ANNUAL REPORT
2022

CDP Reti

SUMMARY

CORPORATE BODIES

BOARD OF DIRECTORS (*)

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

BOARD OF STATUTORY AUDITORS (*)

Florinda Aliperta	*Chairperson*
Paola Dinale	*Statutory Auditor*
Paolo Sebastiani	*Statutory Auditor*

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

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

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

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

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

1. REPORT ON OPERATIONS OF THE GROUP

1. PRESENTATION OF THE GROUP

1.1 ROLE AND MISSION OF THE GROUP

PARENT COMPANY

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

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

The corporate purpose of CDP RETI is the holding and ordinary and extraordinary management, directly and/or indirectly, of equity investments in SNAM (31.35% as of 31 December 2022), ITALGAS (26.01% as of 31 December 2022) and TERNA (29.85% as of 31 December 2022), with the Company acting as a long-term investor with the objective of supporting the development of transport, dispatching, regasification, storage and distribution infrastructures for natural gas, as well as electricity transmission.

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

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

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

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

DIRECT SUBSIDIARIES AND RELATED AREA OF CONSOLIDATION

For over 80 years, **Snam group** has been involved in the transport, dispatching, storage and regasification of natural gas in the European and national energy markets, guaranteeing their energy security.

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

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

In recent years, the Company has progressively increased its efforts to become an enabler of the energy transition due to its energy business segments: biomethane, hydrogen and energy efficiency, which will also play a fundamental role in achieving energy independence.

In order to achieve carbon neutrality by 2040, Snam will continue to leverage the gas infrastructure business, reconverting existing assets under a multi-commodity perspective, i.e. working to make them capable of transporting and storing not only natural gas, but also renewable gases such as hydrogen and biomethane.

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

Below is a description of the main gas infrastructure and energy transition business segments:

The Gas Infrastructure Businesses

Transport

Natural gas runs along the entire peninsula thanks to a network of gas pipelines that covers the entire country and that Snam manages through its subsidiary **Snam Rete Gas**. Thanks to Snam's specific know-how that designs infrastructure in equilibrium with the environment, pipeline transport guarantees high levels of security and environmental sustainability, avoiding inefficient and less reliable road transport.

Natural gas moves from the import points, the regasification plants and the production and storage centers located in the national territory up to the local distribution networks, the re-delivery points of the regional networks or to large end customers (thermoelectric power plants or industrial production plants).

To guarantee distribution and energy security at national level and ensure the smooth flow of gas, the Company uses **13 compression plants** located along the national pipeline network, according to a precise logic, aimed at keeping the pressure of the gas constant throughout its path. In order to oversee and monitor the activities of the 48 Maintenance Centres distributed throughout Italy, Snam has set up a structure consisting of 8 Districts and a **Dispatching Center**, considered the technological “brain” of the Italian gas network, that remotely monitors and controls the transport network and coordinates the compression plants.

Thanks to an IT platform, the shippers (users which use the transport services) can sell and trade gas at a **Virtual Trading Point (VTP)** of the national network.

In recent years, the existing transport network has been repurposed according to a hydrogen-ready (H2-ready) approach to make it capable of transporting increasing percentages of hydrogen. As early as 2021, 99% of Snam’s pipelines became capable of transporting up to 100% hydrogen.

Storage

Snam also contributes to the country's energy security thanks to the storage system, which it manages through its subsidiary **Stogit**. Storage makes it possible to offset the differing needs between gas supply and consumption, guaranteeing continuity of service should any rapid increase in demand occur. For this reason, Snam's storage system stores gas in periods of lower demand (generally in the summer) and supplies natural gas at peak times of gas demand or in case of shortage or temporary import interruptions (typically in the winter). In addition, the storage activity is essential to manage fluctuations in needs related to seasonal dynamics and is a strategic solution against unforeseen events or unexpected increases in demand due to particular weather conditions. Finally, its ensures the availability of a quantity of strategic gas to compensate for possible interruptions or reductions in non-European supply, or to overcome temporary crises in the gas system.

Snam manages a total of **9 storage facilities** that act in synergy with the other transport and regasification infrastructure of the Company, making it the largest storage operator in Italy and one of the leading ones in Europe.

To make the storage system more flexible, as well as optimised and enhanced, the Group has started work on the construction of the new plant in Alfonsine (RA), which will increase Snam's storage capacity by 15% (1.8 bcm).

Like the transport business, Snam's storage will also evolve towards a multi-purpose structure, that is, capable of also managing green gases, such as hydrogen and biomethane, in order to contribute not only to greater energy security but also to achieving the goal of carbon neutrality by 2040.

Regasification

Snam, through **GNL Italia**, deals with the regasification of natural gas, an activity that consists in returning to its original state the gas that, extracted from the deposits, is then liquefied and transported on natural gas tankers to the regasification point. After the treatment, the gas is thus introduced into the national transport network.

The first regasification plant built in Italy is the **Panigaglia** terminal (La Spezia), built in 1971. The terminal occupies an area of about 45,000 square metres and consists of 2 storage tanks of 50,000 cubic metres each, vaporisation systems and a dock for methane tankers. The design, construction and operation criteria of the Panigaglia terminal meet strict international standards and apply the most modern technologies for environmental safety and protection.

During 2022, in order to promote greater security and diversification of Italy's energy supplies, Snam purchased 2 floating units (floating storage and regasification units, FSRU): **Golar Tundra**, which will be installed in central-northern Italy, and **BW Singapore**, which will be located off the coast near Ravenna. Each of them has a maximum storage capacity of approximately 170,000 cubic metres of liquefied natural gas and a nominal continuous regasification capacity of approximately 5 billion cubic metres per year.

Small scale LNG and sustainable mobility

Snam, through **Snam4Mobility**, is committed to developing sustainable mobility, leveraging on its infrastructure, on the synergies between its business segments and on the widespread presence in the national territory, for the construction of the first filling stations for liquefied and compressed natural gas. It also launched the first initiatives under the Small scale LNG (SSLNG), aimed at promoting the use of liquefied natural gas for heavy vehicles, in rail, sea and land transport, leading to a significant reduction in emissions.

After a long period of stable and secure supplies, 2022 required a rapid evolution of the business strategies of energy companies. Specifically, the instability of gas prices and the overriding need for energy independence for our country have led Snam to review its assets' positioning, forcing the company to rethink its long-term strategy, also in light of the renewed plans of the group, which aim to ensure the security of supplies by diversifying sources, from the FSRU to the doubling of TAP supplies and the Adriatic Line.

This scenario includes the rebranding of Snam4Mobility, now **Greenture**, no longer focused only on the automotive sector but now oriented towards building midstream infrastructures dedicated to heavy transport and the ship and railway sectors, whose development is aimed at turning Snam into a reference infrastructure operator for small-scale projects, including small liquefaction and bunkering units to relaunch the sustainable Italian mobility of trucks and ships.

The Energy Transition Businesses

Biomethane

Thanks to the work of Snam4Environment, which became **BioEnerys** in 2022, and to the technical know-how of **IES Biogas**, Snam is responsible for promoting the development of infrastructure for biomethane, as well as its diffusion and use in Italy, contributing to the creation of value and promoting the energy transition of the country. Indeed, biomethane is a renewable and sustainable source and can be used in a flexible, programmable and efficient way, contributing significantly to achieving the emission reduction targets defined at European and national level.

Thanks to incentives obtained from the National Recovery and Resilience Plan (PNRR) and the Biomethane Decree, Snam has now consolidated its role as an industrial developer, with about 40 MW of biogas and biomethane plants in operation at the end of 2022. The Group intends to increase this share to create a **biomethane platform**. In particular, Snam will accelerate the development of biomethane and expand its production from agricultural waste and organic waste, also thanks to the collaboration with leading companies in the sectors of reference, from which Snam will obtain new skills.

Decarbonisation Projects

Snam's initiatives in the field of hydrogen and carbon capture and storage projects are managed by **Decarbonization Projects**, established in July 2022. The function is responsible for developing and accelerating the adoption of hydrogen both in industrial applications and in the field of sustainable mobility, taking advantage of the positive impact that this carrier will have on achieving the decarbonisation targets. Hydrogen does not actually generate emissions of carbon dioxide or other climate-changing gases, nor harmful emissions for humans and the environment. Furthermore, its versatility allows it to be used both in industrial applications (heating, feedstock and fuel cells) and in sustainable mobility (trains, filling stations for light and heavy-duty vehicles, airports).

Snam's hydrogen strategy includes a series of investments to be developed also through the funds allocated by the PNRR and, at European level, through participating in tenders such as IPCEI, Innovation Fund, Clean Hydrogen Joint Undertaking and Horizon Europe, as well as working groups with the aim of supporting the spread of green gas, the development of demand and the acquisition of new skills by Snam.

In addition, Snam intends to develop the Italian **carbon capture & storage** (CCS) ecosystem by taking advantage of the equity investments in companies such as Storegga and DCarbonX. In particular, the Company plans to exploit the existing transport infrastructure while contributing to the implementation of the CCS value chain, to participate in defining proposals for technical standards and regulatory tools to develop projects in this field, and to promote the adoption of CCS in the hard-to-abate sectors in specific geographical areas, also through partnerships and agreements with leading companies in the sector. A first step in this direction was taken in December 2022, when Snam and Eni started the first phase of the Ravenna Project to capture and store CO_2 (CCS).

Energy efficiency

Energy efficiency is considered one of the key resources to promote decarbonisation and support social and economic development, but also to encourage innovation on a technologically neutral basis. The ultimate goal of energy efficiency operations is to find a way to use energy more rationally, reducing consumption and, as a consequence, both energy and environmental costs.

To date, Snam – through its subsidiary **Renovit**, founded in 2021 by Snam and CDP Equity and renamed B-Corp at the beginning of 2022 – is one of the main Italian providers of energy efficiency services in the residential, industrial, tertiary and Public Administration sectors. Renovit offers innovative energy efficiency solutions to its customers by investing directly in decarbonisation, digitisation and distributed energy generation interventions, leveraging government incentives (PNRR and Superbonus) and promoting self-consumption.

The area of consolidation of the SNAM group as at 31 December 2022 is as follows.

The changes in the area of consolidation of the Snam group as at 31 December 2022 compared to 31 December 2021 concerned the following:

i) the acquisition by Snam FSRU Italia S.r.l. of the company Golar LNG NB13 Corporation, owner of the Golar Tundra FSRU, and of the company Ravenna LNG Terminal S.r.l., owner of the maritime terminal off the port of Ravenna and of the state-owned concession, waived in favour of Snam FSRU Italia and necessary to commission the ship BW Singapore, which will be available to Snam at the end of 2023;
ii) the acquisition by the subsidiaries Renerwaste and Ies Biogas respectively of 6 and 19 companies specialised in constructing and managing plants and promoting circular economy projects for the generation of energy from the organic fraction of municipal waste and agricultural waste;
iii) the acquisition of control, instead of joint control, of Iniziative Biometano S.p.A., as a result of the increase in the equity investment from 50% to 51% of the share capital following the exercise of a call option under the contractual agreements between the shareholders.

The shareholder structure of SNAM S.p.A. as at 31 December 2022 is shown below (share capital consisting of 3,360,857,809 shares without nominal value):

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
SNAM S.p.A.	CDP Reti S.p.A.	31.35
	SNAM S.p.A. (treasury shares)	0.24
	Romano Minozzi	7.46
	BlackRock	4.94
	Lazard	4.96
	other shareholders	51.05

The TERNA group (“TERNA” – “Trasmissione Elettrica Rete Nazionale”) is the largest independent electricity transmission operator in Europe and one of the leading operators in the world by km of managed lines (more than 74,000 km).

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

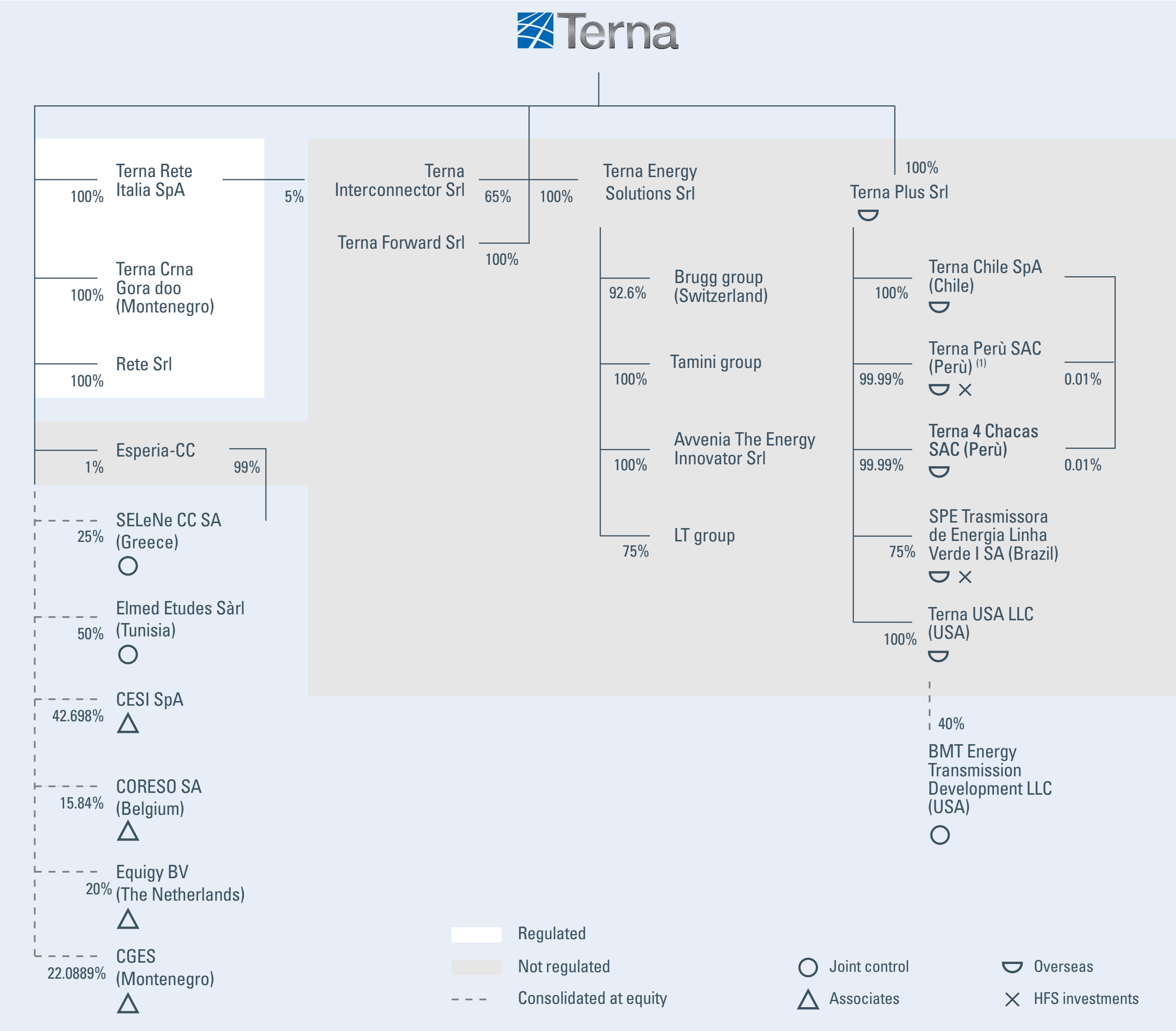
It plays the role of Italian TSO (Transmission System Operator) with a government granted monopoly based on the rules and regulations defined by the Italian Energy, Networks and Environment Regulator (ARERA), and the guidelines issued by Ministry of Economic Development. It guarantees the safety, quality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

The electrical system is composed of:

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

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

In line with the role and objectives of the enabler and director of the ongoing ecological transition, the group's corporate structure at 31 December 2022 recorded a series of updates reported in the notes.



The changes compared to 31 December 2021 are:

- New companies incorporated:
    - On 2 August 2022, the company under US law Terna USA LLC. was incorporated, whose capital is wholly owned by Terna Plus S.r.l.. The company is responsible for supervising development activities in North America.
    - On 2 November 2022, the company BMT Energy Transmission Development LLC was incorporated under US law, with a 40% equity interest in the company held by the subsidiary Terna USA LLC and the remaining part by third parties.
    - On 11 November 2022, the company Terna Forward S.r.l. was incorporated, with a share capital held entirely by the Parent Company Terna S.p.A. The new company is engaged in developing new technological solutions servicing the Terna Group.
- Liquidation and sales:
    - On 27 January 2022 the voluntary liquidation process of the company PI.SA. 2 S.r.l., started on 10 December 2021, was completed.
    - On 7 November 2022, the first closing was completed for the sale to CDPQ of the Brazilian companies SPE Transmissora de Energia Linha Verde II S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Santa Maria Transmissora de Energia S.A. As from that date, the companies are no longer part of the Terna group.
    - On 22 December 2022, the second closing was completed for the sale to CDPQ of the company Difebal S.A.. As from that date, the company is no longer part of the Terna group.

At 31 December 2022, Terna's share capital amounted to 442,198,240 euro and consisted of 2,009,992,000 ordinary shares with a nominal value of 0.22 euro each fully paid-up.

Based on the periodic assessments carried out by the company, 49.9% of Terna's shares are held by Italian Shareholders and the remaining 50.1% by Foreign Institutional Investors, mainly in Europe (excluding the UK) and the USA.

The purchase by the Parent Company of **1,280,717 treasury shares** (0.064% of share capital) for a total value of approximately 9,999,993 euro, serving the 2022-2026 Performance Share Plan, was concluded in June.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
TERNA S.p.A.	CDP Reti S.p.A.	29.85
	Institutional investors	54.7
	Retail	15.4

The ITALGAS group is the leading gas distribution operator in Italy and Greece and the third in Europe: with its investee companies[3] and the work of 4,281 people employed in the various locations throughout Italy and Greece, it manages a gas distribution network of 81,309 km, through which, during 2022, over 8,500 million cubic metres of gas were distributed to 7,959 thousand users. In Italy, the Group owns 1,904 distribution concessions, with a historical presence in Italy's major cities, including Turin, Venice, Florence and Rome, and a market share of more than 33%. In 2022, the completion of the DEPA Infrastructure transaction allowed Italgas to acquire the distribution license in 140 municipalities in Greece, of which 105 are in operation.

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

In Italy, Italgas is subject to regulation by the Italian Energy Networks and Environment Regulator (ARERA), which defines how the service is supplied and the applicable distribution and metering rates. The gas distribution service is supplied under concession arrangements. A similar role is carried out in Greece by the public entity responsible for this purpose (RAE).

The rules governing customers' access to the services offered are established by the relevant regulatory Authority provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and include the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees.

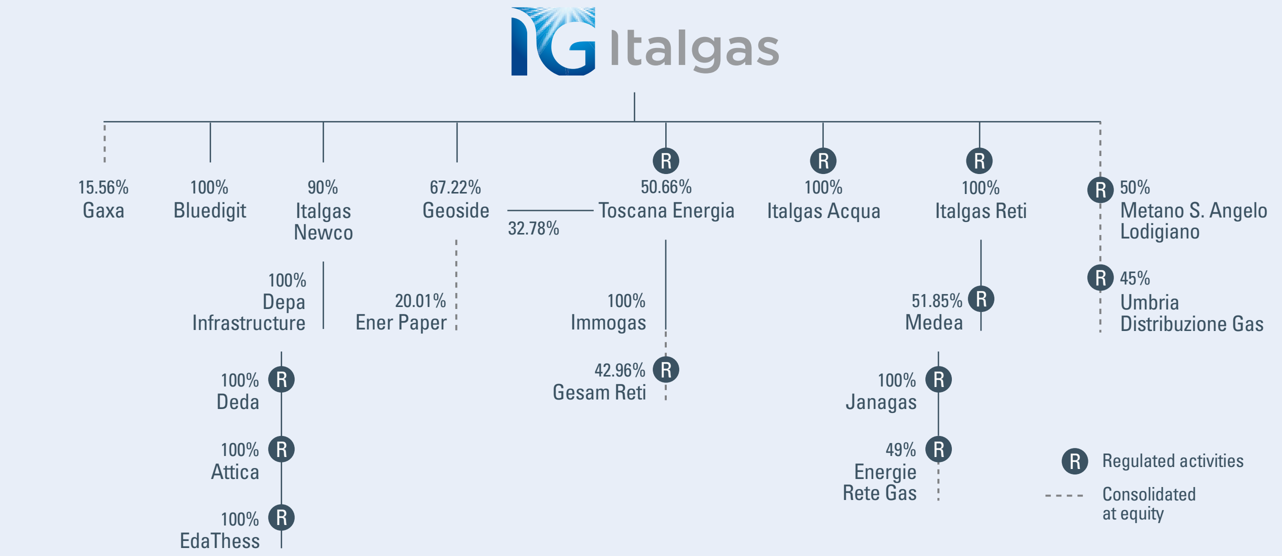
Italgas has been listed on the Italian Stock Exchange since November 2016.[4]

Compared to 31 December 2021, the structure of the Italgas group at 31 December 2022 has changed as a result of:

- the establishment on 15 April 2022 of Immogas S.r.l. (a wholly-owned subsidiary of Toscana Energia S.p.A.) as a result of the partial, non-proportional and asymmetrical spin-off of Valdarno S.r.l.;
- the deconsolidation of Gaxa S.p.A. following the sale of a majority interest to Edison Energia S.p.A. (completed on 4 May 2022);
- the deed for the merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.) was signed on 20 July 2022, with accounting and tax effect from 1 January 2022;
- the acquisition, completed on 1 September 2022 through Italgas Newco S.p.A., of the entire share capital of DEPA Infrastructure Single Member S.A. (DEPA Infrastructure), a company that fully controls Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks Single Member S.A. (DEDA);
- the sale of 10% of the share capital of Italgas Newco S.p.A., the sole shareholder of DEPA Infrastructure, to Phaeton Holdings Single Member S.A., a financial company of the Greek industrial group Copelouzos;
- the acquisition of the entire company capital of Janagas S.r.l., the company holding the concessions for the distribution and sale of LPG in 12 municipalities in Sardinia, by Medea on 13 December 2022;
- on 21 December 2022, the closing of the transaction by which Medea S.p.A. entered into the company capital of Energie Rete Gas S.r.l. with a 49% stake, a company active in gas transport through a network of regional gas pipelines. It took place through the contribution to Energie Rete Gas S.r.l. of Medea's activities related to gas transport

and is shown below:

[3] The data referring solely to the group, excluding the investee companies on which it does not exercise control, are: 4,238 employees, 79,406 kilometres of network, 8,223 million cubic metres of gas transported, 7,806 million users owning 1,983 concessions.
[4] The shares of Italgas Reti were listed on the MTA of the Italian Stock Exchange from 1900 to 2003.



The Company's share capital at 31 December 2022 consisted of 810,245,718 shares, without indication of nominal value, for a total share capital of 1,002,608,186.28 euro.

Based on the evidence in the shareholders' register, the information available and the communications received pursuant to art. 120 of the Consolidated Law on Finance, the holders of significant equity investments as at 31 December 2022 are listed below.

CONSOLIDATING COMPANY	SHAREHOLDERS	%OWNERSHIP
ITALGAS S.p.A.	CDP Reti S.p.A. (*)(**)	26.01
	Snam S.p.A.	13.48
	Lazard Asset Management Llc	10.40
	BlackRock Inc.	3.86
	Romano Minozzi	4.28
	Crédit Agricole S.A.	3.99
	Other shareholders	37.98

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

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

1.2 REFERENCE SCENARIO

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

Gas Infrastructure Business

- natural gas transport: gas volumes introduced into the network in 2022 totalled 75.40 billion cubic metres, substantially in line compared to 2021 (-0.37 billion cubic metres, -0.5%). In 2022, the demand for gas in Italy equalled 68.69 billion cubic metres, down 7.68 billion cubic metres (10.1%) against 2021, due to the fall in consumption recorded in all sectors of activity. In particular, the reduction in gas demand is attributable to: (i) the residential and service sectors (-4.62 billion cubic metres; -15.5%), due to a significantly warmer climate than in 2021, concentrated in particular in the fourth quarter of the year, as well as the effects of the actions to contain gas demand in implementation of Ministerial Decree no. 383 of 6 October 2022 to address the reduction in imports from Russia; (ii) the industrial sector (-1.85 billion cubic metres; -13.6%) due to the increase in commodity prices and the unstable macroeconomic situation that led to a decline in industrial production in certain energy sectors; (iii) the thermoelectric sector (-1.02 billion cubic

metres; -3.3%) due to the drop in hydroelectric production caused by the extreme drought, partly absorbed by the reduction in the use of natural gas in electricity generation due to the increase in prices.
In normalised terms based on temperature levels, the demand for gas, estimated at 69.05 billion cubic meters, shows a reduction of 5.92 billion cubic meters (-7.9%) compared to the corresponding value of 2021 (74.97 billion cubic meters), against a progressive recovery in consumption that compensates for the reduction due to the progressive increase in energy efficiency measures and modernisation of heating systems with more efficient boilers, together with the actions to contain the demand for natural gas required to cope with the winter risk resulting from the reduction in imports from Russia.

- regasification of liquefied natural gas (LNG): in 2022, the volumes of LNG regasified at the Panigaglia (SP) terminal were 2.24 billion cubic metres (vs. 1.05 billion cubic metres in 2021; +113.3%) and 59 methane tankers were unloaded, compared to 25 unloading operations in 2021. From April 2022 there was an increase in the volumes regasified by GNL Italia and a consequent increase in the unloading of vessels carried out mainly due to the impacts of the Russia-Ukraine conflict on the gas market, which led to an increase in the demand for LNG to cover domestic demand.
  The auction-based capacity allocation mechanisms as well as the new businesses in the SSLNG sector, linked in particular to the possible future uses in heavy transport and in the shipping industry, lead one to imagine there will be further growth in LNG consumption over the coming years.
- Storage: managed by the Snam group as at 31 December 2022, including strategic storage, amounted to 16.5 billion cubic metres, the highest in Europe during this period of supply difficulties. The total capacity includes 4.5 billion cubic meters related to strategic storage as established by the Ministry of Economic Development (unchanged from the 2021-2022 thermal year) and 12.0 billion cubic meters related to available capacity. As at 31 December 2022, the capacity conferred for the 2022-2023 thermal year is equal to 94% of the available capacity offered (89.6% as at 31 December 2021). The gas volumes handled in Snam's Storage system in 2022 amounted to 18.47 billion cubic metres, in line with 2021 (+0.06 billion cubic metres; +0.3%). Storage injections recorded an increase of 1.98 billion cubic meters, equal to 23.3%, compared to 2021, also thanks to the contribution from Snam that, by acting as purchaser of last resort, purchased and injected about 1.3 billion cubic meters of gas, to which about 0.7 billion cubic meters were added for the operation of the infrastructure. The higher injections were offset by lower supplies of 1.92 billion cubic meters, equal to 19.3%, due to the favourable weather conditions and the National Plan to contain consumption.

Energy Transition Business

At the end of 2022, there were 32 biomethane/biogas plants in operation, an increase of 22 compared to 2021, with an installed capacity of 40 MW compared to 12 MW at the end of 2021. The increase is due to the entry into the portfolio of 21 new waste (FORSU) and agricultural plants for a total of 23 MW of installed power. In addition, 2 biomethane plants from agricultural waste (of which 1 biogas plant reconverted during the year) increased the installed capacity by 4 MW, and a biogas plant from waste was converted to a biomethane plant with an increase in capacity of 1 MW.

The installed megawatts (MW) on co-trigeneration and photovoltaic plants for customers' energy efficiency interventions amounted to 46, up compared to 2021 (+26 MW) mainly due to the entry into operation of contracted plants in 2021 for industrial customers. With regard to the backlog, growth was recorded compared to 2021 (+821 million euro), following the signing of new contracts whose commercial activity was started in previous years.

Regarding **TERNA** and the demand for electricity in Italy, in 2022 such demand in Italy was equivalent to 316,827 GWh (provisional figures), down -1.0% from 2021, which had ended with a rise (+6.2%) compared to the previous year.

The Italian electricity demand in 2022, compared to the figure for the previous year, shows positive trend changes in the first part of the year and negative changes from August onwards, leading to a slight reduction in annual demand overall.

With regard to electricity production by source, around 31% of total electricity demand was met by renewable sources in 2022 (provisional figures). The value of production from renewable sources decreased (-13.10%) compared to the previous year.

Regarding the performance of individual renewable sources, production from photovoltaic sources increased (+11.8%) while there was a strong reduction in water (-37.7%).

In this context, with a European scenario projected towards decarbonisation and a strong penetration of renewable energies, high voltage grids are confirmed as an enabling factor for the growth of renewable generation capacity. The development of the electricity grid, therefore, becomes crucial in order to address the growing entry of electricity from renewable source plants, above all intermittent sources such as wind and photovoltaic systems. Despite this, even on days when the phenomenon was more acute, the strength of the grid infrastructure and the system actions undertaken by Terna contributed to the resilience of the national grid.

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

In 2022, there was a reversal of the trend, compared to the previous two years, of the hours when the renewables target exceeds the thresholds of 30%, 40% and 50%. This phenomenon is mainly due to a lower renewables target mainly due to the water crisis in 2022.

At 31 December 2022, **ITALGAS**, including the investee companies over which it does not exercise effective control, was the holder of gas distribution concessions in 2,044 Municipalities (1,898 at 31 December 2021), of which 1,950 in operation (1,822 at 31 December 2021). Excluding the aforesaid investee companies, the number of Municipalities with concessions in operation amounted to 1,889 (1,761 at 31 December 2021) of a total of 1,983 municipal concessions (1,837 at 31 December 2021). The figure for 2022 includes the effect of the inclusion in the scope of consolidation of municipalities with a distribution license of the DEPA Infrastructure group (140 municipalities of which 105 are in operation).

- Gas distributed: at 31 December 2022, Italgas, including the investee companies over which it does not exercise effective control, had distributed 8,500 million cubic metres of gas (9,194 million cubic metres of gas at 31 December 2021). Excluding the aforesaid investee companies, the gas distributed in 2022 amounted to 8,233 million cubic metres (8,887 million cubic metres at 31 December 2021);
- Distribution network: the gas distribution network at 31 December 2022, including the investee companies over which it does not exercise effective control, extended for 81,309 kilometres (74,397 kilometres at 31 December 2021). Excluding the aforesaid investee companies, the distribution network extended for 79,406 kilometres (72,503 at 31 December 2021). The figure for 2022 includes the effect of the sale to another operator, the successful bidder of the tender, of the distribution network of ATEM Naples 1 (-1,668 km) and the inclusion in the scope of consolidation of the distribution networks of the DEPA Infrastructure group (+7,491 km);
- Meters: at 31 December 2022, the meters in service at the re-delivery points, including the investee companies over which it does not exercise effective control, amounted to 7,959 million (7,757 million at 31 December 2021). Excluding the aforesaid investee companies, meters in service totalled 7,806 million (7,604 million at 31 December 2021). The figure for 2022 includes the effect of the sale to another operator, successful bidder of the tender, of the re-delivery points of ATEM Naples 1 (-372,658) and the inclusion in the scope of consolidation of the re-delivery points of the DEPA Infrastructure group (+581,649).

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

CDP RETI

Refinancing of debt from the bond loan issued in 2015 by way of a short-term bridge loan and the issue of a new bond

Introduction

In May 2022, CDP RETI completed the refinancing of the debt from the bond loan issued in 2015 and maturing on 29 May 2022 ("2015 Bond Loan") by way of a short-term bridge loan ("Bridge Loan") for a total amount of 750 million euro ("Refinancing").

On 25 October 2022, a new unsubordinated and unsecured fixed-rate bond was also issued on the capital market, with a nominal value of 500 million euro and with a duration of 5 years, for institutional investors and listed on the regulated market of the Irish Stock Exchange. The proceeds of the issue were then fully used by the Company to repay the debt deriving from the Bridge Loan on 28 October 2022.

Description

Prior to the Refinancing, CDP RETI had in place a bond loan issued in 2015 and maturing on 29 May 2022, for a total outstanding amount of 750 million euro in principal, listed on the regulated market of the Irish Stock Exchange.

In view of the approaching maturity of the 2015 Bond Loan, in the fourth quarter of 2021 CDP RETI, in coordination with the relevant structures of Cassa Depositi e Prestiti S.p.A., took steps to identify the best strategy for refinancing the maturing debt.

The continued geopolitical tensions between Russia and Ukraine and the interest rate fluctuations led to persistently high market volatility, which meant that the Company did not issue the new bond loan prior to the maturity of the 2015 Bond Loan.

Therefore, to allow the Company to obtain the necessary funds for timely repayment of the 2015 Bond Loan, the possibility of structuring a short-term bridge loan was considered. Despite persistent market volatility, following discussions with some potential lenders of CDP RETI and the commitment received from Cassa Depositi e Prestiti S.p.A. (375 million euro, equal to 50% of the funding) and from a pool of lending banks (for the remaining 50%), on 25 May 2022, following approval by the Board of Directors on 16 May 2022 two short-term loan agreements were signed, for a total amount of 750,000,000 euro.

The funds collected with the Bridge Loan allowed CDP RETI to repay the 2015 Bond Loan on 30 May 2022.

The main features of the Bridge Loan are as follows:

- (i) **Total amount**: 750,000,000 euro;
- (ii) **Maturity**: 25 May 2023, with an option to extend the duration for a further 6 months;
- (iii) **Applicable spread on 3-month Euribor**: step-up, between 50 bps for the first 3 months and up to a maximum of 170 bps for the last 3 months;
- (iv) Application of a zero floor to the interest rate (Euribor + Spread);
- (v) **Repayment**: bullet repayment at maturity (except in the case of cancellation or early repayment);
- (vi) **Upfront fee** and **extension fee**: equal to 15 bps and 5 bps, respectively.

Despite a particularly complex and highly volatile market environment, on 25 October 2022, following the Board of Directors' decision on 4 July 2022, the new bond for a nominal value of 500 million euro and with a duration of 5 years was then issued on the capital market for institutional investors. The orders received – from around 70 institutional investors – amounted to more than 800 million euro and the yield of the securities was set at 5.977%, equivalent to a spread over the mid-swap rate of equal duration at 290 basis points. The new bond loan was listed on the regulated market of the Irish Stock Exchange (*Euronext Dublin Regulated Market*).

The main features of the new bond loan are as follows:

• ***Ranking****: senior (not subordinated and not backed by collateral);*

• ***Rating**: Baa3 (Moody's) / BBB (Fitch);*

• ***Currency**: euro;*

• ***Amount**: 500,000,000;*

• ***Duration**: 5 years;*

• ***Issue date**: 25 October 2022;*

• ***Maturity date**: 25 October 2027;*

• ***Nominal value of the bonds**: 100,000 euro and integer multiples, in excess of this value, of an amount equal to 1,000 euro and up to a maximum amount of 199,000 euro (inclusive);*

• ***Issue price**: 99.57% of the nominal value;*

• ***Interest rate**: fixed rate, equal to 5.875%;*

• ***Coupon frequency**: annual;*

• ***Redemption**: at par in a single repayment on maturity.*

Finally, on 28 October 2022, the proceeds from the bond issue were fully used by CDP RETI to repay part of the company's debt deriving from the Bridge Loan.

This issue allowed CDP RETI to expand the profile of its debt and to keep the bond issue channel open as an alternative to bank loans.

It should also be noted that in the context of the issue of the new bond loan Italy was chosen as the "Member State of origin" for the purposes of the disclosure requirements introduced by the Transparency Directive (Directive 2004/109/EC).

Other significant events occurred in the period

Regarding the **dividends received** from subsidiaries, totalling **518 million euro (487 million euro in 2021)**, during the reporting period about 276 million euro were collected from SNAM (2021 interim dividend equal to 110 million euro[5] and 2021 final dividend equal to 166 million euro), about 180 million euro from TERNA (2021 final dividend equal to 116 million euro and 2022 interim dividend equal to 64 million euro[6]) and about 62 million euro from ITALGAS (2021 dividend).

The increase (+31 million) compared to 2021 is due to the higher collections deriving from the dividend policies (in terms of dividend per share) of SNAM (+13.2 million), TERNA (+13.3 million) and ITALGAS (+3.8 million).

Furthermore, on 09 November 2022 the Board of Directors of SNAM approved the distribution of interim dividend on the 2022 net income, of which 116 million was paid to CDP RETI (in January 2023).

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

With regard to **dividends paid** to shareholders, **amounting to around 492 million euro** before tax **(462 million euro in 2021)**, the following amounts were distributed during the year:

- the balance of the 2021 net income (i.e. approx. 160 million euro[7] before tax), of which about 95 million distributed to CDP and 56 million to State Grid Europe Limited, was up compared to the final dividend distributed in the first half of 2021 (i.e. 150 million euro).
  Moreover, it bears recalling that a part (311 million) of the 2021 net income was distributed in November 2021 as interim dividend[8].
- interim dividend on the 2022 net income[9] equal to 332 million before tax, of which about 196 million to CDP and 116 million to State Grid Europe Limited.

More generally, it should be noted that the Shareholders' Meeting:

- held on 31 March 2022, renewed the appointment of Mr. Dario Scannapieco[10] and Mr. Qinjing Shen[11] as members of the Board of Directors with term of office aligned with that of the other Directors in office (i.e., until the date of the Shareholders' Meeting called to approve the 2023 annual financial report). In addition, the Board of Directors' meeting

[5] Interim dividend (equal to 0.1048 euro per share, with payment starting from 26 January 2022, with coupon due on 24 January and record date 25 January) approved by the Board of Directors of Snam S.p.A. on 03/11/2021 and recognised in the financial statements of CDP RETI S.p.A. as at 31 December 2021.
[6] Interim dividend (equal to 0.1061 euro per share, with payment starting from 23 November 2022, with coupon due on 21 November and record date 22 November) approved by the Board of Directors of Terna S.p.A. on 09 November 2022.
[7] 989.98 euro distributed for each of the 161,514 shares.
[8] The interim dividend of 1,927.37 per each of the 161,514 shares was approved by the Board of Directors on 18 November 2021 on the basis of the company's accounting situation at 30 June 2021, prepared in accordance with IFRS. The company ended the period with a net income of approximately 311 million and available reserves of approximately 3,369 million.
[9] The interim dividend of 2,054.80 per each of the 161,514 shares was approved by the Board of Directors on 21 November 2022 on the basis of the company's accounting situation at 30 June 2022, prepared in accordance with IFRS. The company ended the period with a net income of approximately 332 million and available reserves of approximately 3,369 million.
[10] Previously appointed by co-optation by the Board of Directors on 1 July 2021 to replace Fabrizio Palermo, who submitted his resignation on 7 June 2021.
[11] Previously appointed by co-optation by the Board of Directors on 18 November 2021 to replace Yunpeng He, who submitted his resignation on 25 October 2021, effective from the date of his replacement.

held on the same date appointed Mr. Dario Scannapieco as Chief Executive Officer of the Company and assigned the relevant powers;

- held on 3 May 2022, approved, inter alia, the amendment of Article 15 of the company's By-laws to align them with the Articles of Association of the parent company CDP, regarding (i) the requirements of the directors[12] and (ii) limits on the accumulation of offices[13].

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

- following the resignation of Yunpeng He from the office of director of Terna S.p.A., Snam S.p.A. and Italgas S.p.A. (effective from the appointment of a new director to replace him), CDP RETI proposed Qinjing Shen to the said companies as a candidate for the position of new director (he was subsequently appointed by all three companies as director);
- on 17 February 2022, the Board of Directors of CDP RETI assigned a mandate to the Chairman to convene the Shareholders' Meeting of CDP RETI in order to authorise the resolutions of the Board of the Company - taking into account the indications of the parent company CDP - regarding the designation of the lists of candidates for the office of director and statutory auditor of Italgas S.p.A. and Snam S.p.A. (due to expire at the shareholders' meetings called to approve the respective financial statements as at 31 December 2021) and the subsequent filing (pursuant to the current legal provisions and By-laws, at least 25 days before the relative shareholders' meetings) of these lists at the offices of Italgas and Snam;
- on 10 March 2022, in implementation of the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and the decision of the Board of Directors of ITALGAS to freely assign a total of 477,364 new ordinary shares of the Company to the beneficiaries of the Plan (the so-called second cycle of the Plan) and launch the execution of the second tranche of the capital increase approved by the aforementioned Shareholders' Meeting, CDP RETI's equity investment in ITALGAS went from 26.02% to 26.01%;
- on 31 March 2022, CDP RETI's Shareholders' Meeting, pursuant to the By-laws, authorised the resolutions taken on the same date by the Board of Directors, regarding: (i) with reference to SNAM, the designation of the lists of candidates for the office of director and statutory auditor and (ii) with reference to ITALGAS, the designation, together with SNAM, of the lists of candidates for the office of director and statutory auditor. On this point, please note that the instructions are given by CDP RETI and SNAM to the members of the Consultation Committee[14] under the Italgas Shareholders' Agreement[15].

