 50 years of age	nil	nil

29. Provisions for risks and charges – € 8,760,000

Provisions for risks and charges are used to cover contingent liabilities that might arise from litigation or other disputes of the Company, without taking into account the effects of disputes that might have a positive outcome and those for which a possible charge cannot be reasonably quantified.

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

Thousands of euro		Of which current portion	Of which non-current portion	Allocations	Releases	Uses		Of which current portion	Of which non-current portion
	as at 31.12.2021						**as at 31.12.2022**		
Provisions for litigation and disputes	6,164	-	6,164	1,240	(865)	(988)	5,551	-	5,551
Provision for taxes and duties	1,813	-	1,813	510	(276)	(21)	2,025	-	2,025
Provisions for disputes with personnel	100	-	100	-	-	-	100	-	100
Provision for disputes on concessions	27,352	27,352	-	6,064	(3,169)	-	30,246	30,246	-
Other provisions for risks and charges	39,260	39,260	-	19,260	(8,926)	(17,573)	32,021	30,937	1,084
Total	**74,688**	**66,612**	**8,077**	**27,074**	**(13,236)**	**(18,583)**	**69,943**	**61,183**	**8,760**
Provisions for charges pertaining to leave incen	1,900	1,900	-	353	-	(253)	2,000	2,000	-
Total	**76,588**	**68,512**	**8,077**	**27,427**	**(13,236)**	**(18,836)**	**71,943**	**63,183**	**8,760**

Provisions for risks and charges amounted to € 71,943,000 overall. They consisted of a € 63,183,000 short-term portion and an € 8,760,000 long-term portion, and were broken down as follows:

- "Provision for litigation and disputes", € 5,551,000, to cover contingent liabilities mainly arising from ongoing litigation cases;
- "Provision for taxes and duties", standing at € 2,025,000, refers mainly to ongoing litigation or disputes concerning local taxes;
- "Provision for disputes with personnel", amounting to € 100,000, covering expected charges arising from disputes with personnel of a company acquired in previous financial years. The Company did not consider it necessary to change this item in the year;
- "Provision for risk of disputes relating to Concessions", € 30,246,000, generally includes estimated costs for disputes of various kinds with municipalities. The

item presents releases, uses and provisions for a total of € 2,894,000, increasing further due to the risk of requests from municipalities for the review of agreed concession fees;

- "Other provisions for risks and charges", amounting to € 32,021,000, cover charges that might arise from the need for maintenance or replacement of metering equipment that fails to meet company standards. Over the year this item fell by € 7,239,000 due to net releases for no-longer-current risks, such as a portion of the tariff risks (€ 4,053,000), provisions for risks relating to the maintenance or replacement of metering equipment that fails to meet company standards (€ 2,585,000) and provision for the risk that the contribution for cancelling EECs does not cover the cost of purchasing all the EECs at 31 December 2022 (€ 1,154,000);
- "Provision for charges pertaining to incentives to leave", totalling € 2,000,000, addresses possible liabilities that might arise from agreements defined or in the process of being defined for incentives to leave, which started during the year and are ongoing.

The fiscal position of the Group has been defined up to 2017.

30. Non-current financial liabilities – € 0

At 31 December 2022 non-current financial liabilities stood at zero. In the previous year they reflected the negative Fair Value of the existing derivative contract, which has now become positive as a result of interest rate trends.

31. Non-current financial liabilities IFRS 16 – € 18,811,000

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

Thousands of euro

		Present value of IFRS 16 cash flows 31.12.2022	1 year	2 - 5 years	Beyond 5 years
ST/LT IFRS 16 Financial liabilities					
Non-current IFRS 16 financial liabilities		**18,811**	-	**17,883**	**928**
	IFRS 16 Property			13,572	928
	IFRS 16 Vehicles			4,311	
	IFRS 16 ICT			-	
Current IFRS 16 financial liabilities		**6,660**	**6,660**	-	-
	IFRS 16 Property		4,204		
	IFRS 16 Vehicles		2,275		
	IFRS 16 ICT		182		
Total		**25,472**	**6,660**	**17,883**	**928**

32. Other non-current liabilities – € 344,371,000

The item includes the following entries:

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Deferred income:			
payables to social security and insurance agencies	-	2,137	(2,137)
other payables	1,052	961	91
Deferred income for plant contributions	49,189	39,663	9,526
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	294,130	286,540	7,590
Total other non-current liabilities	**344,371**	**329,301**	**15,070**

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

Current liabilities

33. Short-term loans – € 13,252,000

This item refers exclusively to intra-group payables with subsidiaries.

34. Current portion of medium/long-term bank loans – € 118,147,000

As of 31 December 2022 the item included the Company's total short-term debt to the banking system, including tranches of debt to the EIB that are contractually due to be repaid within the next 12 months.
For details, see Section 27.

35. Current portion of long-term provisions and short-term provisions – € 63,183,000

The line item represents the current portion of the company's provisions for risks. Comments and details of this item are provided in the section on provisions for risks and charges (note 29).

36. Trade payables – € 439,770,000

This item includes all trade and operating liabilities of certain amount and timing.
This item increased by € 229,723,000 compared to the previous year, mainly due to the classification within it of debit balances with customers generated by the presence of

negative tariff components in the billing, as established by the Authority following Government provisions aimed at limiting the impact of international energy market tensions and the consequent increase in prices.

The breakdown of trade payables to third-party suppliers is set out below.

Thousands of euro	31.12.2022	31.12.2021*	2022 - 2021
Suppliers	438,369	209,446	228,923
Total	**438,369**	**209,446**	**228,923**
Payables due to subsidiaries	1,401	601	801
Total	**1,401**	**601**	**801**
Total	**439,770**	**210,047**	**229,723**

*2021 pro-forma restated figures

As in the previous year, the balance at 31 December 2022 mainly consisted of the residual amount payable to companies to which gas distribution plant construction and maintenance is outsourced, to suppliers of materials and for the purchase of electricity and gas services for internal use.
As regards dealings with subsidiaries, the relevant payables are shown below:

Thousands of euro	31.12.2022	31.12.2021	2022 - 2021
Subsidiaries:			
2i Rete Dati Srl	1,399	598	801
Cilento Reti Gas S.r.l.	3	3	(0)
TOTAL	**1,401**	**601**	**801**

37. Income tax payables – € 1,366,000

At 31 December 2022 the debit balance was a result of the effect of advances paid and the final instalment of the substitute tax to be paid in respect of the goodwill realignment transaction of 2021.