SNAM (GAS TRANSPORT, REGASIFICATION AND STORAGE SECTOR AND ENERGY TRANSITION)

The following are the main significant events that occurred during 2022 relating to SNAM group:

- Snam issued the first Sustainability-Linked Bond (SLB) for 1.5 billion euro
- Snam and Tenova started a collaboration for the decarbonisation of the metallurgical industry through the use of green hydrogen
- Arbolia created an urban forest of over 2,000 plants in the municipality of San Donato Milanese
- Snam is recognised as a Supplier Engagement Leader by CDP (former Carbon Disclosure Project) for its commitment to engaging its suppliers in the fight against climate change
- Snam rewarded the first startups that joined Hyaccelerator, the company's hydrogen-focused startup acceleration programme
- Renovit became the first Italian B Corp in the energy efficiency sector in terms of number of employees and turnover and one of the first five European companies in the same sector to obtain the certification
- Snam and the Snam Foundation launched a fundraiser to help Ukrainian children and refugees. The proceeds were distributed to Unicef Italia and the Association of the Italian Red Cross
- Snam renewed its Board of Directors and Board of Statutory Auditors, appointing Monica De Virgiliis as Chair and Stefano Venier as Chief Executive Officer
- The Shareholders' Meeting approved the 2021 financial statements and the distribution of a dividend balance of 0.2620 euro per share;
- Snam established the following BoD committees: Control, Risk and Related Parties Transactions Committee, Appointments and Compensation Committee, ESG and Energy Transition Scenarios Committee
- Snam4Environment inaugurated in Caltanissetta the first biomethane plant from FORSU (organic fraction of solid urban waste) of Sicily

[12] As they apply for CDP, the new regulations introduced by Ministerial Decree no. 169, of 23 November 2020 also apply for CDP RETI, with exclusive reference to the requirements provided for the directors of financial intermediaries and not of banks.
[13] For CDP, as well as for CDP RETI, for the purposes of calculating the relative limits, the positions of director held in CDP and in companies in which CDP holds an interest, even indirectly, are not considered.
[14] This committee has five members, four of whom represent CDP RETI (three appointed by CDP and one by SGEL) and one SNAM. The committee is responsible for deciding how the parties to the Shareholders' Agreement are to exercise their voting rights in the ITALGAS Shareholders' Meeting.
[15] The parties to the Shareholders' Agreement cast the votes conferred by their shares in ITALGAS as decided by the Consultation Committee, without prejudice to SNAM's rights in respect of Reserved Matters.

- Snam and Golar LNG Limited signed a contract for the sale of the LNG carrier "Golar Arctic", after conversion into storage and regasification units (FSRU)
- International Gas Union (IGU), Snam and Rystad Energy presented the Global Gas Report 2022 at the 28th World Gas Conference
- At the World Gas Conference, Snam received the IGU Global Gas Award for its commitment to reducing methane emissions from its infrastructure and activities
- Snam acquired 100% of Golar LNG NB 13 Corporation to contribute to national energy security and diversification through the Golar Tundra LNG carrier
- Snam confirmed its position at the top of the Integrated Governance Index of ET.group, positioning itself among the best companies for the way it has integrated ESG factors into company strategies
- Snam and BW LNG signed a contract for the acquisition, by the Snam group, of 100% of the capital of FSRU I Limited, for the storage and regasification (FSRU) vessel BW Singapore.
- Snam and Edison signed a collaboration agreement to develop the Small-Scale LNG market in Italy to promote the decarbonisation of transport and utilities
- S&P Global Ratings confirmed Snam's long-term corporate credit rating at BBB+ and revised the outlook to stable from positive.
- Snam and Terna published the Document describing the 2022 scenarios jointly drawn up by the two operators pursuant to resolutions 468/201/R/gas and 654/2017/R/eel of ARERA
- Moody's Investors Services (Moody's) confirmed Snam's long-term corporate credit rating at Baa2 and revised the outlook to negative from stable.
- Snam participated in Gastech, one of the world's leading events in the natural gas industry, as a partner
- Snam's Dispatching, the technological "brain" of the Italian gas network, located in San Donato Milanese, turned 60
- Snam renewed the Euro Medium Term Notes (EMTN) Programme, increasing the total maximum value to 13 billion euro to ensure greater flexibility for the company
- IES Biogas acquired five agricultural biogas plants with 1MWe power in Veneto and Friuli Venezia-Giulia Regions for a value of 30 million euro
- Snam received an award in the "Energy" category of the Green Awards, as part of the Greentech Festival, for the Company's commitment to the energy transition
- Snam presented at Ecomondo the new identity of Snam4Environment, which becomes BioEnerys, bringing together companies that develop renewable gases
- Snam ranks second in the Webranking Europe 500 ranking, with a score of 95.1 out of 100, among the most transparent companies in Italy and Europe in the field of digital communication
- Snam issued its first EU Taxonomy-Aligned Transition Bond, the proceeds of which will be used to finance projects in the energy transition defined in the Sustainable Finance Framework
- Snam was included for the thirteenth time in the Dow Jones Sustainability World Index of S&P, with a score of 87/100
- Eni and Snam formed a joint venture to develop and manage Phase 1 of the Ravenna CO2 capture and storage project (CCS)
- Snam confirmed its place among the top companies in the world with its inclusion in the "A- List" of CDP (former Carbon Disclosure Project)

TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY)

Management and development of the NTG:

- Tyrrhenian Link:
  - Cable connections: activation of the main contracts relating to the purchase of the cable and start of design activities. The sea trials have been completed in relation to laying at maximum depth and to the protection tests for the cable of the East branch (Campania-Sicily).
  - Conversion stations: signed the supply and construction contract.
- Italy - France interconnection: private connection entered into operation at the beginning of November 2022; Commissioning tests of the public connection are underway.
- Paternò-Pantano-Priolo:
  - 380 kV Paternò-Pantano power line: the construction activities have been completed pending the completion of the relative station part.
  - 380 kV Pantano-Priolo power line: the construction activities related to the foundations (53 out of 115) and to the assembly of the first supports (50 out of 115) are in progress while the stringing of a first section for about 4.5 km on 45 km overall has been carried out.
  - 380/220/150 kV Pantano station: the construction of the foundations of the 380 kV and 220 kV sections has been completed while the construction of the foundations of the 150 kV section and the ATRs is coming to completion; the electromechanical assemblies of the 380 kV section have been started.
- Elba Island-Mainland Connection:
  - 132 kV Colmata-Portoferraio power line: the marine survey, sea trials, production of marine and land cable and excavations at the docks have been completed. The Posidonia transplantation activities were also completed and

about 1.3 km of underground pipes were built to house the cables. Development of metropolitan areas: major works on cable infrastructures in the Turin, Naples and the Alto Bellunese areas.
    - CP Portoferraio adaptation: activities were started in January 2023.
    - 132 kV Portoferraio-S. Giuseppe line: the line went into operation at the beginning of December and the demolition of the existing overhead line is planned in the coming months.
- Colunga-Calenzano: 380 kV Colunga-Calenzano power line: the executive design and the related on-site investigations have been completed, as well as the production of the main supplies; waiting for the issue of a statement of compliance with the requirements from the competent bodies in order to proceed with the opening of the worksites and start activities.
- Cerignola Station: station areas have been acquired, the executive design completed, the construction contract assigned and the construction sites opened.
- Vizzini Station:
    - Vizzini Station: operational in December.
    - Connections to the Vizzini Station: the 380 kV connection to the Paternò-Chiaramonte Gulfi line and the 150 kV connection to the Vizzini – SE Mineo line have come into operation. The construction of the 150 kV Vizzini – SE Licodia Eubea connection continues.
- Magenta Station: the construction of the foundations and electromechanical assemblies for the 380 kV section has been completed; the activities are in progress on the 220/132 kV sections, the assembly of the transformers, control systems and auxiliary systems is underway.
- Celano Station:
    - Celano Station: entered into operation in the month of September (11 lines).
    - Connections at Celano Station: about 3 km entered into operation in September and about 5 km in December.
- Synchronous condensers:
    - Maida and Villanova condensers: entered into operation in December.
    - Codrongianos and Rosara condensers: the construction of the civil works has been completed, the machinery delivered and the relative assemblies are in an advanced stage.
    - Suvereto condensers: the civil works are in an advanced stage and the production of the machinery has been completed.
- STATCOM:
    - Latina, Galatina and Villanova: entered into operation in December.
    - Aurelia and Montalto: the construction of the civil works are at an advanced stage and the production of the main supplies has been completed (step-up converter and transformer).
- Reactors:
    - Maida, Deliceto, Rotello, Roma Nord, Santa Maria Capua Vetere and Bellolampo: entered into operation during the year.
    - Montecorvino, Bari Ovest, Partinico, Fulgatore and Casuzze: the civil works and the assembly of the machinery are being completed. Entry into operation expected in the first quarter of 2023.
- Fiber for the Grid:
    - This project aims to boost availability of information from the field to benefit secure management of the electricity system, consisting of the upgrading and expansion of the optical fibre network.
    - In December 2022, 25 stations were reached via proprietary optical fiber, for a total of 535 stations connected remotely.
- Renewal of electrical industry asset: the commitment to the renewal of electrical assets aimed at improving the reliability and resilience of the NTG continues. In 2022, work continued in order to renew the overhead lines and station machinery; approximately 1,942 km of conductors and 32 machines were replaced (29 mineral oil, 3 green).

Non-Regulated and International Activities:

- Connectivity: the infrastructure, widespread in the territory, is made available to respond to the ever-growing need for fast and reliable digital connections. The partners are also supported to develop smart solutions in the field of connectivity, through the connection of the right of use of optical fiber, rental of the pylons and Housing and facility (installation of telecommunication equipment within already operational Terna spaces).
- Fiber Optic: through the granting of rights to use fiber optic, Terna allows the customer to have a new infrastructure available, featuring a higher performance than the standards of underground cables both in terms of reliability (much lower number of annual failures per km) and quality (low attenuation), with significant savings in terms of length compared to ground connections (>20% on long distance). In total, since 2017, approximately 32,500 km of fibre pair were granted under IRUs, for which Terna provides maintenance and Housing service for regeneration. The main contracts, which continued also during 2022, are with Open Fiber, Retelit, Fastweb, Eolo customers. As part of these contracts, a total of 1,055 km were delivered during 2022.
- Energy Solutions: Engineering, procurement and construction (EPC), operation and maintenance (O&M), and digital services. In particular, these include the following activities.
- Smart Grid: creation of turnkey solutions for the islands and the companies that want to evaluate, design and integrate renewable plants (photovoltaic or wind), storage systems (batteries) and cogeneration/trigeneration solutions into their

production cycle. Complex systems for generation, storage, active demand behind the meter, utility scales and advanced control of the systems themselves are created that are able to optimise their operation.

- Renewables - LT group: The acquisition of LT (October 2021) established the first national operator in the Operation & Maintenance sector for photovoltaic plants, with about 1,000 MWp being managed, confirming the role of Terna as director and enabler of energy transition and as constant supporter in the growth of renewable energy sources.
  LT S.r.l. also operates in the designing and implementation of revamping and repowering works for existing plants, contributing to the improvements in production of the plants installed nationally and the achievement of the national objectives in energy transition. In addition, the company also operates in the construction of new photovoltaic plants for third parties.
  The turnover achieved during 2022 amounted to approximately 42.3 million euro. In detail, there was a significant growth in all business lines: ordinary and extraordinary maintenance, revamping and repowering and EPC. The prospective order book for 2023 is consistent with achieving a forecast turnover of more than 95 million euro.
- Other projects: under the contract signed in 2021 with Eni New Energy – Fast reserve storage, the design and construction continue of an electrochemical storage facility in Assemini (approximately 14 MW). Regarding the revamping/repowering contracts, signed in 2021 with EF Solare, during the year, 5 plants were completed and activities are underway on 2 other plants.
- High voltage: during 2022 the following contracts were concluded: revamping of a connection infrastructure for Vetrerie Riunite, construction and supply of 3 STATCOM systems for Acciaierie Venete, conclusion of the order to build an AT/MT user SSE for the connection to the NTG of the Aquilonia wind farm of the company Energia Emissioni Zero 4 Srl. Finally, during the year, the activities related to the contract with RIVA ACCIAI (signed in 2022) for the turnkey construction of a STATCOM system were started and the activities related to the contract with RFI (signed in 2018) continued, within which 6 application contracts were signed and a total of 19 installations were carried out.
- South America – sale of the LatAm portfolio: as part of the initiatives abroad, the project to enhance the activities in South America started in the last part of 2021 continues (the so-called sale project), with the aim of selling up to 100% of the LatAm portfolio.
  On 29 April 2022, Terna S.p.A., Terna Plus S.r.l. and Terna Chile S.p.A. signed an agreement with CDPQ, a global investment group, for the sale of the entire portfolio of power lines, about 1,200 km, in Brazil, Peru and Uruguay for an equity value of over 265 million euro. The closing of the transaction, planned in several phases, took place for the most part in the second half of the year.
  On 7 November 2022, the first closing of the Brazilian companies "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", owners of three power lines in Brazil, for a total of 670 km, was finalised for a value (equity value) of over 145 million euro, while on 22 December 2022 the closing of the company Difebal S.A., owner of a power line in Uruguay for a total of 214 km, was finalised for a consideration (equity value) of over 27 million euro, both in line with the provisions of the agreement.
  During 2022, in Brazil, engineering activities and the acquisition of rights and easements continued, and construction works for the SPE Transmissora de Energia Linha Verde I S.A. project were initiated, for the creation of a 500 kV “Governador Valadares-Mutum” power infrastructure, running across a length of approximately 150 km and located in the State of Minas Gerais, the sale of which is expected for the second half of 2024.
  The operation and maintenance activities in Peru of the 132 km long 138 kV line between Aguaytìa and Pucallpa also continued, following the entry into commercial operation of the works on 16 May 2021. The sale of the company is expected in the first half of 2023.
- North America: on 10 October 2022, Terna USA LLC, a group company recently established to oversee development activities in North America, Meridiam (an independent investment company) and Boundless Energy (a transmission project development company in the USA) signed a Joint Development Agreement aimed at developing joint activities in the United States in the field of electrical transmission networks. The partnership, which will benefit from the distinctive expertise of the three partners, will allow business opportunities to be seized in relation to the acquisition, development and implementation of large onshore and offshore electric transmission infrastructure projects in the United States. Following the signing of the Agreement, the company BMT Energy Transmission Development LLC was established on 2 November 2022.

Finance:

- At 31 December 2022 Terna's 4 green bond issues are listed in the ExtraMOT PRO segment of the Italian Stock Exchange, created to provide institutional and retail investors with the opportunity to identify instruments whose proceeds are intended to finance projects with specific benefits or impacts of an environmental and social nature.
- On 3 August, 22 September and 11 October 2022, respectively, Terna signed four ESG-linked Credit Facility Agreements for a total amount of 600 million euro and a duration of three years. The transactions involved Banca Nazionale del Lavoro S.p.A., CaixaBank S.A., BNP Paribas S.A. Italian Branch, Unicredit S.p.A., Crédit Agricole Corporate and Investment Bank Milan Branch and SMBC Bank EU AG Milan Branch. The ESG-linked Credit Facility rate is linked to Terna’s performance in relation to specific environmental, social and governance (“ESG”) indicators. The ESG lines subscribed in the year provide liquidity that is adequate to the financial soundness and confirm the Group’s strong commitment to introducing a model aimed at increasingly consolidating sustainability as a strategic lever for creating value for all its stakeholders.

- The ESG-linked treasury shares buy-back programme (to service the 2022-2026 Performance Share Plan) was completed on 13 June 2022. Terna purchased about 1.3 million treasury shares (0.064% of share capital) under the programme, for a total value of approximately 10 million euro. The purchased shares are in addition to the approximately 3.1 million treasury shares already purchased by the company in 2020 and 2021. In line with Terna's commitment to sustainability and social and environmental issues, the programme includes a penalty mechanism in the event of the company failing to meet specific environmental, social and governance (ESG) targets.
- On 28 February 2022, Terna signed a bilateral ESG-linked Term Loan for a total of 300 million euro with Intesa Sanpaolo – IMI Corporate & Investment Banking Division in its capacity as Original Lender and Sustainability Coordinator. The credit line has a duration of two years, with a rate linked to the performance trend of Terna regarding specific environmental, social and governance ("ESG") indicators.
- On 2 February 2022, Terna successfully launched the first hybrid green bond for a nominal amount of 1 billion euro. The subordinate, non-convertible, perpetual green bond, which is non "callable" for six years, will pay a coupon of 2.375% up to 9 February 2028 (the first reset date), and then annual interest equal to midswap at five years increased by 212.1 basis points, further increased from 9 February 2033 by 25 basis points and a further 75 from 9 February 2048. The issue, targeted at institutional investors, was very well received by the market with a maximum demand of 4 billion euro, more than four times the offer. Characterised by high quality and a broad geographical diversification of investors, Terna's hybrid bond issue received a "BBB-" rating from Standard and Poor's, "Ba1" from Moody's and "BBB" from Scope.
- In July 2021, a three-year Euro Commercial Paper (ECP) programme with a value of 1 billion euro was launched. Commercial papers can be designated as "ESG Notes" until Terna reaches and maintains, in the S&P Sustainability Yearbook of the Electric Utilities sector, a classification equal to or higher than Bronze Class.
- Finally, Terna, both individually and within the framework of the aforementioned Corporate Forum on Sustainable Finance, constantly monitors the development of European legislation, paying particular attention to the impacts of the taxonomy for sustainable finance.

Below are the other main events in the financial field that characterised the 2022 financial year:

- On 8 November 2022, Terna signed a loan agreement with the European Investment Bank (EIB) for a total amount of 500 million euro, disbursed on 15 December 2022 and lasting approximately twenty-two years, intended to support the construction and implementation of the so-called "East Branch" of the "Tyrrhenian Link" project that will connect Sicily to Campania. This loan represents the first tranche of the total amount made available by the EIB for this project of 1.9 billion euro.
- As part of the Euro Medium Term Note Programme (EMTN), on 15 September 2022 Terna launched a fixed-rate euro bond issue in the form of a private placement for a total of 100 million euro. The bonds have a maturity of five years, pay an annual coupon of 3.44%, were issued at par, with a spread of 91 basis points compared to midswap. The bonds have been admitted to listing on the regulated Luxembourg Stock Exchange.
- On 8 June 2022, Terna S.p.A. renewed the EMTN Programme of 9,000,000,000 euro, which is the maximum amount that can be subscribed. The programme was rated "BBB+/A-2" by S&P, "(P)Baa2 /(P)P-2" by Moody's and "A-/S-1" by Scope.

ITALGAS (GAS DISTRIBUTION SECTOR)

Extraordinary and M&A transactions

As part of the public tender launched by the Greek government for the privatisation of the distribution operator DEPA Infrastructure S.A., on 9 September 2021 Italgas was declared "preferred bidder" by the Greek privatisation fund (Hellenic Republic Asset Development Fund, HRADF) and on 10 December 2021 a preliminary sale agreement was signed. Following the occurrence of the conditions precedent provided for in the purchase agreement, on 1 September 2022 the acquisition by Italgas Newco S.p.A. was completed of 100% of DEPA Infrastructure Single Member S.A., a company that fully controls Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks S.A. (DEDA), the three major gas distribution companies in Greece, which manage a total of about 7,500 kilometres of network and about 600,000 active re-delivery points.

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

On 4 May 2022, the closing of the transaction was completed, whereby Edison Energia S.p.A. acquired a majority interest in Gaxa, a company operating in Sardinia in the marketing of natural gas, LPG and propane air for civil uses. Gaxa's new shareholding structure is therefore composed of Edison Energia S.p.A. with 70%, Italgas with 15.56% and Marguerite Gas IV S.à.r.l. with 14.44%. The partnership with a leading operator specialising in retail activities strengthens Gaxa's commercial presence and development prospects, with positive effects on the investment plan for Sardinia promoted by Italgas.

On 20 July 2022, the merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.) was completed, with accounting and tax effect from 1 January 2022.

On 26 July 2022, Medea S.p.A. signed an investment agreement with Energetica S.p.A. for entry into the capital of Energie Rete Gas S.r.l., a gas transport company of the Energetica group with approximately 142 kilometres of regional natural gas pipelines. On 21 December 2021, the closing of the transaction was completed by which Medea S.p.A. entered into the share capital of Energie Rete Gas S.r.l. with a 49% stake in the company capital. This transaction was carried out in part through the contribution to Energie Rete Gas S.r.l. of assets and activities of Medea related to the transport of gas: 63 cryogenic plants of liquefied natural gas (LNG), for a total capacity of 2,350 cubic meters of LNG, and related equipment to service the distribution networks active in the Municipalities in concession to Medea.

On 2 August 2022, Italgas signed a binding agreement for the acquisition from the Fiamma 2000 group of the LPG distribution and sale activities, with related networks and plants, managed in 12 municipalities of Sardinia. Following the occurrence of the conditions precedent provided for in the purchase agreement, on 13 December 2022 the acquisition from the Fiamma 2000 group of the entire company capital of Janagas S.r.l. by Medea S.p.A. was completed. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 group has conferred the LPG distribution and sales networks in Sardinia, which will be subsequently converted to natural gas.

On 22 December 2022, Italgas completed the sale of 10% of the share capital of Italgas Newco S.p.A., the sole shareholder of DEPA Infrastructure S.A., to Phaeton Holding Single Member S.A., a company of the Greek industrial group Copelouzos. The sale of the share package took place at the same implicit valuation of the DEPA Infrastructure share package offered by Italgas during the privatisation.

Anti-corruption certification

On 1 June 2022, Italgas S.p.A. and Italgas Reti S.p.A. successfully passed the audit necessary to maintain the UNI ISO 37001:2016 “Management systems for preventing and combating corruption" certification obtained in 2021 for the second consecutive three-year period, valid until 2024, confirming once again their commitment to fighting corruption in all areas of activity. The management system for preventing and combating corruption, adopted on a voluntary basis, has been verified by the independent certification body DNV GL - Business Assurance.

Rating and debt structure optimisation

On 23 May 2022, Italgas signed a floating-rate bank loan with a leading credit institution, connected to achieving ESG targets, for a total amount of 250 million euro and lasting for 3 years.

On 9 August, the rating agency Moody’s confirmed Italgas' long-term creditworthiness at Baa2, reviewing the Outlook from stable to negative, reflecting Italgas' exposure to the quality level of sovereign credit, in view of the fact that its activities are mainly concentrated in Italy.

The rating action follows the change in the outlook from stable to negative of the Baa3 rating of the Italian government's debt, carried out by Moody's on 5 August 2022 and reflects Italgas' exposure to the pressures that accompany a deterioration in the quality of sovereign credit, in view of the fact that its activities are essentially concentrated in Italy. However, as the agency stated, the confirmation of the rating attests to Italgas' strategic position and leadership in the gas distribution sector in Italy and its fully regulated profile.

On 15 September 2022, the Board of Directors resolved on renewing the EMTN Programme launched in 2016 confirming the maximum nominal amount of 6.5 billion euro, which was subscribed on 26 October 2022.

On 20 September 2022, Italgas was granted a framework loan of 150 million euro by the European Investment Bank (EIB) for interventions in the field of energy efficiency to be carried out in Italy through the subsidiary Geoside (formerly Seaside), the group's Energy Service Company. This loan, called Climate Action Framework Loan, marks the return to the EIB's collaboration with the Italgas group thanks to the activation of the Bank's investments in companies in the energy sector that can contribute to the ecological transition towards net zero. Subsequently, on 15 December 2022, funding was provided by the European Investment Bank (EIB), envisaging for the payment of semi-annual fixed-rate coupons by Italgas.

On 23 September 2022, Moody’s Investors Service (Moody’s) confirmed Italgas' long-term creditworthiness at Baa2, Negative Outlook. The certification of the rating is based on Italgas' positioning within a sector characterised by a stable regulatory framework and its demonstrated ability to generate operational efficiency and comply with the investment commitments set out in the Strategic Plan; the outlook reflects Italgas' exposure to the level of Italian sovereign credit.

On 30 September 2022, DEPA Infrastructure signed a loan package (in the form of a bond loan) with the main Greek credit institution for a total nominal amount of 580 million euro, divided into 3 tranches with maturities of 5, 7 and 12 years respectively. The loans will mainly be used to finance investments under the infrastructure development plan of DEPA

Infrastructure and its subsidiaries in Greece. On 13 December 2022, the provision relating to tranche A of the bond loan necessary to finance the purchase of the remaining 49% of the capital of EDA Thess on 19 December 2022 was disbursed.

On 29 November 2022, Fitch Ratings (Fitch) confirmed Italgas' long-term creditworthiness, equal to BBB+ with a Stable Outlook.

Equity transactions

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

Legal and regulatory framework

The Council of State, with a ruling of November 2022, in line with the previous ruling by the Lombardy Regional Administrative Court, rejected the Authority's appeal for the annulment of Resolutions no. 163/2020/R/gas and no. 567/2020/R/gas. With these resolutions, the had Authority annulled the premiums due to the company for the safety recoveries concerning 21 distribution plants for the measurement of the level of odorisation and for the reduction of natural gas leaks for the years 2016 and 2017.

The Lombardy Regional Administrative Court, with judgment of January 2023, accepted the appeal proposed by Italgas Reti for the annulment of Resolutions no. 603/2021/R/com and no. 604/2021/R/com with which the Authority had imposed on distribution companies communication obligations on the subject of two-yearly limitation of electricity and gas consumption.

In July 2022, the Municipality of Chiavari appealed to the Council of State against the ruling by which the Liguria Regional Administrative Court, accepting the appeal proposed by Italgas Reti, annulled the tender for the assignment of the gas distribution service in the GENOA 2 area. The measure is currently pending. On 15 February 2023, the Lombardy Regional Administrative Court issued the judgment relating to the appeal by Italgas Reti against Resolution 570/2019/R/gas. In particular, the Regional Administrative Court upheld the complaints concerning:

- determination of the initial level of operating costs (and, consequently, of the x-factor);
- alignment of the Beta coefficient for distribution and metering services;
- non-recognition of interest on the IRMA paid for the early disposal of traditional meters;
- the non-publication of the Regulatory Impact Assessment (AIR) report.

On 6 June 2022, Italgas Reti challenged, before the Lombardy Regional Administrative Court, Resolution no. 154/2022/R/gas with which ARERA determined the final reference rates for the gas distribution and metering services for the year 2021. Scheduling of the hearing is pending.

Italgas Reti challenged, before the Lombardy Regional Administrative Court, resolution no. 383/2022/R/gas of 2 August 2022, with which the Authority determined the premiums and penalties relating to the safety recoveries of the natural gas distribution service for the year 2019. In particular, for the subsidiaries and associates of Italgas, the total net amount due for the odorisation and leakage components is equal to: i) 13.6 million euro for Italgas Reti, ii) 1.4 million euro for Toscana Energia, iii) 90.0 thousand euro for Umbria Distribuzione Gas and iv) 9.9 thousand euro for Metano Sant'Angelo Lodigiano. Following the checks and inspections carried out at the time, the Authority confirmed the reduction of the premiums due to Italgas Reti, with reference to the Castelnuovo Magra distribution plant, in relation to which the company would not have complied with some provisions of the emergency regulations. Scheduling of the hearing is pending. The Authority has also postponed the determination of the premiums and penalties for the year 2019, in line with what already happened for the year 2018, for the Ravanusa plant, in order to carry out the necessary investigations in relation to the incident that occurred in December 2021.

On 22 September 2022, Italgas Reti challenged Resolution no. 269/2022/R/gas with which ARERA defined the expected outputs and performance of the metering service provided by means of gas smart meters (commissioning, frequency of collection and time granularity of metering data, frequency of metering data availability, compensation to end customers and sellers), as well as adjustments to comply with invoicing requirements. In particular, the contested resolution includes, *inter alia*, new obligations on distribution companies to pay compensation to sellers for metering devices intended for large users, starting from the metering data for which they are responsible in October 2022, as well as additional obligations to pay compensation to end customers for small-calibre metering devices, starting from the metering data for which they are responsible in April 2023. Scheduling of the hearing is pending.

On 11 November 2022, the Council of State rejected the precautionary application of ARERA relating to the appeal that the latter filed against the judgments with which, on 26 July 2022, the Lombardy Regional Administrative Court accepted the appeals filed by Italgas Reti and Toscana Energia, therefore declaring the silence maintained by ARERA illegitimate with regard to the requests of 28 December 2020 presented by the two companies for the recognition of TEL and CON costs relating to the years 2017 and 2018. The hearing on the merits was scheduled for 18 April 2023. At the same time, with an autonomous appeal of 10 February 2023, Italgas Reti and Toscana Energia challenged the communications received from ARERA with which the latter confirmed the previous measures implicitly denying TEL and CON costs relating to the years 2017 and 2018. Scheduling of the hearing is pending.

In December 2022, Italgas Reti challenged Resolution no. 525/2022/R/gas before the Lombardy Regional Administrative Court containing the "Provision on the application of the ceiling to the tariff recognition of investments in the locations under construction" and Resolution no. 528/2022/R/gas containing the "Criteria for the formulation of observations to tenders for the assignment of the natural gas distribution service in the locations identified by article 114-ter of the decree-law no. 34 of 19 May 2020". The next hearing is currently scheduled for 19 April 2023.

In December 2022, another operator filed an appeal with the Liguria Regional Administrative Court for the annulment of all tender documents and the condemnation of the Municipality of La Spezia to award and entrust the concession in its favour, or, alternatively, to compensate for the damage incurred, as well as to declare the ineffectiveness of the service agreement that was possibly stipulated with Italgas Reti, current awarded bidder.

With judgment published on 28 December 2022, the Council of State rejected the appeal lodged by another operator against the Municipality of Belluno for the annulment of the award of the tender to Italgas Reti in the BELLUNO area, thus confirming its full legitimacy.

In 2022, Italgas Reti challenged, with appeal for additional reasons in the appeal already pending against Lombardy Regional Administrative Court against Resolution 620/2021/R/gas, Resolution no. 736/2022/R/gas, containing "the updating of tariffs for gas distribution and metering services for the year 2023" and Resolution no. 737/2022/R/gas containing "the intra-period updating of the tariff regulation of gas distribution and metering services, for the three-year period 2023-2025. Approval of the RTDG (distribution tariff regulations) for the three-year period 2023-2025 and changes to the model network code for the gas distribution service". Scheduling of the hearing on the merits is pending.

In December 2022, Italgas Reti filed an appeal for prior technical assessment before the Court of Naples, in order to request the admission of an ex officio technical consultancy aimed at redetermining the amount due to Italgas Reti by the operator who was awarded the ATEM Naples 1 as reimbursement amount. At present, we are awaiting the lifting of the restriction imposed by the Judge at the hearing of 10 January 2023.

Awarding of tenders

On 29 November 2022, the Municipality of La Spezia contracting entity officially awarded to Italgas the contract for the natural gas distribution service in the “La Spezia” territorial area, which includes La Spezia and 32 municipalities of the province. The award of the Atem, consisting of about 110 thousand customers served, allows Italgas to give continuity to the management of the service and to actively contribute to the efficiency and decarbonisation of consumption through investments of about 230 million euro.

Other events

On 15 April 2022, Immogas S.r.l. was established, a company 100% owned by Toscana Energia S.p.A., as a result of the partial, non-proportional and asymmetrical spin-off of Valdarno S.r.l.

On 19 September 2022, the Extraordinary Shareholders' Meeting of Seaside S.p.A. resolved to change the company name to Geoside S.p.A.

On 27 December 2022, Italgas, Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. signed an agreement concerning the shares already held by the City of Florence in Toscana Energia S.p.A. and transferred to Alia Servizi Ambientali S.p.A. Under the agreement Italgas may exercise a purchase option on the aforementioned shares upon the occurrence of certain conditions governed by the contract.

KEY CONSOLIDATED MANAGEMENT FIGURES

The accounting situation of the companies of the CDP RETI Group as at 31 December 2022 is presented below from a management accounting standpoint.

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

Key financial figures

Items		2022	2021
Total revenue	(million of euro)	8,004	7,269
EBITDA	(million of euro)	5,338	5,100
EBITDA margin	(%)	67%	71%
Operating profit (EBIT)	(million of euro)	3,007	2,936
EBIT margin	(%)	38%	40%
Net income	(million of euro)	1,774	2,441
Profit margin	(%)	22%	34%

Key balance sheet and cash flow figures

Items		31/12/2022	31/12/2021
Property, plant and equipment	(million of euro)	38,633	37,320
Intangible assets	(million of euro)	12,083	10,852
Long-term financial liabilities	(million of euro)	30,741	30,444
Equity	(million of euro)	18,570	16,762
- attributable to the parent company CDP RETI	(million of euro)	*4,917*	4,713
- attributable to minority interests	(million of euro)	*13,653*	12,049
Net financial debt	(million of euro)	(28,017)	(30,526)

Other key figures

Items		2022	2021
Technical investments	(million of euro)	3,923	3,656
Net cash flow for the period	(million of euro)	143	(2,083)
Average workforce	(numbers)	13,282	12,261
Dividends distributed to shareholders during the period			
- *from SNAM S.p.A.*	(million of euro)	*(866)*	*(811)*
- *from TERNA S.p.A.*	(million of euro)	*(596)*	*(547)*
- *from ITALGAS S.p.A.*	(million of euro)	*(253)*	*(243)*
- *from CDP RETI S.p.A.*	(million of euro)	*(492)*	*(461)*

Ratios

Items		2022	2021
ROE	(%)	10%	15%
Net financial debt/EBIT	(numbers)	9.3	10.4
Net financial debt/Equity	(numbers)	1.5	1.8

With regard to key management figures, 2022 results were as follows:

Total revenues amounted to 8,004 million euro (7,269 million euro in 2021), an increase of 10.1% on the previous period.

EBITDA amounted to 5,338 million euro (5,100 million euro in 2021), with an EBITDA margin of 67% (slightly down compared to 2021) and an increase of around 238 million euro (+4.7%) compared to 2021. The contribution to the EBITDA margin was 28% for SNAM, 26% for TERNA and 14% for ITALGAS.

EBIT amounted to 3,007 million euro (2,936 million euro in 2021), with an EBIT margin of 38% (slightly down compared to 2021). These figures also reflect the amortisation/depreciation and impairment resulting from the process of purchase price allocation (PPA) of the assets and liabilities of SNAM, TERNA and ITALGAS[16].

Net income amounted to 1,774 million euro (2,441 million euro in 2021), with a percentage impact on revenues of 22% (34% in 2021). The amount pertaining to the Parent Company was 513 million euro (737 million euro in 2021).

Net financial debt was equal to 28,017 million euro, decreasing by 2,509 million (-8.2%) compared on 31 December 2021. The total amount of about 28 billion euro refers to SNAM (42.6%), TERNA (30.0%) and ITALGAS (21.7%), and the remaining portion (5.7%) to the Parent Company CDP RETI.

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

Technical investments amounted to 3,923 million euro at 31 December 2022 and referred to SNAM (34%), TERNA (45%) and ITALGAS (21%).

Net cash flow in the period was positive by around 143 million euro (with cash and cash equivalents increasing from 4,387 million euro to 4,530 million euro), largely attributable to the TERNA group (+588 million euro), the SNAM group (+421 million euro) and CDP RETI (+74 million euro), only partially absorbed by the ITALGAS Group (-940 million euro). Operating activities generated resources of 5,764 million partly absorbed by investing activities (net of divestments) and financing activities of 3,304 million and 2,310 million, respectively.

ALTERNATIVE PERFORMANCE MEASURES[17]

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

Non-GAAP[18] financial reporting must be considered as supplementary and does not replace the information drafted in accordance with IFRS. In fact, the APMs presented in this Annual Report are considered significant for assessing operating performance with reference to the results of the CDP RETI Group as a whole. Furthermore, it is believed that they ensure better comparability over time of the same results, even though they are not substitutes or alternatives to the results determined by applying IFRS.

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

i) "EBITDA": Net Income (from the statutory income statement) adjusted by the following items (included in the reclassified income statement of the consolidated/separate financial statements): (i) Net income on assets available for sale and discontinued operations, (ii) Income taxes, (iii) Financial income/expenses, (iv) Amortisation, depreciation and impairment;
ii) "EBITDA margin": the percentage impact of EBITDA on Revenues and income. This margin represents an indicator of the Group's ability to generate profits through its revenues. In fact, the EBITDA margin measures the Group's operating performance by analysing the percentage of revenues that become EBITDA;
iii) "EBIT": EBITDA less amortisation, depreciation and impairment;
iv) "EBIT margin": the percentage impact of EBIT on Revenues and income. This margin represents an indicator of the Group's ability to generate profits through its revenues. In fact, the EBIT margin measures the Group's operating performance by analysing the percentage of revenues that become EBIT;
v) "ROE" (Return on equity): the ratio of Net income/loss for the period (over 12 months, from 1 January to 31 December) to average Total Equity at the beginning and at the end of the reporting period;
vi) "Net financial debt"[19]: the sum of short-term and long-term debt, including financial payables for lease obligations pursuant to IFRS 16 net of cash and cash equivalents and other current financial assets. See the specific section for further details. Net financial debt represents an indicator of the ability to meet one's financial obligations;
vii) "Net financial debt/EBIT" ratio: this measure is calculated by the Group as the ratio of Net financial debt, as monitored by the Group, to EBIT;
viii) "Net Financial Debt/Equity" ratio: this measures the level of solidity and efficiency of the capital structure in terms of the relative impact of borrowing and equity sources of financing (level of dependence on outside sources of financing). It is calculated as the ratio of Net financial debt, as monitored by the Group, to Equity.
ix) "Net financial debt/Dividends" ratio: this indicator is calculated as the ratio of Net financial debt to dividends for the period;
x) Operating Income/Loss: calculated as the sum of income and financial expenses (excluding dividends for the period), amortisation/depreciation charges and administrative expenses;
xi) "Dividends/Financial Expenses" ratio: this indicator is calculated as the ratio of dividends for the period to financial expenses;
xii) Market value of equity investment portfolio: product of the number of CDP RETI shares multiplied by the official price per share at the end of the period of SNAM, TERNA and ITALGAS;

The calculation of these measures, unchanged with respect to those used at 31 December 2021, is consistent with that recorded in the comparison period.

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

3. ORGANISATIONAL STRUCTURE

3.1 THE ORGANISATIONAL STRUCTURE

At 31 December 2022, CDP RETI had three employees (plus eight under part-time secondment), all on permanent contracts. Compared to 31 December 2021, with a view to ensuring better operational efficiency and guaranteeing the effective supervision of the relevant activities, the seconded resources were increased to eight and the employees to three).

More generally speaking, it should be noted how the Company uses the operating support of the parent company CDP S.p.A. and of CDP Equity S.p.A. based on service agreements that provide the Company with all the skills and services that are key for the correct performance of its business.

Lastly, please note that, following the issue, on 25 October 2022, of a bond listed on the Irish Stock Exchange, CDP RETI assumed the position of listed Issuer with Italy as the Member State of origin, and was therefore obliged, pursuant to art. 154 – bis of the Consolidated Law on Finance, to appoint a Financial Reporting Manager.

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

SNAM

(average numbers)

	31/12/2022	31/12/2021
Senior Managers	145	146
Middle Managers	639	585
Office staff	1,925	1,842
Manual workers	841	806
Total	**3,550**	**3,379**

TERNA

(average numbers)

	31/12/2022	31/12/2021
Senior Managers	98	90
Middle Managers	819	730
Office staff	2,941	2,693
Manual workers	1,476	1,431
Total	**5,334**	**4,944**

ITALGAS

(average numbers)

	31/12/2022	31/12/2021
Senior Managers	74	61
Middle Managers	378	312
Office staff	2,488	2,175
Manual workers	1,457	1,389
Total	**4,397**	**3,937**

3.2 RISK FACTORS

SNAM GROUP

Introduction

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

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

The main risks identified are listed below.

Strategic Risks

Regulatory and legislative risk

Snam's regulatory and legislative risk concerns the rules applicable to the gas industry. The resolutions of the Energy Networks and Environment Regulator (ARERA) and the National Regulatory Authorities of the countries where the foreign affiliates operate, the European and Italian legislation and, more generally, changes to the reference regulatory framework may have a significant impact on Company operations, earnings and financial stability.

It is impossible to envisage the effect that future changes in legislative and tax policies might have on the business of Snam and on the industrial sector in which it operates.

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

Macroeconomic and geopolitical risk

In view of the specific nature of its business sector, Snam is also exposed to risks linked to political, social and economic instability in natural gas supplying countries, mainly affecting the gas transport sector. Most of the natural gas transported in the Italian national transport network is historically imported from, or transits through, countries included in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, in TANAP-TAP perspective, Turkey together with the States bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia). These countries are subject to instability from a political, social and economic point of view. The import of natural gas from these countries, or its transit through them, is subject to a wide range of risks, including: terrorism and general crime; changing levels of political and institutional stability; armed conflict, social-economic and ethnic-sectarian tensions; social unrest and protests; inadequate legislation on insolvency and creditor protection; ceilings placed on investments and on the import and export of goods and services; introduction of and hikes in taxes and excise duties; forced contract renegotiation; nationalisation of assets; changes in commercial policies and monetary restrictions.

More specifically, 2022 was a year of particular importance for the energy system as a whole in view of the persistence of high prices associated with the progressive reduction in the natural gas imported from the Russian Federation (in Italy and in Europe in general), which also made the issue of security of supply a priority at the continental level.

In a time of crisis characterised by a scenario of future uncertainty and extreme volatility, greater flexibility and adequate sizing of gas infrastructures along the entire value chain is therefore increasingly necessary, in order to mitigate supply risks.

With regard to market operators, if the shippers that operate the transport service through Snam's networks are unable to complete the supply or transport of natural gas from or through these countries due to the occurrence of the aforesaid adverse conditions, or are affected by said adverse conditions, to an extent that causes or worsens the inability to fulfil their contractual obligations towards Snam, this may produce adverse impacts on the business and on the performance and financial position of the Snam group.

In addition, Snam is exposed to macroeconomic risks arising from displacement or tension in financial markets or situations deriving from external events, which could affect liquidity and accessibility to financial markets.

Market risk

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

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

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

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

Abroad, protection against market risk is offered by French (Teréga) and Greek (DESFA) regulations, long-term TAP agreements, as well as agreements for Austria (different deadlines for TAG and Gas Connect starting from 2023), France (with gradual maturity of the long-term contracts in the interconnection point with Spain starting from 2023) and for Adnoc Gas Pipeline (20 years tariff-based with ship or pay minimum). In Austria, the United Kingdom (Interconnector) and Egypt the volume risk is not hedged.

With reference to the macroeconomic market framework, and consumption framework, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players / private individuals) and switching to other energy carriers. This growth is due to a number of factors including: post-Covid consumption increase, structural reduction in the continental production of gas, reduction in imports from Russia, lower production from electrical renewables (wind, solar), especially in Northern Europe, gas consumption increase and LNG imports at a global level in Asia, and increase in the CO_2 prices on the ETS.