38. Current financial liabilities – € 19,706,000

Current financial liabilities mostly refer to interest expenses accrued and not yet paid relating to the issued instalments of the debenture loan. The fall is caused by the liability management transaction involving the early closure of a portion of the debt of a debenture loan tranche.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Accrued liabilities for interest on short-term bank loans	18,784	19,243	(458)
Other current financial payables	826	767	60
Other Group's current financial payables	96	8	88
Total	**19,706**	**20,017**	**(311)**

39. Financial liabilities IFRS 16 – € 6,660,000

As at 31 December 2020 this item included financial liabilities falling due within 12 months deriving from the application of IFRS 16. A breakdown of maturities by type of contract is provided under note 31 above.

40. Other current liabilities – € 141,331,000

Other current liabilities underwent a fall, due in particular to the dynamics of the item "Other payables", which also includes payables to the Fund for Energy and Environmental Services for items related to various tariff components.
Other current liabilities are set out below:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
other tax payables	3,852	6,712	(2,860)
payables to social security and pension agencies	9,173	10,629	(1,456)
other payables	111,560	168,967	(57,407)
accrued liabilities	3,525	3,324	201
deferred income	13,222	11,138	2,083
Total	**141,331**	**200,770**	**(59,439)**

*2021 pro-forma restated figures

Other tax payables, amounting to € 3,852,000, are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
due to tax authorities for VAT	126	2,829	(2,703)
due to tax authorities for taxes withheld from employees	3,703	3,755	(53)
due to tax authorities for withholding taxes	23	127	(104)
other payables to tax authorities	0	0	(0)
Total	**3,852**	**6,712**	**(2,860)**

Payables to welfare and social security institutes, amounting to € 9,173,000, are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
due to INPS	8,143	9,552	(1,409)
due to other agencies	1,029	1,077	(48)
Total	**9,173**	**10,629**	**(1,456)**

Other debts, which are the most important item with a total balance of € 111,560,000, are broken down as follows:

Thousands of euro

	31.12.2022	31.12.2021*	2022 - 2021
Payables to employees	10,986	13,426	(2,440)
Payables to municipalities for rights and fees	1,201	1,204	(3)
Payables for connections, network extension and other payables to custon	10,509	8,175	2,335
Payables for security deposits and user advances	5,436	4,381	1,054
Payables to CSEA	75,809	135,061	(59,252)
Other payables	7,618	6,720	898
Total	**111,560**	**168,967**	**(57,407)**

*2021 pro-forma restated figures

Payables to CSEA were down due to mechanisms introduced during the year to reduce the system's pass-through components, consisting of € 36,840,000 in payables for items passing through the invoicing mechanism to trading companies and then paid to CSEA, generally on a bi-monthly basis (UG1, UG2, UG3, Gs, Re and Rs), € 3,538,000 relating to the equalisation amount for the current year and € 27,367,000 relating to equalisation amounts for the current year and previous years, mainly due to equalisation adjustments. This item must be considered in light of relevant receivables from CSEA included under Other current assets.
Accruals and deferred income, amounting to € 16,747,000, are set out below.

Thousands of euro

	31.12.2022	31.12.2021	2022 - 2021
Accrued liabilities			
Additional monthly accrual for employees	3,337	3,309	28
Other accrued liabilities	188	15	173
Total accrued liabilities	**3,525**	**3,324**	**201**
Deferred income			
Deferred income for plant contributions	2,490	2,012	478
Deferred income for connection fees, property subdivision, plant transfer and network extension contributions	10,091	8,975	1,116
Deferred income for property subdivision contributions	2,081	2,064	17
Deferred income for connection fees	8,010	6,911	1,099
Other deferred income	640	152	489
Total deferred income	**13,222**	**11,138**	**2,083**
Total accrued liabilities and deferred income	**16,747**	**14,462**	**2,285**

25. Liabilities held for sale – € 230,000

As of 31 December 2022 this item mainly refers to divestiture concessions further to the outcome of the Udine 2 ATEM tender, the award of which is expected by the first half of 2023.

Related party disclosures

Related parties are identified in accordance with international accounting standards.

The following were defined as related parties for 2022:

- F2i SGR S.p.A. – as the operating company of "F2i – Third Italian Infrastructure Fund, closed-end investment fund, reserved for qualified investors" ("F2i – Secondo Fondo Italiano per le Infrastrutture, fondo di investimento mobiliare di tipo chiuso, riservato a investitori qualificati")
- Finavias S.a.r.l.
- MEA S.p.A.
- Cilento Reti Gas S.r.l.
- 2i Rete Gas S.r.l.
- 2i Rete Dati S.r.l.
- 2i Servizi Energetici S.r.l.
- APG Infrastructure Pool 2017 II

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

The parent company has implemented a centralised cash management system equipped with *intercompany* current accounts as well as a tax consolidation contract which generates financial movements.
All trade balances relate to transactions undertaken at market values.

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

Trade and other transactions

Year 2022

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i sgr Spa	-	60	60	-
MEA S.p.A.	9	-	-	9
Cilento Reti Gas Srl	1,132	3	3	1,797
2i Rete GAS S.r.l.	116	-	-	388
2i Servizi Energetici Srl	35	71	149	62
2i Rete Dati Srl	204	1,399	7,399	1,040
APG Infrastructure Pool 2017 II	-	20	20	-
Key management personnel, including directors and statutory auditors	-	36	3,825	0
Total	**1,495**	**1,588**	**11,456**	**3,294**

Year 2021

Thousands of euro	Trade Receivables	Trade Payables	Trade Costs	Trade Revenue
F2i sgr Spa	-	15	68	-
MEA S.p.A.	9	-	-	9
Cilento Reti Gas Srl	963	3	2	2,183
2i Rete GAS S.r.l.	432	-	-	1,277
2i Servizi Energetici Srl	16	13	63	59
2i Rete Dati Srl	127	598	6,794	1,075
APG Infrastructure Pool 2017 II	-	60	20	-
Key management personnel, including directors and statutory auditors	-	31	2,597	-
Total	**1,547**	**719**	**9,544**	**4,603**

Financial transactions

Year 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 Spa)					67,100
Finavias S. à r.l.					37,845
Cilento Reti Gas Srl	24,119	68	-	661	-
2i Rete GAS S.r.l.	-	9,951	129	-	-
2i Servizi Energetici Srl	966	-	-	29	-
2i Rete Dati Srl	-	3,699	45	-	-
Total	**25,085**	**13,718**	**174**	**689**	**104,945**

Year 2021

Thousands of euro	Financial Receivables	Financial Payables	Financial Costs	Financial Revenue	Dividends paid
F2i – Terzo Fondo Ialiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	79,887
F2i – Secondo Fondo Italiano per le Infrastrutture (managed by F2i sgr Spa)	-	-	-	-	10,136
Finavias S. à r.l.	-	-	-	-	34,922
MEA S.p.A.	-	-	-	124	
Cilento Reti Gas Srl	21,827	104	-	485	
2i Rete GAS S.r.l.	285	3,461	27	-	
2i Servizi Energetici Srl	498	-	-	62	
2i Rete Dati Srl	-	2,600	4	2	
Total	**22,610**	**6,165**	**32**	**672**	**124,945**

Key information regarding subsidiaries are shown below:

Equity investments

2i Rete Gas S.r.l.

Share capital – € 50,000
Registered office: Milan
Equity investment: 100%
2i Rete Gas S.r.l. was concession holder for the natural gas distribution service in the Municipality of Cinisello Balsamo until 28 February 2022.
The financial statements at 31 December 2022 show a profit of € 1,659,000 and equity of € 11,017,000.
This company was merged with the parent company on 1 January 2023.

Cilento Reti Gas S.r.l.

Share capital: € 4,300,000
Registered office: Acquaviva delle Fonti
Equity investment: 60%.
Cilento Reti Gas S.r.l. is concession holder of the natural gas distribution service in 28 Municipalities in the Cilento area.
The financial statements at 31 December 2022 show a loss of € 847,000 and equity of € 4,288,000.

2i Rete Dati S.r.l.

Share capital – € 120,000
Registered office: Milan
Equity investment: 100%
2i Rete Dati is a company created to maximise the know-how acquired by the Group in managing the data transmission infrastructure during the network's development of smart meter readings.
The financial statements at 31 December 2022 show a profit of € 1,437,000 and equity of € 14,168,000.

Significant extraordinary events and operations

Pursuant to Consob communication no. DEM/6064293 dated 28 July 2006 it is noted that there were no significant events and transactions of a non-recurring nature during the year that have not already been disclosed in this document.

Positions or transactions arising from atypical and/or unusual operations

Pursuant to Consob communication no. DEM/6064293 it is noted that there were no positions or transactions arising from atypical and/or unusual transactions.

Fees for Directors, auditors and key management personnel

Fees for directors totalled € 257,000 in 2022 (of which € 177,000 to personnel given strategic responsibility); fees for Statutory Auditors totalled € 51,000 (fully included in the category of personnel given strategic responsibility) and fees for managers with strategic responsibility totalled € 3,583,000.

Public grants received

With regard to the changes contained in Law no. 124 of 4 August 2014, the "Annual competition law", more precisely article 1(125-129), it is reported that during the course of 2022 the following grants were received from public bodies regarding the construction of gas networks:

Euro

Name	Prov.	at 31.12.2022	Type
Municipality of Baselice - Municipality of San Bartolomeo in Galdo - Municipality of Foiano V.	BN	230,021	GRANTS - Campania Region grants in response to 2015 extreme events
MUNICIPALITY OF ISOLA DEL GRAN SASSO	TE	13,894	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORANO NUOVO	TE	5,638	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTEL CASTAGNA	TE	15,592	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF LUCOLI	AQ	30,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CANZANO	TE	18,262	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TORNIMPARTE	AQ	7,656	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF BASCIANO	TE	16,876	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLI	TE	8,624	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF TOSSICIA	TE	8,934	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CERMIGNANO	TE	12,035	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF CASTELLALTO	TE	13,440	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF RIPA TEATINA	CH	18,000	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
MUNICIPALITY OF PENNA SANT'ANDREA	TE	18,905	PLANT CONTRIBUTIONS ABRUZZO RL 84/2001
GSE - Gestore Servizi Energetici SpA		100,029	Incentives for photovoltaic projects
Total public grants collected		**517,907**	

Public grants from public administrations (State, regions, municipalities, etc.) during the year totalled € 517,907. This amount does not include any grants assigned by public administrations not yet transferred to the Company.

Contractual commitments and guarantees

Guarantees provided totalled € 132,087,000 (relating to guarantees in the interests of third parties). These guarantees include € 108,350,000 in bank guarantees and € 23,737,000 in insurance and other guarantees.

These guarantees were provided as collateral for maintenance and extension work relating to distribution networks as well as participation in tenders for operating gas distribution services.

Further to section 22(b) of art. 2427 of the Civil Code, it is stressed that there are no agreements that have not been disclosed in the financial statements that might significantly impact the Group's financial statements.

Contingent liabilities and assets

Contingent liabilities

Currently there are no contingent liabilities.

Contingent assets

Currently there are no contingent assets.

Business combinations

During 2022 no business combinations were effected.