The contingent trend of commodity prices in Europe and the high energy dependence on imports could represent elements of vulnerability for the Italian energy system. Regarding gas, Snam has already mitigated this risk thanks to a series of counter measures adopted over the last few years such as: diversifying the sources of procurement (most recently, the commissioning of the TAP gas pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g.: peak shaving via regasification terminals, interruptibility service for withdrawals from the transport network).

On the indication of the Italian Government, two floating storage and regasification units (FSRU) have been purchased in recent months that, once in operation, will be able to contribute to the security and energy diversification of the country by enhancing the LNG capacity entering Italy.

For some sectors, particularly private users, there may be a perception that higher prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Climate change risk

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

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

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

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

Climate change scenarios could also lead to a change in the choice of the energy mixes of the various European countries and in consumer behaviour, with resulting impacts on the demand for natural gas (and on volumes transported). On one hand, the latter may benefit from greater sustainability compared to other fossil fuels in the short- to medium-term and act as a bridge towards the full decarbonisation of some sectors, but, on the other hand, may be affected by policies and individual choices that could lead to a progressive decrease in natural gas consumption with consequent repercussions on the current use of infrastructure. The rise in the decarbonisation targets at EU level, including the new legislative proposals being issued on energy transition (such as the EU's Fit for 55 package and EU Taxonomy) and the publication of studies of major importance in the international energy scene (such as the IEA's Roadmap to Net-Zero Emissions), could in fact accelerate the progressive reduction in demand for and supply of fossil natural gas. On the other hand, this could encourage a greater and earlier penetration of renewable, low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) in the energy mix, supporting the promotion of Snam's new businesses.

Climate change could also increase the severity of extreme weather conditions (flooding, drought, extreme temperature fluctuations), thus deteriorating the natural and hydro-geological conditions of the territory, with possible impacts on both the quality and continuity of the service supplied by Snam and on the demand for gas at national and European level. With reference to the effects of the change in gas demand on the financial position and results of the Snam group, see the "Market risk" paragraph in this chapter.

Lastly, Snam has signed up to the Methane Guiding Principles, which commit the company to further reducing methane emissions from its operations in natural gas infrastructure. In subscribing to these principles, Snam is also committed to encouraging other players in the entire gas supply chain – from producer to end consumer – to pursue the same objective.

Snam joined the Oil & Gas Methane Partnership (OGMP) 2.0, a voluntary initiative launched as part of UNEP to support Oil & Gas companies in reducing methane emissions. The company participated, and is still actively involved, in various UN working groups which led to developing a framework able to provide governments and the general public with the guarantee that methane emissions are treated and managed in a responsible manner, with progress against stated objectives, offering transparency and cooperation, including the implementation of best practices. The protocol suggests the targets to reach: -45% by 2025 compared to 2015. Snam renewed its commitment by setting the target reductions in methane emissions by 2025 and 2030 equal respectively to -55% and -65% compared to 2015. These targets are stricter than those proposed by UNEP and have become a fundamental part of the 2040 Carbon Neutrality Strategy.

Legal and compliance risk

Legal and compliance risk concerns the failure to comply, in full or in part, with laws and regulations at European, national, regional and local level with which Snam must comply in relation to the activities it performs. The violation of such laws and regulations may result in criminal, civil, tax and/or administrative penalties, as well as damage to its financial position, results and/or reputation.

Specific cases, including infringements of workers' health and safety, environmental protection or anti-corruption rules may also entail substantial fines for the Company based on the administrative liability of entities (Legislative Decree no. 231 of 8 June 2001). Snam has therefore adopted and is committed to promoting and maintaining an effective internal control and risk management system aimed at enabling the identification, measurement, management and monitoring of the main risks relating to its operations.

With regard to the **Risk of Fraud and Corruption**, it is a top priority for Snam to conduct its business fairly and transparently and to reject all forms of corruption as part of its commitment to the respect of ethical principles. Snam's management is fully engaged in implementing an anti-corruption policy: they strive to identify potential weaknesses and to eliminate them, strengthening their control and working constantly to raise all workers' awareness of how to identify and prevent corruption in all business contexts. During 2022, Snam started the project to implement a company Management System for the Prevention of Corruption in order to achieve certification under the ISO 37001:2016 standard, with the adoption of an "Anti-Corruption Policy" and the establishment of an "Anti-Corruption Committee" that performs the

Compliance Function for the Prevention of Corruption referred to in the aforementioned ISO (FCA) standard. The committee relies on the operational support of the Compliance & Business Integrity function which is already entrusted with the role of Anti-Corruption function overseeing Snam's existing Anti-Corruption Compliance Programme.

The "Anti-Corruption Policy", approved by the Board of Directors of Snam S.p.A. on 18.01.2023, expresses the commitment of the Senior Management and the Board of Directors to preventing corruption, in line with the long-established values and ethical principles. It also incorporates the essential elements referred to in the ISO 37001 standard and includes the clarification of the approach adopted by the Company based on "zero tolerance" with respect to any corrupt practice in the context of relations with public and private stakeholders. Reputational Check, as well as acceptance and signing of the Ethical and Integrity Agreement are the pillars of the set of controls designed to prevent the risks associated with illegal conduct and criminal infiltration of our suppliers and subcontractors, with the aim of ensuring transparent relationships and professional morality requirements in the entire chain of companies and for the duration of the relationship. Snam is a member of the United Nations Global Compact and operates according to the principles laid down in that global initiative, which are an integral part of the company's strategies, policies and rules, including the tenth principle of zero tolerance towards all forms of corruption, which underpins a firmly established culture of integrity and business ethics.

Snam has been a partner of the General Secretariat of Transparency International since 2016 and, thanks to its active role within the Italian Chapter of the Business Integrity Forum, the company has been involved in several working groups and institutional events, in which it is called upon to present its best practices in the field of business integrity and anti-corruption. As part of the partnership, Snam was one of the main actors in reviewing/updating the Charter of Ethical Principles of Transparency International Italia, presented in September 2022. In 2017, Snam started working with the OECD, joining the Business at OECD Committee (BIAC), and in October 2019 – as the first Italian company – it joined the Leadership as Vice-Chair of the Anticorruption Committee. Within the OECD, Snam took part in several events, including the Global Anti-Corruption & Integrity Forum, the Anticorruption Committee annual meeting and the 60th Anniversary of the Business at OECD (BIAC).

Finally, it has been a standing member of the Integrity & Compliance Taskforce of the B20 Forum since 2020 and actively participates in work to develop the related annual Policy Paper for members of the G20. Also in 2022, it actively cooperated in preparing the Policy Recommendation Paper on Integrity & Compliance as part of the participation in the Integrity & Compliance Taskforce of the Indonesian Presidency.

As part of the multilateral collaborations, in addition to the above, Snam was a guest at the "Business Integrity Forum Academy Day" of 1 June 2022, in which the Snam's CEO Stefano Venier, spoke on the theme "Supply Chain of integrity" and participated in the "BIF Academy Day" panels of 2 June 2022, on the theme "Sustainable Supply Chain", "BIF Academy" of September, on the theme "Circular Integrity" and the "BIF National Event" on the round table entitled "Transparency, anti-corruption, ESG values and SDGs activities".

Operational risks

Ownership of gas storage concessions

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

Failures and unforeseen interruption of the service

The risk of service malfunction and sudden outages is due to unforeseeable events, such as breakdowns or malfunctioning of equipment or control systems, lower plant yield and extraordinary events such as explosions, fires, landslides or other similar events, interference from third parties and cases of corrosion that fall outside Snam's control. Such events may cause a drop in revenues as well as result in significant damage to persons and property, with possible compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, in accordance with the sector best practice, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in infrastructure work progress

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

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

Environmental risks

Snam and the sites where it operates are subject to laws and regulations covering pollution, environmental protection, the use of hazardous substances and waste management. Applying these rules exposes Snam to contingent costs and liabilities connected with the use of its assets. The company cannot predict the evolution of environmental legislation over time and whether and in what way it may eventually become more binding. Nor can assurance be provided that future costs necessary to ensure compliance with environmental legislation will not increase or that these costs may be recovered within the applicable tariff mechanisms or regulation. In addition, the costs arising from potential environmental remediation obligations on Snam's sites are subject to particular uncertainty. These costs are especially difficult to estimate in terms of the extent of the contamination, the appropriate corrective actions to be implemented and, finally, the possible share of responsibility of other parties.

Although Snam has taken out specific insurance policies to cover some environmental risks, in accordance with the sector best practice, substantial increases in costs related to environmental compliance and other associated aspects cannot be excluded. The same can be said for the costs of paying possible sanctions, which could negatively impact the business, operating results and financial and reputational aspects.

Employees and personnel in key roles

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

Risks linked to foreign equity investments

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

In addition, following the worsening of the economic scenario generated by the recent Russia-Ukraine conflict, the Snam and GCA shareholders assured TAG on the coverage of any liquidity shortfalls, if the company is not able to use the credit lines already at its disposal and/or in the process of being finalised, for a period of 12 months from the date of issuing the audit report on the 2021 separate financial statements (i.e. from 30 June 2022). This risk was mitigated by the fact that TAG completed the subscription of an additional 200 million euro of committed credit facilities in the last quarter of 2022.

Risks linked to future acquisitions/equity investments

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

Emerging risks

The Group’s Enterprise Risk Management model pays particular attention to identifying changes in the operating environment in order to detect events or macro-trends originating from outside the organisation that could have a significant medium-to-long-term impact (3-5 years and more) on Snam’s business or its industry sector. These changes may give rise to new risks in the long term, but may also start to already have consequences for the company now, changing the nature and extent of the potential impacts and likelihood of occurrence of the risks already identified. The purpose of the process of identifying emerging risks is to be able to assess their impacts in a timely manner and put in place the necessary strategies and related mitigation actions to prevent and control those risks. The emerging risks identified by Snam in this area include cyber security and energy transition–related risks.

Cyber security

Significance and potential impact on Snam

Snam adopts a complex technological structure to conduct its business, relying on an integrated model of processes and solutions able to ensure the efficient management of the gas system nationwide. The development of the business and the use of innovative solutions to improve it constantly require attention and the ability to continuously adapt to the changing needs for cyber security protection. Snam has been making significant investments in digitisation for years – from the control of activities on a remote basis to the adoption of complex infrastructure enabling the Internet of Things – through which Snam aims to become the most technologically advanced gas transmission operator in the world and ensure ever increasing levels of security and sustainability of its business processes.

The company's view, supported by public data and evidence, is that cyber security threats should be assessed and managed with great sensitivity and attention also because they will evolve further in terms of both number and complexity. The digital channel is increasingly used illicitly by different types of actors with different aims and different methods: cyber criminals, cyber hacktivists, state-sponsored action groups.

The radical changes taking place in the logics and working processes following the pandemic (including the widespread use of remote working) have exacerbated certain specific types of threat and have made it necessary to increase the levels of attention to criminal phenomena that are bound to persist over time. In addition, technological development has made increasingly sophisticated tools available to attackers, enabling them to increase the effectiveness of existing attack techniques and develop new ones. The increasing digitisation of the network with the use of new technologies (e.g. Internet of Things) also poses significant challenges to the Group, broadening the potential attack surface exposed to internal and external threats.

Lastly, the geopolitical tensions should not be underestimated, as the cyber terrain has become an area of economic and political confrontation and conflict. Cyber security plays a very important role in this scenario, because it has the task of preventing or dealing with a wide variety of events, which can range from the compromising of individual workstations to the disruption of entire business processes relating to transport, storage and regasification, potentially affecting the ability to deliver the service.

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

Mitigation actions

Snam has developed its own cyber security strategy based on a framework developed in accordance with the main applicable standards, and has a dedicated function, which has been in place for several years now, which is responsible for holistically guiding and implementing measures established at strategic level, ranging from governance to technological aspects. This includes the alignment of the internal processes to the provisions of ISO/IEC 27001 (Information Security Management Systems) and ISO22301 (Business Continuity Management Systems) and the formal certification of compliance of part of those processes with the standards listed by a third-party body. In addition, through a variety of activities, including Risk Analysis and Technical Verification, Snam assesses the protection needs arising from technological developments, changes in business processes or the identification of previously unknown vulnerabilities, and implements solutions to replace or supplement the existing solutions where necessary. More specifically, to adequately combat the most modern cyber threats, Snam has defined a cyber security incident management model aimed at preventing, monitoring and, where necessary, directing timely remediation actions in response to events capable of damaging the confidentiality, integrity and availability of the information processed and the technologies used.

This activity is the responsibility of a Security Incident Response Team that, by adopting solutions that collect and correlate all the security events recorded on the entire perimeter of the company's IT infrastructure, has the task of monitoring all anomalous situations from which negative impacts for the company may arise, and initiating, where necessary, the appropriate containment and remediation actions by engaging the various technical and business structures concerned.

In support of the Security Incident Response Team, threat intelligence processes have been defined and enhanced over time, providing constant monitoring of potential external threats, which also affect the supply chain.

In 2022, the Security Incident Response Team was again able to operate without interruption, providing support 24 hours a day, seven days a week. Starting from 2020, the change that has been necessary in the operational processes, and in particular the extensive use of remote working arrangements, has not affected the overall level of security. This is mainly because the adoption of remote working, which had already taken place before the pandemic period, had prompted the company to conduct the necessary risk analysis and implement appropriate security solutions for protecting the company's interests, also in the presence of a larger potential attack surface than in the past.

In addition, within the context of the security prevention and security response activities and in accordance with the formal agreements signed between the parties, info-sharing logic is used with national and European institutions and peers in order to improve the response times and capacity in respect of possible negative events that the company may be exposed to also indirectly. This approach is also essential in order to better respond to the latest provisions of the national security regulations.

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

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

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

Energy transition and development of the hydrogen market and technologies

Significance and potential impact on Snam

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

The consolidated ability to create and manage projects to transport and store natural gas, the new skills acquired in green gas and on the new energy transition trends, a growing international presence in important geographic areas also for integrated greenfield projects and the extensive number of partnerships with several types of investors in various countries, combined in a strategy that focuses on ESG factors, will be essential to help develop the competitive, secure and zero net emission energy system of the future. Business diversification may strengthen Snam's position as an enabler of the energy transition towards forms of use of energy resources and sources that are compatible with environmental protection and progressive decarbonisation, with a long-term vision in line with its purpose and the European objectives.

The new 2030 Vision presented by the company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which the energy transition is expected to accelerate sharply in order to achieve the carbon neutrality targets with growing investments, in particular, in energy transport and storage infrastructure, in a H2-ready perspective, as well as in green gas development projects (hydrogen and biomethane) and contributing to the decarbonisation of consumption through energy efficiency measures and investigating the CCS (Carbon Capture and Storage) technology that, though not defined as a target at European level, is a relevant type of technology for decarbonisation.

In this context, and with particular reference to the Group's strategy, the main risk factors include: the risks posed by technological innovation for the switching to the use of electric technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or absence of investments (infrastructure, projects, new acquisitions) as a result of uncertainties relating to operational, financial, regulatory, authorisation, competitive and social factors; and the failure to develop the hydrogen market with respect to the value chain that should drive the infrastructure. Finally, it must be considered that the uncertainty of the still evolving regulatory plan slows down the creation of projects and the implementation of financing for hydrogen production.

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

Mitigation actions

The development and introduction of new technologies to achieve the development objectives for the energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed to respond to the urgency of tackling climate change. With regard to CCS, Snam participates in various working groups to ensure the application of this technology in the near future at European level, as it is considered essential to achieve EU targets.

With regard to the hydrogen value chain in particular, the study of the necessary technological developments related to the chemical and physical processes for its production requires special skills and knowledge to support research and development at both individual company and country level. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500°C with production of CO_2 equivalent to the hydrocarbon used; and electrolysis of water (4-5%).

In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by rapid changes in the external environment. To this end, the Group has long been committed to the development of internal know-how, the in-sourcing of expertise through acquisitions and involvement in and promotion of institutional and association working groups devoted to hydrogen at national and international level.

At European level, it is also a member of Hydrogen Europe, and in Italy it is represented in the Italian Hydrogen and Fuel Cells Association – H2IT. The Group's facilities and assets will also need to be ready to capture the opportunities arising from the development of alternative gases to natural gas.

The company is now engaged in verifying the full compatibility of its infrastructure with increasing quantities of hydrogen blended with natural gas, in addition to supporting the development of Italy's gas supply chain to encourage the use of hydrogen in a variety of sectors, from industry to transport. Almost all of Snam's pipelines are able to transport up to 100% of hydrogen based on ASME B31.12 regulations. Around 70% of the pipelines can transport pure hydrogen with no or limited curtailments compared to the maximum operating pressure, while around 30% require more significant reductions. Particular attention is paid to using the machines in the operating thrust and compression units.

Cooperation with suppliers is testing theoretical conclusions on the readiness to transport new energy carriers (biomethane and hydrogen in varying volume percentages). Upgrades and replacement of obsolete machines are planned according to a philosophy of compatibility and readiness for new transport scenarios with New HYReady Units.

The development of the Group's infrastructure is therefore aimed at making the use of programmable, low-impact fossil fuels more efficient, while also promoting the biomethane alternative and providing the necessary conditions to accommodate hydrogen. Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain. This is why it is essential to build partnerships to promote the development of operators along the hydrogen value chain and to also participate in working groups to enable Snam to take the lead in advocacy and awareness-raising in favour of the use of hydrogen as a key energy source for decarbonisation both in Italy and internationally.

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

TERNA GROUP

In line with the indications of the Corporate Governance Code of Borsa Italiana and national and international best practices, the group has adopted a specific Internal Control and Risk Management System (System or SCIGR) consisting of the set of corporate culture, capabilities, rules, procedures and practices, and organisational structures aimed at defining a system of accountability to identify, measure, manage, mitigate and control the main risks at group level, in order to contribute to the group's sustainable success, consequently maintaining the high confidence of the stakeholders with regard to the group's governance and control.

The Risk Management System has the ultimate purpose of supporting decision-making processes and raising awareness in the organisation about the level of risk assumed and its compatibility with company objectives, as well as disseminating and strengthening the culture of risk at all levels of the organisation.

The group has for some time adopted an Enterprise Risk Management (ERM) framework in compliance with the principles contained in the Corporate Governance Code of Borsa Italiana S.p.A., which provides for the systematic and iterated identification, assessment, treatment and monitoring of risks, highlighting, where present, the potential ESG effects.

The main reference for Management to identify risk events, including emerging ones, is the framework of company objectives, divided between Strategic (linked to the Business Plan) and Recurring (i.e. continuous, linked to concession activities, the by-laws mission and the codes of conduct adopted).

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

Risks related to Service Continuity and Quality

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

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

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

Management actions:

- Defence plans, rules and criteria (European Regulations) common to all member TSOs of ENTSO-E;
- Technical support activities for the Ministry of the Environment and Energy Security for the Risk Management Plan of the Italian electricity system.

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

Management actions:

- Internet protection systems, perimeter protection and segregation of IT-OT networks;
- Consolidated IT monitoring processes (CERT - Computer Emergency Response Team);
- Awareness campaigns;
- Crash Program of the Vulnerabilities on network systems and equipment;
- Progressive adoption of secure communication standards.

Inadequate availability of primary energy: Risk associated with inadequate potential availability of primary energy (e.g. gas), mainly due to the current geopolitical context (Russia-Ukraine war).

Management actions:

- Participation in the Emergency Technical Committee and monitoring of the gas system at the Ministry (MASE);
- Process for assessing the adequacy of the national and European system.

Regulatory Authorities and other Institutional Stakeholders

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

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

Evolution of the National Electricity Grid

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

Management actions:

- Monitoring authorisation processes;
- Ongoing dialogue with Institutions and local Associations;
- Proactive approach to Administrations.

Timing for the creation of the works, in particular of large size: Risk connected to delays or postponements during the execution of the works, in particular those large in size. This possibility could have impacts from different (e.g. financial, regulatory, reputational and system) points of view.

Management actions:

- Centralised management of consultation processes, design, authorisation and implementation of major works;
- Monitoring the progress of the works;
- Careful management of company liquidity;
- Organisational model for project management, with periodic review and progress;
- Definition of the phases of the Project Control process and their outputs.

Customers, Suppliers and Business Partners

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

Management actions:

- Actions to expand the qualified sectors;
- Analysis of risks for each individual supplier;
- Internalisation of strategic supplies (e.g. underground cables).

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

Management actions:

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

Energy Solutions/Connectivity

Constraints on the development of the unregulated sector: Prudential approach to unregulated activities that could result in little flexibility and excessive caution and lead to inefficiencies and/or the foregoing/loss of business opportunities.

Management actions:

- Periodic monitoring and reporting process;
- Ex-post performance assessment analysis;
- Management Committee (CODIR) functional to the discussion of the offers and the relative time to market.

Increase in the obligations imposed by the Restrictive Measures (or sanctions) imposed by institutions (e.g. UN, EU, USA, UK): the difficult external context, geopolitical tensions and International Sanctions issued by institutions (UN, EU, USA, UK) towards some countries make relations with national and foreign counterparts more complex. Further tightening of the international sanctions framework could result in a reduction in the counterparties with which work is allowed and/or in greater exposure to the risk of incurring International Sanctions.

Management actions:

- Due Diligence of the entities that maintain relations with the group and the materials and/or services subject to exchange, with regard to orders with export aspects;
- Monitoring of the geopolitical framework;
- Continuous monitoring of regulatory updates with a focus on sanctioning aspects.

People Development & Change Management

Recruiting resources with technical / highly specialised skills: in order to achieve the challenging objectives stated in the Plan, the group needs highly specialised skills, with STEM skills predominating. The dynamics of the labour market are also fuelling the phenomenon of skill shortage and talent shortage of candidates with these specific qualifications and knowledge.

Management actions:
- Expansion of employer branding and recruitment channels;
- Activation of partnerships with the Academic World (e.g. Thyrrenian Lab) to accelerate the development of technical and managerial skills;
- New NexT Leading Leadership model;
- Talent management process;
- Strengthening of the Training Plan.

People Management

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

Management actions:
- National programme of cultural transformation in the field of H&S Excellence in Security;
- Qualification and monitoring process for contractors and subcontractors;
- Worksite Safety Monitoring Plan;
- Regulatory supervision.

ITALGAS GROUP

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

Operational, strategic and business risks

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

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

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

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

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

The main risk management methods are:
- Third Party Liability and Asset Protection insurance covers;
- Procedures and systems to manage emergencies, emergency plans with measures defined for securing plants and guaranteeing continuity of service;
- Health and Safety procedures, communication campaigns, training and awareness-raising meetings on accident prevention, initiatives that also involve suppliers/contractors;
- Integrated Supervision Centre active 24 hours a day to monitor the network status remotely through remote control of the installations, management of emergency requests, identification of places requiring intervention, monitoring of the progress in the implementation of safety measures;
- Safety systems for plants and assets and for monitoring the network;
- Introduction of the Digital Advanced Network Automation (DANA), the network command and control system with 3 main advantages: a) ensure the monitoring of a distributed system in which physical variables are interdependent; b) allow remote management with commands on the main processes of the network and plants and increase the

efficiency of governed processes and network flexibility; c) allow the management of renewable gases to be managed (e.g., biomethane, hydrogen);

- Smart Maintenance Initiative: development and progressive adoption of a GIS model for asset management used to design the smart maintenance of Italgas' networks;
- Scheduled searches for leaks using the most advanced systems and technologies (Picarro Surveyor) and covering a greater portion of the network than required by standards defined by the Regulator;
- Continuous modernisation of the network (investments in maintenance, replacement of cast-iron pipes with mechanical joints, plans for renovation of risers and shelves);
- Prevention of potential damage to pipes caused by third parties (e.g. other sub-services);
- Procedures for qualifying third-party construction, engineering and works management companies, supervision of contractors;
- Digital Factory for the development of innovative solutions for the digitisation of processes and to improve operating and network management activities and the quality of service.

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

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

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

The main risk management methods are:

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

Risk of smart meters malfunctions

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

The main risk management methods are:

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

Risks related to Energy Efficiency Certificates

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

The main risk management methods are:

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

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

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

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

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

Risk that the reimbursement value of the concessions, which might be awarded to a third party at the end of the assignment process, is lower than the value of the RAB, with potential adverse effects on the business and on the Italgas' financial position, results and cash flows.

The main risk management methods are:

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

Risks related to climate change

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

EMERGING RISK:[20] Physical risk: increase in average temperatures in the areas where Italgas operates, with possible negative impact on the number of active re-delivery points served and, as a consequence, on revenues;

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

EMERGING RISK: Transition risk: technological developments that may have a negative impact on the number of active re-delivery points served, with a negative impact on revenues and level of estimated investments;

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

---

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

The main risk management methods are:

- Operational countermeasures as described in the risk "Service continuity: malfunctions, accidental or extraordinary events";
- Net greenhouse gas emission reduction targets[21]: i) by 2030: 42% reduction in Scope 1&2 emissions and 33% reduction in Scope 3 emissions, compared to 2020 values; ii) by 2050, Net Carbon Zero target;
- Net energy consumption reduction target: by 33% within 2030, compared to 2020 values
- Use of Picarro Surveyor technology, currently the most advanced technology in the field of gas network monitoring activities, with significant advantages in terms of speed of execution, size of monitored areas and sensitivity in detecting gas in the air that is three times higher than in systems currently used by industry operators (parts per billion versus parts per million);
- Adoption of internal SLAs for the repair of leakages more severe than those defined by the Regulator;
- Process for transforming the network into digital infrastructure to enable the distribution of non-methane gases, such as hydrogen, biomethane and e-gas;
- Development, implementation and deployment of digital applications for remote control of network and plant construction sites, development and maintenance;
- Conversion to natural gas of distribution networks powered by LPG, with consequent reduction in emissions compared to the current configuration;
- Measures for the modernisation of the network (investments in maintenance, replacement of cast-iron pipes with mechanical joints, renovation of risers and shelves);
- Promotion of responsible business practices, through endorsement of the UN Global Compact and UNEP OGMP 2.0;
- Orientation activities to define sector association positions;
- Active participation in consultations called by the Government or European Union bodies on relevant issues;
- Active participation in the activities of sector associations to monitor technological developments;
- Execution of energy efficiency projects through the subsidiary Geoside;
- Investments designed to increase the group's presence in the water and energy efficiency sectors;
- Promotion of sustainable mobility;
- Development of power-to-gas technology powered by renewable energy to produce renewable gas that can be used in existing networks;
- Initiatives to analyse the network and plants to assess their adequacy and actions to enable the transport of gases other than natural gas, such as hydrogen, biomethane and e-gas.

Risks of cyber attacks

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

The main risk management methods are:

- Specific insurance coverage of *cybersecurity* risks;
- Cybersecurity organisational and operational model;
- Group Policy regarding Integrated Security, Resilience and Crisis Management;
- Business continuity, network and information security and emergency and crisis management model and procedures;
- Monitoring of the group's Bitsight Cyber risk rating index, currently placed in an advanced range that corresponds to a high level of maturity of cyber security safeguards;
- Adoption of conditional access solutions based on certain risk factors (non-legitimate access, access from atypical locations, etc.) and Multi-Factor-Authentication for the group employees and the most critical IT suppliers;
- Adoption of security measures to protect the endpoint (Antimalware) and emails by implementing Antispam (protection from spam emails), Anti Spoofing (protection against attacks that impersonate the address of the sender of a communication), Advanced Hunting (advanced analysis to proactively check for possible threats), Safe Link/Safe Attachment (protection from malicious links and attachments in emails by simulation in a test environment, Sandbox) solutions;
- Specific training for group employees on cyber risks, common vulnerabilities, phishing and spam;
- Possibility for all group employees to report suspicious phishing emails (Phishing alarm) to a team responsible for their analysis and management;
- Phishing simulations against group employees to test and strengthen their ability to recognise malicious e-mails;
- Secure Product Development Lifecycle process that defines an operational and design approach in which considerations and measures to prevent and mitigate cybersecurity risks are integrated from the earliest stages of the hardware and software procurement and/or development process;
- Security measures to protect the network infrastructure from unauthorised alterations, disruptions, misapplication and unauthorised disclosure of data by means of Firewall, Intrusion Prevention System, Web Application firewall, Anti DDoS (Distributed Denial of Service) systems, internet browsing protection (Proxy) and network segmentation solutions;
- Continuous monitoring in real time, by means of Security Information and Event Management (SIEM), of the IT and OT systems in order to identify and correlate events on monitored devices and act accordingly when necessary;

[21] For the same scope, excluding any changes due to M&A operations, DEPA Infrastructure and ATEM tenders.

- Performance of periodic IT and OT vulnerability assessments run by third parties;
- Definition and regular updating of contractual technical specifications, including on cybersecurity;
- Leading suppliers in the industry that guarantee the highest levels of security and performance, whose service levels are contractually defined and monitored;
- "Cybersecurity Awareness for third parties" - which Italgas group suppliers must formally undertake to comply with - which promotes the application of appropriate cybersecurity processes by third parties;
- Adoption of Cyber Threat Intelligence services aimed at proactively identifying new attack techniques, monitoring of key threats, and verification of any company data available outside the group's perimeter.

Risks related to Human Resources

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

The main risk management methods are:

- Knowledge transfer system developed in the Italgas digital factory, which provides for video recording of operational activities and instructions accessible in real time through wearable devices;
- Refinement of training processes, with a multimedia platform for planning, managing and accessing the various managerial, technical, HSEQ and digital training activities;
- Initiatives to disseminate the digital culture and know-how (digital skills mapping, appointment of Digital Ambassadors and training on digital issues);
- Personnel search and selection process, performance management system and career development plans with personalised training programme;
- I-Grow programme, Italgas' graduate programme aimed at strengthening internal know-how according to the principles of merit and transparency, which envisages an acceleration of the development of cross-cutting skills through integration paths, training programmes and structured job rotation paths;
- Succession plan for top management roles;
- Cooperation with Italian Universities and Polytechnics for early talent acquisition;
- Organisational units dedicated to diversity and inclusion and HR sustainability;
- Periodic corporate climate survey covering all group employees;
- Services and welfare system constantly expanding to meet new needs and expectations;
- Italgas Human Rights Policy;
- Italgas policy for diversity and inclusion;
- Adoption of the Mac ecosystem, ensuring easy access to new digital solutions, encouraging sharing and collaboration and improving the daily experience;
- Smart Rotation System, the internal Italgas Job Posting system, to encourage the exchange of expertise within the group, enhance the value of its People and facilitate upskilling and reskilling.
- Information classification and protection system according to criteria of Privacy, Integrity and Confidentiality.

Risks related to quality and service level

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

The main risk management methods are:

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

Supply chain risks

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

The main risk management methods are:

- Procurement planning, analysis and monitoring of function KPIs;
- Supplier qualification process with specific reputational checks (including ESG);
- Anti-mafia checks in tender procedures relating to the special sectors pursuant to Art. 80 of Legislative Decree no. 50/2016, the reclamation and remediation sector and the works referred to in Title IV of Legislative Decree no. 81/2008;
- New IT4Buy digital platform, which improves i) the speed and simplicity of the supplier registration and qualification process; ii) the tendering process; iii) contract management;
- ESG rewarding criteria at tender phase on Legality Index issues, possessing specific ISO Certifications or environmental impact (e.g. CO_2 emissions);
- Checks of the sustainability and economic-financial requirements via recognised external providers, when registering the supplier;
- Standardised processes and tender regulations;
- Weekly tenders committee with analysis of the activities carried out, vendor list and timing of tenders;
- Evaluation of supplier performance, including sustainability, integrated in the vendor management form;
- Management of unforeseeable events: supplier risk assessment, diversification of supplies and scouting of alternative raw materials;
- On-site technical and ESG audits for the qualification of suppliers deemed Critical/Strategic;
- Scouting activities of innovative goods, produced with alternative materials and/or with different technologies, functional to the management/maintenance of the assets;
- Continuous updating of technical specifications also in view of technological developments and contractual clauses governing cases of goods and services exposed to cyber risk;
- "Code of Ethics for Suppliers" to which suppliers have to comply with, based, inter alia, on the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organisation (ILO) and the Ten Principles of the Global Compact, as well as on the UN Guiding Principles for Businesses and the OECD Guidelines for Multinational Companies;
- Anti-corruption Policy: Awareness for the third parties – requesting declaration from suppliers on anti-corruption issues and/or ISO 37001;
- "Cybersecurity Awareness for third parties" - which Italgas group suppliers must comply with;
- Renewed logistics model with centralisation of the warehouse and management of draw points in the various areas (UTs) and consequent digitalisation of the monitoring of materials in inventory/transit.

Risks associated with COVID 19, pandemic events and new diseases

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

The main risk management methods are:

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

Risk associated with changes in regulation and legislation

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

Risk of unfavourable update of the rate of return on net invested capital recognised by the Regulator.

Focus on Greece: Risk of review by the Greek Regulator of the investment and tariff plans submitted for approval.

The main risk management methods are:

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

Risk of non-compliance and regulatory developments

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

The main risk management methods are:

- Internal control and management system for risks and areas of responsibility defined in relation to compliance;
- Code of Ethics, 231 Model, Policy for preventing and combating corruption, ISO 37001 anti-corruption certification;
- Monitoring, analysis, dissemination and implementation of regulatory measures on issues of interest to the Italgas group and verification of their correct implementation;
- Personnel training on compliance issues;
- Analysis and monitoring of reputational requirements of the group's counterparties;
- "Code of Ethics for Suppliers".

4. BALANCE SHEET AND INCOME STATEMENT FIGURES

An analysis of the accounting situation as at 31 December 2022 is provided below, based on the statements reclassified according to operational criteria to provide a clearer understanding of the results.

For the purposes of preparing the reclassified financial statements for the year 2022, the international financial reporting standards (IFRS) endorsed by the European Commission and in force at 31 December 2022 were applied.

4.1 RECLASSIFIED CONSOLIDATED BALANCE SHEET

4.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

As at 31 December 2022, the **assets section of the reclassified consolidated balance sheet** of the CDP RETI Group included the following aggregates:

Assets
(million of euro)

tems	31/12/2022	31/12/2021
Property, plants and equipment	38,633	37,320
Intangible assets	12,083	10,852
Trade receivables	7,729	6,077
Other assets (1)	9,281	7,355
Cash and cash equivalents	4,530	4,387
TOTAL ASSETS (*)	**72,256**	**65,991**

(1) The figures of the consolidated financial statements that are not represented in the riclassified Assets are included in Other assets.
(*) The item includes discontinued operations and assets held for sale attributable to TERNA (70.7 million nel 2022 and 375.5 million nel 2021) and SNAM (84.2 million in 2022).

As at 31 December 2022, the balance sheet assets of the CDP RETI Group amounted to 72,256 million euro, increasing by 9.5% on 31 December 2021, and consisted mainly of “property, plant and equipment” (around 53.5% of the assets), which mainly related to SNAM (17.9 billion euro) and TERNA (16.2 billion euro), as well as the impact on this item from the consolidation (around 4.2 billion euro)[22].

The increase in “property, plant and equipment” (+1,313 million euro; +3.5% vs. 31 December 2021) is due mainly to changes relating to TERNA (+884 million euro) and SNAM (+655 million euro), only partly offset by the effects of the PPA.

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

- SNAM (1,171 million euro, mainly relating to the transport sector for 841 million euro);
- TERNA (1,545 million euro, of which 1,482 million euro relating to Regulated Activities);

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

The item “intangible assets”, largely attributable to the ITALGAS service concession arrangements analysed in greater detail in the notes to the financial statements, increased by 1,231 million euro, mainly thanks to the contribution of ITALGAS.

This item also includes goodwill (1,052 million euro), representing (i) the amount (781 million euro) recognised as a result of the process of allocating the differences between the prices paid for the purchase of the equity investments and the related equity, and (ii) the goodwill recognised in the consolidated financial statements of TERNA, SNAM and ITALGAS.

“Trade receivables”, up by approximately 1.7 billion euro compared to the end of 2021, mostly relating to:

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

- SNAM (4,244 million euro, net of the provision for bad debts equal to 100 million euro) and mainly concerning the natural gas transport (3,151 million euro), storage (251 million euro) and regasification (29 million euro) sectors;
- TERNA (2,358 million euro) of which: (i) 1,261 million euro relating to receivables for the so-called "pass-through" items [23] pertaining to the activities carried out by Terna S.p.A.; (ii) 473 million euro relating to the receivable for the grid transmission fees corresponding to remuneration granted to the Terna group and other owners for using the National Transmission Grid; (iii) 356 million euro relating to receivables due from customers for user fees.

"Other assets", up by +26.2% compared to 31 December 2021, mainly relate to (i) equity investments (2,151 million euro), accounted for using the equity method, mostly relating to SNAM's equity investments, (ii) deferred tax assets (848 million euro, of which 409 million euro attributable to SNAM, 172 million euro to TERNA, around 267 million euro to ITALGAS) recognised as at 31 December 2022, (iii) non-current financial assets (804 million euro, mainly relating to TERNA and SNAM), (iv) inventories - compulsory stock[24] (363 million euro) of SNAM and (v) current financial assets (284 million euro), mainly relating to TERNA (255 million euro).

Lastly, "cash and cash equivalents" are up compared to 31 December 2021 (+3.3%) and refer to:

- SNAM Group (1,757 million euro): mainly current accounts and bank deposits in euro (1,659 million euro), representing the use of cash held for the group's financial needs, and the cash equivalents from subsidiaries (97 million euro in total);
- TERNA Group (2,155 million euro): short-term, highly liquid deposits (1,528 million euro) and bank current accounts and cash in hand (627 million euro);
- ITALGAS group (452 million euro): current account deposits held with banks;
- CDP RETI (166 million euro).

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

4.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

As at 31 December 2022, the **liabilities section of the reclassified consolidated balance sheet** of the CDP RETI Group included the following aggregates:

Net Equity and Liabilities
(million of euro)

tems	31/12/2022	31/12/2021
Long-term financial liabilities	30,741	30,443
- non-current (1)	*27,407*	*25,931*
- current (2)	*3,334*	*4,512*
Current financial liabilities	2,068	5,456
Trade payables	6,251	5,171
Other liabilities (3)	14,626	8,159
Equity	18,570	16,762
- attributable to the parent company CDP RETI	*4,917*	*4,713*
- attributable to minority interests	*13,653*	*12,049*
TOTAL LIABILITIES (*)	**72,256**	**65,991**

(1) In consolidated financial statements: Loans
(2) In consolidated financial statements: Current portion of long-term loans
(3) The figures of the consolidated financial statements that are not represented in the riclassified Equity and Liabilities are included in Other liabilities
(*) The item includes discontinued operations liabilities held for sale attributable to TERNA (9.6 million in 2022 and 257.8 million in 2021) and SNAM (17.2 million in 2022).

"Long-term loans" of the group (30,741 million euro as at 31 December 2022) increased slightly by 298 million euro compared to 31 December 2021 (+1%) and include around 12.4 billion euro for SNAM (approx. 40%), around 10.4 billion euro for TERNA (approx. 34%), around 6.5 billion euro for ITALGAS (approx. 21%) and around 1.4 billion for CDP RETI.

Group "current financial liabilities" (2,068 million euro as at 31 December 2022) mainly refer to (i) SNAM (1.3 billion euro), mostly in relation to uncommitted floating-rate credit facilities (100 million euro), the issue of unsecured Euro Commercial Papers short-term securities (1,128 million euro) and (ii) short-term loans of the TERNA group (0.5 million euro).

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

"Trade payables", up by approximately 1.1 billion euro (from 5.2 billion euro at the end of 2021 to 6.3 billion euro; +20.9%), mainly relate to: (i) TERNA (3.7 billion euro compared to 3.3 billion euro at the end of 2021) mostly regarding payables for energy-related items and (ii) SNAM (1.5 billion euro compared to 1.3 billion euro at the end of 2021), for the purchase of

[23] TERNA manages the cost and revenue items linked to the transactions, carried out with electricity market operators, for the purchase and sale of energy: these are so-called "pass-through" items that do not affect TERNA's earnings, because the revenues are equal to the costs. The settlement of these items is established by the ARERA resolutions.
[24] Minimum natural gas quantities that the storage companies are required to hold under Presidential Decree no. 22 of 31 January 2001.

goods and services predominantly in the transport sector (1.2 billion euro, of which 306 million deriving from the balancing activity).

“Other liabilities”, up by 6,467 million euro (from 8,159 million euro at the end of 2021 to 14,626 million euro; +79.3%), predominantly relating to: (i) deferred tax liabilities (2,055 million euro compared to 2,152 million euro at the end of 2021), recognised as at 31 December 2022; (ii) other current liabilities (8,215 million euro compared to 2,171 million euro for 2021), mainly relating to SNAM (7,451 million euro) and (iii) provisions for risks and charges (859 million euro compared to 1,076 million euro for 2021), of which 498 million euro (713 million euro at the end of 2021) in provisions for the decommissioning and remediation of sites recognised by SNAM for charges that it is presumed will be incurred to remove the facilities and remediate the natural gas storage sites (411 million euro) and transport infrastructure (68 million euro)..

“Equity”, up by approximately 1,808 million euro (approx. +10.8%), benefits from the net income for the period of 1,774 million euro (of which 513 million euro attributable to the Parent Company) and mainly takes into account: (i) the amount of the dividends approved during the period by SNAM, TERNA and ITALGAS to the minority shareholders (total of approximately 1.2 billion euro) and by the Parent Company CDP RETI to its shareholders (approximately 492 million euro); and (ii) the increase in the valuation reserve (+139.7 million euro).

Of the total equity, 4.9 billion euro pertained to the Parent Company (+0.2 billion compared to December 2021) and 13.7 billion euro to minority interests.