Credit, liquidity and market risk

Credit risk

2i Rete Gas provides its distribution services to over 260 sales companies, the most significant of which, in terms of turnover, is Enel Energia S.p.A.
With regard to invoiced volumes, in 2022 too there were some non-relevant cases of counterparty non-compliance.
User access to the gas distribution service is governed by the Network Code which, in compliance with the provisions of ARERA, establishes the rights and obligations of the entities involved in the distribution service process, as well as the contractual clauses that reduce the risk of breach by sales companies.
As part of gas distribution operations, the credit lines to external counterparties are carefully monitored by assessing the relevant credit risk and requiring adequate guarantees and/or security deposits, ensuring an appropriate level of protection against the risk of default by the counterparty.
Outstanding guarantees and security deposits on trade receivables totalled € 235,993,000.

The credit risk is therefore mitigated.

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

At 31 December 2022 the maximum credit risk exposure amounted to € 702.9 million, down on the previous year due to both lower trade receivables, as already mentioned, and lower available liquidity following the acquisition of ATEM Naples 1.

Millions of euro

	31.12.2022	31.12.2021*	2022 - 2021
Third parties:			
Non-current financial assets	116.7	13.0	103.6
Other non-current financial assets (gross of bad debt provision)	33.4	40.4	(7.0)
Trade receivables (gross of bad debt provision)	62.7	230.7	(168.0)
Other current financial assets	3.3	2.0	1.3
Cash and cash equivalents	45.9	442.9	(397.0)
Other receivables (gross of bad debt provision)	415.4	195.9	219.5
Group companies:			-
Trade receivables	1.5	1.5	(0.1)
Short-term financial receivables	24.1	21.8	2.3
Total	**702.9**	**948.4**	**(245.5)**

*2021 pro-forma restated figures

Liquidity risk

Based on the current financial structure and the expected cash flows as projected in the business plans, 2i Rete Gas is able to autonomously meet the financial requirements of its ordinary operations and to ensure business continuity.
In addition to the debenture loans maturing between 2024 and 2031, two loans were taken out with the European Investment Bank, and one with a leading Italian bank.
In order to properly disclose liquidity risk as required by IFRS 7, below are details of the company's debt.

The contractual maturities of the financial liabilities outstanding at 31 December 2022 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2022			
Long-term loans	-	297.7	54.5
Medium/long-term debenture loans	-	2,242.4	500.0
Short-term loans	113.3		
Current portion of long-term loans	18.2		
Other short-term financial liabilities	19.7		
Non-current IFRS 16 financial liabilities		17.9	0.9
Current IFRS 16 financial liabilities	6.7		
Total	**157.8**	**2,558.0**	**555.5**

For comparative purposes, the contractual maturities of the financial liabilities outstanding at 31 December 2021 are set forth below:

Millions of euro	1 year	2 - 5 years	Beyond 5 years
Financial liabilities as at 31 December 2021			
Long-term loans	-	172.7	297.7
Medium/long-term debenture loans	-	1,535.0	1,230.0
Short-term loans	6.1		
Current portion of long-term loans	18.2		
Other long-term financial liabilities	10.2		
Other short-term financial liabilities	20.0		
Non-current IFRS 16 financial liabilities		17.5	2.5
Current IFRS 16 financial liabilities	5.6		
Total	**60.0**	**1,725.2**	**1,530.3**

The projected liquidity requirements are estimated based on the cash flows expected from ordinary operations.
It should be noted that loans are regularly monitored for compliance with some financial covenants at a consolidated level.
At 31 December 2022, these covenants had been fully met.

"Medium/long-term debenture loans" totalling € 2,742.4 million refer to the aforementioned debenture loan instalments issued by 2i Rete Gas and expiring between 2024 and 2031.
The company's growth plan requires the refinancing of existing debt, but given the company's excellent performance, the rating obtained, and ongoing compliance with the financial covenants established by lending banks, the company should not face any difficulties in obtaining said refinancing.
The company constantly monitors opportunities to optimise its financial structure.

For an in-depth analysis of long-term loans, see note 27 in these financial statements.

Market risk

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

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

At 31 December 2022 the company did not hold any derivative trading contracts, while in 2019 it entered into an active hedging contract at the end of the year.

In accordance with IFRS 7, the table below shows financial assets and liabilities, disclosing their carrying amount and Fair Value at 31 December 2022. The company has no financial assets held to maturity, available for sale or held for trading.

Thousands of euro	carrying amount							
	Notes	Measured at fair value	Derivatives	Receivables	Available for sale	Other financial liabilities and payables	Total	Fair value
Financial assets 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			33,185			33,185	33,185
Trade receivables	19-25			56,036			56,036	56,036
Short-term financial receivables	20			26,701			26,701	26,701
Other current financial assets	21			729			729	729
Cash and cash equivalents	22			45,886			45,886	45,886
Other current assets	24			533,878			533,878	533,878
TOTAL ASSETS		**-**	**-**	**709,384**	**-**	**-**	**813,074**	**813,074**
Financial liabilities measured at fair value								
IRS Derivatives	38		-				-	-
Financial liabilities not measured at fair value								
Long-term loan	27-34					352,273	352,273	352,273
Medium/long-term debenture loans	27					2,734,726	2,734,726	2,463,989
Non-current IFRS 16 financial liabilities	31	18,811					18,811	18,811
Other non-current liabilities	32					1,052	1,052	1,052
Short-term loans	33-34					131,399	131,399	131,399
Trade payables	36-25					439,770	439,770	439,770
Current financial liabilities	38					18,880	18,880	18,880
Current IFRS 16 financial liabilities	39	6,660					6,660	6,660
Other current liabilities	40				19	128,109	128,128	128,128
TOTAL LIABILITIES		**25,472**	**-**	**-**	**19**	**3,806,209**	**3,831,699**	**3,560,963**

In order to enable comparison, the same table as the one used in 2021 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		-				-	-
Financial assets not measured at fair value								
Non-current financial assets	16			13,012			13,012	13,012
Other non-current assets	17			40,204			40,204	40,204
Trade receivables	19-25			222,522			222,522	222,522
Short-term financial receivables	20			23,701			23,701	23,701
Other current financial assets	21			165			165	165
Cash and cash equivalents	22			442,934			442,934	442,934
Other current assets	24			202,467			202,467	202,467
TOTAL ASSETS		-	-	**945,005**	-	-	**945,005**	**945,005**
Financial liabilities measured at fair value								
IRS Derivatives	38		10,184				10,184	10,184
Financial liabilities not measured at fair value								
Long-term loan	27-34					470,455	470,455	470,455
Medium/long-term debenture loans	27					2,755,094	2,755,094	2,894,339
Non-current IFRS 16 financial liabilities	31	20,006					20,006	20,006
Other non-current liabilities	32					961	961	961
Short-term loans	33-34					24,235	24,235	24,235
Trade payables	36-25					210,047	210,047	210,047
Current financial liabilities	38					19,250	19,250	19,250
Current IFRS 16 financial liabilities	39	5,606					5,606	5,606
Other current liabilities	40				80	189,632	189,712	189,712
TOTAL LIABILITIES		**25,611**	**10,184**	-	**80**	**3,669,673**	**3,705,549**	**3,844,794**

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

For the purposes of determining the *fair value* of the debenture loan, the Group has used the market valuations at the reporting period end date.

Interest rate risk

The company manages interest rate risk with the aim of achieving a balanced debt structure, reducing the amount of financial debt exposed to changes in interest rates and minimising funding costs over time, thereby limiting volatility in performance. To this end, the Company uses derivative contracts, and specifically interest rate swaps.
With regard to the current debt structure, € 3,067.4 million out of a reported € 3,212.8 million was not exposed to interest rate risk at 31 December 2022.

During 2019 the Company entered into 5 forward start interest rate swap derivative contracts (with expiry date set at 10 years after the start date) with as many leading banks in order to hedge against the risk of an increase in interest rates on the future issue of the debenture loan planned to refinance part of the existing loan reaching maturity in the coming years.

Thousands of euro	Notional		Fair value		Fair value asset		Fair value liability	
	as at 31.12.2022	as at 31.12.2021	as at 31.12.2022	as at 31.12.2021	as at 31.12.2022	as at 31.12.2021	as at 31.12.2022	as at 31.12.2021
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	103,690	(10,184)	103,690	-	-	(10,184)
Total Interest Rate Derivatives	500,000	500,000	103,690	(10,184)	103,690	-	-	(10,184)

The contract expiry dates are shown below:

Thousands of euro	Notional		1 year	2 - 5 years	Beyond 5 years
	as at 31.12.2022	as at 31.12.2021			
Cash flow hedge derivatives					
Forward Start Interest Rate Swap	500,000	500,000	-	-	500,000
Total Interest Rate Derivatives	500,000	500,000	-	-	500,000

Values are shown assuming interest rate shocks of +0.10% and -0.10%:

Thousands of euro	Notional		-0,10%	Fair value	+0,10%	-0,10%	Fair value	+0,10%
	as at 31.12.2022	as at 31.12.2021		as at 31.12.2022			as at 31.12.2021	
Cash flow hedge derivatives								
Forward Start Interest Rate Swap	500,000	500,000	100,615	103,690	107,720	(15,369)	(10,184)	(5,148)
Total	500,000	500,000	100,615	103,690	107,720	(15,369)	(10,184)	(5,148)

Significant events after the reporting period

As planned, on 1 January 2023 2i Rete Gas S.r.l. was merged with the parent company 2i Rete Gas S.p.A.
The company contributed some existing receivables, but as from 28 February 2022 it no longer performed any operations or activities following the sale of the Cinisello Balsamo concession.

Direction and coordination

The Company is not subject to direction and coordination, while it provides direction and coordination to the following companies:

- 2i Rete Gas S.r.l.
- Cilento Reti Gas S.r.l.
- 2i Rete Dati S.r.l.

7. Proposed profit allocation for the year

In relation to the above, we propose:

- that the statutory financial statements of 2i Rete Gas S.p.A. for the period ended 31 December 2022, which presents a profit for the year of € 167,160,181.21, and the accompanying Directors' report, be approved;
- with reference to the profit for the year, taking into account the fact that the legal reserve has reached 20% of the share capital, that € 0.3051 for each of the 363,851,660 shares, totalling € 111,011,141.47, be distributed to Shareholders;
- that the residual amount of the profit for the year, namely € 56,149,039.74, be carried forward.

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

VII Report of the Board of Statutory Auditors

2i Rete Gas S.p.A.

Report of the Board of Statutory Auditors to the Shareholders' Meeting of 2i Rete Gas S.p.A. to the Financial Statements as at 31 December 2022 drawn up pursuant to Article 2429 of the Civil Code

To the Shareholders' Meeting of 2i Rete Gas S.p.A.,

To the Shareholders,

This Report has been prepared pursuant to art. 2429, paragraph 2, of the Civil Code.

The Board of Statutory Auditors (hereinafter also "the Board") in office was appointed by the Shareholders' Meeting of 2i Rete Gas S.p.A. (hereinafter also "the Company") on 22 April 2021, when it formally took office, and his three-year mandate will end with the Shareholders' Meeting to approve the Financial Statements as at 31 December 2023.

During the 2022 financial year, the Board carried out the supervisory activity, pursuant to art. 2403 and following of the Civil Code, on the adequacy of the organizational structure, on compliance with the principles of correct administration, on the adequacy of the internal control system and on the regular performance of the management of the Company.

The Board also performed the functions of Internal Control and Audit Committee (hereinafter also "CCIRC") pursuant to art. 19 of Legislative Decree no. 39/2010, being the Parent Company 2i Rete Gas S.p.A. a Public Interest Entity ("EIP").

The Board operated both pursuant to art. 149 of Legislative Decree no. 58/1998 ("TUF") and by referring to the principles indicated by practice, in particular the Rules of Conduct of the Board of Statutory Auditors issued by the National Council of Chartered Accountants and Accounting Experts.