4.1.3 RECONCILIATION OF CONSOLIDATED EQUITY AND NET INCOME FOR THE PERIOD

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

(million of euro)	31/12/2022		
Items	**Net income**	**Capital and reserves**	**Total**
PARENT COMPANY FINANCIAL STATEMENTS	**501**	**3,091**	**3,592**
Balance from financial statements of fully consolidated companies	2,063	14,021	16,084
Consolidation adjustments:			
- *Carrying amount of fully consolidated equity investments*		(5,267)	(5,267)
- *Dividends from fully consolidated companies*	(523)	523	
- *Purchase price allocation*	(215)	4,710	4,495
- *Other adjustments*	(52)	(282)	(334)
CONSOLIDATED FINANCIAL STATEMENTS	**1,774**	**16,796**	**18,570**
- *attributable to the parent company CDP RETI*	513	4,404	4,917
- *attributable to minority interests*	1,261	12,392	13,653

4.2 RECLASSIFIED CONSOLIDATED INCOME STATEMENT

The data below represents the CDP RETI Group with specific evidence of the contributions - in terms of operating[25] margins - deriving from SNAM, TERNA and ITALGAS. Please note that the consolidation eliminations and adjustments were shown separately.

(million of euro)

Items	2022	2021
Revenues from financial statement	8,760	8,063
- *Revenues recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*795*	*819*
- *Other Reclassifications (**)*	*(39)*	*(25)*
Total revenues	**8,004**	**7,269**
Costs from financial statement (not included Depreciation and Amortization)	(3,404)	(2,942)
- *Costs recognised following application of "IFRIC 12 Service Concession Arrangements" (*)*	*(795)*	*(819)*
- *Other Reclassifications (**)*	*58*	*47*
Operating costs (not included Depreciation and Amortization)	**(2,666)**	**(2,169)**
EBITDA	**5,338**	**5,100**
EBITDA margin	67%	71%
- *of which SNAM*	*28%*	*31%*
- *of which TERNA*	*26%*	*26%*
- *of which ITALGAS*	*14%*	*14%*
Depreciation and Amortization	(2,349)	(2,185)
- *Other Reclassifications (***)*	18	21
Operating profit (EBIT)	**3,007**	**2,936**
EBIT margin	38%	40%
- *of which SNAM*	*17%*	*20%*
- *of which TERNA*	*17%*	*17%*
- *of which ITALGAS*	*8%*	*8%*
- *of which consolidation*	*-4%*	*-5%*
Financial income/expense (including effects by equity method)	(381)	30
- *Other Reclassifications*		
Taxes	(832)	(512)
Profit from continuing operations	**1,794**	**2,454**
Net income from asset available for sale and discontinued operation	(20)	(13)
- *Other Reclassifications*		
NET INCOME	**1,774**	**2,441**
- *for parent company*	*(513)*	*(737)*
- *for minority interests*	*(1,261)*	*(1,704)*

(*) In Riclassified Income Statement, pursuant to IFRIC 12 "Service Concession Arrangements" are not included:
(i) revenues for the construction and upgrading of natural gas distribution infrastructures (727.8 e 772 million respectively in year end 2022 and 2021);
(ii) in relation to TERNA, revenues from construction of assets in concession activities (67.4 and 46.9 million respectively in year end 2022 and 2021);
these revenues are recognised in an amount equal to the costs incurred and are shown as direct reduction of the respective cost items
(**) Other management reclassifications mainly attributable to TERNA;
(***) Relating essentially to the issue of connection contributions for the financial period attributable to ITALGAS;

In 2022, in line with the previous year, the CDP RETI Group reported net income of 1,774 million euro (513 million euro pertaining to the Parent Company), marking a decrease on 2021 (net income of 2,441 million euro). The change (-667 million euro, of which 224 million euro related to the Parent Company) is mainly due to (i) the decrease (-411 million euro) in financial charges and income, including the effects of investments measured with the equity method and (ii) higher taxes for the period (-320 million euro), only partially offset by higher operating margins (EBITDA +238 million euro; EBIT +71 million euro).

In terms of sectors, there was mainly a decline in SNAM's performance (-828[26] million euro; -55.2%), which was offset by (i) an increase attributable to TERNA (+67 million euro) and ITALGAS (+53 million euro), as well as (ii) an improvement (62 million euro net of the tax effect) in the fair value measurement of TERNA hedging derivatives considered to be traded by the CDP RETI Group.

[25] The parent company, CDP RETI, given its nature of holding company, has basically zero incidence on the operating margins of the group.
[26] The reduction is mainly due to the impairment loss on Snam's stake in TAG (340 million euro), as a result of the effects of the Russia-Ukraine conflict and in relation to the associate ADNOC, affected by the increase in interest rates (179 million euro). 2021 results had also benefited from the effects of the realignment of statutory and tax values (292 million overall), carried out in accordance with the provisions of Article 110, paragraph 8 of Law Decree no. 104 of 14 August 2020.

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

Total revenues for the period consist of 3.5 billion euro for SNAM, 3.0 billion euro for TERNA and 1.6 billion euro for ITALGAS. The increase of 735 million euro (+10.1%) compared to 2021, is attributable to all subsidiaries and more specifically to (i) SNAM, mainly because of the higher revenues from the energy transition business, principally due to the development of energy efficiency, in particular in the residential sector. Total revenues, net of energy costs, amounted to 3,317 million euro, up by 331 million euro (+11.1%); (ii) TERNA, chiefly due to the higher revenues from regulated activities (+288.8 million euro), mainly attributable to the impact on tariff revenues of the higher output-based incentive mechanisms and the increase in the regulated asset base for the period, net of the reduction in the WACC recognised for 2022; (iii) ITALGAS (approximately +185 million euro), mainly due to the increase in activities in the field of energy efficiency and the consolidation of the DEPA Infrastructure group from 2022 onwards.

Total costs, mainly attributable to SNAM (1,297 million euro), TERNA (905 million euro), and ITALGAS (455 million euro) and principally related to costs for raw materials and consumables used, service costs and staff costs, increased compared to 2021 (+22.9%) mainly in relation to: (i) SNAM, chiefly due to the growth in volumes of energy efficiency activities; (ii) TERNA, substantially in relation to higher costs for the procurement of raw materials and semi-finished products of the Brugg Group and the Tamini Group (+20.6 million and +18.1 million respectively), to the contribution of the LT Group (+22.3 million), to higher staff costs (+52.5 million); (iii) ITALGAS, mainly for higher net external costs (+85.2 million), (essentially due to energy efficiency activities) and for the inclusion of the Depa Infrastructure Group in the scope of consolidation, as already mentioned.

EBITDA, amounting to 5,338 million euro (5,100 million euro in 2021; +238 million euro), with an EBITDA margin of 67% (71% in 2021), benefited from the performance of both TERNA and ITALGAS, in part offset by the decline recorded by SNAM, mainly due to the reduction in the gas infrastructure business. The contribution from SNAM stood at 28%, from TERNA at 26% and from ITALGAS at 14%.

The performance of EBITDA, although facing higher depreciation, amortisation and impairment (+164 million euro), essentially referring to (i) SNAM (+70 million euro) due to greater depreciation, essentially following the commissioning of new infrastructures and (ii) TERNA (+71 million euro), mainly due to the commissioning of new plants, the greater impairment of assets during the previous year, resulted in an EBIT of 3,007 million euro, up by 71 million euro (+2.4%) compared to the 2,936 million euro in 2021; the EBIT margin at 31 December 2022 was 38% (40% in 2021).

“Financial income (expenses)”[27], negative by 381 million euro (positive by approximately 30 million in 2021), essentially related to:

- SNAM for -278 million euro, down by 471 million euro on the comparison period (+192 million euro), mainly due to lower net income on equity investments, largely attributable to the impairment loss on the equity investment held by Snam S.p.A. (84.47%) in the Austrian company TAG[28] (340 million euro) and the charges attributable to the associate ADNOC, affected by the increase in interest rates (179 million euro), as well as by higher financial charges related to financial debt (mainly related to the higher cost of debt, chiefly attributable to changes in interest rates recorded during the year);
- TERNA for -100 million euro, an increase of 21 million euro compared to 79 million euro in 2021, mainly due to the increase in inflation, partially offset by higher capitalised financial charges;
- ITALGAS for -53 million euro, an improvement compared to -58 million euro in 2021 (affected by the accounting effects of the bond buyback completed in February 2021), mainly related to interest expense on bonds (-49 million euro);
- net financial expenses of CDP RETI for -23 million euro, in line with 2021;
- consolidation effects, including (i) the fair value measurement (+128 million euro in 2022; +46 million in 2021) of the derivatives held by TERNA to hedge the cash flows and considered as trading derivatives by the CDP RETI Group based on applicable accounting standards, and (ii) the reversal of the measurement according to the equity method of ITALGAS recognised by SNAM in its financial statements (-55 million).

“Income taxes”, which show an expense of 832 million euro and an increase on the comparison period (expense of 512 million euro in 2021), mainly refer to the tax expense of SNAM, TERNA and ITALGAS, partially offset by the effects of deferred taxation connected with Purchase Price Allocation. The higher taxes are mainly attributable to SNAM (+263 compared to 2021, which had benefited, for a total of 292 million euro, from the effects of the realignment of statutory and tax values).

The above income items made it possible to close 2022 with a consolidated “net income” of approximately 1,774 million euro (of which 513 million euro pertaining to CDP RETI; 737 million euro in the comparison period), compared to a net income of 2,441 million euro in 2021.

The 2022 net income pertaining to CDP RETI shareholders (net income of 513 million euro) comes from the net income of the parent company CDP RETI S.p.A. (501 million euro) and from the share of the earnings of SNAM (net income of 211 million euro), TERNA (net income of 285 million euro) and ITALGAS (net income of 123 million euro), less dividends for

[27] Including the effects of equity investments accounted for using the equity method.
[28] Company that owns the gas pipeline transporting Russian gas to Italy.

the period (523 million euro) attributable to CDP RETI S.p.A. and net of other consolidation effects (including the Purchase Price Allocation).

4.3 SECTOR PERFORMANCE

First of all, it should be noted that the operating segments have been determined, in line with the performance of the equity investment portfolio analysed, by the business sectors in which the Group operates, namely:

- transport, regasification, storage of gas and energy transition by the companies of the SNAM group;
- gas distribution by the companies of the ITALGAS group;
- dispatch and transmission of electricity by the companies of the TERNA group.

See section "VIII - OPERATING SEGMENTS" in the Notes to the consolidated financial statements for the reconciliation of the results of the CDP RETI Group's operating segments with the results of the Group.

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

4.3.1 SNAM (GAS TRANSPORT, REGASIFICATION AND STORAGE SECTOR AND ENERGY TRANSITION)

INTRODUCTION

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

(million of euros) Item	31/12/2022 Reported	31/12/2022 Adjusted (*)	31/12/2021 Reported	31/12/2021 Adjusted(*)
Total Revenue	3,515	3,515	3,297	3,297
Regulated Revenue	*2,719*	*2,719*	*2,869*	*2,869*
EBITDA	2,218	2,237	2,243	2,250
EBITDA margin	63%	64%	68%	68%
EBIT	1,328	1,364	1,423	1,430
EBIT margin	38%	39%	43%	43%
Net income	672	1,164	1,500	1,222
Net Income of the Group	671	1,163	1,496	1,218

(*) Values exclude special items

(million of euro)	31/12/2022	31/12/2021
Shareholders' Equity attributable to the parent company	7,468	7,203
Shareholders' equity including minority interests	7,524	7,240
Net financial debt	11,923	14,021
Net cash flow for the period	420	(1,707)
Technical investments	1,351	1,270

TOTAL REVENUES

Total revenues amounted to 3,515 million euro in 2022, up by 218 million euro (6.6%) on 2021 and include the variable amounts to cover the energy costs[29] (198 million euro; 311 million euro in 2021). Net of those amounts, total revenues came to 3,317 million euro, showing an increase of 331 million euro (11.1%). Growth was driven by higher revenues from the energy transition business (+325 million euro; +87.8%), boosted by growth in the energy efficiency segment. Revenues from the gas infrastructure business instead rose by 6 million euro, driven by the roll-out of planned investments and the

[29] Based on the provisions in the regulatory framework in force for the fifth regulatory period, since 1 January 2020, energy costs relating to the costs for the purchase of fuel gas, which were previously subject to contributions in kind by the shippers, to the expenses for the purchase of CO2 emission rights and to the consumption of electricity have been covered by the revenue from the variable fee charged to the users. In 2021, methods for measuring the value of the gas volumes required for the system to work became operational. As such, energy costs until 2021 were measured on the basis of market prices, whereas as of 2022 the costs are recognised on the basis of proposed tariff prices. The relative revenues covering the costs were recognised consistently with the recognition of the costs. The methods for the regulatory recognition of energy costs guarantee substantial neutrality at economic and financial level.

provision of “output-based” services, as well as positive one-off impacts. Lower WACC had an adverse impact on revenues of 130 million euro.

Revenues from the gas infrastructure business (2,622 million euro, net of energy costs) posted a slight rise on 2021 (+6 million euro, equal to 0.2%), specifically thanks to transport sector revenues.

Regulated revenues (2,521 million euro, net of energy costs) fell by 37 million euro, a drop of 1.4% on 2021. The reduction in the WACC (130 million euro, of which 102 million relating to transport) was partly offset by: (i) higher revenues connected with growth in the RAB (+58 million euro, including the effect of the lower “input-based" incentives); (ii) the higher volumes of gas transported (+9 million euro) due to the recovery in internal consumption and the growth in exports; (iii) the higher revenues from “output-based" services (+37 million euro, relating to transport and storage, for the flexibility services offered on short-term auctions). The year 2021 also benefited from the release of previous balance sheet items totalling 17 million euro.

Non-regulated revenues (101 million euro) recorded an increase of 43 million euro (74.1%) compared to 2021, driven by one-off income from the sale of inventories of owned gas.

Revenues from the energy transition business (695 million euro) rose by 325 million euro (87.8%) on 2021, reflecting the positive contribution of the energy efficiency segment (+268 million euro), which was driven in particular by the strong development of residential activities and biomethane (+57 million euro), due to the expansion of the corporate scope.

ADJUSTED EBIT

Adjusted EBIT for 2022 amounted to 1,364 million euro, down by 66 million euro (-4.6%) compared to the corresponding figure for 2021, due to the change in EBITDA and the higher amortisation and depreciation (-53 million euro, or 6.5%), mainly as a result of the entry into operation of new assets.

ADJUSTED NET INCOME

The group’s adjusted net income for 2022 amounted to 1,163 million euro, a drop of 55 million euro (4.5%) compared to the adjusted net income in 2021. The figure was driven down by lower EBIT, but also by higher financial expenses due to the higher average cost of gross debt, which rose from 0.8% in 2021 to 1.1% in 2022. The change in net income was also affected by the positive contribution of investee companies (+29 million euro, equal to 18.1%) – in particular, Interconnector Limited, which benefited from the growth in exports and export capacity fostered by current market conditions and by major supplies of liquefied natural gas in the United Kingdom, which have made prices more competitive.

RECONCILIATION OF ADJUSTED NET INCOME WITH THE REPORTED NET INCOME

Adjusted EBITDA, EBIT and net income are obtained by excluding special items from the respective reported result measures (from the statutory income statement), gross and net of related taxes respectively. The income components classified as special items in 2022 included:

i) an impairment of the equity investment held by Snam S.p.A. (84.47%) in the Austrian company TAG (340 million euro), the owner of the gas pipeline that transports Russian gas to Italy, due to the Russia-Ukraine conflict and the consequent changes in the macroeconomic framework;
ii) charges resulting from the fair value measurement of contractual prices applicable to the specific period 2023–2040 of the investee company ADNOC Gas Pipeline Assets (179 million euro), due to changes in market interest rates. In order to show the substance of the transaction and the effective return for ADNOC investors, the effect was normalised by using a constant interest rate for the life of the contract, set at the Internal Rate of Return (IRR) for investors at the acquisition date[30];
iii) the capital gain arising from the sale of Industrie De Nora S.p.A. shares for the purposes of the company’s IPO and other income connected with capital increases intended for the IPO, subscribed by the shareholders entering the company (totalling 72 million euro, net of ancillary charges and related taxes) – transactions which left Snam with a 25.79% equity investment in the company (35.63% before the IPO);
iv) an impairment of current and non-current assets (totalling 20 million euro, or 18 million euro net of related taxes) relating to the sustainable mobility business;
v) financial expenses arising from bonds repurchased under the liability management transaction implemented in January 2022 (17 million euro; 14 million euro net of the related tax effect);
vi) provisions for risks and charges (10 million euro; 8 million euro net of related taxes) allocated in relation to extraordinary events not representative of the normal course of business;

[30] Accordingly, it was found that for the company ADNOC Gas Pipeline Assets, the changes in the interest rates used to measure the contractual prices have no impact on returns for investors, as the changes: (i) do not alter the contribution that will be made to the statement of comprehensive income over the life of the contract; (ii) do not affect cash flow to shareholders, expressed in nominal currency terms over the life of the contract.

vii) severance pay to the outgoing Chief Executive Officer, following the termination of his engagement as Chief Executive Officer and General Manager of Snam S.p.A. (6 million euro; 5 million euro net of related taxes).

EQUITY

The increase in Equity pertaining to the Parent Company for the year (+284 million euro) was mainly due to: a) net income for the year of 672 million euro; and b) the conversion of convertible bonds for a total of 381 million euro. These positive effects were partially offset by the payment of the final dividends on the 2021 net income (527 million euro) and the 2022 interim dividend approved by the Board of Directors on 9 November 2022 (369 million euro).

NET FINANCIAL DEBT

Net financial debt amounted to 11,923 million euro at 31 December 2022 (against 14,021 million euro at 31 December 2021).

Positive cash flow from operating activities (4,109 million euro) – chiefly due to higher working capital connected with the natural gas balancing service, together with proceeds from the repayment of the loan held by OLT and the disposal of a part of Industrie De Nora – provided the full funding for technical investments and new equity investments and generated a free cash flow of 2,741 million euro. Net financial debt, including the equity cash flow (-866 million euro) resulting from the payment of the 2021 dividend to shareholders and non-cash changes (+223 million euro), relating mainly to the repayment of the convertible bond through the allocation of Snam shares in the portfolio, decreased by 2,098 million euro on 31 December 2021, to 11,923 million euro.

- Bonds (9,457 million euro) recorded an increase of 319 million euro compared to 31 December 2021, mainly following: (i) the issue of the fixed-rate dual-tranche Sustainability-Linked Bond for a nominal amount totalling 1,500 million euro; and (ii) the issue of the first fixed-rate EU Taxonomy-Aligned Transition Bond for a nominal amount totalling 300 million euro. The changes were partially offset by the repayment of three bonds, for a nominal amount totalling 1,130 million euro, and the repurchase of bonds on the market, for a nominal amount totalling 350 million euro.
- Loans from banks (2,860 million euro) recorded a decrease of 835 million euro, mainly due to: (i) the repayment of Term Loans for a nominal amount totalling 590 million euro; (ii) lower net drawdowns on uncommitted credit lines, for a total of 510 million euro. The changes were partially offset by the subscription of two new Term Loans for a nominal amount totalling 175 million euro, and by a new loan from the European Investment Bank (EIB) to fund energy efficiency projects, for a total of 110 million euro.
- The Euro Commercial Papers (ECP), valued at 1,128 million euro (2,503 million euro at 31 December 2021), concern unsecured short-term securities issued on the money market and placed with institutional investors.
- Payable to other lenders amounting totalling 202 million (2 million euros as of December 31, 2021) essentially refer to a Term Loan with a face value of 200 million euros to the parent company Cassa Depositi e Prestiti
- Cash and cash equivalents, totalling 1,757 million euro (1,337 million euro at 31 December 2021), related to current accounts and bank deposits held in euro (1,659 million euro) and the cash equivalents resulting from subsidiaries (97 million euro in total).

As at 31 December 2022, Snam had unused committed credit facilities totalling 5.9 billion euro.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments in 2022 rose to 98 million euro compared to 2021 (+45 million euro or +84.9% on 2021), referring primarily to:

- **energy efficiency investments** totalling 37 million euro, consisting primarily of: (i) engineering operations, support in the authorisation process and the construction of plants for industrial and tertiary sector customers (29 million euro); (ii) investments for the development of new IT infrastructure and the purchase of new application software (4 million euro); and (iii) work for Public Administration customers;
- **biomethane and biogas investments** totalling 40 million euro, chiefly targeting the creation of greenfield plants and the conversion of biogas plants to biomethane;
- **investments in decarbonisation projects** totalling 21 million euro, mainly for feasibility studies in the hydrogen segment.

DIVIDEND PROPOSED

The financial results for the year and the company's strong fundamentals enable a dividend of 0.2751 euro per share to be proposed to the Shareholders' Meeting, distributed through an interim dividend of 0.1100 euro per share, already paid out in January 2023 (369 million euro), and a final dividend of 0.1651 euro per share, to be paid out starting from 21 June 2023 (record date 20 June 2023), with the coupon date set for 19 June 2023. The proposed dividend is 5% higher than in

2021 and is in line with the dividend policy announced to markets, confirming Snam's commitment to offering shareholders attractive returns that are sustainable over time.

4.3.2 TERNA (DISPATCH AND TRANSMISSION OF ELECTRICITY SECTOR)

(million of euro) Item	31/12/2022	31/12/2021
Total revenue	2,964	2,605
- of which regulated	*(2,542)*	*(2,254)*
EBITDA	2,059	1,855
EBITDA margin	69%	71%
Operating profit (EBIT)	1,334	1,200
EBIT margin	45%	46%
Net income	858	791
Net income- of the Group	857	789

(million of euro)	31/12/2022	31/12/2021
Shareholders' Equity attributable to the parent company	6,142	4,682
Shareholders' equity including minority interests	6,169	4,713
Net financial debt (*) (**)	8,576	10,002
Net cash flow for the period	588	(1,122)
Technical investments	1,757	1,521

(*) It includes financial derivatives for 171.7 million euro (82.1 million in 2021).

(**) It includes the net financial debt of the assets held for sale -17.9 million in 2022 (161.8 million in 2021).

TOTAL REVENUES

In 2022, TERNA's total revenues (2,964.5 million euro) increased by 359.7 million euro (+13.8%) compared to 2021.

Revenues from Regulated Activities, net of construction revenues for activities under concession (+20.5 million euro), increased by 268.3 million euro, mainly attributable to the impact on tariff revenue of the greater output-based incentive mechanisms, and the increase in the regulated asset base for the period, net of the reduction in the WACC recognised for 2022.

The increase in revenues from Non-Regulated Activities, amounting to 70.5 million euro, mainly reflects the increase in revenues from Energy Solutions (+29.8 million euro), which benefited from the contribution of the LT group (acquired in October 2021) for 19.6 million euro and the greater contribution of the industrial sector of the Tamini group (+26.8 million euro) and the Brugg Cables group (+17.5 million euro).

Revenues from business abroad are included in "Net income from assets held for sale for the year", in application of the provisions of IFRS 5.

EBIT

The higher revenues (+359.7 million euro on 2021), in part offset by the increase in operating costs (905.3 million euro, +155.3 million euro compared to 2021) and the higher levels of depreciation, amortisation and impairment (725.7 million euro, +71.3 million euro compared to 2021, mainly due to the entry into service of new plants), resulted in an EBIT of 1,333.5 million euro, +133.1 million euro in absolute terms compared to 2021 (1,200.4 million euro) and with an EBIT margin of 45% (compared to 46% for 2021).

NET INCOME

Net income on continuing operations for the year reached 878.0 million euro, up by 74.4 million euro (+9.3%) on 803.6 million euro for 2021.

The Net income from assets held for sale for the year amounted to -20.3 million euro, a decrease of 7.5 million euro compared to the previous year, mainly due to greater losses and the adjustment of the value of net assets of discontinued operations and assets held for sale, partly offset by the capital gain deriving from the first and second closing for the sale of the LatAm portfolio to CDPQ, completed respectively in November and December 2022.

Therefore, net income for the year amounted to 857.7 million euro, compared to 790.8 million euro in 2021 (+8.5%).

EQUITY

The increase in total Equity during the year (+1,456.1 million euro) was mainly due to the net income for the year of 857.7 million euro and the positive change in the cash flow hedge reserve (+223.3 million euro) and the recognition of the hybrid green bond reserve of 989.0 million euro, mainly compensated by the 2022 interim dividend (213.3 million euro) and the distribution of the balance of the dividend relating to fiscal year 2021 (391.1 million euro).

NET FINANCIAL DEBT

At 31 December 2022, the group's net financial debt stood at 8,576.3 million euro, down by 1,426.2 million euro on 31 December 2021:

- a decrease in bonds of -1,187.8 million euro, mainly as a result of the redemption of a bond issue for 1,000 million euro taking place in February 2022;
- an increase in loans of 1,038.8 million euro mainly due to the draw-down of new loans, for a total of 1,800.0 million euro, net of the repayments of bank loans totalling 400.0 million euro and the repayments of existing EIB loans;
- a decrease in short-term loans (-1,502.9 million euro), essentially due to the repayment of the short-term credit lines by the parent company;
- an increase in the fair value of the derivatives portfolio (+90.1 million euro), mainly due to the change in the derivatives portfolio and the shift in the yield curve;
- an increase in other net financial liabilities (+12.2 million euro) essentially as a result of the recognition of the interest accrued on financial products;
- a decrease in financial assets of 711.7 million euro mainly as a result of the redemption of Italian government bonds in the portfolio, partly offset by further investments made in the period;
- an increase in cash and cash equivalents of +588.3 million euro. Cash and cash equivalents at 31 December 2022 amounted to 2,155.1 million euro, of which 1,527.9 million euro invested in short-term, highly-liquid deposits and 627.2 million euro relating to bank current accounts and cash.

TECHNICAL INVESTMENTS IN THE PERIOD

Total investments made by the Terna group in 2022 amounted to 1,756.8 million euro, a growth compared to 1,520.7 million euro of the previous year (+15.5%). The main projects in the period included: (i) synchronous condensers; (ii) the launch of the Tyrrhenian Link activities; (iii) the development of the optical fibre network with Open Fiber; (iv) the progress of the work sites for the Italy-France electricity interconnections.

DIVIDEND PROPOSED

The Parent Company TERNA S.p.A. posted net income for the year of 834.1 million euro, up by about 98.9 million euro compared to 2021. The Board of Directors will propose the following to the Shareholders' Meeting:

i) to cover of the interim dividend due as from 23 November 2022 for each ordinary share outstanding net of treasury shares in the portfolio at the record date of 22 November 2022 (213.2 million euro);

ii) 418.7 million euro to pay the final dividend to be distributed in the amount of 0.2083 euro for each of the 2,009,992,000 ordinary shares representing the share capital at the date of this meeting of the Board of Directors to be paid from 21 June 2023 with coupon date no. 38 on 19 June 2023. This amount does not include treasury shares held in the portfolio at the record date indicated above. The amount of the 2022 final dividend due on treasury shares held by the Company at the record date, equal to 911,501.85 euro, will be allocated to the "retained earnings" reserve;

iii) 202.2 million euro to be allocated to Retained Earnings.

4.3.3 ITALGAS (GAS DISTRIBUTION SECTOR)

(million of euro) Item	31/12/2022	31/12/2021
Total revenue (*)	1,556	1,371
- of which regulated	*1,314*	*1,295*
EBITDA	1,101	1,009
EBITDA margin	71%	74%
Operating profit (EBIT)	641	583
EBIT margin	41%	43%
Net income	436	383
Net income- of the Group	407	363

(*) The reclassified income statement shows total revenues and operating costs net of the impact of IFRIC 12 "Service concession agreements" (772.0 and 727.8 million euro respectively in 2021 and 2022), connection contributions (19.6 and 19.2 million euro respectively in 2021 and 2022) and other residual components (0.8 and 9.6 respectively in 2021 and 2022)

(million of euro)	31/12/2022	31/12/2021
Shareholders' Equity attributable to the parent company	2,108	1,891
Shareholders' equity including minority interests	2,391	2,142
Net financial debt	6,000	4,986
Net cash flow for the period	(940)	727
Technical investments	814	865

(*) It includes the derivatives for -52.5 million euro (5.9 million euro at 31 December 2021).

TOTAL REVENUES

Total revenues amounted to 1,555.9 million euro in 2022, up 185.1 million euro on the same period of 2021 (+13.5%), and consisted of regulated revenues from natural gas distribution (1,313.5 million euro) and miscellaneous revenues (242.4 million euro).

Gas distribution regulated revenues were up by 19.0 million euro on 2021 due to the increase in transportation revenues (+25.7 million euro), in part offset by the decrease in other gas distribution regulated revenues (-6.7 million euro).

The increase in **transportation revenues** (25.7 million euro) is mainly attributable to the effect of the consolidation of the DEPA Infrastructure group (50.3 million euro), the increase in the reference RAB (27.8 million euro), the deflator (5.9 million euro) and the contribution of the Sardinian networks (6.7 million euro), partially offset by the reduction in the WACC under Resolution no. 614/2021/R/com (-54.4 million euro), the change in the X-factor (-8.4 million euro) pursuant to Resolution 570/2019/R/gas as well as the effect of the sale of the Napoli 1 ATEM plants to another operator (-4.2 million euro).

The decrease in **other regulated revenues** (6.7 million euro) was mainly due to the lower contribution pursuant to Article 57 of ARERA Resolution No. 367/14, as amended and supplemented, regarding the replacement of traditional meters with electronic smart meters (2.0 million euro at 31 December 2022 and 13.9 million euro at 31 December 2021) and lower revenues for services to customers partially offset by higher incentives for leakage research (4.1 million euro) and revenues for suspension of gas supplies due to arrears (1.4 million euro).

Miscellaneous revenues amounted to 242.4 million euro at 31 December 2022 and are up by 166.1 million euro on the same period of 2021, mainly due to the increase in activities in the field of energy efficiency.

EBIT

EBIT for the period ended 31 December 2022 amounted to 641.4 million euro, up by 58.2 million euro on 31 December 2021 (+10.0%) due to higher revenues (185.1 million euro, +13.5%), operating costs (92.7 million euro, +25.6%) and depreciation and amortisation (34.2 million euro, +8.0%). The DEPA Infrastructure group, included in the scope of consolidation with effect from 1 September 2022, contributed 21.4 million euro to EBIT for the year.

Operating costs at 31 December 2022 amounted to 454.6 million euro, up by 92.7 million euro compared to 2021 (of which 20.8 million euro for including the DEPA Infrastructure group in the scope of consolidation), mainly due to higher net external costs of 85.2 million euro, essentially arising from activities related to energy efficiency, and net labour cost of 12.5 million euro, offset by lower net provisions for risks, other charges and Energy Efficiency Certificates of 0.8 million euro, as well as lower concession charges of 4.2 million euro.

Depreciation, amortisation and impairment (459.9 million euro) increased by 34.2 million euro (+8.0%) compared to 2021 mainly due to the investments made, the change in the consolidation area as a result of the inclusion of the DEPA Infrastructure group (9.2 million euro) and the acceleration relating to the medium/large-calibre meter replacement plan (4.7 million euro).

NET INCOME

Net income amounted to 436.1 million euro in 2022, up by 52.7 million euro (+13.7%) on 2021. The change was due to: (i) the afore-mentioned increase in operating profit (+58.2 million euro on 2021), (ii) lower net financial charges, down 4.1 million euro on the same period of 2021, mainly as a result of the charges recorded in 2021 relating to the bond buyback (-6.4 million euro), (iii) an increase in net income from equity investments (0.9 million euro), (iv) higher income taxes (10.5 million euro) compared to the previous year, essentially as a result of the higher net income for the period.

EQUITY

Group **equity** at 31 December 2022 (2,108.3 million euro) mainly consisted of the share capital (1,002.6 million euro), legal reserve (200.2 million euro), share premium account (624.4 million euro), retained earnings (496.0 million euro), net income for the year (407.3 million euro), consolidation reserve (-323.9 million euro), the reserve for business combinations under common control (-349.8 million euro), and other reserves.

The change in Group equity over the period (216.9 million euro) was mostly due to the net income for the period, partly offset by the distribution of the 2021 ordinary dividend (253.1 million euro), as resolved by the ordinary Shareholders' Meeting of ITALGAS S.p.A. on 26 April 2022.

NET FINANCIAL DEBT

At 31 December 2022, **net financial debt**, excluding the effects deriving from financial payables pursuant to IFRS 16 of 72.0 million euro (70.0 million euro in the same period of 2021) and from the portion of the Italgas Newco shareholder loan, amounted to 5,928.1 million euro, up by 1,012.2 million euro on 31 December 2021 (4,915.9 million euro). Including the effects of the application of IFRS 16 and the portion of the Italgas Newco shareholder loan, net financial debt stood at 6,034.9 million euro (4,985.9 million euro at the end of 2021).

Gross financial and bond payables, amounting to 6,510.8 million euro at 31 December 2022 (6,376.9 million euro at 31 December 2021) referred to bonds (4,483.7 million euro), loan agreements drawn on European Investment Bank (EIB) funds (953.6 million euro), amounts due to banks (1,001.5 million euro) and IFRS 16 payables (72.0 million euro).

Cash and cash equivalents, amounting to 451.9 million euro, decreased by 939.9 million euro compared to 31 December 2021 for use in M&A transactions for the period.

Fixed-rate financial liabilities amounted to 5,905.8 million euro and consisted mainly of bonds (4,483.7 million euro), four EIB loans (846.1 million euro), bank loans (504.0 million euro) and financial liabilities pursuant to IFRS 16 (72.0 million euro).

Variable-rate financial liabilities amounted to 605.0 million euro, an increase of 139.0 million euro compared to 31 December 2021 following the consolidation of bank loans subscribed by DEPA Infrastructure group companies (245.0 million euro), partially offset by a lower use of bank lines by Italgas S.p.A..

Except for the EIB loan for a nominal amount of 90 million euro taken out by Toscana Energia and some loans entered in by DEPA Infrastructure subsidiary companies prior to the acquisition, as at 31 December 2022 there are no financing contracts containing financial covenants and/or backed by collateral.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2022, these commitments had been met.

TECHNICAL INVESTMENTS IN THE PERIOD

Technical investments amounted to 814.3 million euro in 2022 (865.1 million euro in the same period of 2021), of which 26.0 million euro relating to investments accounted for in accordance with IFRS 16.

Distribution investments (712.8 million euro, 0.8% compared to 2021), which resulted in the laying of a further 532 km of pipes (732 km in 2021), were driven by network development, maintenance and repurposing. The decrease compared to 2021, partially offset by the inclusion in the scope of consolidation of the Greek companies, resulted from the reduced construction of new networks, mainly due to the progressive completion of the project for the creation of a natural gas infrastructure in Sardinia, where a further 12 km of new network were built, bringing the total of networks laid to 909 km.

Moreover, 13 LNG storage facilities were installed with a total of 66 units in service. The companies controlled by DEPA Infrastructure invested 26.9 million euro, of which 3.7 million euro to construct new networks.

Digitisation investments (190.9 million euro, +30.2%) referred to the installation of digital devices for data acquisition for the control and monitoring of the distribution network and installations.

Metering investments (43.3 million euro, -43.4% compared to 2021, of which 1.9 were made in Greece for 7 thousand units) were affected by the coming completion of the replacement plan of traditional meters in Italy pursuant to ARERA Resolution no. 631/2013/R/gas, as amended and supplemented. During 2022, the Company installed 372 thousand new meters in Italy, of which 89 thousand to replace traditional G4/G6 meters, 269 thousand to restore smart meters with malfunctions and 14 thousand to replace large-calibre meters. As of December 31, 2022[31], the plan to replace traditional meters with smart meters has reached a total of 7.6 million smart meters installed (93.0% of the total meter fleet and substantially all of the active meters). At 31 December 2022, smart meters installed by the Depa Infrastructure group amounted to 41 thousand units.

DIVIDEND PROPOSED

The Board of Directors will propose to the Shareholders' Meeting the distribution of an ordinary 2022 dividend of 0.317 euro per share (0.295 euro in 2021, +7.5%), to be paid from 24 May 2023.

4.4 CONSOLIDATED NET FINANCIAL DEBT

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

(million of euro)

Items	31/12/2022	31/12/2021
A. Cash	2,669	2,530
B. Cash equivalent	1,861	1,856
C. Other current financial assets	261	981
D. Liquidity (A)+(B)+(C)	**4,791**	**5,367**
E. Current financial debt (including debt instruments, but excluding current portion of non-current financial debt)	2,067	5,449
F. Current portion of non-current financial debt	3,334	4,512
of which IFRS 16	43	31
G. Current financial indebtedness (E + F)	**5,401**	**9,961**
H. Net current financial indebtedness (G - D)	**610**	**4,594**
I. Non-current financial debt (excluding current portion and debt instruments)	8,453	6,595
of which IFRS 16	127	93
J. Debt instruments	18,954	19,337
K. Non-current trade and other payables		
L. Non-current financial indebtedness (I + J + K)	**27,407**	**25,932**
M. Total financial indebtedness in accordance to ESMA Guidance (H + L) (*)	**28,017**	**30,526**

(*) Including net financial debt of assets held for sale attributable to TERNA; for further details, refer to the segment performance in the consolidated management report.

The **Consolidated Net Financial Debt (NFD)**, inclusive of the effects of the application of IFRS 16, amounted to 28,017 million euro (30,526 million euro at 31 December 2021).

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

[31] Considering also the investee companies, over which Italgas does not exercise control, 406 thousand of new meters were installed during the period, bringing the total number of smart meters installed to 7.7 million as of December 31, 2022 (92.5% of the total meter fleet and substantially all active meters).
[32] European Securities and Markets Authority.

5. BUSINESS OUTLOOK

The constant monitoring of the more efficient financial structure of the Parent Company has been confirmed for 2023, with a view to optimising said structure in terms of duration and interest rate exposure.

In this regard, considering the maturity of the Bridge Loan scheduled for 25 May 2023 (subject to the possibility of extending its duration for a further 6 months), during 2023 the Company will carry out, in coordination with the competent CDP structures, the necessary assessments and in-depth studies in order to identify the best strategy for refinancing the amount still outstanding under the Bridge Loan, currently equal to 252.9 million euro.

From an operational standpoint, in the first half of 2023 the subsidiaries are expected to distribute the balance of the 2022 profit[33], which will among other things offset the payment of the 2022 balance to the shareholders of CDP RETI, as well as the financial charges associated with the bond issue and existing loans.

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

- **Assets** estimated to remain constant, mainly comprising the equity investments in Snam (3.1 billion euro), Terna (1.3 billion euro) and Italgas (0.6 billion euro). The value of the equity investments is expected to be constant (about 5 billion), in the absence of information, to date, that can make it considered non-recoverable[34]. No new investments/disinvestments are envisaged;
- Unvaried estimated **liabilities** composed mainly of financial debt (at 31 December 2022 referable for 0.9 billion euro to the Term Loan, for 0.5 billion euro to the 2022 Bond, for 0.3 billion euro to the Bridge Loan). In this regard, it is worth noting that, with a view to completing the refinancing of the residual value of the Bridge Loan, a substantial alignment of the net financial debt is expected with respect to the figure at the end of 2022.
- **Equity** estimated to be substantially stable;
- **Income statement**: performance of the net profit mainly linked to the expected growth of both the dividends expected by the investee companies and the interest expense following the aforementioned refinancing.

Although the Company is not currently in a position to determine with absolute reliability the impacts related to the evolution of the current context, characterised by the residual effects of the COVID-19 pandemic, geopolitical tensions and the deterioration of the macroeconomic scenario on the targets for 2023 and subsequent years, currently available information does not indicate any significant impact on the strategy and objectives of the Company, on its ability to distribute dividends to Shareholders, nor on the Net Financial Position or cash-flow, or more generally on liquidity risk. There are currently no distressed conditions affecting debt or equity (nor are they reasonably foreseeable) or a financial situation of the Company that would require support from the Shareholders. Notwithstanding the above, it is not possible to completely rule out that the possible continuation of the aforementioned context could have adverse effects on CDP RETI, which at present cannot be estimated based on the information available. Any additional future impacts on the Group's economic/financial performance and financial position, as well as on the business development plans, will be assessed in light of the evolution and duration of the current context.

Please refer to section "I.1.5. Other issues" of the consolidated financial statements for a more detailed description of the Russia-Ukraine conflict and the macroeconomic scenario.

In a scenario of great uncertainty and volatility, **SNAM** guaranteed all its support to tackle the energy crisis, building a solid groundwork for the necessary measures action to be taken to create a more resilient energy system. Specifically:

- investments in gas infrastructure channelled along the entire value chain:
  - the acquisition and operational start-up of two floating storage and regasification units (FSRUs) (off Piombino and Ravenna)
  - work targeted at the progressive expansion and optimisation of the storage system
  - activities for the development of small-scale mid-stream LNG and the expansion of the network of LNG/bio-LNG stations (and, looking forward, hydrogen);

[33] Moreover, with regard to dividends received, on 25 January 2023, SNAM's 2022 interim dividend of about 116 million was collected.
[34] It is worth noting in this regard that, in overall terms, the CDP RETI Group's core business is represented by the activities conducted by the subsidiaries (SNAM, TERNA and ITALGAS) under a regulated regime. There are currently no impairment losses, given that the listed prices for investee companies at 31 December 2022 are showing significant gains in relation to the amounts accounted for in the Company's financial statements.

- the development of green gases (hydrogen and biomethane) and contributions to the decarbonisation of consumption through the adoption of energy efficiency measures and the implementation of carbon capture and storage (CCS) technology;
- the digitisation and optimisation of industrial assets and processes.

Looking forward to the year underway, the economic performance is expected to benefit from higher revenues connected with the RAB growth, thanks to investments made, from the broader scope of activities with the commissioning the new FSRU, from higher revenues from "output-based" services, tied also to incentives on fully-depreciated assets, and from the performance of the energy transition business. Rising interest rates, on the other hand, will have an impact on financial charges.

In this framework, the key levers for the future will be:

- greater diversification in funding sources and financial instruments;
- the use of more flexible debt instruments, building on the strong, long-term relationship enjoyed with major national and international banks, continuing the strategy successfully pursued in 2022.

In the medium and long term, the Italian tariff system offers a natural hedging of risks, through the periodic review of the cost of capital recognised.