On 27 March 2023, the Board of Statutory Auditors received from the Board of Directors the 2022 Annual Financial Report which includes, among other things, the draft financial statements of 2i Rete Gas S.p.A. within the legal deadlines as at 31 December 2022, the Consolidated Financial Statements of the 2i Rete Gas

Group as at 31 December 2022 and the Management Report. These Financial Statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Community pursuant to Article 6 of Regulation (EC) 1606/2002, in force at the end of the financial year and collectively defined as "IFRS-EU", and from a business continuity perspective.

The auditing firm PricewaterhouseCoopers S.p.A. (hereinafter also "PwC") issued today 11 April 2023 pursuant to art. 14 of Legislative Decree no. 39/2010 and art. 10 of Regulation (EU) no. 537/2014 the Reports on the Separate Financial Statements and on the Consolidated Financial Statements as at 31 December 2022 in which it is noted that the said financial statements provide a true and fair view of the equity and financial situation of the Company and of the Group at 31 December 2022, of the economic result and cash flows for the year ended on that date in accordance with IFRS-EU.

In addition, the auditing firm, pursuant to art. 14, paragraph 2, letter e) of Legislative Decree no. 39/2010, has issued the Declaration that it has nothing to report regarding the possible identification of significant errors contained in the Report on Operations.

The Board acknowledges that, in its capacity as CCIRC, it received today 11 April 2023 from the independent auditors the Additional Report pursuant to art. 11 of European Regulation no. 537/2014 on which the Board of Statutory Auditors will report to the Board of Directors. The independent auditors have not identified any significant aspects to be reported in this Report of the Board of Directors.

In general, the Board performed the functions of its competence relating to the supervisory activity, acquiring the information mainly through:

- participation in meetings of the Board of Directors and Shareholders' Meetings;
- periodic meetings and through obtaining information and data with the top management functions of the Company with timings shorter than those envisaged by law and, in any case, whenever circumstances required it;
- meetings with the corporate control functions of the Company;

- specific meetings when needed in order to examine particular matters following extraordinary operations or other relevant management facts;
- periodic meetings with the auditing firm PwC for the usual mutual exchange of information;
- meetings with the Chairman of the Supervisory Body (hereinafter also "O.d.V.").

The Board drafted the minutes of its meetings which were duly transcribed in the relevant book pursuant to art. 2404 of the Civil Code.

Adequacy of the organizational structure and compliance with the principles of correct administration,

The Board supervised, following the choices made by the Board of Directors, the management events and the compliance of the deeds performed by the Directors with law, articles of association and general principles of prudence and diligence, promptly receiving the supporting documentation and information flows of the activity carried out in particular during the meetings mentioned above.

The Board has acquired knowledge, to the extent of its competence, on the adequacy of the organizational structure of the Company and of the Group and on the observance of the principles of correct administration one, with particular regard to the most significant transactions from an economic, financial and equity point of view carried out by the Company and its participated companies during the 2022 financial year.

The Board has not received any news of atypical or manifestly imprudent transactions such as to compromise the integrity of the corporate assets including intra-group transactions or transactions with related parties and, in this regard, acknowledges that information on intra-group transactions or transactions with related parties are described in the Management Report and comply with the provisions of the law.

The Board believes that the information requested pursuant to art. 2381, paragraph 5, of the Civil Code were provided by the Chief Executive Officer during meetings to the Board of Directors and to the Board of Statutory Auditors who deems the organizational structure adequate according to the activity and size of the Company which, during the year, has made considered management decisions, also with extraordinary operations, in the exclusive interest of the Group.

In particular, among the extraordinary transactions that took place during the 2022 financial year, we recall the assignment to the Company of the management of ATEM Napoli 1, which includes the city of Naples and the coastal plant made up of 6 municipalities, which represented one of the most complex service transfers between operators following a public tender with which the Company has significantly expanded its business by strengthening the gas distribution network with the contribution of approximately 380,000 end customers distributed in Campania. The transaction is adequately described in the Management Report and in this regard the Board has no particular observations to make regarding compliance with the principles of correct administration which have been constantly observed.

Adequacy of the internal control and risk management system

The Board assessed the adequacy of the internal control system also in its capacity as CCIRC by carrying out supervisory activities in particular on the financial reporting process, on the effectiveness of the internal control system, on the statutory audit and independence of the independent auditors. In this regard, the Board periodically met with the Head of the Internal Audit function, whom has also been assigned the Compliance and Risk Management functions, obtaining the periodic reports of the interventions carried out as well as the half year reports on the internal control system. In particular, the Board supervised the adequacy of the internal control system to management requirements through analysis of company documents, obtaining information from the heads of the respective functions and analyzing the results of the work carried out by PwC.

From the examination of the reports and documents received and from the information obtained during the various meetings, no significant critical issues emerged.

The Board examined the reports issued by the O.d.V. in relation to compliance with the Code of Ethics and the Organizational and Control Model pursuant to Legislative Decree no. 231/200 which the Company has adopted and which is adequate to prevent the possibility of committing offenses relevant to the case in point. The O.d.V., as the body in charge of the implementation of Model 231 carries out its activity with autonomous supervisory, control and initiative tasks, is collegiate and is currently composed of the President, Avv. Daniela Mainini as an external member, by the Avv. Maria Cristina Fortunati, Head of the Legal and Corporate Affairs

Structure as an internal member of the Company and by Dr. Giovanna Conca, President of the Board of Statutory Auditors of the Company. From the examination of the periodic reports issued by the O.d.V. and from the information received during the meetings, no reports of non-compliance with the application of Model 231 emerged.

The Board, in its capacity as CCIRC, monitored continuously during the year the independence of the independent auditors, to which the Company on 29 April 2015 had conferred the task of statutory auditing of the accounts for the nine-year period 2015-2023, in particular ascertaining constant compliance with the legislation on assignments other than auditing performed by PwC or assignments that had to be authorized in advance by the Board itself. The Board reports that, as the company is a public interest entity (EIP) with the obligation to rotate the independent auditors partner every seven years, Mr. Giulio Grandi took over from Mr. Paolo Caccini starting from the audit of the Financial Statements as at 31 December 2022 as responsible partner up to the completion of the nine-year term.

The auditing firm has included the declaration of independence, as an Appendix in the Additional Report, pursuant to art. 6, paragraph 2) letter a) of the European Regulation n.537/2014.

The Board has not received news of complaints pursuant to art. 2408 of the Civil Code or exhibited during the 2022 financial year up to the date of this Report; it was not necessary to intervene due to omissions by the Directors pursuant to art. 2406 of the Civil Code; did not have to adopt measures pursuant to art. 2409, paragraph 7, of the Civil Code.

Adequacy of the administrative-accounting system to correctly represent management events

The Board supervised the adequacy of the administrative-accounting system and the reliability in correctly representing management events by carrying out the activities also as CCIRC and believes that the Company has adequate procedures in place to guarantee the reliability and timeliness of the information which reports to the Director of Administration, Finance and Control ("CFO") who is responsible for the Accounting and Administrative Control Model which provides for interaction with the various Heads of the functions involved in the respective areas of competence in addition to the auditing firm and to the Internal Audit function.

Observations on relevant aspects that emerged with the auditing firm

During 2022 and 2023 up to the date of this Report, the Board met with the representatives of the independent auditors for the usual mutual exchange of information and data relevant to the performance of their respective duties as required by the relevant legislation.

In particular, the Board pursuant to art. 19 of Legislative Decree 39/2020 monitored the activity carried out by PwC with reference to the audit strategy and plan, the methodological approach based on the risks identified and the sharing of key aspects of the audit ("Key Audit Matter" - KAM).

The independent auditors updated the three KAMs, reported in previous years, also for the year 2022, relating to (i) Capitalization of costs relating to network investments in intangible assets for assets under concession, (ii) Recoverability of goodwill and (iii) Valuation of provisions for risks and charges.

In addition, for the 2022 financial year, PwC recognized a further KAM relating to the "Atem Napoli 1 Acquisition" in relation to the complexity of the transaction both for the accounting treatment of Asset Acquisition according to IFRIC 12 and for the relevance of the acquisition of the concession for the 2i Rete Gas Group and for the provisional consideration paid by the Company.

Consolidated Non-Financial Disclosure

The Board acknowledged that the Board of Directors of 27 March 2023 approved (i) the Consolidated Non-Financial Disclosure of the 2i rete Gas Group for the year 2022, (ii) the progress of the 2022-2024 Sustainability Plan and (iii) the update of the Sustainability Policy. The Disclosure was drawn up in continuity with previous years pursuant to Legislative Decree 254/2016, making reference to the "Sustainability Reporting Standards" reporting principles issued by the Global Reporting Initiative ("GRI") in the updated version as at 30 June 2022 which plans to adopt the "in accordance with" option.

The Board has no observations to make regarding the Statement which was prepared by the Company on the basis of the relevant topics envisaged by the Decree and the materiality parameters established following adequate analyses, of the characteristics and type of activity. The Disclosure was subject to a separate certification of compliance with the "GRI Sustainability Reporting Standards" by PwC.

Financial Statements as at 31 December 2022

The Board confirms that it has received the draft Financial Statements as at 31 December 2022 in good time for its filing at the Company's headquarters and has therefore proceeded to examine them. In this respect. the following information is provided:

- the valuation criteria of the assets and liabilities items are substantially in line with those adopted in previous years and comply with the provisions of art. 2426 of the Civil Code;
- the formation, layout and outline of the draft financial statements comply with current legislation and have been prepared in accordance with the international accounting standards (IFRS-EU);
- the Report on Operations complies with the law and is consistent with the resolutions passed by the Board of Directors and with the facts represented in the draft financial statements;
- there were no exceptions pursuant to art. 2423, paragraph 4, of the Civil Code.

On the same date, the Board also received the Consolidated Financial Statements of the 2i Rete Gas Group at 31 December 2022, seen in particular with reference to the scope of consolidation, which has not changed compared to the previous year and is set up by the parent company 2i Rete Gas S.p.A. by the following subsidiaries: 2i Reti Dati S.r.l., Cilento Reti Gas S.r.l. and 2i Rete Gas S.r.l..

With reference to the latter subsidiary, which managed the concession of Cinisello Balsamo until 28 February 2022, the Board notes the merger by incorporation into the parent company, for all civil and tax purposes, on 1 January 2023.

The consolidation criteria are contained in the relevant paragraph of the notes to the consolidated financial statements and the individual financial statements of the subsidiaries used for consolidation purposes have been prepared by adopting the accounting principles of the parent company.

The Board carried out the checks it deemed appropriate within the scope of its supervisory duties on the process of preparing the financial information, also during the meetings with the managers of the Company and of the auditing firm, in particular on the correct recognition of the key audit aspects that are adequately described by the Directors in the Financial Statements and invites the Company to constantly monitor their evolution and any impact on the financial, equity and economic structure.

The Board will present to the Board of Directors the Additional Report issued by PwC pursuant to art. 11 of EU Regulation no. 537/2014 which contains, in addition to the aforementioned declaration of independence of the independent auditors, the summary of the significant issues identified during the audit activity as well as the confirmation that no "significant deficiencies" were identified in the system of internal controls on the financial reporting process.

Conclusions

The Board, on the basis of the supervisory activity carried out and of what has been brought to its knowledge, does not detect any impediments to the approval by the Shareholders' Meeting of 2i Rete Gas S.p.A. of the draft Financial Statements as at 31 December 2022 and the proposal for the allocation of the net result for the year, as formulated by the Board of Directors in the 2022 Annual Financial Report.