As concerns our foreign investee companies, it shall be noticed that on 10 January 2023, a deal was closed for the acquisition of a 49.9% equity investment in the newly incorporated SeaCorridor, a company operating in the southern corridor connecting the border between Algeria and Tunisia with Mazara del Vallo, consisting of the TTPC and TMPC gas pipelines. The integration of the equity investment will help rebalance the asset portfolio, given the changed situation with Russian gas supply through the TAG pipeline.

With reference to the Russia-Ukraine conflict, it should be noted that Snam is not active in the Russian market and does not hold any equity investments in Russian companies, not even in joint-ventures. In 2022, Russian gas supply to Europe was drastically cut. Continued uncertainty and fears over further possible implications on the supply side have continued to drive gas prices up significantly. TAG (a jointly-controlled company) and GCA (an associate company) are the foreign investee companies with the greatest exposure to Russian gas supplies through their gas transport contracts. Thanks to long-term contracts in place, neither of the companies suffered any major impact on their financial performance in 2022. Nevertheless, in 2023 TAG will be exposed to greater volatility in its performance, due to the uncertainty of gas transit from the north towards Italy, which is expected to fall below historical transit levels, although it will in part be offset by higher volumes booked flowing from Italy to Austria.

Due to this changed scenario, which is expected to become structural, impairment testing in 2022 led to the recognition of an impairment loss on Snam's equity investment in TAG, with the consequent write-down of its book value.

The impairment loss reflects expectations of the future use of the assets, which will nevertheless remain strategic European assets, supporting new gas flows from the south.

As such, the following targets for 2023 are confirmed:

- investments totalling 2.1 billion euro (of which 1.9 billion euro in gas infrastructure and 0.2 billion euro in the energy transition segment), up by 9% on 2021;
- net income of approximately 1.1 billion euro
- a tariff RAB of approximately 22.4 billion euro, up by 5% on 2022.

Even considering the investment expenditure planned, debt is expected to remain between 15.0 billion and 15.5 billion euro at the end of 2023, given the trend in regulated working capital.

With reference to carbon neutrality targets, in 2022 Snam started up various initiatives, including a reduction in methane emissions and a commitment to staying on target in reducing Scope 3 emissions. In this regard, around 30% of contracts were awarded through tender processes using environmental, social and governance (ESG) criteria, and the majority of foreign investee companies have already set decarbonisation targets. The commitment to achieving the target of carbon neutrality by 2040 remains firm, even in such an extremely challenging scenario, shaped by major transformations in our industrial structure and changes to gas transport flows in the country.

2023 will see the **TERNA** group continue to focus on delivering on the updated "Driving Energy" 2021-2025 and in the recently unveiled Development Plan 2023-2032 - which calls for more than 21 billion in investments over the next ten years - despite the highly volatile macroeconomic environment, marked by high global inflation, slowing economic growth, a tightening of monetary policies by central banks and rapidly rising interest rates, in addition to the geopolitical problems resulting from the prolonged conflict between Russia and Ukraine and continued tensions in the commodity markets, which are having a negative impact on the recovery from the Covid-19 pandemic.

The sharp acceleration in expenditure on Regulated Activities will continue with the goal of enabling the energy transition, facilitating the development and integration of renewable sources and making a major contribution to achieving the ambitious goals set out in the Green Deal, which aims to transform the European Union into a carbon-free economy by 2050, with an intermediate target of cutting emissions by approximately 55% by 2030 compared with 1990 levels.

In terms of the Terna group's most important investment projects, work is progressing on the Tyrrhenian Link, with consent for the East Link, due to connect Campania with Sicily, already received in 2022 and the consents process for West Link, connecting Sicily and Sardinia, formally initiated. This latter consent is expected to be received by the end of 2023. At the end of 2022, the consents process for the Adriatic Link, the new submarine cable that will connect the Abruzzo and Marche regions, was launched. The principal NTG assets due to enter service in 2023 include the interconnection with France and the submarine connection between Elba and the mainland.

Work on the reorganisation of electricity grids in metropolitan areas will also continue during the year, primarily involving the renewal of existing infrastructure with new technologically advanced connections meeting the highest standards in terms of environmental sustainability.

In terms of the Security Plan, work will continue on the planned installation of grid components supporting the regulation of short-circuit voltage and power in areas of the country characterised by a high level of production from renewable sources and a significant reduction in traditional production.

Finally, the Group will continue to make progress towards meeting the objectives provided for in the output-based incentive mechanisms drawn up by ARERA. These primarily regard additional transmission capacity between market areas (interzonal incentives) and reductions in dispatching costs (DSM incentives).

With regard to Non-regulated Activities, the Terna group will continue to consolidate its role as a provider of both connectivity, through the offer of housing and hosting services for fibre infrastructure, including in the form of partnerships, and energy solutions, developing high value-added services for corporate customers and exploiting market opportunities for traditional and renewable customers. This will include exploitation of the LT Group's know-how, following completion of its integration with Terna in 2022.

In the industrial segment, the aim is to build on Tamini's performance and, with regard to Brugg, take full advantage of its distinctive expertise in terrestrial cables and of synergies with the Terna group's other businesses.

In terms of International Activities, the strategic assessment of further opportunities in overseas markets, focusing above all on the US market, will continue. This may take the form of partnerships and will involve the careful selection of projects with a view to ensuring a low risk profile and avoiding the need to tie up large amounts of capital. In addition, as regards the assets being sold, the process of selling the Peruvian assets will continue, with a sale expected to be completed in the first quarter of 2023, whilst work on the construction of the Linha Verde I power line in Brazil will continue.

In line with the approach adopted in 2022, the Terna group will focus on stepping up investment in innovation and digital solutions to continue the transformation that will enable it to manage the growing complexity of the electricity system. In addition, the Terna group's activities will focus on people development and the insourcing of strategic competencies, the strengthening of departments and optimising the working environment through the widespread adoption throughout the organisation of the best practices resulting from the NexTerna project.

Management of the Terna group's business will continue to be based on a sustainable approach and respect for the ESGs, ensuring that it is able to minimise the environmental impact, involve local stakeholders and meet the need for integrity, responsibility and transparency.

Partly thanks to the above initiatives, including above all those designed to further increase the efficiency of the electricity system, Terna expects revenue for 2023 to be €3.11 billion, EBITDA to be € 2.12 billion and an EPS of €0.43. With specific reference to the Investment Plan, due to total €10 billion over the five years from 2021 to 2025, the Terna group has targeted capital expenditure of approximately €2.2 billion in 2023. The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation necessary ensure a sound, balanced financial structure.

In line with the provisions of the 2022-2028 Strategic Plan, **ITALGAS** will continue to pursue its objectives mainly aimed at (i) the continuation of the digital transformation, repurposing and extension of the network programme, to provide the country with state-of-the-art infrastructure capable of receiving and distributing renewable gases such as biomethane and green hydrogen; (ii) consolidation in the energy efficiency sector with the aim of becoming one of the main operators in the sector; (iii) new opportunities for external growth through ATEM tenders, M&As in the gas distribution, water and energy efficiency sectors, as well as, following the completion of the purchase of the DEPA Infrastructure group, the development of the Greek market.

Russia-Ukraine Conflict

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

Italgas confirms that it does not have any production activities or employees located in Russia, Ukraine or in countries geo-politically aligned with Russia, nor does it have any commercial and/or financial relationships with these countries. Italgas continues not to detect any materially relevant restrictions on executing financial transactions through the banking system, also as a result of Russia's exclusion from the international SWIFT payment system. However, in a market already featuring restrictions and slowdowns in the supply chain, especially regarding components, it cannot be ruled out that the political and economic tension caused by the conflict could exacerbate these difficulties and affect, in a way that cannot yet be estimated or predicted, the efficiency and timeliness of the group's procurement ability.

In particular, following a survey of a significant part of its suppliers carried out in the months following the start of the conflict, it was revealed that none of the suppliers surveyed mentioned impacts with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin, for which initiatives have been taken to seek alternatives.

All the suppliers surveyed confirmed that they had put in place measures to prevent the effects of any cyber attacks. Monitoring in the following months did not highlight any critical issues resulting from the conflict.

It should also be noted that most of the processes managed by the suppliers surveyed can be classified as energy-intensive.

As previously highlighted, the survey confirmed the growing critical importance of the supply of electronics and components related to steel, in terms of prices, delivery terms and availability. The subsequent increase in utility costs is creating price tensions; at the moment there are no significant production critical issues in the energy/commodities markets.

With reference to the tensions in the financial markets, Italgas continues to be only marginally exposed to the exchange rate risk and, in any case, only to the US dollar.

As regards the availability of funding sources and the related costs, please note that i) more than 90% of Italgas' financial debt is at fixed rate; ii) the next repayment of a bond is due for 2024, so there are no short-term refinancing needs; iii) in any case, the group has funds deposited at leading banking institutions for an amount, at 31 December 2022, equal to 451.9 million euro which, also in light of the existing investment plans and the transactions envisaged in the short term, would make it possible to manage, without significant material effects, any restrictions on accessing credit.

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

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

Finally, taking into consideration the natural gas distribution service in Greece and in light of the scenarios indicated above, the group has not detected and does not currently estimate any significant adverse repercussions on receipts expected from gas sales companies on the financial balance of the group as well as regular payments by counterparties.

6. SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022

For an analysis of the macroeconomic framework and risks, see the section “Events subsequent to the reporting date” in the notes to the consolidated and separate financial statements as at 31 December 2022 of, respectively, the CDP RETI Group and CDP RETI S.p.A.

Below are major other events regarding each company.

CDP RETI

With regard to the Parent Company, the main events that occurred after the end of the financial year included the collection on 25 January 2023 of SNAM's 2022 interim dividend of about 116 million.

SNAM

With reference to the significant events that occurred after the end of the financial year, it should be noted that on 10 January 2023, Snam S.p.A. completed the purchase of 49.9% of the equity investments held (directly and indirectly) by Eni in the companies that manage the two groups of international gas pipelines that connect Algeria to Italy, in particular, the onshore gas pipelines that extend from the border between Algeria and Tunisia to the Tunisian coast (the so-called TTPC gas pipeline) and the offshore gas pipelines that connect the Tunisian coast to Italy (the so-called TMPC gas pipeline).

These equity investments were transferred by Eni to a newly incorporated Italian company (SeaCorridor S.r.l.), of which Snam acquired 49.9% of the share capital while the remaining 50.1% continues to be held by Eni. Eni and Snam exercise joint control over SeaCorridor S.r.l., based on the principles of equal governance.

The consideration paid at closing by Snam to Eni in relation to the transaction was approximately 405 million euro; the sale and purchase agreement relating to the transaction, signed between Eni and Snam on 27 November 2021, also provides for an earn-in and earn-out mechanism to be calculated on the basis of the revenues that will be generated by the investee companies.

The transaction allows Eni and Snam expertise to be enhanced in a synergistic way on a strategic route for the security of natural gas supplies in Italy, favouring potential development initiatives in the hydrogen value chain also thanks to the natural resources of North Africa.

On 16 February 2023, Decree-Law no. 11/2023 was issued, which, with Article 2, made important amendments to the interventions referred to in Article 121, paragraph 2, of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020 (so-called "Relaunch Decree"). In particular, the exercise of the options set forth in Article 121, paragraph 1, letters a) and b) of the same Decree-Law was denied in relation to the transfer of tax credit or the invoice discount for those works listed in paragraph 2 of the same Article. The Group is concluding the assessment of the possible scenarios, but there are no impacts on the closed year and on the worksites in progress.

TERNA

Two new underground cable lines authorised in Salerno

On 4 January 2023, the Ministry of the Environment and Energy Security authorised the Terna project, which involves the construction of two new 220 kV underground cable power lines that will connect the Salerno Porto Primary Power Station to the Salerno Nord Primary Power Station. An investment of about 24 million euro is envisaged for this work, which has also obtained a green light from the Campania Region. Terna will build two fully underground cable lines of over 5 km each. The new power lines will initially travel side by side along the existing road network. Subsequently, the path will change but then return side by side up to the entrance of the Porta Ovest tunnel, envisaged by the project of the Port Authority of Salerno, with cables running through up to the Primary Power Station of Salerno Porto. The Company will use underground cables with XLPE insulation, a highly efficient and sustainable technology. This intervention is aimed at adapting the energy infrastructures for development of the city of Salerno, also favouring the process of decarbonisation of the port area.

Asset purchased in South Tyrol for approximately 14 million euro

On **5 January 2023**, Terna signed an **agreement for the acquisition of 100% of the capital of Edyna Transmission Srl**, a company of the Alperia group dedicated to the transmission sector and owner of 34 km of high-voltage power lines and 2 power stations in South Tyrol, already part of the national transmission grid, for a total value of approximately 14 million euro. The agreement is subject to the fulfilment of certain conditions precedent. The transaction is part of the Terna group's strategy to unify the national electricity transmission infrastructure, consolidating portions of the high-voltage network owned by local utilities, with the aim of further increasing network efficiency and reliability.

New underground connection authorised between Livigno and Premadio in the province of Sondrio

On **5 January 2023**, the **Livigno – Premadio electricity connection** envisaged by Terna in the province of Sondrio was **authorised** by decree of the Ministry of the Environment and Energy Security. Terna will invest 65 million euro in this project, which is one of the biggest projects planned by the company to increase energy reliability in the venues of the Milan – Cortina 2026 Winter Olympic and Paralympic Games. The new infrastructure provides for the construction of a power line, consisting of two underground cable power lines, between the primary power station of Livigno, owned by the local distributor, and the Terna electrical substation located in Premadio, in the municipality of Valdidentro. The lines will cover almost entirely the same route, with a total length of about 20 km, partly along State Road No. 301 at over 1,500 metres above sea level. The intervention will ensure increased meshing of the electricity grid in the area, also increasing the resilience of the energy transmission system in areas strongly affected by extreme weather events in recent years. All the preparatory activities to kick off works in the construction sites, scheduled for 2023, will be launched shortly, with the aim of completing and putting the connection into operation by the second half of 2025, in time for the start of the Games.

105 million euro in investments for the underwater electricity connection between Sicily and Calabria

On **10 January 2023**, the Ministry of the Environment and Energy Security **initiated the authorisation procedure for** Terna's new electrical infrastructure called **"Bolano-Annunziata"** that will connect Sicily to Calabria. To carry out this project, considered strategic for the entire Italian electricity system, the company will invest 105 million euro. The 380 kV alternating current infrastructure, included in Terna's ten-year Development Plan for the Italian transmission grid, will allow the electricity exchange capacity between the island and the mainland to increase up to 2,000 MW, benefiting the development of renewable sources envisaged for Southern Italy. In addition, it will improve the meshing of the grid and the flexibility of operation, making the electrical systems in Southern Italy and Sicily even safer. The works will comprise several interventions. The main one will consist of the installation of an underwater electrical cable about 7.5 km long to connect the power stations of Bolano, in the province of Reggio Calabria, and Annunziata, in the province of Messina. This power line will also be equipped with a fiber optic connection for data transmission. In addition, Terna will build two underground power lines: the first, about 3 km long, starting from the Sicilian coast up to the Annunziata station; the second, about 500 meters long, running from the Calabrian coast up to the Bolano station. The latter will also undergo a technical adaptation by Terna, with the construction of a new 380 kV section installed within a newly constructed building. The entire adaptation will take place in areas adjacent to the current facility and will affect the municipalities of Reggio Calabria and Villa San Giovanni.

Rationalisation of the electricity grid between Dolo (VE) and Camin (PD) authorised

On 11 January 2023, by decree of the Ministry of the Environment and Energy Security, the Terna project for rationalisation of the electricity grid between Dolo (Venice) and Camin (Padua) was authorised, aimed at improving reliability, quality of service and efficiency of the electricity grid in the area. Terna has budgeted an investment of 130 million euro for the construction of a new 380 kV underground power line running 16.5 km and the demolition of 32 km of existing overhead power lines. The new connection will allow 123 pylons to be dismantled and will free up about 95 hectares of land. The municipalities involved in the project are Dolo, Camponogara, Stra, Fossò and Vigonovo in the province of Venice, and the municipalities of Padua and Saonara in the province of Padua, the latter impacted only by the removal works. The new underground cable connection will facilitate the safe management of energy exchanges between the areas of Venice and Padua and will increase the resilience of the North-East grid, which is increasingly exposed to the effects of extreme weather events, in particular heavy snowfall and wind gusts. The work will also make it possible to reduce network leaks, consequently increasing the efficiency of the energy transmission service. The operation, which is part of the broader rationalisation of the high voltage grid in the areas of Venice and Padua, is one of the regional electricity grid development works envisaged by the Memorandum of Understanding signed by Terna and the Veneto Region in 2019 and the result of numerous meetings and inspections with the Region and municipalities involved, aimed at identifying shared solutions and defining the specific route.

New works with over 2.5 billion in investments authorised in 2022

On 12 January 2023, Terna reached a new historical record: in 2022, 29 projects were authorised by the Ministry of the Environment and Energy Security and the Regional Councils, for a total value of over 2.5 billion euro in investments, aimed at developing the national electricity grid. After surpassing one billion euro in authorised investments in 2021 for the first time in history, the Company recorded a new record in 2022, more than doubling the figure of the previous year, essentially tenfold the value of 2020 (266 million euro). The most important contribution to the achievement of this result comes from the go-ahead for the eastern branch of the Tyrrhenian Link, the section of the underwater power line that will connect Campania and Sicily, worth over 1.9 billion euro. Lombardy, with seven authorised interventions out of the total of 29 decrees issued (24 by the Ministry of the Environment and Energy Security and 5 by Regional Councils), is the Region with the highest number of new works, for about 130 million euro. It is followed by Campania with five interventions, Sicily and the Autonomous Province of Bolzano with four. Eight new Power Stations were also authorised, including two for converting the Tyrrhenian Link. After the record-breaking underwater cable, which will be fully operational by 2028, the most economically significant intervention authorised in 2022 was the Dolo-Camin power line, to be installed between the provinces of Venice and Padua. The line, 16.5 km of underground cable at 380 kV, will allow the demolition of almost 32 km of overhead power lines involving seven municipalities. Subsequently, by value of investment: works for over 70 million euro envisaged in the southern quadrant of the Metropolitan City of Rome, with three new underground cable lines for over 30 km in total and a new Electrical Substation, and the 65 million euro Livigno-Premadio connection, fundamental to increase the reliability of the power supply and the resilience of the Lombardy network in view of the 2026 Milan-Cortina Winter Olympic and Paralympic Games.

New Roma Est – Enea Frascati cable connection authorised

On **20 January 2023**, the Ministry of the Environment and Energy Security **issued the decree authorising the Terna Roma Est - ENEA Frascati project**, for which the Company will invest over 70 million euro. The project involves the construction of a series of works in the eastern quadrant of the Metropolitan City of Rome necessary to meet the connection demand from ENEA. In fact, the National Agency for New Technologies, Energy and Sustainable Economic Development submitted to Terna a request to modify the connection to the national transmission grid in order to power a consumption plant located in the Frascati Research Centre (RM), required for realisation of the Divertor Tokamak Test, an experimental machine aimed at the production of renewable, safe and unlimited energy. In particular, the series of authorised interventions envisage the construction of three new 150 kV power lines in a fully underground cable for a total of about 40 km. For the three lines, Terna will use cables with XLPE insulation, a highly reliable, efficient and sustainable technology. The route of the future connections will almost entirely cover the existing road network. To guarantee the power and supply required by ENEA, Terna will also build a new 150 kV sorting Electrical Substation in the Municipality of Frascati, and will adapt the existing Roma Est station in the Municipality of Gallicano in Lazio. Once the works envisaged by the project are completed, the existing 150 kV "ENEA Frascati RM - ENEA Frascati UT" overhead power line of about 300 metres will be demolished.

Launch of authorisation process for a new cable power line in Messina

On 25 January 2023, with publication of the parcels of land relating to the areas potentially affected by the works, Terna announced the start of the authorisation process for the new 150 kV power line that will connect the Messina Nord and Messina Riviera Primary Power Stations. The project, for which the Company will invest approximately 20 million euro, involves the construction of a fully underground cable connection of over 10 km. The route will almost entirely affect the existing road network. Terna will use state-of-the-art cables with XLPE insulation, a particularly reliable and sustainable technology. The intervention will increase meshing of the 150 kV line between the power stations of Sorgente and Villafranca, characterised by the presence of four Primary Power Stations for a total load of about 60 MW in peak periods, when there is a significant tourist presence on the coast. Once authorisation has been obtained, Terna will start the executive design phase and construction of the power line that will enter into operation after about 24 months.

Terna, Reware and Legambiente Sicilia: computer lab and linguistic lab inaugurated at the Associazione San Giovanni Apostolo at the former CEP

On **30 January 2023**, thanks to the donation of 40 computers by Terna as part of the **Terna-Reuse project: Community circular computers**, in collaboration with Cooperativa Reware and Legambiente Sicilia, **two laboratories - one computer and one linguistic - were inaugurated today at the Associazione San Giovanni Apostolo at the former Centro Edilizia Popolare (CEP) in Palermo**. The ceremony was attended by local administrator Maria Antonietta Sidoni, Head of the Sicily Transmission District of Terna, together with representatives of Cooperativa Reware, Giuseppe Alfieri and Vanessa Rosano, respectively chairman and director of Legambiente Sicilia, Associazione Libera, the local Carabinieri police force and several schools and associations benefiting from the donation. In particular, the two laboratories will be located respectively in a meeting centre managed by the Associazione San Giovanni Apostolo, which for 20 years has been working for the integration of the various components of social fabrics and resolving marginalisation through education, and in the Istituto Comprensivo Statale Giuliana Saladino.

Over 100 million euro in investments for the Brianza electricity grid

On 31 January 2023 the Ministry of the Environment and Energy Security initiated the authorisation procedure for the project to rationalise the high-voltage electricity grid in the Western portion of the Brianza area, in which Terna will invest a total of over 100 million euro. The reorganisation, which will affect the municipalities of Seveso, Barlassina, Cesano Maderno, Cogliate and Ceriano Laghetto in the province of Monza Brianza, will permit an increase in the efficiency of the area's electricity transmission service and, thanks to the improved meshing of the local grid, guarantee greater continuity and operating safety. The company will construct approximately 13 km of new underground cable lines and demolish 7.3 km of existing overhead power lines, concentrated mainly in densely urbanised areas in the municipalities of Seveso and Cesano Maderno. The plan of new works will permit the removal of 18 pylons and will free up about 30 hectares of land. In addition, Terna will build 2 new power stations in the municipalities of Barlassina and Cesano Maderno: these facilities will be integrated into the landscape, to protect the surrounding area, thanks to environmental mitigation interventions with green works.

Terna confirmed in Bloomberg's Gender Equality Index (GEI)

On **31 January 2023**, **Terna** was confirmed as one of the most inclusive companies in the world. Indeed, the Company was **included for the fifth consecutive year in Bloomberg's Gender Equality Index (GEI)**, the international index that measures corporate performance on issues of gender equality and inclusion, as well as the quality and transparency of their public reporting. Terna is one of only 484 Italian companies operating in 45 countries and in 11 different market sectors, selected from among over 11,700 companies, that are included in this year's final index. In detail, the 2022 GEI score, which Bloomberg uses to evaluate the Gender Equality policies of companies, has seen an improvement for Terna this year compared to 2021, with a result higher than both the overall average of the companies included in the index and that of the companies in the Utilities sector. The increase in the score is due, in particular, to the performance recorded by the national electricity grid operator in the key pillars "Inclusive Culture", "Pro-women brand" and "Female leadership & talent pipeline". Even in the "Disclosure", a decisive aspect for the overall assessment, Terna once again obtained the maximum score, confirming the Company's commitment to transparency and quality of reporting, distinctive features of the ESG policies carried out by the group and represented in its Integrated Report.

Authorisation procedure launched for the Adriatic Link, the new underwater cable between Abruzzo and Marche

On 1 February 2023, the Ministry of the Environment and Energy Security launched the authorisation procedure for the construction of the Adriatic Link, the new direct current underwater power line connecting Abruzzo and Marche, in which Terna will invest over 1 billion euro, involving around 120 direct companies and satellite suppliers. This project will make it possible to increase the exchange capacity between the Centre-South and Centre-North areas of the country by approximately 1,000 MW, thereby increasing the safety, efficiency and resilience of the entire national transmission grid. The Adriatic Link, included by Terna in its 2018 Development Plan, is a cutting-edge project from the technological and environmental standpoint. The "invisible" power line, approximately 250 km long, will consist of two underwater cables of about 210 km and two terrestrial cables of approximately 40 km. The two conversion stations will be built in the vicinity of the respective existing power stations of Cepagatti (PE), for Abruzzo, and Fano (PU), for Marche, and will have a very minor impact on the territory.

Authorisation process launched for a new cable power line in the province of Viterbo

On **6 February 2023**, following the start by the Ministry of the Environment and Energy Security of the authorisation process for a new power line in the province of Viterbo, **Terna published the notice indicating the parcels of land potentially impacted by the project**. The project, for which the Company will invest approximately 23 million euro, involves the construction of an underground power line of 9 km and 150 kV that will connect the Primary Power Stations of Viterbo and Pian di Tortora, both within the Municipality of Viterbo. The project will increase the meshing of the electricity grid in the area and increase the efficiency and reliability of the transmission service, ensuring greater continuity and operating safety. The connection will mainly cover the existing road network and will use latest generation cables with XLPE insulation, a particularly reliable and sustainable technology that guarantees greater transmission capacity for integration of the production plants from renewable sources in the area. Once the authorising decree is obtained from the Ministry of the Environment and Energy Security, the new connection will begin operating within 24 months.

Acquisition of SEleNe CC S.A. shares completed

On **7 February 2023**, the acquisition of shares in SEleNe CC S.A. was completed, aimed at allowing **the exit of Transelettrica from the shareholder structure**. Therefore, the Company currently comprises the following shareholders (all having an equal number of shares: 66,666): IPTO S.A. (Greek TSO), ESO-EAD (Bulgarian TSO) and Terna S.p.A.

Terna is the first electricity company in the world in S&P's 2023 Sustainability Yearbook

On 9 February 2023, Terna was included among the companies in the highest rating range, called the "Top 1%", of the 2023 Sustainability Yearbook, the reference publication edited by S&P Global, international rating agency that assessed the ESG performance of over 7,800 global companies. Thanks to the excellent score of 91 points (out of 100) awarded by S&P Global in the "2022 Corporate Sustainability Assessment", Terna achieved the best score in the world among the 250 electricity utilities analysed, which on average obtained a rating of 50 points. For the eighth time in 14 years of continuous presence in the Dow Jones Sustainability Index, the Company achieves the highest recognition within the Sustainability Yearbook.

Moena – Campitello (Trento) underground cable connection authorised

On **9 February 2023**, by decree of the Autonomous Province of Trento, **the 132 kV Moena – Campitello connection** was authorised, set to cross the municipalities of Moena, Soraga, San Giovanni, Mazzin and Campitello in Val di Fassa. This project, in which the Company will invest 48 million euro, is among the biggest projects planned by Terna to increase supply reliability in the venues of the 2026 Milan – Cortina Winter Olympic and Paralympic Games. The project envisages the construction of 19 km of new underground cable lines that will connect the Primary Power Stations of Moena and Campitello, owned by the local distributor, with the new Terna Power Station in the Municipality of Moena. The latter system will be made of compact gas-insulated technology and feature architectural solutions to achieve a harmonious placement into the environmental context of Val di Fassa, characterised by a high landscape value. The intervention will ensure greater meshing of the local electricity grid, also increasing the resilience of the energy transmission system in areas strongly affected by extreme weather events in recent years. All of the design solutions are the result of fruitful discussions carried out by Terna, in synergy with the Autonomous Province of Trento, with all the municipalities involved. All the preparatory activities to open the construction sites will be carried out in early 2023, with the aim of completing and putting the connection into operation by the second half of 2025.

Agreement with Greenpeace Italia, Legambiente and WWF for increasingly sustainable electricity infrastructure

On 14 February 2023, Terna signed new Memoranda of Understanding with environmental associations for the development and construction of increasingly sustainable electricity infrastructure, integrated in the territories and respectful of the environment and biodiversity. In Rome, the Chairwoman of Terna, Valentina Bosetti, the Chairman of Greenpeace Italia, Ivan Novelli, the Chairman of Legambiente, Stefano Ciafani, and the Chairman of WWF Italia, Luciano di Tizio, renewed and further extended for the next 3 years the recently established collaboration between them. Specifically, the collaboration between Terna, Greenpeace Italia, Legambiente and WWF Italia aims at an increasingly ambitious improvement of the environmental sustainability of the ten-year Development Plan of the Italian transmission grid and of Terna's Business Plan, with a view to decarbonising the electricity system, including through concrete and constant dialogue and institutional comparison on matters and measures of mutual interest. The agreements between Terna and the environmental associations will make it possible to start a discussion on future energy scenarios and technological innovations of the electricity grids in support of renewable energy sources, based on the objectives set by the European legislative packages and the national directives contained in the Integrated National Energy and Climate Plan (PNIEC) and the National Recovery and Resilience Plan (PNRR). In addition, they will focus on integrating other resources needed for the energy transition, namely storage systems and sustainable energy sources, in particular offshore wind power plants, into local planning.

Launch of the 2023 Driving Energy Award – Contemporary Photography

On **15 February 2023**, after the success of the first edition, **Terna launched the 2023 Driving Energy Award – Contemporary Photography**, the free competition open to all photographers in Italy, aimed at promoting cultural development of the country and new talents in the sector. This year's theme is "In Praise of Balance". From today until 30 June, photographers are invited to interpret one of the key concepts of our culture that, with its richness of meanings and nuances, can provide the most diverse ideas for artistic and creative reflection. Balance is also a cornerstone of Terna's mission which, 365 days a year, 24 hours a day, guarantees, through its dispatch activity, the balance between energy produced and consumed, optimising the electricity system's operation to enable energy transition and transmit all the energy the country needs.

Memorandum of Understanding signed for the construction of the variant to the Villavalle – Spoleto power line, in the province of Perugia

On 16 February 2023, the mayor of the Municipality of Spoleto (PG), Andrea Sisti, signed a memorandum of understanding with Terna for the joint development of the new variant to the Villavalle - Spoleto 132 kV power line project. Signing of the memorandum of understanding confirmed the success of the consultation carried out by the Municipality of Spoleto and Terna, which has always been attentive to the needs of local communities, to minimise the impact of the work authorised in 2019 by the Ministry of Economic Development with the Ministry of the Environment (now the Ministry of the Environment and Energy Security). The project envisages the relocation of a section of more than 6 km of the current power line that crosses the municipal area of Spoleto, thanks to the construction of a new line, partly overhead and partly underground, and a sorting station near the Colacem plant, connected to the 132 kV "Giuncano – Foligno" and "Cementir – Spoleto" power lines. In addition to making the power supply of the local load more reliable, this project will lead to key environmental benefits thanks to the demolition of about 4 km of obsolete lines in the town of Spoleto, for a total of 19 pylons, thus returning about 10 hectares of land to the municipality.

Launch of authorisation process for a new cable power line in Naples

On **20 February 2023**, following the launch by the Ministry of the Environment and Energy Security of the authorisation process for a new power line in Naples, **Terna published the notice indicating the parcels of land potentially impacted by the project**. The project, for which the Company will invest approximately 12 million euro, involves the construction of an underground power line of about 5 km and 220 kV that will connect the Primary Power Stations of Doganella and Poggioreale, both within the Municipality of Naples. This project, which will increase the meshing of the electricity grid in the area and increase the safety of the transmission system, will improve the distribution of power flows in the eastern portion of the city. The power line will involve the fourth and sixth municipalities of Naples and will cross the industrial area of Poggioreale, mainly along the existing road network. The connection will use state-of-the-art cables with XLPE insulation, a particularly reliable and sustainable technology. Once the authorising decree is obtained from the Ministry of the Environment and Energy Security, the power line is expected to enter into operation in the following 36 months.

Activities launched for installation of the Elba-Continent underwater cable

On **23 February 2023**, Terna **began activities for the installation of the 132 kV underwater cable connecting Isola d'Elba and Piombino (LI)**. The 34 km of underwater cable, carried by the world's largest cable-laying vessel, the Leonardo Da Vinci of the Prysmian Group, will be positioned at a maximum depth of about 70 metres below sea level, starting from the island port of Portoferraio and proceeding towards the continental coast of Piombino. The operation will have a total duration of approximately 10 days. The new connection's underwater cable will be protected from possible damage due to anthropic actions throughout the length of the route, also using specifically designed latest generation machinery. In designing and implementing the project, Terna has been guided by the highest sustainability standards, taking steps to protect the marine habitat. The new power line between Isola d'Elba and Tuscany, for which Terna has invested approximately 90 million euro, will enable the construction of a strategic infrastructure that will double the connection lines between the national electrical system and Isola d'Elba's network. Indeed, the new power line will contribute to improving the quality of the local infrastructure, guaranteeing important benefits in terms of safety, reliability and sustainability of the entire island, which tends to have high electricity consumption over the summer period.

The first digital platform for requests to connect renewable energy plants to the electricity grid in Italy

On **27 February 2023** Terna, in collaboration with the Ministry of the Environment and Energy Security, created a digital platform that, for the first time ever, centralises information on high-voltage connection requests for renewable energy plants in Italy. Unique in its class, **Econnextion, designed by Terna, allows stakeholders and operators in the electricity sector to view information on the geographical location and authorisation status of new photovoltaic and wind energy initiatives, onshore and offshore, throughout the country**, updated on a quarterly basis, are divided by source and shown in terms of output, and can be viewed by users as a graph or as a table. Specifically, the "Connection Requests" section enables users to filter requests by source (solar, onshore wind, offshore wind) in aggregate form (number, output and percentage distribution). Using the interactive map, it is possible to view details at a regional, provincial or municipal level and, through special search filters, to select, for example, all the active requests in a given municipality, and the status of their authorisation process, as well as to compare the development initiatives of renewable plants of different provinces or regions based on the so-called General Minimum Technical Solution drawn up by Terna. The "Fit for 55 Target" section, on the other hand, provides the most significant data relating to photovoltaic and wind (onshore and offshore) initiatives, subdivided by market zones, with reference to the target set by the 'Fit for 55' package by 2030, which envisages a reduction in greenhouse gas emissions of at least 55% compared to 1990 levels.

Terna reinforces its commitment to decarbonisation, with a target of 46% reduction in CO2 emissions by 2030

On 2 March 2023, Terna reinforced its commitment to combating climate change by setting new targets for reducing its direct and indirect greenhouse gas emissions. Indeed, the Company has adopted a new Science Based Target (SBT) with which it undertakes to cut its CO2 emissions by 46% by 2030 compared to 2019, improving on the previous target that provided for a reduction in climate-altering emissions of about 30%. Consistently with its sustainability strategy and as set out in the Paris Agreement, Terna had adopted its first Science Based Target in 2021, committing to a cut in emissions from its direct ("Scope 1") and indirect ("Scope 2") activities in line with the "well below 2°C" scenario, which complies with the guidelines recommended by scientists to keep the increase in global temperatures well below the 2°C limit. The new commitment to decarbonisation adopted by Terna and validated by the SBTi (Science Based Target initiative) provides for targets in line with the "1.5°C" scenario, the most ambitious goal on temperature established by the Paris Agreement, which recommends limiting the increase in global warming to below 1.5°C. The Science Based Target signed by Terna also introduces a goal to reduce indirect "Scope 3" emissions, such as those related to employee mobility or the supply chain. The new target also extends the scope of application to subsidiaries Brugg and Tamini.

Terna: first and only company in Italy certified for all compliance activities

On 6 March 2023, Terna was the only company in Italy to have obtained the ISO (International Standards Organisation) 37301:2021 certification recognised by Accredia, the only national accreditation body, extended to all the relevant compliance obligations of the main group companies (Terna Rete Italia, Terna Energy Solutions and Terna Plus). The certification, issued by IMQ (*Istituto Italiano del Marchio di Qualità*) at the end of the assessment process, recognises Terna's ability to guarantee not only processes compliant with national and European regulations, but also an important opportunity for growth of the compliance culture within the group. ISO 37301:2021 is a recent international standard that specifies the requirements and provides the guidelines for developing, maintaining and improving the compliance management system. The adoption of this model also contributes to the achievement of three important sustainable development goals: "decent work and economic growth", "peace, justice and strong institutions" and "sustainable cities and communities".

8 March: Terna grants eight STEM scholarships to refugee women

On **7 March 2023**, on the occasion of International Women's Rights Day, **Terna granted eight STEM scholarships to refugee women**. The initiative, carried out in collaboration with Sistech, a European non-profit association that supports women's access to tech & digital job opportunities, aims to promote inclusion and diversity through innovation, retraining and strengthening of skills. In particular, Terna has chosen to finance a number of quarterly scholarships whose courses are focused on data science, web or software development, digital project management, cybersecurity and digital marketing. The project selected by Terna is called Boost and also includes a series of services to help refugee women access the labour market through language courses and psychosocial support, as well as in logistics. In line with previous years, the group identified a specific theme for the 8th of March, "Education and Training", through which it focused attention on the importance of gender equality and overcoming gender stereotypes, as demonstrated by the Data Girls and SheTech programmes, promoted by Terna on the issue of training women in STEM subjects.

Terna meets the citizens of Vico Equense (NA) to rearrange the network of the Sorrento Peninsula

On 10 March 2023, the "Terna Incontra" event organised by Terna to inform the citizens of Vico Equense (NA) about the start of construction of the 150 kV "Sorrento - Vico Equense - Agerola - Lettere" electricity connection within the municipal territory was successfully concluded, with large numbers attending. The event, held at the Oratorio San Raffaele, was attended by the mayor of Vico Equense, Giuseppe Aiello, and municipal councillor Rossella Staiano. During the meeting, Terna technicians presented to citizens the information on the works that will affect the area of the Municipality, noting any observations made by locals.This project, for which Terna will invest around 40 million euro, is part of the broader reorganisation plan for the Sorrento Peninsula, aiming to increase the reliability of the electrical system and exceed 60 kV, which is no longer adequate to ensure the safety, resilience and quality of the electrical energy transmission service in the area. Once completed, it will also it will also make it possible to demolish around 60 km of old power lines and more than 160 pylons on the Sorrento Peninsula in exchange for the installation of 23 km of new overhead power lines and 12 km of underground cable.

Inauguration of the new headquarters in Suvereto (LI)

On 10 March 2023, Terna’s new headquarters were inaugurated in Suvereto (LI), with the presence of the company's top management and local institutions. The new eco-sustainable building, completed in just 18 months, will accommodate about 50 employees and will play a central and preparatory role in the construction of Sa.Co.I 3, the underwater connection between Tuscany, Sardinia and Corsica, and its conversion station. The new headquarters, for which Terna has invested 10 million euro, represent a concrete example of urban redevelopment through the recovery of a building no longer in use of about 26,000 m2 and the relocation and construction of new energy-efficient class A4 buildings to replace the current outdated offices. The external shell, in particular, is characterised by distinctive elements of sustainable building such as ventilated walls covered in terracotta, thermo-regulated rooms and renewable energy systems The environmental redevelopment work carried out thanks to the inclusion of about 9,000 m2 of green area composed of native natural elements and which contributes to the perfect integration of the structure in the surrounding context is also important. In addition to the offices, the new headquarters will also host service areas, warehouses, workshops, material storage spaces, ecological areas and parking lots, as an example of a building designed and built through redevelopment of heritage assets in terms of environmental sustainability, in full compliance with the group's energy development objectives.

130 new trees to be planted in Rome

On 13 March 2023, Terna began the planting of over 130 trees, including oleanders, pear trees and holm oaks, in Viale Buozzi in Rome and later in Villa Borghese and in Via Gramsci, to replace the plants that had been removed last July as part of the works for the underground 150 kV cable connection "Nomentana - Villa Borghese", as previously agreed with the administration of the II Municipality. Planting will be completed by the end of March. Construction works on the underground cable between Via Nomentana and Villa Borghese are part of the interventions of the Memorandum of Understanding for modernising the Rome electricity grid, signed in March of last year between Terna, the Municipality of Rome and the Lazio Region. The agreement provides for the construction of four fully underground cable connections, for a total of about 25 kilometres, from the "Laurentina" Primary Power Station up to the "Flaminia" Primary Power Station, with a total investment of over 60 million euro.

Presented the 2023 Development Plan of the national electricity grid

On March 15, 2023, the 2023 Development Plan of the national transmission grid was presented: more than 21 billion euros of investment over the next 10 years, 17 percent more than the previous Plan, to accelerate the energy transition, foster the country's decarbonization, reduce dependence on foreign sources of supply, and make the Italian electricity system increasingly environmentally sustainable. Calculating the entire life of the works included in this Development Plan, beyond the 10-year horizon, the total amount of investments will exceed 30 billion euros. The new Plan of the company chaired by Valentina Bosetti and led by Stefano Donnarumma was illustrated at a press conference in the presence of the Minister of the Environment and Energy Security, Gilberto Pichetto Fratin, and the President of ARERA, Regulatory Authority for Energy, Networks and Environment, Stefano Besseghini. The main new feature introduced by the 2023 Development Plan is the Hypergrid network, which will exploit High Voltage Direct Current (HVDC) power transmission technologies to achieve energy transition and security goals. In addition to the development work already planned, Terna has planned five new power backbones, functional for the integration of renewable capacity, with a total value of about €11 billion. This is a massive modernization of existing power lines on the Tyrrhenian and Adriatic backbones of the peninsula and to the islands, which includes new 500 kV submarine connections, an element, the latter, that represents a first for the company. With Hypergrid, it will be possible to double the exchange capacity between market zones from the current 16 GW to more than 30 GW. In addition, the development of DC backbones will make it possible to minimize land consumption and impact on the territory. Terna's planned interventions will therefore make a significant contribution to achieving the goals set at the European level by the Fit-for-55 Package of Measures, which calls for a 55 percent reduction in CO_2 emissions by 2030 compared to 1990 levels. In Italy, energy produced from renewable sources will have to cover at least 65 percent of final consumption in the electricity sector by 2030, compared to the 55 percent previously indicated by the National Integrated Energy and Climate Plan (PNIEC), for a total of 70 GW of additional power.

ITALGAS

Equity transactions

On 9 March 2023, in implementation of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018, the Board of Directors resolved on the free assignment of a total of 499,502 new ordinary shares of the Company to the beneficiaries of the Plan (so-called third cycle of the Plan) and executed the third tranche of the share capital increase approved by the same Shareholders' Meeting, for a nominal amount of 619,382.48 euro drawn from the retained earnings reserve.

Legal and regulatory framework

In February 2023, Italgas Reti challenged Resolution no. 654/2022/R/com, with which the Authority confirmed the values of the WACC parameters common to all the infrastructure services of the electricity and gas sectors reported in Table 1 of TIWACC 2022-2027. Following the application of the so-called trigger mechanism, provided for by Article 8 of the TIWACC

2022-2027 for the update of the WACC for the 2022-2024 sub-period, the calculation of the WACC deriving from the update of the relevant financial parameters shows in fact a variation of the WACC, for each service, lower than 50 bps (basis point spread) with respect to the value in force. Scheduling of the hearing is pending.

In February 2023, Italgas Reti challenged Resolution no. 679/2022/R/gas, with which the Authority redetermined the reference tariffs for natural gas distribution and metering services for the years 2009 to 2021. Scheduling of the hearing is pending.

Other events

On 19 January 2023, Italgas presented to the stakeholders the 2022-2028 Sustainable Value Creation Plan, “Builders of the future”, approved by the Company's Board of Directors on 14 December 2022. This plan defines concrete actions and ambitious targets to create value for the group's stakeholders and for the territories where it is present and operates; the document is part of the trajectory already traced by the 2022-2028 Strategic Plan, which includes investments for 8.6 billion euro.

On 7 February 2023, Italgas was included for the fourth consecutive year in the S&P Global Sustainability Yearbook, the annual publication of S&P Global that gathers best practices, experiences and success stories from the world's leading companies on sustainability issues. Italgas also confirmed its leadership with the inclusion in the “Top 1% S&P Global ESG Score” category, by virtue of the excellent performance recorded. The result was achieved downstream of the Corporate Sustainability Assessment (CSA) conducted in 2022: 708 companies, among the 7,800 evaluated, were included in the Sustainability Yearbook 2023 based on their ESG scores.

Negotiations with Veolia group

Italgas has entered into exclusive negotiations with Veolia Environnement S.A. Group for the potential acquisition of the Veolia Group's stakes in a number of companies active in water service in the regions of Lazio, Campania and Sicily. The transaction is part of the broader strategy outlined in the 2022-2028 Strategic Plan, aiming at strengthening the Group presence in the water sector. As part of the ongoing negotiations, the Veolia Group has granted Italgas an exclusivity period until May 10, 2023, for completing the due diligence activities.Specifically, the transaction includes the potential acquisition of the Veolia Group's stakes in the following companies:

- 100% of Acqua S.r.l., which in turn directly holds 98.5% of Idrosicilia S.p.A. and, indirectly, 75% of the equity of Siciliacque S.p.A;
- 100% of Idrolatina S.r.l., which in turn holds about 49% of Acqualatina S.p.A;
- 47.9% of Acqua Campania S.p.A.

Acqua, Idrosicilia and Idrolatina are pure holding companies, while Siciliacque, Acqualatina and Acqua Campania are the operational ones.Specifically:

- **Siciliacque** operates under concession for the collection, storage, potabilization and adduction service in the Sicily Region with about 2,000 km of adduction network. The service covers more than 30% of the regional population.;
- **Acqualatina** manages the Integrated Water Service in ATO (Optimal Territorial Area) 4-Lazio Meridionale, which includes 38 municipalities and 550,000 inhabitants;
- **Acqua Campania** operates in the Acquedotto Campania Occidentale under concession from the Campania Region. The operational activities of the company are the collection, potabilization, adduction and transportation of drinking water serving water distribution companies, for about 4 million inhabitants.

Snam - CDP Reti Shareholders' Agreement Amendment

On 21 March 2023, Snam e CDP Reti executed an amendment agreement of the Italgas Shareholders’ Agreement. The amendment agreement was filed in copy at the Milan Business Registry on 21 March 2023. The extract of the amendment agreement of the Italgas Shareholders’ Agreement and the essential information regarding the Italgas Shareholders’ Agreement can be retrieved from the Company’s website.

7. OTHER INFORMATION

APPROVAL OF THE FINANCIAL STATEMENTS

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

The use of this period of time compared to the ordinary 120 days from the end of the financial year, allowed by Article 2364, paragraph 2 of the Italian Civil Code, is justified by the fact that the Company is required to prepare consolidated financial statements[35].

TRANSACTIONS WITH RELATED PARTIES

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

With regard to CDP RETI in particular, it is worth noting that, except for the participation of the parent company (as lender) in the refinancing of financial debt and for which reference is made to the specific section discussing "significant events that occurred during the year”, the transactions carried out in 2022 cannot be classified either as atypical or as unusual[36], as they are part of the normal business. These transactions were carried out on an arm's length basis (i.e. under the conditions that would be applied between two independent parties) and form part of the ordinary operations of CDP RETI.

During 2022, these transactions mainly concerned relationships with the parent company Cassa Depositi e Prestiti with reference to:

- an interest-bearing deposit account;
- an agreement for the custody and administration of securities;
- service agreements for support activities;
- a derivative contract;
- loans;
- outsourcing services provided by CDP to CDP RETI;
- the contracts of the CDP employees on partial secondment to CDP Reti;
- receivables from fiscal consolidation.

In addition, dividends – related to the 2021 net income – were collected from SNAM, TERNA and ITALGAS and the receivable from SNAM for the 2021 interim dividend was collected, while (i) the receivable from SNAM for the 2022 interim dividend was recognised and (ii) CDP RETI’s shareholders were paid both the 2021 final dividend and the 2022 interim dividend.

TREASURY SHARES

The **Parent Company** does not hold and has not purchased and/or sold, during 2022, shares or stakes of holding companies, either directly or via trust companies or intermediaries.

---

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

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

With regard to **SNAM**, as at 31 December 2022 the number of treasury shares amounted to 8,101,437, equal to 0.24% of the share capital (88,556,228 shares as at 31 December 2021), for an amount equal to approximately 33 million euro (354 million euro as at 31 December 2021). The reduction in the number of treasury shares as compared to 31 December 2021 is attributable to: (i) the allocation of 79,444,888 shares for the SNAM convertible bond, against the requests for conversion of bonds for a nominal value of 381 million euro; (ii) the free allocation of 1,760,307 shares to SNAM managers under the 2019 Performance Share Plan, and the simultaneous repurchase by said assignee managers of 750,404 shares to cover the amount of taxes owed by the same assignees (sell to cover).

With regard to **TERNA**, as at 31 December 2022 the number of treasury shares amounted to 4,375,909 (3,095,192 at the end of 2021), equal to 0.218% of the share capital, for a value of 29.5 million euro that reduces other reserves. More specifically, in implementation of the plan for the purchase of treasury shares for the 2022-2026 Performance Share Plan approved by the Shareholders' Meeting of 29 April 2022, in the period between 27 May 2022 and 13 June 2022 Terna purchased 1,280,717 treasury shares (equal to 0.064% of the share capital) for 10 million euro for the 2022-2026 Performance Share Plan.

ITALGAS did not hold and did not purchase or sell, directly or indirectly, treasury shares of CDP RETI S.p.A. or Cassa Depositi e Prestiti S.p.A. in 2022.

PERFORMANCE OF SNAM, TERNA AND ITALGAS SHARES

Key share price data		SNAM		TERNA		ITALGAS	
Items		31/12/2022	31/12/2021	31/12/2022	31/12/2021	31/12/2022	31/12/2021
Number of outstanding shares at the end of the period	(million of euro)	3,353	3,272	2,006	2,007	810	810
Official period-end price	(euro)	4.55	5.32	6.93	7.13	5.23	6.07
Market capitalization (1)	(million of euro)	15,249	17,410	13,900	14,315	4,238	4,914
CDP RETI Number of shares	**(million of euro)**	**1,054**	**1,054**	**600**	**600**	**211**	**211**
Book Value for CDP RETI	**(million of euro)**	**3,087**	**3,087**	**1,315**	**1,315**	**621**	**621**
Market capitalization for CDP RETI (2)	**(million of euro)**	**4,792**	**5,606**	**4,158**	**4,280**	**1,102**	**1,279**
Maximum official price per share	(euro)	5.57	5.32	8.30	7.17	6.37	6.07
Minimum official price per share	(euro)	4.00	4.23	6.04	5.69	4.59	4.89
Average official price per share	(euro)	4.91	4.83	7.22	6.41	5.56	5.49
Official price at period end (3)	(euro)	4.55	5.32	6.93	7.13	5.23	6.07
Closing price at period end (4)	(euro)	4.53	5.30	6.90	7.11	5.19	6.05

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

SNAM shares closed at an official price of 4.55 euro at the end of 2022, down 15% on the end of the previous year (5.32 euro) and hitting an all-time high of 5.57 euro on 26 May 2022 and a low of 4.00 euro on 13 October 2022. The closing price was 4.53 euro.

In 2022, a total of around 1.6 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 6.4 million shares traded.

Market capitalisation stood at 15,249 million at 31 December 2022.

TERNA shares closed at an official price of 6.93 euro at the end of 2022, down 3% on the previous year (7.13 euro) and hitting an all-time high of 8.30 euro on 25 May 2022 and a low of 6.04 euro on 13 October 2022. The closing price was 6.90 euro.

In 2022, a total of around 1.1 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 4.1 million shares traded.

Market capitalisation stood at 13,900 million at 31 December 2022.

ITALGAS shares closed at an official price of 5.23 euro at the end of 2022, down 14% on the previous year (6.07 euro) and hitting an all-time high of 6.37 euro on 20 May 2022 and a low of 4.59 euro on 13 October 2022. The closing price was 5.19 euro.

In 2022, a total of around 0.3 billion shares were traded on the equities market of Borsa Italiana, with a daily average of 1.4 million shares traded.

Market capitalisation stood at 4,238 million at 31 December 2022.

RESEARCH AND DEVELOPMENT ACTIVITIES

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

CONSOLIDATED NON-FINANCIAL STATEMENT FOR 2022

Italian Legislative Decree no. 254 of 30 December 2016, implementing Directive 2014/95/EU, introduced into Italian legislation the obligation for certain entities[37] to draw up a non-financial statement (NFS) each financial year. The NFS contains key data and information regarding the environment, social issues, staff, human rights and the fight against active and passive corruption.

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

SECONDARY OFFICES AND LOCAL UNITS

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

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

HUMAN RESOURCES

During 2022 the Company increased its staff by adding a new resource to the Accounting, Administration & Tax Department.

During the year, a resource was seconded to the Operations Department from another Group company (CDP Equity) to support the supervision of Health and Safety issues.

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

In addition, the updating of the record of processing activities and the adaptation of the virtual data room (a platform on which the documentation for the Corporate Bodies is kept) to the standards of IT adequacy required by the Group, were completed.

There were no workplace injuries in 2022.

With regard to headcount, CDP Reti had 2 male employees and 1 female employee at 31 December 2022, allocated 100% to the Company. The Company has adopted National Collective Bargaining Agreements applicable to credit, financial and operating companies both for middle managers and personnel in professional areas and for executives.

The average age of the personnel is 45 years.

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

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

ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01

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

CDP RETI's 231 Model consists of a:

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

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

In order to raise awareness and understanding of the company's provisions aimed at preventing the risk of the offences set out in Legislative Decree No. 231/2001, training sessions were provided, in Italian and English, on the administrative responsibility of entities in favour of employees and corporate bodies of CDP RETI. In addition, during 2023, activities will be started to update the 231 Model in order to incorporate the changes that affected the 231 Model of the parent company Cassa Depositi e Prestiti S.p.A., approved at the Board of Directors' meeting on 14 December 2022[38].

In compliance with the provisions of Article 6, paragraph 4-bis, the functions of the Supervisory Body (referred to also below in short as "SB") have been assigned to the Board of Statutory Auditors, a collegiate body composed of three standing members, and two alternates, appointed by the shareholders' meeting. The Chairman of the Board of Statutory Auditors acts as Chairman of the SB. The SB currently in office was appointed by the Board of Directors of CDP RETI on 25 January 2021.The causes of ineligibility and forfeiture envisaged for statutory auditors by the applicable regulations and Articles of Association apply to the members of the Supervisory Body.

[38] The updates to the 231 Model of Cassa Depositi e Prestiti S.p.A. concerned *(i)* the implementation of the recent regulatory changes made to Legislative Decree No. 231/01 (in particular, the Laws on: 1) handling, laundering and using money, goods or benefits of illicit origin as well as self-money laundering, 2) offences in the field of payment instruments other than cash, 3) offences against cultural heritage, 4) the trafficking of cultural assets and the devastation and looting of cultural and landscape assets), *(ii)* the implementation of the organisational changes that have occurred and the operational changes taking place since the last update, *(iii)* the implementation of the suggestions aimed at improving the Internal Control System that have emerged and *(iv)* the alignment of the 231 Model with the most recent case-law and scholars' guidelines.

The Supervisory Body is tasked with overseeing the functioning and observance of the 231 Model and with updating its content and assisting the competent corporate bodies in correctly and effectively implementing the Model. The functioning of the SB is established in the specific Regulation that it adopts.

For its secretarial and operational activities, the SB is supported by the Internal Audit Function outsourced to the Parent Company based on a specific service agreement.

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

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

The CDP RETI Group is aware that financial reporting plays a central role in establishing and maintaining positive relationships between the Company and its stakeholders. The internal control system, which oversees the company’s reporting processes, is set up in such a way as to ensure that reporting is reliable[39], accurate[40], dependable[41] and timely regarding Financial Reporting and the ability of relevant company processes on this point to produce this information in compliance with the applicable accounting standards.

The company’s control system is structured to comply with the model adopted in the CoSO Report[42], an international reference model for the establishment, update, analysis and assessment of the internal control system. This model requires the achievement of the business objectives as a result of the integrated presence and correct operation of the following elements that, based on their characteristics, operate at organisational unit level and/or operating/administrative process level:

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

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

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

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

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

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

The process level analysis is structured as follows:

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

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

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

The monitoring phase in CDP RETI is structured as follows:

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

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

The residual risk is measured based on the following formula:

RI – OA = RR

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

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

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

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

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

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

INDEPENDENT AUDITORS

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

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

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

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

FINANCIAL REPORTING MANAGER

Following the issue, on 25 October 2022, of a bond listed on the Irish Stock Exchange, CDP RETI assumed the position of listed Issuer with Italy as the Member State of origin, and was therefore obliged, pursuant to Art. 154 – bis of the Consolidated Law on Finance, to appoint a Financial Reporting Manager.

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

Article 19.13 CDP RETI By-laws:

Subject to the prior opinion of the Board of Statutory Auditors, the Board of Directors appoints the Financial Reporting Manager for a period of time not shorter than the term of office of the Board and not longer than six financial years, to perform the duties assigned to such manager under Article 154-bis of Legislative Decree no. 58 of 24 February 1998. The Financial Reporting Manager must meet the integrity requirements established for the directors and cannot hold the offices indicated in Article 15.11 of the By-laws.[43]. The Financial Reporting Manager shall be chosen in accordance with criteria of professional experience and competence from among the persons who have global experience of at least three years in the administrative area at consulting firms or companies or professional firms. The Financial Reporting Manager can be replaced by the Board of Directors only for due cause, having obtained the prior opinion of the Board of Statutory Auditors. The appointment of the Financial Reporting Manager shall lapse if such manager does not continue to meet the requirements for the office. The Board of Directors shall declare such lapse within thirty days from the date on which they become aware of the supervening failure to meet the requirements.

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

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

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

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

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

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

INSIDER REGISTER

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

The Register - which has been established by CDP RETI as an issuer of debt securities traded on regulated markets - is divided into separate sections, one for each piece of inside information, and a new section is added to the Register each time a new piece of inside information is identified. Each section of the Register only reports the details of the people with access to the inside information contemplated in the section. There is also an additional section in the Register which contains the details of people who always have access to all inside information ("Permanent Access Holders"). The

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

Register is computerised and password protected, and the notes pertaining to each section are in chronological order. Each note is tracked and cannot be changed.

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

CODE OF ETHICS

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

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

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

INTERNAL CONTROL SYSTEM

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

In particular, the internal control system has been implemented consistently with the establishment of three levels of control.

First level controls (line controls) are conducted by operational and administrative structures. These controls are built into organisational procedures and are designed to ensure that operations are carried out correctly in line with the assigned risk objectives.

Second level controls (risk management controls) are carried out by separate organisational units and are designed to help establish risk measurement methods and verify that the operational limits set for the various departments are respected, as well as verify that operational activities and results achieved by production units comply with their allocated risk objectives and performance targets, and ensure that the risk governance polices are properly implemented and that the internal practices and rules comply with applicable regulations.

Lastly, third level controls are performed by the Internal Audit function. Internal Audit is a permanent, independent and objective function that pursues the continuous improvement of the effectiveness and efficiency of CDP RETI's governance, risk management and control processes, by means of professional and systematic supervision, contributing towards protecting and increasing the value of the Company and the Group.

The division of the internal control system into the three levels mentioned above is based on sector regulations and applicable best practices, including the recommendations of the main international organisation for the internal auditing profession (Institute of Internal Auditors).

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

Internal Audit reports hierarchically to the Board of Directors, through its Chairman, which, in its role as a strategic supervisory body, gives the authority to the function, while guaranteeing its independence. In particular, the Chief Audit Officer is appointed and revoked (giving reasons) by the Board of Directors, after consulting the Board of Statutory Auditors. Furthermore, the necessary link between Internal Audit, the body responsible for the management function and Management is guaranteed.

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

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

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

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

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

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

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

SHAREHOLDERS' AGREEMENT IN RESPECT OF ITALGAS SHARES

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

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

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

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

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

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

The total number of shares tied to the Italgas Shareholders' Agreement has not changed and remains equal to 319,971,717 ordinary shares, representing 39.466% of the Italgas share capital with voting rights, of which 25.933% owned by CDP Reti and 13.473% owned by Snam.

On March 21st, 2023, the parties signed an amendment agreement to the Italgas Shareholders' Agreement, whereby certain provisions relating to the transfer of part of the Italgas shares owned by Snam have been amended.

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

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

- establishment of a consultation committee composed of five members (the "**Consultation Committee**"), four of whom represent CDP RETI (three appointed by CDP and one by State Grid Europe Ltd, in short "**SGEL**") and one representing Snam. The Consultation Committee decides by simple majority of its members in office on the exercise of voting rights relating to Italgas shares owned by the parties to the Italgas Shareholders' Agreement. The parties to the Italgas Shareholders' Agreement cast the votes conferred by their shares in Italgas as decided by the Consultation Committee, without prejudice to Snam's rights in respect of Reserved Matters (as defined below);
- in connection with certain extraordinary resolutions of Italgas (the "Reserved Matters")[44], if the Consultation Committee passes resolutions that have been voted against by the representative designated by Snam and the shareholders' meeting of Italgas approves the related Reserved Matter, Snam will be able: (i) to sell its entire equity investment in Italgas (the "Snam Equity Investment") to potential third-party buyers (in this case, CDP Reti will have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval of the third-party buyer45, it being understood that the third-party buyer will be required to replace Snam in the Italgas Shareholders' Agreement) and (ii) if the equity investment is not sold within 12 months, to withdraw from the Italgas Shareholders' Agreement due to its dissolution;
- Snam shall not be able to increase or dispose of part of the Snam Equity Investment, except for, under certain conditions, (a) the transfer the entire equity investment to entities controlled by Snam, or (b) the transfer of a portion of the entire equity investment in the context of the redemption of one or more bonds convertible into Italgas shares (as further described below). SNAM may, at any time, sell its equity investment in its entirety and in compliance with the following rules: (i) CDP RETI shall have the right of first refusal on the purchase of the equity investment and the right of non-discretionary approval on the third-party buyer[46], and (ii) the third-party buyer must replace Snam in the Italgas Shareholders' Agreement on the same terms and conditions as Snam;
- Snam shall have the right to transfer , through one or more sales, a portion of the Snam Equity Investment exclusively in the context of the redemption of one or more bonds convertible into Italgas shares, provided that, in any event, such potential sale shall not relate, in the aggregate, to voting shares representing more than 6.75% of the entire capital of Italgas ("Released Shares"). In this case: (i) CDP Reti will not have any pre-emption right and/or right of approval in relation to the possible sale of the Released Shares, (ii) Snam will maintain the governance rights granted to the same under the Italgas Shareholders' Agreement unaltered, and (iii) the third-party purchaser will have no obligation to adhere to the Italgas Shareholders' Agreement;
- CDP Reti and other parties associated with it shall only be able to purchase additional shares or other financial instruments of Italgas if: (i) these shares are added to the Italgas Shareholders' Agreement, and (ii) these purchases do not result in the exceeding of the thresholds set by the rules on mandatory public tender offers. In addition, CDP RETI shall not be able to sell the Italgas shares that it holds, if the total equity investment attributable to the Italgas Shareholders' Agreement falls below 30%;
- the Italgas Shareholders' Agreement establishes that CDP Reti and Snam are required to submit a joint list of candidates for the appointment of Italgas' Board of Directors in order to ensure that Snam appoints one candidate and CDP Reti appoints the remaining candidates (one of whom will be appointed by SGEL), including the Chairman and the CEO, if that list comes first in terms of number of votes obtained in the Italgas Shareholders' Meeting.

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

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

---

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

[45] CDP Reti will be able to deny its approval solely for one of the following reasons:
a) the third-party buyer is a direct competitor of Italgas and/or Italgas Reti S.p.A. in Italy; and/or
b) the third-party buyer fails to provide adequate documentation and evidence of compliance with the unbundling laws in force from time to time; and/or
c) the third-party buyer comes from a country against which there are restrictions on free exchange adopted by the competent international organizations; and/or
d) the purchase of the Snam Equity Investment by the third-party buyer is in violation of the applicable laws; and/or
e) the third-party buyer does not meet certain size requirements; and/or
f) the conclusion of the potential transaction with the third-party buyer or the third-party buyer's joining of the Italgas Shareholders' Agreement generates an obligation for the third-party buyer, singly or jointly with CDP Reti, to make a mandatory initial public offering on the remaining Italgas shares.

[46] See previous note.

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

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

CDP, SGEL and State Grid International Development Limited[47] (below, "**SGID**") are parties to a shareholders' agreement entered into when a stake of 35% in CDP Reti was transferred to SGEL on 27 November 2014 ("**SGEL Shareholders' Agreement**"). CDP and SGEL transferred their stakes in the share capital of CDP Reti to the SGEL Shareholders' Agreement, representing a total of 94.10% of the share capital.

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

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

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

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

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

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

- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in ITALGAS, equal to 7,840,127 ordinary shares (representing 0.969% of the ITALGAS share capital with voting rights), the total number of ITALGAS shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of ITALGAS shares tied to the SGEL Shareholders' Agreement – has increased to a total of 210,738,424 ordinary shares of ITALGAS, representing 26.009% of the ITALGAS share capital with voting rights as at 31 December 2022; and
- pursuant to and with effect from the date of transfer to CDP RETI of CDP's equity investment in SNAM, equal to 39,200,638 ordinary shares (representing 1.120% of the SNAM share capital with voting rights), the total number of SNAM shares owned by CDP RETI and locked into the SGEL Shareholders' Agreement by it – and, hence, the total number of SNAM shares tied to the SGEL Shareholders' Agreement – has increased to a total of 1,053,692,127 ordinary shares of SNAM, representing 31.352% of the SNAM share capital with voting rights as at 31 December 2022.
- the number of TERNA shares tied to the SGEL Shareholders' Agreement has not changed and is equal to 599,999,999 ordinary shares, held by CDP RETI, representing 29.851% of the TERNA share capital with voting rights as at 31 December 2022.

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

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

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

2.
2022 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements
at 31 December 2022

Notes
to the consolidated
financial statements

Annexes

Report
of the Independent
Auditors

Certification
of the consolidated
financial statements

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

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

The Notes to the consolidated financial statements consist of:

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

The following are also included:

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

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

SUMMARY

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

CONSOLIDATED BALANCE SHEET

ASSETS

(thousands of euro)

Assets items	Notes	31/12/2022	*of which from related parties*	31/12/2021	*of which from related parties*
NON-CURRENT ASSETS					
Property, plant and equipment	1	38,632,612	101	37,319,725	305
Inventories - compulsory stock	2	362,713		362,713	
Intangible assets	3	12,082,765		10,852,055	
Equity investments	4	2,151,327		2,414,450	
Non-current financial assets	5	803,996	182,263	696,799	4,971
Deferred tax assets	6	847,871		936,043	
Other non-current assets	7	400,139		209,490	
Total non-current assets		**55,281,423**	**182,364**	**52,791,275**	**5,276**
Non-current assets held for sale	8	**154,942**		**377,698**	
CURRENT ASSETS					
Current financial assets	9	283,743	299	992,036	299,264
Income tax receivables	10	65,896		38,021	
Trade receivables	11	7,728,715	1,343,142	6,077,410	1,081,187
Inventories	12	3,405,473		296,277	
Other current assets	13	805,551	4,440	1,031,494	63,219
Cash and cash equivalents	14	4,529,988	40,205	4,386,900	12,517
Total current assets		**16,819,366**	**1,388,087**	**12,822,138**	**1,456,187**
TOTAL ASSETS		**72,255,731**	**1,570,451**	**65,991,111**	**1,461,463**

LIABILITIES AND EQUITY

(thousands of euro)

Liabilities and equity items	Notes	31/12/2022	*of which from related parties*	31/12/2021	*of which from related parties*
EQUITY	15				
Share capital		162		162	
Issue premium		1,315,158		1,315,158	
Retained earnings		1,301,769		992,621	
Other reserves		2,029,921		2,029,921	
Valuation reserves		89,340		(50,618)	
Interim dividend		(331,879)		(311,297)	
Net income for the year (+/-)		512,689		736,682	
Group equity	15 a	**4,917,160**		**4,712,629**	
Non-controlling interests	15 b	13,652,459		12,049,753	
Total Equity		**18,569,619**		**16,762,382**	
NON-CURRENT LIABILITIES					
Provisions for risks and charges	16	859,201		1,075,939	
Provisions for employee benefits	17	145,446		192,988	
Loans	18	27,407,336	400,710	25,931,432	341,562
Other non-current financial liabilities	19	247,208	489	90,919	3,661
Deferred tax liabilities	20	2,055,281		2,152,388	
Other non-current liabilities	21	2,995,636		2,135,524	
Total non-current liabilities		**33,710,108**	**401,198**	**31,579,190**	**345,223**
Liabilities directly associated with non-current assets held for sale	22	**26,828**		**257,801**	
CURRENT LIABILITIES					
Current portion of long-term loans	23	3,333,504	2,438	4,512,154	221,426
Trade payables	24	6,251,060	1,006,022	5,170,755	426,365
Income tax liabilities	25	81,253		81,453	
Current financial liabilities	26	2,068,476	75,884	5,456,311	5,509
Other current liabilities	27	8,214,883	24,102	2,171,065	19,461
Total current liabilities		**19,949,176**	**1,108,446**	**17,391,738**	**672,761**
TOTAL LIABILITIES AND EQUITY		**72,255,731**	**1,509,644**	**65,991,111**	**1,017,984**

CONSOLIDATED INCOME STATEMENT

(thousands of euro)

Consolidated income statement items	Notes	2022	*of which from related parties*	2021	*of which from related parties*
Revenues					
Revenues from sales and services	28	8,576,923	3,192,510	7,917,592	3,775,967
Other revenues and income	29	182,937	13,820	145,312	9,868
Total revenues		**8,759,860**	**3,206,330**	**8,062,904**	**3,785,835**
Operating Costs					
Raw materials and consumables used	30	(1,057,790)	(160,362)	(925,539)	(15,853)
Services	31	(1,234,114)	(194,382)	(1,056,109)	(74,836)
Staff costs	32	(861,336)	(2,008)	(783,977)	(3,645)
Amortisation, depreciation and impairment of property, plant and equipment and intangible assets	33	(2,349,457)		(2,185,250)	
Net write-downs/write-backs of trade receivables and other receivables	33 a	(9,810)		(2,088)	
Other operating costs	34	(240,229)	(159,318)	(173,871)	(101,363)
Total costs		**(5,752,736)**	**(516,070)**	**(5,126,834)**	**(195,697)**
Operating profit		**3,007,124**	**2,690,259**	**2,936,070**	**3,590,138**
Financial income (expense)					
Financial income	35	221,412	20,628	100,640	13,977
Borrowing expenses	36	(411,318)	(11,068)	(317,714)	(11,019)
Portion of income (expenses) from equity investments valued with the equity method	37	(193,554)		247,049	
Other income (expenses) from equity investments	37 a	2,580			
Total financial income (expense)		**(380,880)**	**9,560**	**29,975**	**2,958**
Income before taxes		**2,626,244**	**2,699,820**	**2,966,045**	**3,593,096**
Taxes for the year	38	(831,741)		(511,959)	
Net income (loss) from continuous operations		**1,794,503**	**2,699,820**	**2,454,086**	**3,593,096**
Net income (loss) from assets held for sale	39	(20,346)		(12,844)	
Net income (loss) for the year		**1,774,157**	**2,699,820**	**2,441,242**	**3,593,096**
- pertaining to Shareholders of the Parent Company		*512,689*		*736,682*	
- pertaining to non-controlling interests		*1,261,468*		*1,704,560*	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of euro)

Items/Figures	Notes	2022	2021
1 - Net income (loss) for the year		**1,774,157**	**2,441,242**
Other comprehensive income net of taxes not transferred to income statement			
2 - Financial assets (equity securities) measured at fair value through other comprehensive income		(43,873)	(16,514)
3 - Hedging of equity securities designated at fair value through other comprehensive income			
4 - Financial liabilities designated at fair value through profit or loss (change in the entity's own credit risk)			
5 - Property, plant and equipment			
6 - Intangible assets			
7 - Defined benefit plans		4,722	8,923
8 - Non-current assets held for sale			
9 - Share of valuation reserves of equity investments accounted for using equity method		1,570	1,647
10 - Revaluation Laws			
Other comprehensive income net of taxes transferred to income statement			
11 - Financial assets (other than equity securities) measured at fair value through other comprehensive income		(4,364)	(2,974)
12 - Hedging instruments (elemented not designated)			
13 - Hedging of foreign investments			
14 - Exchange rate differences		52,188	30,301
15 - Cash flow hedges		232,628	72,992
16 - Non-current assets held for sale			
17 - Share of valuation reserves of equity investments accounted for using equity method		104,362	31,857
18 - Revaluation Laws			
19 - Total other comprehensive income net of taxes		**347,233**	**126,232**
20 - Comprehensive income (item 1+19)		**2,121,390**	**2,567,474**
21 - Consolidated comprehensive income pertaining to non-controlling interests		1,468,980	1,785,493
22 - Consolidated comprehensive income pertaining to Shareholders of the Parent Company		**652,410**	**781,981**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2022

(thousands of euro)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 December 2021	**15**	**162**	**32**	**1,315,158**	**(50,618)**
Change in opening					
Total equity at 1 January 2022		**162**	**32**	**1,315,158**	**(50,618)**
Net income (loss) for the year					
Other comprehensive income:					
- cash flow hedges					104,345
- defined benefit plans					1,316
- exchange rate differences					15,870
- other					18,190
Total other comprehensive income					**139,721**
Comprehensive income					**139,721**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2021					
- dividends					
- retained earnings					
Interim dividend 2022					
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					237
Total other changes					**237**
Total equity at 31 December 2022	**15**	**162**	**32**	**1,315,158**	**89,340**

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AT 31 DECEMBER 2021

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

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Group equity	Non-controlling interests	Total Equity
2,029,921	**992,589**	**736,682**	**(311,297)**	**4,712,629**	**12,049,753**	**16,762,382**
2,029,921	**992,589**	**736,682**	**(311,297)**	**4,712,629**	**12,049,753**	**16,762,382**
		512,689		512,689	1,261,468	1,774,157
				104,345	128,283	232,628
				1,316	3,406	4,722
				15,870	36,318	52,188
				18,190	39,505	57,695
				139,721	**207,512**	**347,233**
		512,689		**652,410**	**1,468,980**	**2,121,390**
		(311,297)	311,297			
		(159,898)		(159,898)	(813,855)	(973,753)
	265,487	(265,487)				
			(331,879)	(331,879)	(404,349)	(736,228)
					210,366	210,366
	265,487	**(736,682)**	**(20,582)**	**(491,777)**	**(1,007,838)**	**(1,499,615)**
	43,661			43,898	1,141,564	1,185,462
	43,661			**43,898**	**1,141,564**	**1,185,462**
2,029,921	**1,301,737**	**512,689**	**(331,879)**	**4,917,160**	**13,652,459**	**18,569,619**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

(thousands of euro)

Items/Figures	Notes	2022 (*)	2021 (*)
Net income for the year		**1,774,157**	**2,441,242**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	33	2,322,724	2,171,857
Net writedowns (revaluations) of property, plant and equipment and intangible assets		26,733	13,393
Effect of accounting using the equity method	37	237,924	(247,340)
Net losses (gains) on disposals, cancellations and eliminations of assets		29,918	7,209
Dividends		(707)	(302)
Interest income	35	(85,683)	(47,947)
Interest expense	36	356,300	280,921
Income taxes	38	831,741	511,959
Other adjustements		(1,239,791)	(112,285)
Changes in working capital:			
- Inventories		(3,109,196)	(30,220)
- Trade receivables		(1,608,521)	(3,548,636)
- Trade payables		840,871	973,017
- Provisions for risks and charges		(262,887)	(104,942)
- Other assets and liabilities		6,909,294	894,477
Cash flow from working capital		**2,769,561**	**(1,816,304)**
Change in provisions for employee benefits		(58,275)	(33,759)
Dividends received		77,656	170,636
Interest received		32,671	37,674
Interest paid		(298,009)	(389,466)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism		(1,012,605)	(927,321)
Cash flow from operating activities		**5,764,315**	**2,060,167**
- with related parties		*1,783,030*	*1,760,888*
Investing activities:			
- Property, plant and equipment		(2,865,505)	(2,536,581)
- Intangible assets		(185,069)	(1,034,509)
- Companies in the scope of consolidation and business units		(947,010)	(45,980)
- Equity investments		(28,084)	(527,854)
- Change in payables and receivables relative to investing activities		245,585	816,180
Cash flow from investing activities		**(3,780,083)**	**(3,328,744)**
Divestments:			
- Property, plant and equipment		22,428	24,761
- Intangible assets		72,705	5,428
- Equity investments		418,659	18,180
- Companies in the scope of consolidation and business units			
- Change in payables and receivables relative to divestments		(37,824)	897,750
Cash flow from divestments		**475,968**	**946,119**
Net cash flow from investing activities		**(3,304,115)**	**(2,382,625)**
- with related parties		*166,468*	*(30,567)*
Assumption of long-term financial debt	18	4,513,124	4,035,785
Repayments of long-term financial debt	18	(3,645,781)	(3,000,492)
Increase (decrease) in short-term financial debt	23-26	(2,425,674)	(1,154,897)
(Increase) decrease of financial receivables for not operating purposes			
Repayment of financial debts for leased assets		(43,553)	(37,002)
Purchase of treasury shares		2,455	
Net equity capital injections		979,519	(10,499)
Dividends distributed to shareholders		(1,689,594)	(1,591,892)
Net cash flow from financing activities		**(2,309,504)**	**(1,758,997)**
- with related parties		*(359,917)*	*(522,145)*
Net cash flow for the year		**150,696**	**(2,081,455)**
Cash and cash equivalents at start of the year	14	4,386,900	6,469,798
Monetary changes for the period		150,696	(2,081,455)
Changes due to exchange rate			(1,443)
Changes due to IFRS9		(7,608)	
Cash and cash equivalents at end of the year	14	4,529,988	4,386,900

(*) of which relating to assets held for sale: (i) net cash flow from operating activities -27mln/€ (-12.2 mln/€ in 2021); (ii) net cash flow from investing activities -3.3 mln/€ (-31.4 mln/€ in 2021); (iii) net cash flow from financing activities 2.8 mln/€ (13.9 mln/€ in 2021)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the consolidated financial statements

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

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

The consolidated financial statements at 31 December 2022 clearly present, and give a true and fair view of, the Group's financial performance and results of operations for the period. The figures shown in these statements correspond with the company accounting records and fully reflect the transactions conducted during the year.

Basis of presentation

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

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

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

Comparison and disclosure

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

Audit of the consolidated financial statements

The consolidated financial statements at 31 December 2022 of the CDP RETI Group have been audited by Deloitte & Touche S.p.A., as per the engagement assigned by the shareholders in their meeting of 10 May 2019 to carry out the audit for the period 2020-2028.

Annexes

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

I - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I.1. GENERAL INFORMATION

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

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), including the SIC and IFRIC interpretations, in force at 31 December 2022, endorsed by the European Commission, as provided by Regulation (EC) 1606 of 19 July 2002, published in the Official Journal L 243 on 11 September 2002.

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

I.1.2. General preparation principles

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

More specifically:

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

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

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

- Conceptual framework for financial reporting;
- Implementation Guidance and Basis for Conclusions;
- SIC/IFRIC interpretations;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo Italiano di Contabilità (Italian Accounting Board, OIC);
- Documents issued by ESMA and CONSOB concerning the application of specific IFRS rules;
- Documents issued by ESMA, IOSCO and CONSOB with regard to assessments and disclosures required in respect of the impacts arising from: (i) COVID-19, (ii) issues related to climate change, (iii) Russia's invasion of Ukraine, (iv) issues related to the macroeconomic scenario[48].

[48] These references, for the 2022 financial statements, are represented by:

- Bank of Italy, CONSOB, IVASS and FIU Communication of 7 March 2022 “Reminder regarding compliance with the restrictive measures adopted by the EU in response to the Russian military aggression in Ukraine”;
- CONSOB warning notice of 18 March 2022 “CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting”;
- ESMA Public Statement of 13 May 2022 “Implications of Russia's invasion of Ukraine on half-yearly financial reports” relating to the effects of the invasion of Ukraine by Russia on 2022 half-yearly financial reports prepared in accordance with IAS 34 “Interim financial reporting”;
- CONSOB warning notice no. 3/22 of 19 May 2022 on the conflict in Ukraine – Warning notice to supervised issuers on financial reporting and the obligations related to compliance with the restrictive measures adopted by the European Union against Russia;
- ESMA statement dated 28 October 2022 ‘European common enforcement priorities for 2022 annual financial reports’;
- IOSCO Statement of 14 November 2022 ‘Financial Reporting and Disclosure during Economic Uncertainty’.

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

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

- Going concern basis: the CDP RETI Group has conducted an assessment of its ability to continue to operate as a going concern, considering all available information over a medium-term time horizon. Based on an analysis of the information and the results achieved in previous years, CDP RETI Group deems appropriate to prepare its consolidated financial statements on a going concern basis. For more details see section "5. Business outlook for 2023" of the Group's Report on Operations and section "I.1.5 Other issues" in the Notes to the consolidated financial statements regarding the consequences of the impact of the Russian-Ukrainian conflict, the rise in inflation and interest rates and the general deterioration of the macroeconomic scenario, and the uncertainties regarding the possible evolution of the effects of these phenomena on the CDP RETI Group;
- Accruals basis: operations are recognised in the accounting records and in the consolidated financial statements of the CDP RETI Group (except for the disclosure about cash flows) when they accrue, regardless of the payment or collection date. Costs and revenues are recognised in profit or loss in accordance with the matching principle;
- Materiality and aggregation: all items containing assets, liabilities, revenues and expenses of a similar nature and with similar characteristics are presented separately in the consolidated financial statements, unless they are immaterial;
- Offsetting: no assets have been offset with liabilities, nor income with expenses, unless expressly required by an accounting standard or a related interpretation;
- Frequency of reporting: the CDP RETI Group prepares the consolidated financial statements, and makes the related disclosures, on an annual basis. The Group also prepares the Half-yearly condensed consolidated financial statements ending 30 June of each year. No changes occurred with respect to the reporting date, which remains at 31 December of each year;
- Comparative information: comparative information is disclosed in respect of the previous financial period. This comparative information, which for the balance sheet refers and for the income statement to the reporting date of the previous financial year, is provided for each document comprising the financial statements, including the notes thereto.

Use of estimates

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

Estimates and assumptions are subject to regular review and the effects of changes are reflected in the income statement if the review concerns only the current period; in the event that, on the other hand, the effects concern both current and future periods, the variation is recognised in the period in which the change in the estimate is made in the relative future periods.