Milan, 11 April 2023

The Board of statutory Auditors

Dr.ssa Giovanna Conca (President)

Rag. Giovanni Cappa (Effective member)

Dott. Marco Giuliani (Effective member)

VIII Report of the Independent Auditors

Independent auditor's report

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

To the shareholders of 2i Rete Gas SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 2i Rete Gas SpA (the Company), which comprise the statement of financial position as of 31 December 2022, the income statement, statement of comprehensive income] , the statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the separate financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	***How our audit addressed the key audit matter***
Capitalisation in intangible assets of capital expenditure on the gas distribution network under service concession agreements	
Annual Report *Chapter III Directors' Report – Section 5 Regulatory and tariff framework* *Chapter VII Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 13 Intangible assets*	
Concessions and similar rights recognised as intangible assets as of 31 December 2022 totalled €4,193 million, accounting for 75% of the Company's total assets. Amounts capitalised in the year totalled €635 million.	We understood and evaluated the system of internal controls over the capital expenditure cycle, with particular reference to the identification and verification of the operating effectiveness of relevant controls.
The Company operates in gas distribution, an activity regulated by Autorità di Regolazione per Energia Reti e Ambiente (ARERA), the energy, networks and environment regulator.	We verified whether the accounting policies adopted by the Company for the capitalisation of costs conformed to the applicable financial reporting standards.
Revenues from gas distribution are determined annually on the basis of the tariff in force, which is mainly calculated on the basis of a pre-determined rate of remuneration of capital expenditure made, amortisation charges and operating costs.	We performed substantive tests, on a test basis, analysing the documentary evidence for amounts capitalised, in order to verify their accuracy, completeness and recognition in the appropriate reporting period.
A correct capitalisation of intangible assets for assets under concession, in accordance with IFRIC 12, is a key audit matter in consideration of the significant amounts of capital expenditure and their impact in the quantification of the tariff determined by ARERA every year.	We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.

Key Audit Matters	***How our audit addressed the key audit matter***
Recoverability of goodwill	
Annual Report *Chapter VII Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 13 Intangible assets*	

Goodwill recognised as of 31 December 2022 totalled €304 million, accounting for 5% of the Company's total assets. The recoverability of goodwill is tested by the directors at the year-end in accordance with IAS 36 – Impairment of assets. The recoverable amount of the group of cash generating units ("CGUs") "Gas distribution", which is the business in which the Company operates, to which goodwill is allocated, is determined on the basis of value in use, calculated on the future cash flows estimated in the 2022-2026 business plan approved by the board of directors of the Company on 17 January 2023. The recoverable amount of the "Gas distribution" business is compared with the carrying amounts of the assets and liabilities directly attributable to the business, including goodwill. In consideration of the materiality of the balance and of the degree of subjectivity of some of the variables used to estimate value in use, the verification of the recoverability of goodwill was a key matter in our audit of the financial statements.	Also, with the support of PwC experts, we verified: • The adequacy of the entire process of verification of the recoverability of goodwill, in accordance with the applicable financial reporting standards; • The method of allocation of goodwill to the CGUs; • The reasonableness of the assumptions used to determine the value in use of the "Gas distribution" business, with particular reference to the growth rates of revenues, costs and capital expenditure and the discount rates, also through sensitivity analyses; • The correct identification of the carrying amounts of the assets and liabilities directly attributable to the "Gas distribution" business; • The mathematical accuracy of the calculation model used. We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.

Key Audit Matters	***How our audit addressed the key audit matter***
Measurement of provisions for risks and charges *Annual Report* *Chapter VII Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 29 Provision for risks and charges* Provisions for risks and charges recognised as of 31 December 2022 totalled €72 million and comprise probable liabilities arising from past events, the amount of which can be reasonably estimated at the reporting date. Provisions for risks and charges are mainly	We carried out activities to understand and evaluate relevant controls over the measurement of provisions for risks and charges. We verified, on a test basis, supporting evidence for the most significant positions in

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

Key Audit Matters	***How our audit addressed the key audit matter***
Acquisition of Atem Napoli 1 *Annual Report* *Chapter III Directors' Report – Section 5 Regulatory and tariff framework and Section 6 Development and operation of concessions* *Chapter VII Statutory financial statements - Section 6 Notes to the statutory financial statements – Note 13 Intangible assets*	
In the course of the year the Company acquired and took over the operation of the gas distribution service in the area of ATEM Napoli 1 "Città di Napoli e Impianto Costiero". The process and method of recognition of the transaction entailed evaluations by management about the accounting impact of the concession acquired. In detail, analyses focused on the accounting treatment of the acquisition of the concession in accordance with 'IFRIC 12, the recognition of the assets acquired and the determination of the related revenues, the amortisation charges and the provisional purchase price. Given the materiality of the effects of the acquisition and in consideration of the complexity of the evaluations required of management, we considered this transaction a key audit matter.	We carried out activities to understand and evaluate relevant controls over the measurement of intangible assets. We verified the method of recognition of assets underlying the concession acquired and the related accounting treatment. We verified the reasonableness of the assumptions used to determine the values of capital expenditure, amortisation charges and revenues and we verified the correct determination of the carrying amounts of assets recognised in intangible assets and in other current and non-current liabilities. We had a critical discussion with management about factors likely to determine potential price adjustments in relation to the transaction, and the related disclosures in the

	consolidated financial statements. We verified the accuracy and completeness of disclosures provided in the notes to the financial statements.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate the related risks, or safeguards applied.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

We were appointed by the shareholders of 2i Rete Gas SpA at the general meeting held on 29 April 2015 to perform the audit of the Company consolidated and separate financial statements for the years ending 31 December 2015 through 31 December 2023.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) 537/2014 and that we remained independent of the Company in conducting the audit.

We confirm that the opinion on the separate financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared in accordance with article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of 2i Rete Gas SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of 2i Rete Gas SpA as of 31 December 2022, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of 2i Rete Gas SpA as of 31 December 2022 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of 2i Rete Gas SpA as of 31 December 2022 and are prepared in compliance with the law.

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

Milan, 11 April 2023

PricewaterhouseCoopers SpA

Signed by

Giulio Grandi
(Partner)

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.