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

- Recoverable amount of property, plant and equipment (including the valuation of work in progress and inventories of raw materials, semi-finished and finished products), intangible assets and goodwill: the assets recognised are periodically assessed to identify impairment indicators. As a result of events or changes in circumstances, the value of the assets recognised in the financial statements may be considered no longer recoverable. The estimated recoverable amount of assets is the result of complex assessments based on elements which are often uncertain. Impairment is determined by comparing the carrying value with the recoverable amount, which is the greater of the fair value, less disposal costs, and the value in use determined by discounting expected future cash flows generated by the use of the asset applying a discount rate that reflects current market assessments of the time value of money and the specific risks of the asset. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as on the expected cash flows in the future. For assets that do not generate cash flows irrespective of the existence of other assets, the recoverable amount is determined by calculating the recoverable value of the Cash Generating Unit to which the said asset belongs;
- Depreciation: changes in the economic conditions of the markets, in technology and in the competitive scenario could significantly affect the useful life of property, plant and equipment and non-current intangible assets and could result in a difference in the timing of the depreciation process and therefore in the amount of depreciation costs;
- Recoverable amount of equity investments: objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed at every annual or interim reporting date. An impairment test is performed when the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses;

- Quantification of employee benefits: the actuarial valuations performed to determine the value of provisions for employee benefits are based on economic and demographic-type assumptions and on other assumptions considered to be reasonable at the date of evaluation but which may change over time. Changes in actuarial assumptions will result in changes in the value of net liabilities recognised through other comprehensive income or profit or loss;
- Quantification of provisions for risks and charges: the estimate of provisions for risks and charges (the emergence of which is generally expected several years later) is the result of complex assessments and subjective judgements of the management. The assessments are based on different kinds of elements, including: the probability and expected timing of disbursements, the discount rates and the interpretation of standards, regulations and contractual clauses. In addition, these obligations are influenced by the constant updating of decommissioning and restoration techniques and costs, as well as by the continuous evolution of political and public awareness of health and environmental protection;
- Business combinations: the recognition of business combinations involves the recognition of the assets and liabilities of the acquired company at their fair value at the date of acquiring control as well as the possible recognition of goodwill. These values are determined through a complex estimation process;
- Cost capitalisation: the cost capitalisation process is characterised by some estimation / valuation elements, including, in particular, the probability that the amount of capitalised costs will be recovered through the related future revenues and the actual increase in future economic benefits inherent in the asset to which they refer;
- Income taxes (current and deferred): income taxes (current and deferred) are determined in each country where the Group operates according to a prudent interpretation of current tax regulations. This process sometimes involves complex estimates in determining taxable income and deductible and taxable temporary differences between accounting and tax values. In particular, deferred tax assets are recognised to the extent that future taxable income is likely to be available against which they can be recovered. The assessment of the recoverability of deferred tax assets, recognised in relation to both tax losses usable in subsequent years and deductible temporary differences, takes into account the estimate of future taxable income;
- Derivative instruments: the fair value of derivative instruments is determined both by valuation models that also take into account judgemental valuations such as, for example, estimates of cash flows, the expected volatility of prices, etc., and on the basis of values recorded on regulated markets or quotes provided by financial counterparties;
- Quantification of the bad debt provision, based on the present value of expected future cash flows.

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

IFRS endorsed at 31 December 2022 and in force since 2022

As required by IAS 8 - "Accounting policies, changes in accounting estimates and errors", details of the new international financial reporting standards, or amendments to standards already in force, whose application became mandatory from 1 January 2022, are provided below.

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

New accounting standards and interpretations issued and endorsed by the European Union, but not yet in force (date of entry into effect for financial years beginning from 1 January 2023)

Listed below are the new standards and interpretations already issued and endorsed, but not yet in force and therefore not applicable to the preparation of the financial statements at 31 December 2022:

- Commission Regulation (EU) 2021/2036 of 19 November 2021 amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Financial Reporting Standard 17;
- Commission Regulation (EU) 2022/357 of 2 March 2022 amending Regulation (EC) no. 1126/2008 adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council as regards International Accounting Standards 1 and 8;
- Commission Regulation (EU) 2022/1392 of 11 August 2022 amending Regulation (EC) no. 1126/2008 as regards International Accounting Standard 12;
- Commission Regulation (EU) 2022/1491 of 8 September 2022 amending Regulation (EC) no. 1126/2008 as regards International Financial Reporting Standard 17.

Accounting standards, amendments and interpretations not yet endorsed by the European Union at the reporting date of 31 December 2022

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

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020); Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020) and Non-current Liabilities with Covenants (issued on 31 October 2022);
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022).

OTHER INFORMATION

The Board of Directors meeting on 28 March 2023 approved the CDP RETI Group’s consolidated financial statements as at 31 December 2022, authorising their publication and disclosure in line with the deadlines and methods envisaged by current regulations applicable to CDP RETI.

I.1.3. Scope and methods of consolidation

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

The figures of the subsidiaries used for line-by-line consolidation are those at 31 December 2022, as approved by competent corporate bodies of the consolidated companies, adjusted as necessary to harmonise them with Group accounting policies.

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

Equity investments in subsidiaries

Name		Operating office	Registered office	Type of relationship (1)	Equity investment: Investor	Equity investment: % holding	% of votes (2)
1	ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
2	AVVENIA THE ENERGYINNOVATOR S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	100%	100%
3	Ariano Biometano S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	98%	98%
4	Asset Company 10 S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100%	100%
5	Bioenerys S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
6	Biogas Bruso S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	99,90%	99,90%
7	Biowaste CH4 Anzio S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
8	Biowaste CH4 Foligno S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
9	Biowaste CH4 Group S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
10	Biowaste CH4 Tuscania S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	RENERWASTE S.r.L.	100,00%	100,00%
11	Biowaste Ch4 Genova S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
12	Bludigit S.p.A.	Milan	Milan	1	Italgas S.p.A.	100,00%	100,00%
13	Brugg Cables (India) Pvt., Ltd.	Haryana	Haryana	1	Brugg Kabel AG	99,74%	99,74%
					Brugg Kabel GmbH	0,26%	0,26%
14	Brugg Cables (Shanghai) Co., Ltd.	Shanghai	Shanghai	1	Brugg Kabel AG	100,00%	100,00%
15	Brugg Cables (Suzhou) Co., Ltd.	Suzhou	Suzhou	1	Brugg Cables (Shanghai) Co., Ltd.	100,00%	100,00%
16	Brugg Cables Company	Riyadh	Riyadh	1	Brugg Kabel AG	100,00%	100,00%
17	Brugg Cables Italia S.r.l.	Milan	Milan	1	Brugg Kabel Manufacturing AG	100,00%	100,00%
18	Brugg Cables Middle East DMCC	Dubai	Dubai	1	Brugg Kabel AG	100,00%	100,00%
19	Brugg Cables Middles East Contracting LLC	Dubai	Dubai	1	Brugg Kabel AG	100,00%	100,00%
20	Brugg Cables, Inc.			1	Brugg Kabel AG	100,00%	100,00%
21	Brugg Kabel AG	Brugg	Brugg	1	Brugg Kabel Services AG	90,00%	90,00%
22	Brugg Kabel GmbH	Schwieberdingen	Schwieberdingen	1	Brugg Kabel AG	100,00%	100,00%
23	Brugg Kabel Manufacturing AG	Brugg	Brugg	1	Brugg Kabel Services AG	100,00%	100,00%
24	Brugg Kabel Services AG	Brugg	Brugg	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
25	Ca' Bianca S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	70,00%	70,00%
26	Cubogas S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Snam 4 Mobility S.p.A.	100,00%	100,00%
27	DEDA S.A.	Athens	Athens	1	DEPA Infrastructure S.A.	100,00%	100,00%
28	DEPA Infrastructure S.A.	Athens	Athens	1	Italgas Newco S.p.A.	100,00%	100,00%
29	EBS SOCIETA' AGRICOLA a r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	94,53%	94,53%
30	EDA Attikis S.A.			1	DEPA Infrastructure S.A.	100,00%	100,00%
31	EDA Thess S.A.			1	DEPA Infrastructure S.A.	100,00%	100,00%
32	ESPERIA-CC S.r.l.	Rome	Rome	1	Terna S.p.A.	1,00%	1,00%
33	Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	45,00%	45,00%
					Renerwaste Lodi S.r.l.	55,00%	55,00%
34	Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
35	Emiliana Agroenergia Società Agricola S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
36	Enersi Sicilia	San Donato Milanese (MI)	Caltanissetta	1	Renerwaste S.r.l.	100,00%	100,00%
37	Enura S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	55,00%	55,00%
38	Evolve S.p.A.	Milan	Milan	1	Renovit S.p.A.	100,00%	70,00%
39	GNL Italia S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
40	Gasrule Insurance D.A.C.	Dublin	Dublin	1	SNAM S.p.A.	100,00%	100,00%
41	Geoside S.p.A.	Casalecchio di Reno	Casalecchio di Reno	1	Toscana Energia S.p.A.	32,78%	32,78%
					Italgas S.p.A.	67,22%	67,22%
42	Golar LNG NB13 Corporation	Marshall Islands	Marshall Islands	1	SNAM FSRU ITALIA S.r.l.	100,00%	100,00%
43	Halfbridge Automation S.r.l.	Rome	Rome	1	LT S.r.l.	70,00%	70,00%
44	IES Biogas S.r.l.	Pordenone	Pordenone	1	Bioenerys S.r.l.	100,00%	100,00%
45	Immogas S.r.l.	Firenze	Firenze	1	Toscana Energia S.p.A.	100,00%	100,00%
46	Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	Milan	1	ASSET COMPANY 2 S.r.l.	100,00%	100,00%
47	Iniziative Biometano S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys S.r.l.	51,00%	51,00%
48	Italgas Acqua S.p.A.	Milan	Caserta	1	Italgas S.p.A.	100,00%	100,00%
49	Italgas Newco S.p.A.	Milan	Milan	1	Italgas S.p.A.	90,00%	90,00%
50	Italgas Reti S.p.A.	Turin	Turin	1	Italgas S.p.A.	100,00%	100,00%
51	Italgas S.p.A.	Milan	Milan	4	SNAM S.p.A.	13,48%	13,48%
					CDP Reti S.p.A.	26,01%	26,01%
52	Janagas S.r.l.	Rome	Rome	1	Medea S.p.A.	100,00%	100,00%
53	LT S.r.l.	Rome	Rome	1	Terna Energy Solutions S.r.l.	75,00%	75,00%
54	MZ Biogas S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	99,90%	99,90%
55	Maiero Energia S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	100,00%	100,00%
56	Medea S.p.A.	Sassari	Sassari	1	Italgas Reti S.p.A.	51,85%	51,85%
57	Mieci S.p.A.	Milan	Milan	1	Renovit S.p.A.	100,00%	70,00%
58	Motta Energia S.a.r.l.	Cittadella	Cittadella	1	Iniziative Biometano S.p.A.	94,80%	94,80%
59	Piacentina Agroenergia Società Agricola S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
60	Ravenna LNG Termina S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM FSRU ITALIA S.r.l.	100,00%	100,00%
61	Renerwaste Cupello S.r.L.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	85,00%
62	Renerwaste Lodi S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Renerwaste S.r.l.	100,00%	100,00%
63	Renerwaste S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	Bioenerys S.r.l.	100,00%	100,00%
64	Renovit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	60,05%	60,05%
65	Rete S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
66	SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
67	SNAM S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	4	CDP Reti S.p.A.	31,35%	31,35%
68	SPE TRANSMISSORA DE ENERGIA LINHA VERDE I S.A.	Belo Horizonte	Belo Horizonte	1	TERNA PLUS S.r.l.	75,00%	75,00%
69	Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
70	Snam FSRU Italia S.r.l.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
71	Snam International B.V.	Amsterdam	Amsterdam	1	SNAM S.p.A.	100,00%	100,00%
72	Società Agricola Agrimetano S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
73	Società Agricola Agrimezzana Biogas S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
74	Società Agricola Asola Energie Biogas S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
75	Società Agricola Biostellato 1 S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
76	Società Agricola Biostellato 2 S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
77	Società Agricola Biostellato 3 S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
78	Società Agricola Biostellato 4 S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
79	Società Agricola Carignano Biogas S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
80	Società Agricola G.B.E. Gruppo Bio Energie S.r.l.	Pordenone	Pordenone	1	Società Agricola Sangiovanni S.r.l.	100,00%	100,00%
81	Società Agricola La Valle Green Energy S.r.l			1	IES Biogas s.r.l.	100,00%	100,00%
82	Società Agricola SQ Energy S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
83	Società Agricola San Giuseppe Agroenergia S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
84	Società Agricola Sangiovanni S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	50,00%	50,00%
					Società Agricola SQ Energy S.r.l.	50,00%	50,00%
85	Società Agricola Santo Stefano Energia S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
86	Società Agricola T4 Energy S.r.l.	Pordenone	Pordenone	1	IES Biogas s.r.l.	100,00%	100,00%
87	Società Agricola Tessagli Agroenergia S.r.l.			1	IES Biogas s.r.l.	100,00%	100,00%
88	Società Agricola Zoppola Biogas S.r.l.	Pordenone	Pordenone	1	Società Agricola Sangiovanni S.r.l.	100,00%	100,00%
89	Stogit S.p.A.	San Donato Milanese (MI)	San Donato Milanese (MI)	1	SNAM S.p.A.	100,00%	100,00%
90	TERNA Crna Gora d.o.o.	Podgorica	Podgorica	1	Terna S.p.A.	100,00%	100,00%
91	TERNA PLUS S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
92	TERNA RETE ITALIA S.p.A.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
93	Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	Magarpatta City, Hadapsar, Pune	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
94	Tamini Transformers USA L.L.C.	Sewickley	Sewickley	1	Tamini Trasformatori S.r.l.	100,00%	100,00%
95	Tamini Trasformatori S.r.l.	Legnano (MI)	Legnano (MI)	1	Terna Energy Solutions S.r.l.	100,00%	100,00%
96	Tep Energy Solution S.r.l.	Rome	Milan	1	Renovit S.p.A.	100,00%	100,00%
97	Terna 4 Chacas S.A.C.	Lima	Lima	1	TERNA PLUS S.r.l.	99,99%	99,99%
					Terna Chile S.p.A.	0,01%	0,01%
98	Terna Chile S.p.A.	Santiago de Chile	Santiago de Chile	1	TERNA PLUS S.r.l.	100,00%	100,00%
99	Terna Energy Solutions S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
100	Terna Forward S.r.l.	Rome	Rome	1	Terna S.p.A.	100,00%	100,00%
101	Terna Interconnector S.r.l.	Rome	Rome	1	TERNA RETE ITALIA S.p.A.	5,00%	5,00%
					Terna S.p.A.	65,00%	65,00%
102	Terna Peru S.A.C.	Lima	Lima	1	Terna Chile S.p.A.	0,01%	0,01%
					TERNA PLUS S.r.l.	99,99%	99,99%
103	Terna S.p.A.	Rome	Rome	4	CDP Reti S.p.A.	29,85%	29,85%
104	Terna USA LLC	New York	New York	1	TERNA PLUS S.r.l.	100,00%	100,00%
105	Tlux S.r.L.	Piancogno (BS)	Piancogno (BS)	1	Mieci S.p.A.	100,00%	85,00%
106	Toscana Energia S.p.A.	Firenze	Firenze	1	Italgas S.p.A.	50,66%	50,66%

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

The changes which occurred in the scope of consolidation compared with those in effect at 31 December 2022 are attributable to the following:

- with reference to the TERNA group:
  - on 2 August 2022, the company Terna USA LLC was incorporated under US law, with a share capital held entirely by Terna Plus S.r.l. The company is responsible for supervising development activities in North America.
  - on 2 November 2022, the company BMT Energy Transmission Development LLC was incorporated under US law, with a 40% equity interest in the company held by the subsidiary Terna USA LLC and the remaining part by third parties.
  - On 11 November 2022, the company Terna Forward S.r.l. was incorporated, with a share capital held entirely by the Parent Company Terna S.p.A. The new company is engaged in developing new technological solutions servicing the Terna Group.
  - On 27 January 2022, the voluntary liquidation process of the company PI.SA. 2 S.r.l.. started on 10 December 2021, was completed on 27 January 2022.
  - On 7 November 2022, the first closing was completed for the sale to CDPQ of the Brazilian companies SPE Transmissora de Energia Linha Verde II S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Santa Maria Transmissora de Energia S.A. As from that date, the companies are no longer part of the Terna group.
  - On 22 December 2022, the second closing was completed for the sale to CDPQ of the company Difebal S.A.. As from that date, the company is no longer part of the Terna group.
- with reference to the SNAM group:
  - the acquisition by Snam FSRU Italia S.r.l. of the company Golar LNG NB13 Corporation, owner of the Golar Tundra FSRU, and of the company Ravenna LNG Terminal S.r.l., owner of the maritime terminal off the port of Ravenna and of the state-owned concession, waived in favour of Snam FSRU Italia and necessary to commission the ship BW Singapore, which will be available to Snam at the end of 2023;
  - the acquisition by the subsidiaries Renerwaste and Ies Biogas respectively of 6 and 19 companies specialised in construction and managing plants and in promoting circular economy projects for the generation of energy from the organic fraction of municipal solid waste (OFMSW) and agricultural waste. For further details, please refer to the annex “Changes in the consolidation area” of the Notes to the Consolidated Financial Statements;
  - the acquisition of control, instead of joint control, of Iniziative Biometano S.p.A., as a result of the increase in the equity investment from 50% to 51% of the share capital following the exercise of a call option under the contractual agreements between the shareholders.
- with reference to the ITALGAS group:
  - the establishment on 15 April 2022 of Immogas S.r.l. (a wholly owned subsidiary of Toscana Energia S.p.A.) as a result of the partial, non-proportional and asymmetrical spin-off of Valdarno S.r.l.;
  - the deconsolidation of Gaxa S.p.A. following the sale of a majority interest in the company to Edison Energia S.p.A. (completed on 4 May 2022);
  - the deed for the merger by incorporation of Fratelli Ceresa S.p.A. into Geoside S.p.A. (formerly Seaside S.p.A.) was signed on 20 July 2022, with effect for accounting and tax effect from 1 January 2022;
  - the acquisition, completed on 1 September 2022 through Italgas Newco S.p.A., of the entire share capital of DEPA Infrastructure Single Member S.A. (DEPA Infrastructure) a company that fully controls Thessaloniki – Thessalia Gas Distribution S.A. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks Single Member S.A. (DEDA);
  - the sale of a 10% of the share capital of Italgas Newco S.p.A., the sole shareholder of DEPA Infrastructure, to Phaeton Holdings Single Member S.A., a financial company of the Greek industrial group Copelouzos;
  - the acquisition of the entire company capital of Janagas S.r.l., the company holding the concessions for the distribution and sale of LPG in 12 municipalities in Sardinia, by Medea on 13 December 2022;
  - on 21 December 2022, the closing of the transaction by which Medea S.p.A. entered into the company capital of Energie Rete Gas S.r.l. with a 49% stake, a company active in gas transport through a network of regional gas pipelines. It took place through the contribution to Energie Rete Gas S.r.l. of Medea's activities related to gas transport.

Significant assessments and assumptions to determine the scope of consolidation and whether there is control, joint control or significant influence

Line-by-line consolidation

Line-by-line consolidation involves the line-by-line use of the aggregate amounts on the balance sheets and income statements of the subsidiaries. After the allocation to non-controlling interests, reported as a separate item, of their share of equity and net income, the value of the equity investment is cancelled against the residual value of the equity of the subsidiary.

The carrying value of equity stakes in entities consolidated on a line-by-line basis held by the Parent Company or other Group companies is offset – against the assets and the liabilities of the investees – as a balancing entry of the relevant equity share pertaining to the Group.

Assets and liabilities, off-balance sheet transactions, income and expenses, as well as profits and losses between entities included into the scope of consolidation are fully eliminated, in line with the consolidation method adopted.

A subsidiary's revenues and costs are consolidated starting from the date on which control is acquired. Revenues and costs of a divested subsidiary sold are included into the consolidated income statement up to the divestment date, i.e. until the Group no longer controls the investee. The difference between the disposal price for the subsidiary and the carrying value of its net assets at the same date is recorded in the income statement.

Non-controlling interests are presented in the balance sheet under the item "Non-controlling interests", separately from liabilities and equity pertaining to the Group. In the income statement, non-controlling interests are also presented separately under the item "Net Income (loss) pertaining to non-controlling interests".

Acquisitions of companies are accounted for using the "acquisition method" provided for under IFRS 3, as modified by Regulation 495/2009, under which the identifiable assets acquired and the identifiable liabilities assumed (including contingent liabilities) are recognised at their respective fair values at the acquisition date.

For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, under "Other non-current liabilities", net of goodwill, if any, recognised in the financial statements of the acquirees. In accordance with IFRS3.45 et seq., the difference resulting from the transaction is allocated within twelve months of the acquisition date. If positive, the difference is recognised – after any allocation to the assets and liabilities of the subsidiary – as goodwill or other intangible assets under intangible assets. If negative, it is recognised through profit or loss.

The acquisition method is applied as from the moment in which control of the investee is effectively acquired.

Accounting for companies using the equity method

Associates and joint ventures are accounted for using the equity method.

The equity method involves initial recognition of the equity investment at cost, which is subsequently adjusted on the basis of the share held in the equity of the investee.

The difference between the value of the equity investment and the share held of the equity of the investee is included in the carrying amount of the investee.

The share of profit or loss of the investee is recognised in a specific item of the consolidated income statement.

If there is evidence of impairment, the recoverable amount of the equity investment is estimated, equal to the greater of the fair value and the value in use (present value of the future cash flows which may be generated by the investment, including the final disposal value). If the recoverable value is lower than the carrying amount resulting from the application of the equity method, the difference is recognised through profit or loss.

The consolidation of joint ventures and investments in associates was based on the most recent (annual or interim) approved figures of the companies.

Significant assessments and assumptions to determine whether there is control, joint control or significant influence

The consolidated financial statements of the CDP RETI Group include the balance sheet and income statement figures of the Parent Company CDP RETI and the companies controlled directly or indirectly by it. The scope of consolidation is defined with reference to the provisions laid down by IFRS 10, IFRS 11, IFRS 12 and IAS 28.

Subsidiaries

Subsidiaries are entities, including structured entities, which are directly or indirectly controlled by the Group. Control over an entity is shown by the Group's capacity to exercise power in order to influence variable returns to which the Group is exposed as a result of its relationship with the aforementioned entity.

In order to verify the existence of control, the Group considers the following factors:

- the purpose and structure of the investee, in order to identify the entity's objectives, the activities that generate its revenues and how such activities are governed;
- power, in order to understand whether the Group has contractual rights enabling it to govern relevant activities; to this end, only substantial rights that confer effective governance are considered;
- the exposure to the investee, in order to assess whether the Group has business relationships with the investee whose returns vary as a result of changes in the investee's performance;
- the existence of potential principal-agent relationships.

Where significant activities are governed through voting rights, the following factors show evidence of control:

- direct or indirect ownership – through a subsidiary – of over fifty per cent of voting rights of an entity, unless it can be demonstrated – in exceptional cases – that such ownership does not constitute control;

- ownership of fifty per cent or less of the votes that can be exercised in the Shareholders' Meeting and unilateral ability to govern the main activities through:
- control of over half of voting rights by virtue of an agreement with other investors;
- power to determine the financial and operational policies of the entity by virtue of a clause of the Articles of Association or an agreement;
- power to appoint or remove the majority of the members of the Board of Directors or the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body;
- power to exercise the majority of voting rights in the meetings of the Board of Directors or those of the equivalent governing body, where management of the business falls under the remit of the aforementioned Board of Directors or body.

The presence and the effect of potential voting rights, where substantial, are taken into account when assessing whether the power of governing another entity's financial and operational policies exists.

Subsidiaries may include any "structured entities" in which voting rights are not significant with respect to control assessment, including special purpose entities and investment funds.

Structured entities are considered as subsidiaries where:

- the Group has power through contractual rights that enable governance of relevant activities;
- the Group is exposed to variable returns resulting from the aforementioned activities.

Joint arrangements

A joint arrangement is a contractual agreement in which two or more counterparties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

According to IFRS 11, joint arrangements must be classified as joint operation or joint venture depending on the Group's contractual rights and obligations.

A joint operation is a joint arrangement in which the parties have rights on the assets and obligations on the liabilities of the arrangement.

A joint venture is a joint arrangement in which the parties have rights on the net assets of the agreement.

Equity investments in jointly controlled companies are valued at equity.

Associate companies

An associate is a company over which the owner exercises a significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed when the owner:

- owns, directly or indirectly, at least 20% of another company's share capital; or
- can, also through shareholders' agreements, exercise significant influence through:
  - representation in the company's management body;
  - participation in the policy-making process, including in decision-making on dividends or other allocations;
  - existence of significant transactions;
  - exchange of managerial personnel;
  - provision of key know-how.

Equity investments in associates are measured at equity.

Equity investments in subsidiaries with significant non-controlling interests

For the purposes of preparing the following tables, an interest was considered significant if:

- non-controlling interests are greater than 50% of the share capital of the investee;
- the investee's accounts are of material significance for the reader of this report.

Non-controlling interests, availability of non-controlling interest votes and dividends distributed to non-controlling interests

(thousands of euro)

Company name	Registered office	% of non - controlling interests	Availability of votes of non - controlling votes (1)	Dividends paid to non-controlling interests (2)
1. Italgas S.p.A.	Milan	69.75%	69.75%	166,587
2. SNAM S.p.A.	San Donato Milanese (MI)	68.57%	68.57%	617,790
3. Terna S.p.A.	Rome	70.08%	70.15%	421,588

(1) Available voting rights at Ordinary Shareholders' Meeting.
(2) including interim dividend

Equity investments in subsidiaries with significant non-controlling interests: accounting data

(thousands of euro) Company name	Non-current assets	Non-current assets held for sale	Current assets	Non-current liabilities	Current liabilities	Equity	Revenues	Net income (loss)	Comprehensive income
1. Italgas S.p.A.	9,446,569	11	1,828,085	7,498,074	1,386,021	2,390,570	2,311,897	436,126	488,140
2. SNAM S.p.A.	22,614,265	84,228	9,772,240	13,388,173	11,541,155	7,524,173	3,515,183	671,931	780,404
3. Terna S.p.A.	17,733,301	70,703	5,050,338	9,875,993	6,799,663	6,169,090	2,964,467	955,021	1,099,790

I.1.4. Events subsequent to the reporting date

See the section “Significant Events After 31 December 2022” of the Report on Operations in the Consolidated Financial Statements.

I.1.5. Other issues

Intercompany transactions

In case of lack of specific indications provided by the IFRS and in accordance with IAS 8, which requires that, in the absence of a specific standard, the company must use its judgement in applying an accounting standard that provides relevant, reliable and prudent information that reflects the economic substance of a transaction, intercompany transactions are accounted for using predecessor basis as the same amounts of the purchased company are recognised in the financial statements of the acquiror.

As such, the contribution of the CDP controlling interest in TERNA has been recognised in the consolidated financial statements of CDP RETI since 2014, at the same amounts recognised in the consolidated financial statements of the transferor.

The spin-off of ITALGAS from SNAM in 2016 has also been accounted for in the same way, maintaining the same amounts when determining the carrying value of the ITALGAS equity investment in the financial statements of CDP RETI. The carrying value of the investment in SNAM before the spin-off has been allocated between the post-spin-off value of the investment in SNAM and the value of the investment in ITALGAS in accordance with the relative value approach, thus taking into account the weight that each CGU had at the acquisition date, based, in particular, on the data analysed at the time of the PPA.

Disclosure on the impacts of climate-related matters

In recent years, evidence of the impact of climate change on various industrial sectors has increased considerably. Many economic sectors will be adversely affected by permanent changes in temperature, rainfall, sea level and more generally by the magnitude and frequency of extreme weather conditions.

In the energy sector, changes in average and extreme temperatures could lead to an increase in demand for energy in the summer and a decrease in demand in the winter; the final balance will, of course, depend on geographical, socio-economic and technological factors. On the supply side, climate change could adversely affect energy production infrastructure in some geographical areas.

In general, climate risks are systemic risks that cascade across the whole of society. In its annual "Global Risks report" of 2021, the World Economic Forum considered extreme conditions and lack of action to address the climate crisis among the greatest dangers for humanity, both as probability of occurrence and as an impact.

The fight against climate change for an increasingly decarbonised economy is the main challenge facing the world today. Energy efficiency and the electrification of final consumption will be the main instruments used to achieve this goal.

The Russian-Ukrainian conflict has given a further impetus: the need to reduce its dependence on Russian fossil fuels prompted the European Union to define urgent measures for security of supplies, the diversification of sources, the use of renewable energy and energy efficiency. The REPowerEU Plan (2022), approved in response to the conflict, has updated and increased the previously set targets for the introduction of renewable gases in the European energy mix.

Even in the long run, gas is expected to play a significant role in supporting coal phase-out and energy security and the *phase-out* from coal. Gas will continue to account for a sizeable share of European energy consumption by 2050, but with a renewed composition that will reflect a growing weight of renewable gases such as biomethane, hydrogen and synthetic methane. In this scenario, the role of digitised gas distribution networks will remain central.

At the same time, energy efficiency is seen as a driver in the fight against climate change and for the achievement of the targets set in the Paris Agreement, in both in European and Italian policies.

In the energy transition path and in the abovementioned context, gas distribution networks play a key role thanks to their widespread reach, provided that they are smart, digital and flexible. In this scenario, the digitisation of infrastructure is the enabler that allows the entire distribution network to accommodate and manage different and renewable gases, such as biomethane, green hydrogen and synthetic natural gases.

Based on the above scenario, in relation to the CDP RETI Group companies, the following is highlighted:

- CDP RETI S.p.A., as an investment vehicle, is indirectly affected by the risk/effect profiles related to climate change. In particular, the main impacts on the parent company are related to the assessment of the value of the controlling equity investments held in the portfolio.
- With the presentation, in January 2023, of the new 2022-2026 Strategic Plan and the Long-term Vision by 2030, SNAM highlighted its contribution to supporting the great transformation under way in the energy sector, leveraging the enabling role of the infrastructure to achieve a completely decarbonised economy through a growing investment plan. This mainly includes maintenance, modernisation and development of the infrastructure as well as investment to reach carbon neutrality and for the energy transition.
- In line with its role as director of the country's energy transition, TERNA has provided for actions in its strategic plans to respond to climate change and has identified three main types of action: (i) investments in digitisation, resilience, inertia and voltage regulation, for the development and reinforcement of the electricity grid, including interconnections with foreign countries, to ensure the integration of renewable sources; (ii) actions aimed at ensuring the security and reliability of the electrical system in an environment that sees increasing penetration of renewable sources and the decommissioning of thermoelectric plants with consequent issues related to system inertia and voltage regulation; (iii) predictive interventions, maintenance and renewal measures for electrical assets. Cutting across these lines of action, the group's "Resilience Plan" includes initiatives aimed at increasing the resilience of the electricity grid in the event of severe weather events through, for example, the development of innovative technology thanks to cooperation with start-ups aimed at monitoring weather events. The TERNA group, as TSO (Transmission System Operator) operating in the transmission and dispatching services, is an active player in supporting the system in achieving the challenging objectives related to the reduction of CO2 emissions. Indeed, in addition to emissions related to the consumption of electricity, the most significant component related to indirect emissions of TERNA is linked to grid losses which in turn entail the indirect need to produce CO2 to compensate for these losses with new energy. In order to comply with legislative changes introduced in response to climate change, the TERNA group has also implemented an environmental policy that describes its adoption of practices to contain and reduce environmental impact over and above regulatory limits. The full implementation of this policy also includes energy efficiency and mitigation measures to protect bird life. In this respect, TERNA has extended the environmental theme both to the supply chain and to the local communities directly affected by the development of the National Transmission Grid (NTG), through increasingly "environmentally sustainable" compensatory works.
- In order to support the energy transition with the 2022-2028 Strategic Plan, ITALGAS has carried out a review of the specific targets in terms of a further reduction in emissions and energy efficiency, in line with the climate targets, including in the long term, established by the European Union. The sustainability targets set for 2028 aim to reduce CO2 emissions and energy consumption, allowing the group to be ahead of the EU targets set for 2030 thanks to the digital transformation of the network and technological innovations. In recent years ITALGAS has developed several initiatives for the reduction of GHG emissions (e.g. leak detection using Picarro technology, conversion of the company car fleet to methane gas, *green gas* initiatives, etc.) and expects significant contributions to the achievement of the sustainability targets thanks to various initiatives developed with its investee companies aimed at energy efficiency both in the industrial and civil sectors, training activities for employees with regard to energy efficiency issues and the development of a predictive maintenance plan on gas networks. With regard to civil consumption, the renovation of several major company premises already completed, in progress or planned by 2028, will give further impetus to the reduction in energy demand and, consequently, in the relevant emissions. Lastly, we note the preparation of the 2022-

2028 Sustainable Value Creation Plan 2022-2028, which defines concrete actions and ambitious targets to create value for the ITALGAS group's *stakeholders* and for the territories where it is present and operates, and the report "*Driving innovation for energy transition",* which investigates the relationship between the group's business and the impact of climate change, in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

Risks, uncertainties and other potential impacts

In line with the requirements for the 2021 annual financial statements, also for the preparation of the Annual Financial Report as at 31 December 2022, companies are required to pay special attention to climate risks, to the extent that the effects of such risks may be deemed significant.

On the basis of the above, CDP RETI and the Group companies continue to be called upon to strengthen the process for identifying and assessing the possible climate risks to which they may be exposed, taking into account a longer time horizon than that generally considered in assessing financial risks.

In accordance with the recommendations of the Task Force on Climate Related Financial Disclosures – TCFD, companies are exposed to two types of climate change related risk:

- physical risk, directly due to weather and climate changes;
- transition risk, linked to the company's socio-economic response to climate change.

Physical risks are divided into: (i) acute risks, associated with the increased severity of extreme weather events, which can cause material damage to infrastructure, with impacts on the continuity and quality of service; and (ii) chronic risks, which are more predictable.

Transition risk, on the other hand, is divided into: i) compliance risk, in terms of a tightening of the regulatory framework and the emerging regulatory framework to accelerate the reduction of pollutant and climate-altering emissions; ii) market risk, in terms of greater penetration of renewable energies to the detriment of natural gas, of alternative uses of gas and the development of new businesses (biomethane, etc.) and/or the CNG market, as well as behaviours of consumers, financiers and investors, increasingly oriented towards sustainable products; iii) technological risk, in terms of the spread of new technologies that facilitate the use of intermittent energy sources and the need to adapt to new technological standards.

With regard to the Group companies involved (as mentioned, the parent company CDP RETI S.p.A., is for the most part affected indirectly by these effects), the climate risk assessments have led to the following considerations:

- SNAM: with reference to physical risks, SNAM continuously monitors the integrity of its infrastructure and plants as well as the condition and conservation status of the areas in which they are based, constantly updating the processes and systems used in order to identify, at an increasingly early stage, any critical issues through the introduction of new technologies capable of also reducing the environmental impact of the activities. These actions allow the company to limit its exposure to the risks associated with chronic natural events; moreover, in order to remedy unforeseeable extreme natural events, SNAM has adopted innovative intervention strategies and action plans aimed at ensuring the immediate safety and resumption of activities in the shortest possible time. In addition, SNAM has specific insurance contracts in place to cover some of these risks, in line with industry best practices.
  With regard to transition risks, in recent years SNAM has started repurposing its infrastructure, has developed its international presence, has entered into a large number of partnerships and has launched numerous energy transition initiatives. Strengthened by the consolidated capabilities in regulated businesses and the skills acquired on green gases and new trends in energy transition, the company is developing towards a concept of "multi-commodity" infrastructure, that is, capable of transporting and storing different types of gas, leveraging and continuing to develop the hydrogen, biomethane, mobility and energy efficiency businesses.
  As part of the integrated management of enterprise risks, SNAM adopts an Enterprise Risk Management (ERM) Model within which the risks related to climate change are also identified and managed after assessment taking into account different time horizons and related objectives: Short-term (0-1 year) with reference to the annual budget; Medium term (1-5 years) with reference to the Strategic Plan that covers a horizon of up to 5 years, and Long term (5-10 years) with main reference to the Ten-year Plan for the development of transport networks submitted to the Authority). Already during 2021, SNAM launched a project aimed at integrating ESG risk areas into the ERM model. This process is based on a Diagnostic Assessment activity, with the aim of identifying ESG risk areas on the basis of the sustainability issues identified in the materiality analysis, and assessing the level of maturity of the safeguards relating to the identified ESG risk areas.

- TERNA: with reference to the medium-long term, the company identified risks mainly related to the role it plays (TSO), deriving from the adaptation of the electricity grid in terms of actions aimed at increasing its resilience and allowing an adaptation to the new profile and mix of energy sources introduced into the grid. With specific reference to the grid and its transmission service, the actions defined require an effort to plan, authorise and implement investments related to works that meet current and future needs for integration of renewable sources, ensuring the reliability, security,

adequacy and efficiency of the electrical system such as, for example, interconnections with foreign countries and the development of infrastructure to enable the increasing integration of renewable energy sources.
As part of the implementation of its Risk Framework, the risk related to the intensification of extreme weather events has been identified with consequent impacts on the continuity and quality of the service supplied by TERNA and/or damage to equipment, machinery, infrastructure and the grid. In response to these circumstances, TERNA continues to implement new investments to increase the resilience of the electricity grid and identify the tools to be used to mitigate these risks.
With reference to non-regulated activities, TERNA is committed to developing innovative and digital technological solutions to support the ecological transition. In particular, these activities include the offers of the investee companies operating in the field of power transformers and terrestrial cables, including through the development of skills along the entire value chain, as well as the services related to Energy Solutions and the connectivity offer. In addition, TERNA is engaged in investments aimed at digitisation and innovation, continuing the activities of remote control of power stations and major infrastructure, through the installation of sensor, monitoring and diagnostic systems, including predictive systems, for the benefit of the safety of the grid and the local area.
Climate risk mitigation actions also consist in the need to plan the maintenance of NTG plants in order to guarantee the quality of the service, the safety of the assets managed (power lines and stations) and their consistent performance.
In this regard, in addition to the operations included in the group's "standard maintenance campaign", TERNA is increasingly finding itself intervening on the grid, with specific replacement works that, regardless of the age of the grid, make it possible to mitigate the intensification of harmful weather conditions.
The group also considers that there may be a risk associated with the supply chain due to significant changes in the strategy of key suppliers, exacerbated by the crisis in the global supply chain resulting from the pandemic and the conflict between Russia and Ukraine and by the energy transition process initiated in many countries, with a potential impact on construction and maintenance works and consequent impacts on the continuity and quality of the service and on the time frame to carry out the works. The group constantly monitors the development of the supply chain and has not identified any critical issues.
In the area of financing and bonds, TERNA has ESG-linked financing programmes in place and has launched green bond issues. In both cases there is a link with sustainability objectives and TERNA considers that there may be a risk, albeit not significant, connected with the achievement of such objectives. Under the relevant contract, failure to meet these objectives by a certain date would result in a slight increase in the cost of debt. The impact of this risk on financial charges would be negligible.

- ITALGAS: the company manages and monitors the risks and opportunities connected to its business through its Enterprise Risk Management model which has been appropriately supplemented following the identification of specific risks related to climate change.
  With reference to the Physical Risk, the company has implemented operational countermeasures that assist with the achievement of the objective of reducing net greenhouse gas emissions compared to 2020 by: i) reducing Scope 1&2 emissions by 42% and Scope 3 emissions by 33% by 2030; ii) achieving Net Carbon Zero by 2050. With regard to energy consumption, the company's aim is to achieve a net reduction of 33% compared to 2020 values.
  These objectives will be pursued thanks to the use of Picarro Surveyor technology, advanced technology in the field of gas network monitoring activities, with significant advantages in terms of speed of execution, size of monitored areas and sensitivity in detecting gas in the air that is three times higher than in systems currently used by industry operators.
  As regards Transition Risk, the main mitigation actions implemented include: i) adoption of internal SLAs for the repair of leakages more severe than those defined by the Regulator; ii) process for transforming the network into digital infrastructure to enable the distribution of non-methane gases, such as hydrogen, biomethane and e-gas; iii) development, implementation and deployment of digital applications for remote control of network and plant construction sites, development and maintenance; iv) conversion to methane of distribution networks powered by LPG, with consequent reduction in emissions compared to the current configuration; v) measures for the modernisation of the network; vi) promotion of responsible business practices, through endorsement of the UN Global Compact; vii) investments designed to increase the ITALGAS group's presence in the water and energy efficiency sectors; viii) orientation activities to define sector association positions; ix) active participation in consultations called by the Government or European Union bodies; x) promotion of sustainable mobility; xi) development of power-to-gas technology powered by renewable energy to produce renewable gas that can be used in existing networks; xii) initiatives to analyse the network and plants to assess their adequacy and actions to enable the transport of gases other than methane, such as hydrogen, biomethane and e-gas.

Impairment test

Climate risks could have an impact on the determination of the expected useful life of non-current assets and on the estimated residual value of properties. Companies are, consequently, called upon to assess, where relevant: (i) the existence of indications that non-financial assets have suffered impairment as a result of climate risk or of the measures implementing the Paris Agreement; (ii) the use of assumptions that reflect climate risks and (iii) the inclusion in sensitivity analyses of the effects of climate risk within the assumptions adopted. Changes in the environment in which an entity operates may be potential indicators of possible impairment of an asset.

For the Companies in the CDP RETI Group, it is generally held that at present there is limited exposure to the impacts that possible climate risks could have on the measurement of non-current assets and other assets.

Contingent liabilities and onerous contracts

In 2022, there were no events that resulted in the need to make additional provisions for risks and charges and there are no current obligations that are likely to result in future cash outflows, attributable to non-compliance with environmental requirements and/or failure to achieve the required climate objectives. In addition, due to the systematic monitoring of assets, and of the areas where they are located, companies are concretely committed to identifying in advance possible situations that could potentially lead to contingent liabilities related to climate risks.

Disclosure on Article 8 of the Taxonomy Regulation

In relation to the disclosure obligations referred to in Article 8 of the European Taxonomy Regulation, a system set up to classify economic activities as environmentally sustainable on the basis of six environmental objectives, the operating companies of the CDP RETI Group have carried out assessments and in-depth analyses to establish the level of alignment of their economic activities with the taxonomy criteria preparatory to the alignment reporting required by legislation.

To date, the European Union has published delegated acts relating only in relation to (i) climate change mitigation and (ii) climate change adaptation.

As of the year 2022 and thus already with effect from the 2021 financial statements, non-financial companies that are required to publish non-financial information pursuant to Article 19a or Article 29a of Directive 2013/34/EU, have reported the share of turnover, capital expenditure and operating expenses considered eligible and ineligible for the Taxonomy. As of the year 2023 and thus with effect from the 2022 financial statements, the reporting obligation covers the share of turnover, capital expenditure and operating expenses considered aligned with, eligible and ineligible for the Taxonomy broken down by activity.

Disclosure on the impacts of Russia's invasion of Ukraine

The context of instability generated as a result of Russia's invasion of Ukraine requires specific disclosure to be provided in order to ensure a level of transparency of financial reporting that is in line with the recommendations issued by the various regulators. For this reason, CDP RETI and the Group companies have been called upon to provide all necessary information to adequately reflect the current and, as far as possible, foreseeable impact of Russia’s invasion of Ukraine on the financial situation, performance and cash flows, in order to provide detailed disclosure on the process of identifying the main risks and uncertainties to which they are exposed.

Going concern, significant uncertainties and risks linked to the conflict

Concerning the exposure to the risk profiles of the parent company CDP RETI S.p.A., it should firstly be noted that the Company does not have any production activities or employees located in Russia or Ukraine, does not hold equity investments, including joint ventures, with Russian or Ukrainian companies, and does not maintain commercial and/or financial relations with these countries. Also with reference to the tensions in the financial markets, the Company is not exposed to the exchange rate risk. In more general terms, however, it should be highlighted that, as the Company is a holder of significant equity investments, it is exposed to the risks typically associated with investee companies. It follows that, given its nature as a financial holding company, the performance and liquidity of the Company are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the SNAM group, the TERNA group and the ITALGAS group. Any impact on the economic and financial situation of the investee companies resulting from the continuation of the conflict, could, consequently, have negative effects on the financial performance and profit or loss of CDP RETI S.p.A.. Therefore, there is still a need to constantly monitor the evolution of these elements in the current context.

Although the Management is constantly monitoring events, it is not possible to completely rule out that the possible continuation of the conflict could have adverse effects on CDP RETI S.p.A., which cannot be estimated based on the information available at present. In any case, the Company does not currently believe that the uncertainties are such as not to allow it to be considered capable of continuing to operate as a going concern.

With regard to Group companies, the following is highlighted:

- Being aware of the alarming international geopolitical context, from the earliest phases of the Russian-Ukrainian crisis TERNA has promptly taken action to monitor the possible impacts/risks it entails, in light of the continuous evolution of geopolitical scenarios and the legislation in force on international sanctions programmes adopted following the start of the Russian-Ukrainian conflict. Despite the presence of a very volatile macroeconomic scenario and slowing economic growth, characterised by very high global inflation, restrictive monetary policies by the Central Banks and a sharp rise in benchmark rates, as well as a critical geopolitical situation and the persistence of tensions on the commodity markets that are causing negative effects on the recovery after the COVID-19 pandemic, the company continues to be focused on the implementation of the 2021-2025 "Driving Energy" Business Plan. To this end, specific task forces have been set up in a timely manner to ensure both constant monitoring of sanctioning regulations and the strengthening of due diligence and ordinary controls. The areas of potential impact according to which constant monitoring groups have been activated are:
  - cyber security: with the beginning of the Russian-Ukrainian conflict, there has been an increase in cyber attacks on institutional and corporate portals, including Italian ones. To date, these actions have not caused any significant disruptive impact or data breaches, with only short-term disruptions. Thanks to continuous Info sharing with Institutional Bodies and to the priority flows activated with Cyber Threat Intelligence providers, rules have been activated in order to block harmful actions in advance. All checks relating to the absence of cyber security products and services linked to the Russian Federation have also been carried out with positive results, and a project has been launched to further raise the level of cyber security relating to the data flow required for monitoring the defence systems active on the Ukrainian network;
  - economic and financial: on this front, the current crisis has led to significant fluctuations in some macroeconomic variables. On the basis of the current regulation of TERNA, which provides for the indexation of the operating costs recognised in the tariff and of the *Regulatory Asset Base* RAB (the latter is revalued on the basis of the evolution of the investment deflator), no negative economic impacts are expected from the increase in the price index. On the other hand, the increase in inflation has meant that the national central banks and, in particular, the European Central Bank, have accelerated the plan for the implementation of a restrictive monetary policy, with the aim of mitigating the price increase. The effect is a sudden rise in interest rates, which will also have an impact on the cost of TERNA's debt in the coming years, although this will not be immediate, in view of the average duration of the existing debt and the high percentage of loans currently at a fixed rate. At the same time, it should be noted that a significant change in the macroeconomic parameters to which the TERNA group is exposed (interest rates, inflation, yield of Italian government bonds and indices relating to the cost of European debt) could cause a change in the cost of capital recognised in the tariff, to offset the impacts generated by those variables. In addition, the TERNA group currently has financing sources, consisting of liquidity and committed credit lines (thus immediately available) that, together with the ability to generate cash flows, ensure coverage of the group's financial requirements for the next 18/24 months, allowing it to face any further stress on the capital market;
  - electrical system: current evidence shows no impact on the adequacy of this system. However, the shortfall next winter in the supply of natural gas would only partially be offset by maximising production from other energy sources. The Italian Government and the Gas Emergency Committee are currently carrying out some assessments in order to establish the prospect of managing a possible significant reduction in gas supplies. It should be noted that the TERNA group's transition objectives are consistent with the European strategy of gradually achieving independence from Russian gas supplies;
  - procurement plan: as a result of international sanctions, TERNA has suspended the qualification of only one Russian supplier, now definitely expired, mitigating the effect of this action through the greater use of other available contracts. Recovery and repositioning actions were carried out on line supplies, station equipment and power machinery. With regard to the procurement of metal sub-supplies (steel, aluminium, nickel, semiconductors), which are affected by price changes, the most important events were addressed. With regard to large projects, whose service agreements for stations will be performed in the near future, are being discussed during the tender phase, etc., there is a potential impact deriving from the uncertainty about the increase in commodity prices and any requests for extension of construction times due to force majeure (which are regulated by contractual repricing mechanisms in implementation of mandatory regulations, by identification of precise and unambiguous parameters and criteria). Finally, with regard to civil works contracts, the contractual repricing envisaged by the government measures applied in 2021 was entirely marginal, while the impact of the "Aiuti" Decree was, as expected, more significant.

- With regard to the SNAM group, it should be noted that:
  - as part of the business of designing and building biomethane plants, the conflict generated difficulties in finding raw materials (in particular construction materials for IES Biogas), with a simultaneous increase in prices and an extension of delivery times. On the other hand, biomethane production plants are not recording substantial impacts. However, the continuation of the conflict in 2023 could generate additional impacts that cannot be identified at present;
  - with reference to the Energy Efficiency business, the general increase in the costs of raw materials has not led to significant economic effects since, in general, the contracts signed with customers include specific indexation clauses that protect companies from price escalation. Nevertheless, there was a slight slowdown in collection times due to the aforementioned increase in costs, albeit with minimal impact. However, if this situation continues in the coming months, it could lead to more significant indirect effects on the working capital and cash flows of the companies;

- within the Transport, Regasification and Storage business, no direct impact from the Russia-Ukraine conflict has been identified to date. With reference to indirect impacts, the group has undertaken a series of actions to help achieve the storage filling targets set by the Ministry of the Environment and Energy Security, and to enable greater diversification of supply sources. With regard to the Sustainable Mobility business, the production and marketing activities of compressors were affected by the Russia-Ukraine conflict as, especially during the first half of 2022, there were significant difficulties in procuring the main raw materials used in the production phase (mainly stainless steel and components for integrated boards) due to delays in the supply chain; However, during the second half of the year there was an upturn in orders for the supply of compressors;
- with reference to the filling station business, the significant increase in methane prices has led to a lower growth in consumption and therefore in the quantities of gas delivered by the stations; despite this slowing trend, the activity for the commissioning of stations continued.

It should be noted that SNAM is not active in the Russian market and does not hold any equity investments in Russian companies, not even in joint-ventures.

With regard to the foreign investee companies Trans Austria Gasleitung GmbH - TAG (a jointly-controlled company) and Gas Connect Austria - GCA (an associate company), these are the companies with the greatest exposure to Russian gas supplies through their gas transport contracts. The current environment in which they operate has changed significantly compared to the past despite a substantially stable regulatory framework, as the existing differences with respect to regulations in force in the main European countries generate uncertainties about expected returns, which, under the current regulatory framework, are largely dependent on volumes transported. With regard to TAG, the continuation of the conflict has led to a significant reduction in gas flows from Russia during the year, with consequent reduction in imported volumes.

SNAM is actively cooperating with the competent Austrian authorities regarding the definition of the regulatory framework applicable from 2025 (2025-2028 regulatory period) in light of the changed context in which the company operates.

With regard to GCA, it should be noted that during 2022 the company used its interconnection points with Germany to ensure the security of supply in Austria and, at the same time, achieve the national storage filling target. In addition, the company has long-term transport capacity contracts in place, with gradual expiries until 2031.

With regard to the Italian investee companies, no direct impacts from the Russia-Ukraine conflict were identified.

Finally, there was a significant and general increase in the interest rates used to estimate the recoverable amount as part of the Impairment Tests.

- ITALGAS does not have any production activities or employees located in Russia, Ukraine or in countries geo-politically aligned with Russia, nor does it have any commercial and/or financial relationships with these countries. ITALGAS continues not to detect any materially relevant restrictions on executing financial transactions through the banking system, also as a result of Russia's exclusion from the international SWIFT payment system. However, in a market already featuring restrictions and slowdowns in the supply chain, especially regarding components, it cannot be ruled out that the political and economic tension caused by the conflict could exacerbate these difficulties and affect, in a way that cannot yet be estimated or predicted, the efficiency and timeliness of the ITALGAS group's procurement ability.

  In particular, following a survey of a significant part of its suppliers, it was found that none of the suppliers surveyed mentioned impacts with the Russian market (while only one supplier reported sub-supplies of Ukrainian origin, for which initiatives have been taken to seek alternatives).

  At the same time, the survey confirmed the growing critical importance of the supply of electronics and components related to steel, in terms of prices, delivery terms and availability. The subsequent increase in utility costs is creating price tensions; at the moment there are no significant production critical issues in the energy/commodities markets.

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

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

  With reference to the tensions in the financial markets, ITALGAS continues to be only marginally exposed to the exchange rate risk and, in any case, only to the US dollar.

Impairment of assets

- With regard to the assessments on the TERNA group's assets to be tested for impairment, the following should be noted:

- with regard to the recoverable amount of property, plant and equipment and the intangible assets with finite useful life belonging to the scope of the RAB (Regulated Asset Base), the assessment of estimated future cash flows generated by these assets has shown that the macroeconomic effects, including those resulting from the outbreak of the Russian-Ukrainian conflict, have not given rise to impacts constituting triggering events requiring the group to test for impairment. The same conclusions also apply to the recoverable amount of investments accounted for using the equity method, referring to companies for which the abovementioned impacts are expected to be marginally contained;
- the effects of the Russian-Ukrainian conflict did not generate any increase in credit risk and had no impact on the measurement of *expected credit losses*, nor did they generate changes in the business model identified for financial instruments;

- against a background of significant uncertainties about the outcome and duration of the conflict, with actions already taken by some states that will lead to Europe's gradual independence from Russian gas, the SNAM group has noted a significant and general increase in the interest rates used to estimate the recoverable amount as part of the impairment tests and has estimated the recoverable amount of the equity investment in TAG based on a multi-scenario approach, attributing a probability of occurrence to each of the scenarios considered. Multiplying the value in use emerging from each of the scenarios considered by the probability of occurrence assigned to them, the recoverable amount was thus calculated, which led to a significant impairment of the equity investment;
- the ITALGAS group did not identify any significant impact related to the conflict between Russia and Ukraine, with regard to the measurement of assets subject to impairment testing.

Additional disclosure applicable to the Annual Financial Report

With regard to the additional areas of focus indicated by ESMA as potentially subject to any impacts related to Russia's invasion of Ukraine (such as deferred tax assets (IAS 12), fair value measurement (IFRS 13), foreign currency transactions (IAS 21), contingent liabilities (IAS 37), insurance contract liabilities (IFRS 4)), there are no critical issues or impacts for CDP RETI S.p.A. or for Group companies.

It should also be noted that the effects of the Russian-Ukrainian conflict did not affect the ability of the CDP RETI Group companies to exercise governance rights over their investee companies, thus confirming their ability to participate in the decision-making processes of subsidiaries, associates or jointly controlled companies. In addition, no plans were adopted as a result of the conflict to dispose of or discontinue assets (or groups of assets) that would lead to their classification as available for sale.

Issues related to the macroeconomic scenario

The prolonged upward phase in energy prices, and especially natural gas prices, already observed since the second half of 2021, was further influenced by the Russian invasion of Ukraine and the outbreak of the conflict on 24 February 2022. In the following months, energy commodity prices rose significantly; as of the month of September, and more markedly since December 2022, the price of natural gas fell significantly, with the downward trend continuing in the first weeks of 2023.

At the same time, since the beginning of 2022, the global economic activity showed signs of slowing down while inflation rose almost everywhere, continuing to reflect the rise in energy prices and the consequent increase in food prices. During the same period in the Eurozone and in the United States, inflation was above 9% and 6%, respectively.

In order to cope with a severe inflationary environment, the major central banks embarked on a significant process of normalisation of monetary policy with substantial and repeated hikes in the benchmark interest rate as of the first quarter of 2022.

The current macroeconomic context resulting from the combined effect of the residual consequences of the pandemic, inflation, rising interest rates, slowing markets, geopolitical risks and general uncertainty about future developments, has made it necessary to assess the impacts that this context can generate on the results and operations of the CDP RETI Group. In this regard, the ESMA, in its Public Statement of 28 October 2022 "*European common enforcement priorities for 2022 annual financial reports"*, highlighted the need to ensure fair transparency in financial reporting, so that it can adequately reflect the current and, as far as possible, foreseeable impact of the current macroeconomic scenario and conflict on companies' financial situation, performance and *cash flows*.

Impairment of non-financial assets and equity investments

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, the CDP RETI S.p.A. considers a range of factors also relating to the unique circumstances characterised, among other things, by the instability of financial markets and the international real economy.

With regard to CDP RETI Group companies, the following is highlighted:

- With reference to the TERNA group, the assessment of the current macroeconomic scenario and the effects linked to the Russian-Ukrainian conflict has not generated trigger events calling for the need to test the existence of write downs of the value of property, plant and equipment owned by the group and of intangible assets with finite useful life.
  Specifically, with regard to the recoverable amount of property, plant and equipment and the intangible assets with finite useful life belonging to the scope of the RAB, the assessment of estimated future cash flows generated by these assets has shown that the macroeconomic effects have not given rise to impacts constituting triggering events requiring the TERNA group to test for impairment. The same conclusions also apply to the recoverable amount of investments accounted for using the equity method, referring to companies for which the abovementioned impacts are expected to be marginally contained.
- For the SNAM group, the rise in benchmark interest rates has led to a significant increase in the rates used to estimate the recoverable amount as part of the impairment tests.
- Similarly, following the impairment tests conducted, the ITALGAS group did not detect effects that could currently lead to a presumption of a reduction in the value of assets under concession or intangible assets with finite or indefinite useful life (goodwill).

In particular, regarding the value of the property, plant and equipment under concession and included in the regulated activities, their recoverable amount is calculated considering: (i) the amount quantified by the Authority on the basis of the rules defining the rate to provide the services for which they are intended; (ii) the value that the group expects to recover from the sale or at the end of the concession governing the provided service for which they are intended. Consequently, no impairment indicators attributable to the general deterioration of the macroeconomic scenario were detected as at 31 December 2022 with regard to the recoverable amount of the assets and goodwill.

Employee benefits

The CDP RETI Group has not changed its approach to determining the actuarial assumptions necessary to calculate the various Employee Benefits liabilities in accordance with IAS 19.

Therefore, there were no methodological changes or specific amendments to the economic-demographic and financial as well as behavioural (e.g. turnover) assumptions used.

Revenues from contracts with customers

- With regard to the TERNA group, the most significant part of the group's income consists of revenues related to the performance of Regulated Activities in Italy and the calculation of income that remunerates both operating costs and invested capital, both of which are revalued annually based on inflation and deflator trends, respectively. In addition, the return on invested capital is calculated using a WACC that is reviewed periodically by ARERA in order to update the parameters underlying the calculation of the cost of equity and cost of debt. With respect to potential risks of higher contract prices due to the strong inflationary environment and higher costs due to rising prices of materials, energy and wages and the risk that issuers may be unable to reflect these increases in the prices of their goods and services, TERNA does not recognise this risk because the price revisions granted by law are covered by tariff updates, which provide for an adjustment to inflation;

- also for the ITALGAS group, the most significant part of revenues regards regulated activities, whose income is governed by the regulatory framework defined by the Regulatory Authority. Therefore, the financial conditions of the services provided are defined through regulatory frameworks and not on a negotiating basis. Furthermore, the group did not incur any significant costs attributable to the performance of a contract.

Given that the most significant part of the CDP RETI Group companies' income consists of revenues from regulated activities, the financial conditions of the services provided are defined through regulatory frameworks and not on a negotiating basis and are reviewed by the Authorities for the purpose of updating the basis for their calculation. Therefore, there are no major impacts related to the macroeconomic scenario.

Financial instruments

The worsening macroeconomic scenario did not lead to significant effects on the financial instruments.

I.2. MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The IFRS classification and measurement standards adopted for drawing up the Annual Report of the CDP RETI Group are shown below.

An asset or liability is classified as "current" when its trading, realisation or settlement are expected within twelve months from the reporting date or within the normal business cycle, if after twelve months; all other assets and liabilities are classified as "non-current".

Property, plant and equipment

Property, plant and equipment refers to non-current assets which are consistently used in the course of the Company's business.

Property, plant and equipment and other operating property, plant and equipment are governed by IAS 16. Investment property (land and buildings) is governed by IAS 40. Property acquired and held for subsequent resale is governed by IAS 2.

Property, plant and equipment includes: (i) with regard to the natural gas transport segment, the value referring to the quantity of natural gas fed into gas pipelines to make them operational and (ii) with regard to the natural gas storage segment, the portion of gas injected into the storage wells as "Cushion Gas".

Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees)[49]. Property, plant and equipment are initially recognised at purchase or production cost and stated at the purchase or transfer price or production cost, inclusive of any directly attributable costs incurred to make the asset ready for use. This cost is increased by the present value of costs likely to be incurred to dismantle and remove the asset and to restore the site, should legal or implicit obligations so require. The corresponding liability is recognised under provisions for risks and charges. Estimates of dismantling costs, discount rates and the dates when those costs are expected to be incurred are restated at every annual reporting date.

The purchase/transfer price or the production cost also includes financial expenses directly linked to the acquisition, construction or production of the asset.

Repair and maintenance costs incurred after the acquisition date are recognised as an increase in the carrying value of the item they refer to if it is probable that future economic benefits associated with that item will flow to the entity and the cost of the item can be reliably measured. All other costs are recognised through profit or loss when incurred.

Costs for improvements, modernisation and transformation that increase the value of property, plant and equipment are recognised in the asset side of the balance sheet when it is probable that they will increase the expected future economic benefits. Items purchased for security or environmental purposes that, while not directly increasing the future economic benefits expected from existing assets, are necessary to obtain benefits from other property, plant and equipment, are also recognised under balance sheet assets.

The subsequent measurement of property, plant and equipment is at cost, net of accumulated depreciation and impairment (the latter in accordance with IAS 36).

The assets are systematically depreciated on a straight-line basis over their useful lives, from the date they become available for use in the production process. Therefore, the depreciation allowances for each year charged to the income statement are calculated by the CDP RETI Group at the rates listed below, which are considered adequate to represent the residual useful life of each asset.

At every annual or interim reporting date, the recognised carrying amount of the asset is tested for impairment. If impairment indicators are present, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (that is the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement. If the reasons for which impairment was recognised cease to exist, the impairment loss is reversed. The adjusted value may not exceed the value that the asset would have had, net of the depreciation calculated in the absence of previous impairment.

Items/Figures %	Min.	Max
Buildings	2.0%	20.0%
Movables	6.0%	6.0%
Electrical plant	10.0%	20.0%
Plant and machinery:	0.0%	0.0%
Power lines	2.2%	4.0%
Transformation stations	2.4%	6.7%
Gas pipelines	2.0%	2.0%
Power stations	5.0%	10.0%
Gas reduction and regulation	5.0%	5.0%
Pipelines	2.0%	2.0%
Processing stations	4.0%	20.0%
Compression stations	5.0%	5.0%
Storage wells	1.7%	20.0%

[49] For the treatment relating to leased assets, reference should be made to the specific paragraph "Leases" in the "Other information" section.

Regasification	4.0%	4.0%
Industrial and commercial equipment	10.0%	33.3%
Other assets	2.0%	33.0%
Other plant and equipment	2.0%	33.3%

When an asset included under property, plant and equipment consists of significant components that have different useful lives, each of those components is depreciated separately (component approach). The useful life of the assets is reviewed annually and if expectations differ from previous estimates, changes in the depreciation schedule are accounted for prospectively.

Land and buildings are considered to be separable assets; therefore, they are treated as separate assets for accounting purposes, even if purchased together. Land is considered to have an indefinite life and, as such, is not depreciated.

Assets under construction and advances are composed of advances or expenses incurred in respect of items of property, plant and equipment that have not been completed or are undergoing testing before entering service. Since they have not yet entered the company's production cycle, depreciation is suspended.

Property, plant and equipment items are derecognised on disposal or when no future economic benefits are expected from their use or disposal; any gain (loss) on disposal is recognised through profit or loss.

Intangible assets

According to IAS 38, intangible assets are identifiable assets without physical substance that are controlled by an entity and whose cost can be measured reliably and from which future economic benefits are expected to flow to the entity. Intangible assets, as defined above, are held to be used for a multi-year period or an indefinite period.

Intangible assets are initially recognised at cost including incidental expenses and are amortised over their estimated useful life (period over which an asset is expected to be available for use by an entity), which, at the end of each financial year, is assessed to check the adequacy of the estimate. The amortised value is the carrying amount, minus the expected net realisable value at the end of its useful life, if significant and reasonably measurable. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset that qualifies for capitalisation pursuant to IAS 23 are capitalised on the asset as part of its cost.

Development costs are capitalised only if: (i) they can be reliably measured, (ii) there is the technical possibility and intention to complete the intangible asset so that it can be available for use, (iii) there is the capacity to use the intangible asset, (iv) it is possible to demonstrate that it will generate probable future economic benefits.

All other development costs and all the research expenditure are recognised through profit or loss when incurred.

Subsequent measurement of intangible assets is at cost, net of accumulated amortisation and any impairment (the latter in accordance with IAS 36).

Intangible assets are amortised over a period representing the residual useful life, considering the high level of obsolescence of these assets.

If there is objective evidence that the intangible asset is impaired, a test is performed to determine the adequacy of the carrying amount of the asset. Consequently, the carrying amount of the asset is compared with its recoverable amount, with the latter being the greater of fair value less the costs of disposal, and the associated value in use of the asset (construed as the discounted value of the future cash flows originated by the asset). If the carrying amount is higher than the recoverable amount, the difference is recognised in the income statement. If the reasons for which impairment was recognised cease to exist, the value of the asset is written back. The adjusted value may not exceed the value that the asset would have had, net of the amortisation calculated in the absence of previous impairment.

Intangible assets include assets associated with public-private Service Concession Agreements relating to the development, financing, management and maintenance of infrastructure under concession arrangements, under which the granting entity:

- controls or regulates the services provided through the infrastructure by the operator, and the prices charged;
- controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the concession.

This category of assets includes agreements under which the Italgas group undertakes to supply the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA, formerly AEEGSI), being the holder of the right to use the infrastructure controlled by the granting entity to provide such public service. It also includes the property, plant and equipment and intangible assets used by the Terna group to dispatch electricity under concession arrangements.

Intangible assets include goodwill, regulated by IFRS 3 and defined as the difference between the price paid for a transaction related to a business combination and the fair value of identifiable net assets acquired. If this difference is negative (badwill) or if the goodwill is not justified by the future earnings capacity of the investee, the difference is recognised in the income statement.

Goodwill generated from the acquisition of subsidiaries is allocated to each identified cash generating unit (CGU). Within the CDP RETI Group, CGUs correspond to the individual legal entities. Goodwill is tested for the adequacy of its carrying amount. An impairment test is performed annually on goodwill, or whenever there is evidence of impairment. This involves comparing the carrying amount of goodwill and the recoverable amount of the CGUs to which the goodwill is attributed. If the carrying amount of goodwill is higher than the recoverable amount of the CGU, the difference is recognised in the income statement. Any reversals of impairment of goodwill may not be recognised.

Goodwill related to investments in associated companies and joint ventures is included in the carrying amount of such companies. Negative goodwill is recognised in the income statement at the time of the acquisition.

Intangible assets also include industrial patent and intellectual property rights, concessions, licenses, trademarks and similar rights and development costs.

The value of storage concessions, consisting of natural gas reserves in the fields ("Cushion Gas"), is determined in accordance with the Decree of 3 November 2005 of the Ministry for Productive Activities and recognised under "Concessions, licenses, trademarks and similar rights". This item is not amortised as the volume of gas is not modified by the storage activity and its economic value is not below the carrying amount.

Intangible assets are derecognised when future economic benefits are no longer expected from their use or when sold; any gain (loss) on disposal is recognised through profit or loss.

Equity investments

"Equity investments" includes investments in subsidiaries (according to IFRS 10), in associates (according to IAS 28) and in joint arrangements (according to IFRS 11).

Subsidiaries are companies in which the CDP RETI Group holds, either directly or indirectly, more than half of the voting rights in the Shareholders' Meeting to appoint Directors or, in any event, when CDP RETI exercises the power to determine financial and operating policies (including de facto control).

Associates are companies in which the CDP RETI Group holds, either directly or indirectly, at least 20% of the voting rights or, even with a lower voting interest, companies over which the CDP RETI Group has significant influence, which is defined as the power to participate in determining financial and operating policies, but without exercising either control or joint control.

Joint arrangements involve companies where control, by means of a contractual arrangement, is shared between the CDP RETI Group and one or more parties, or when decisions about the relevant activities, which have a significant impact on returns, require the unanimous consent of the parties involved in the contractual arrangement that have control over the company.

Equity investments are initially recognised at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

Equity investments in associates or joint ventures are initially recognised at cost at the settlement date and subsequently measured using the equity method, where the original cost of the equity investment is adjusted (up or down) according to: (i) the investor's share of the profit (loss) for the portion realised by the investee after the acquisition, (ii) the investor's share of changes in the items of the other comprehensive income of the investee, realised after the acquisition, (iii) the dividends received from the investee and (iv) the investor's share of changes in the equity of the investee other than the previous ones.

The same provisions governing business combinations apply to acquisitions. Consequently, the difference between the acquisition price and the portion of acquired equity is allocated based on the fair value of the identifiable net assets of the associate. Any unallocated excess amount is considered as goodwill. The higher allocated price is not presented separately, but is included in the carrying value of the equity investment ("equity method"). Any positive difference between the value of the portion of equity of the investee and the cost of the equity investment (badwill) is recognised as income. Application of the equity method also considers the treasury shares held by the investee.

The equity investments are tested for impairment at every annual or interim reporting date or when events occur that suggest a reduction in value.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

In particular, the impairment process for the consolidated financial statements is performed in line with what is done for the separate financial statements of the Group companies. With reference to listed equity investments, it should be noted that assessment of objective evidence of impairment for the purposes of the separate financial statements is supplemented by verifying the existence of a market price of at least 40% lower than the carrying amount of the investment in the consolidated financial statements.

In terms of separate financial statements, the presence of specific qualitative and quantitative indicators is assessed.

In this case, and in particular for CDP RETI, taking into account the characteristics of its investment portfolio, as well as its role of long-term investor, at least the following are considered indicators of impairment or objective evidence of impairment:

- the recognition of losses[50] or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies)[51] in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40%;
- a market price below the carrying value for a period of 24 months;
- a carrying value of the net assets in the consolidated financial statements higher than the market price of the equity investment;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information[52].

If the recoverable amount is lower than the carrying amount, the difference is recognised through profit or loss. If the reasons causing the impairment cease to exist, the impairment losses are reversed. These reversals have to be recognised in the income statement up to the amount of the previous impairment. Consequently, the reduction in the previously recognised impairment loss upon write-back of the value of the equity investment may not exceed the carrying value that would have existed if no impairment had been previously recognised. Both the impairment and the reversals of impairment are recognised in the income statement.

The recoverable value determined when running the impairment tests in the separate financial statements for equity investments in subsidiaries is used to assess the existence of possible impairments of the net assets pertaining to the cash flow generating units (CGUs) corresponding to those equity investments. This assessment is carried out in compliance with the provisions of IAS 36.104 and 36.105.

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses, in compliance with the provisions of IAS 28[53].

Equity investments are derecognised when the contractual rights to the cash flows deriving from ownership of the equity investments expire or when they are sold, substantially transferring all risks and rewards connected with them.

Financial assets

The following financial assets are recognised under current and non-current financial assets:

1. financial assets measured at fair value through profit or loss (FVTPL);

---

[50] The recognition of losses may not be considered relevant if in line with the budget and/or business plan objectives of the equity investment (e.g. investments recently made); on the contrary, losses attributable to cases provided for by the Italian Civil Code (e.g. Articles 2446, 2447) are always considered relevant.

[51] The indicator takes into consideration the distribution of a higher dividend than the income in the comprehensive income (or statement of comprehensive income for financial companies) for the year when the dividend is declared (i.e. dividends declared in 2017, representing the distribution of the net income for 2016, larger than the total comprehensive income for 2017). In order to conduct the impairment test for the reporting date of the half-yearly financial statements, in the absence of homogeneous comparison data, the indicator is verified by referring to the data relating to the previous year.

[52] The downgrade of the equity investment's credit rating is not, in itself, evidence of impairment, although it may be an indication to that effect; therefore, such a trigger is considered relevant only when activated together with at least another impairment trigger.

[53] See Commission Regulation (EU) 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019, amending Regulation (EC) no. 1126/2008, adopting certain international accounting standards in accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council with regard to the international accounting standard IAS 28.

2. financial assets measured at fair value through other comprehensive income (FVTOCI);
3. financial assets measured at amortised cost;
4. hedging derivatives.

1. Financial assets measured at fair value through profit or loss (FVTPL)

This item includes the following financial assets measured at fair value through profit or loss:

- "Financial assets held for trading" including debt securities, equities, loans, units of UCIs included in an Other/Trading business model, and also derivatives not designated as hedging instruments;
- "Financial assets designated at fair value" including debt securities and loans, measured at profit and loss in accordance with IFRS 9 (i.e. the fair value option), which allows a financial asset to be irrevocably measured through profit or loss if, and only if, this will eliminate or significantly reduce an accounting mismatch;
- "Other financial assets mandatorily measured at fair value" including debt securities, equity securities, units of UCIs and loans, i.e. those assets other than those measured at fair value through profit or loss, which do not meet the requirements for classification at amortised cost, at fair value through other comprehensive income or which are not held for trading. They are substantially represented by those financial assets whose contractual terms provide for periodic flows that are not represented by solely payments of principal and interest (thus characterised by the failure to pass the SPPI test), or those assets that do not comply with the business model terms of the portfolio measured at amortised cost or at fair value through other comprehensive income.

Financial assets held for trading, as indicated, include financial derivatives not designated as hedging instruments, operational hedging derivatives, as well as embedded derivatives in complex financial contracts, whose host contract is a financial liability, which were recognised separately because:

- the financial characteristics and risks are not closely related to the characteristics of the underlying contract;
- the embedded instruments, even when separated, meet the definition of derivative;
- the hybrid instruments that they belong to are not measured at fair value through profit or loss.

Operational hedging derivatives are those derivatives which are not part of effective hedge accounting but are held to meet operational hedging requirements where the company aims to align the measurement criterion with respect to the assets and/or liabilities associated with them.

As with all financial assets held for trading, the fair value of which can be both positive and negative, derivatives are classified among FVTPL financial assets if their fair value is positive and among FVTPL financial liabilities if their fair value is negative.

Financial assets measured at fair value through profit or loss are initially recognised on the trade date for derivative contracts, at the settlement date for debt securities, equities, and units of UCIs, and at the disbursement date for loans. An exception is represented by those securities whose delivery is not governed by conventions on the market concerned, for which initial recognition is at the subscription date.

Upon initial recognition, financial assets measured at fair value through profit or loss are recognised at fair value, which generally equals the transaction price, net of transaction costs or income that are immediately recognised through profit or loss.

Subsequent measurement is at fair value, with recognition of the measurement results in the item "Financial income (expense)" in the income statement. The fair value is determined based on the official prices as of the reporting date if the financial instruments are listed on active markets. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, option pricing models and values registered in recent similar transactions. For equity securities and related derivative instruments not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

Reclassifications to other categories of financial assets are not permitted, unless, as regards financial assets held for trading, the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

Financial assets measured at fair value through profit or loss are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

2. Financial assets measured at fair value through other comprehensive income (FVTOCI)

The item "Financial assets measured at fair value through other comprehensive income" includes financial assets represented by debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this item are also recognised equity instruments, considered as such in compliance with the provisions of IAS 32, which are not held for trading and for which the option, granted by the standard, of recognising the subsequent changes in the fair value of the instrument through other comprehensive income (FVTOCI option[54]) has been irrevocably exercised.

Initial recognition of the item under examination occurs on the settlement date for debt securities and equities and on the disbursement date for loans.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value, which generally corresponds to the transaction price, including any expenses and income attributable to the transaction.

Subsequent to the initial recognition, financial instruments traded in active markets are measured at their fair value determined on the basis of official prices on the reporting date. For financial instruments, including equity securities, not listed on active markets, fair value is determined by using measurement techniques and information available on the market, such as the price of similar instruments on an active market, discounted cash flows, and values recorded in recent similar transactions. For equity securities not listed in an active market, the cost method is used as an estimate of fair value only in a residual manner and limited to a few circumstances, i.e. in case of non-applicability of all the afore-mentioned measurement methods, or in the presence of a wide range of possible measurements of fair value, within which the cost is the most significant estimate.

The profits and losses resulting from changes in fair value of debt instruments and loans are recognised in the statement of comprehensive income and recorded in the item Valuation reserves, in equity, until the financial asset is derecognised.

If these financial assets are derecognised, the cumulative gains or losses, previously recognised in the other comprehensive income, are transferred from equity to the income statement.

Interest on the debt instruments and on receivables is recognised in the income statement according to the amortised cost method, which is based on the effective interest rate, i.e. the rate that discounts the estimated future receipts (and any payments) during the expected life of the financial instrument at the gross carrying value of the financial asset.

These instruments are also subject to tests on the significant increase in credit risk (impairment) under IFRS 9, with consequent recognition in profit or loss of an impairment loss to cover the expected losses. In particular, an expected loss for the 12 months following the reporting date is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

Losses and recoveries arising from the impairment process are included in the income statement.

No reclassifications to other categories of financial assets are allowed, unless the business model is changed. In this case, all affected financial assets will be reclassified, according to the rules provided for in IFRS 9.

[54] Fair Value Through Other Comprehensive Income option.

With reference to equity instruments, their inclusion in the item Financial assets measured at fair value through other comprehensive income is linked to the irrevocable option adopted by the company holding the instrument.

The exercise of this option entails using different recognition rules from those described above for debt securities, because:

- the amounts recognised in the Valuation reserves are never reclassified through profit or loss, even when they are derecognised;
- all exchange rate differences are recognised in the equity reserve and are therefore charged to other comprehensive income;
- IFRS 9 does not envisage impairment rules for these equity instruments.

Only dividends from these equity instruments are recognised in the income statement.

Financial assets measured at fair value through other comprehensive income are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers all the risks and rewards connected with ownership to a third party. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

3. Financial assets measured at amortised cost

The item "Financial assets measured at amortised cost" includes debt securities and loans that meet both of the following conditions:

- the financial asset is held within a Business Model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Specifically, this item includes receivables from banks, or other parties, deriving from loans, leases[55], factoring transactions, debt securities, etc.

"Financial assets measured at amortised cost" are initially recognised on the settlement date as regards debt securities or on the disbursement date as regards loans.

Initial recognition is at fair value, which generally equals the transaction price, including any expenses and income attributable to the transaction.

After initial recognition, these assets are measured at amortised cost, equal to the value that the financial asset was measured at on initial recognition minus any principal repayments, plus or minus the accumulated amortisation, according to the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The effective interest rate is the rate that discounts the estimated future receipts (and any payments) for the expected lifetime of the financial asset at its gross carrying value, which includes the directly attributable transaction costs and the fees paid or received by the contracting parties.

In some cases, the financial asset is considered impaired at initial recognition as the credit risk is very high and, if it is purchased, this may be done with significant discounts (assets known as POCI i.e. "Purchased or Originated Credit Impaired"). In that case, for purchased or originated financial assets that are credit-impaired at initial recognition, a credit-adjusted effective interest rate is calculated for the credit risk, including the expected losses on initial loans within the financial flow estimates.

The amortised cost method is not used for loans whose short-term duration means that discounting is considered to have a negligible effect. This measurement rule is also used for loans without a specific expiration date or demand loans.

Financial assets measured at amortised cost are subject to the calculation of an expected credit loss allowance under IFRS 9 rules and the amount of such losses is recognised through profit or loss. In particular, an expected loss at one year is recognised on initial recognition and at each subsequent reporting date, on instruments classified in stage 1 (i.e. on non credit-impaired financial assets at the time of their origination, and on instruments which do not show a significant increase in credit risk compared to initial recognition). Conversely, an expected loss measured throughout the residual maturity of

[55] For the treatment relating to leases, reference should be made to the specific paragraph "Leases" in the "Other information" section.

the financial instrument is recorded on those instruments classified in stage 2 (performing financial assets for which there has been a significant increase in credit risk compared to initial recognition) and in stage 3 (non-performing exposures).

For financial assets that are performing (stages 1 and 2) impairment is calculated based on the risk parameters represented by probability of default (PD), loss given default (LGD) and exposure at default (EAD). If, in addition to a significant increase in the credit risk, there is also objective evidence of impairment (events that have a negative impact on estimated cash flows), the financial asset is impaired (stage 3) and the amount of the related impairment is measured as the difference between the gross carrying value of the asset and the current value of the expected cash flows, discounted at the original effective interest rate.

The expected cash flows take account of estimated recovery times and the expected realisable value of any guarantees.

The amount of the loss to be recognised through profit or loss is calculated based on an analytical assessment process or for categories of the same kind and thus attributed analytically to each position and takes account of forward-looking information and possible alternative recovery scenarios.

If the reasons for the impairment no longer apply following an event after initial recognition, then impairment reversals are charged through profit or loss.

Financial assets measured at amortised cost are derecognised when payment is received, when the contractual rights to the cash flows expire, or a sale transfers to a third party all the risks and rewards connected with ownership of the transferred asset. Conversely, when a significant portion of the risks and rewards associated with the transferred financial assets is retained, the asset remains on the financial statements, even if legal title has been effectively transferred.

In cases where it is not possible to verify the substantial transfer of risks and rewards, financial assets are derecognised from the balance sheet if any kind of control over the assets has been maintained. Conversely, the preservation of such control, even if it is only partial, results in maintaining the assets on the balance sheet to an extent equal to the residual involvement.

Transferred financial assets are derecognised even if the contractual rights to receive the related cash flows are retained, in the presence of a simultaneous obligation to transfer such flows, and only those, without material delay to other third parties.

It is also possible, over the maturity of financial assets, and specifically for financial assets measured at amortised cost, that they are subject to renegotiation of the contract terms. In that case, it is necessary to determine whether the contractual amendments result in the derecognition of the original instrument, with consequent recognition of a new financial asset, or in the recognition through profit or loss of the difference between the gross carrying value of the pre-amended financial instrument and the restated financial asset (modification).

In the absence of specific guidance in IFRS 9, the analysis necessary to identify possible amendments that give rise to derecognition rather than modification may sometimes involve significant elements of valuation. In general, changes to a financial asset lead to its derecognition and the recognition of a new asset when they are of a substantial nature.

On this basis, a list has been identified, by way of non-limiting example, of the main changes that represent a substantial change to the terms of the existing financial asset, introducing a different nature of the risks and resulting in derecognition.

The list is as follows:

- change in the counterparty: this includes novation or the replacement of the counterparty by another obligor (succession), because these changes lead to a change in the credit risk;
- change in the reference currency (because it introduces a different risk profile than the original exposure);
- debt-to-equity swap: the lender and the obligor may, as an alternative to other types of renegotiation, agree to extinguish the original debt through a substantial change in the nature of the debt-to-equity swap;
- introduction of new contractual clauses that result in failure of the SPPI test (e.g. leverage, indexing to parameters not related to the time value of money and credit risk, inverse rates, and financial covenants that result in failure of the test or other similar clauses);
- acceptance in lieu, whose repayment depends on the fair value of an asset;
- other cases of substantial change in the nature of the contract, such as the introduction of contractual clauses that expose the obligor to new risk components, such as returns linked to equity or commodity components, leverage or other similar clauses;
- changes granted to performing customers, who do not show any economic and financial difficulties (not qualifying as forborne exposures) and which involve the use of market parameters for the restatement of the financial conditions of the loan agreement.

Contractual changes to a financial asset for which the derecognition rules are applied will have the following accounting impacts:

- derecognition of the financial asset and recognition of a new financial asset;

- subjecting the new financial asset to a new assessment in terms of classification and measurement (business model and SPPI test);
- identification of the date of new recognition as the origination date;
- recognition of the new asset at its fair value; recognition of any gain or loss equal to the difference between the fair value of the new asset and its carrying value at the time of derecognition of the existing asset, except for level 3 fair value financial assets as envisaged by IFRS 9;
- classification of the new asset in the relevant stage, at the initial recognition date, and verification, in subsequent reporting periods, of any deterioration in credit risk.

In the event of changes not deemed significant, the gross value is re-determined through the calculation of the current value of the cash flows resulting from the renegotiation, at the original exposure rate (modification).

Below is a non-exhaustive list of the main changes to the previous contractual terms:

- reduction of the interest rate;
- extension of the maturity of the loan;
- reduction of part of the exposure;
- introduction of payment holidays (grace period/payment moratorium);
- payment of interest only;
- capitalisation of arrears/interest.

If there are contractual changes to a financial asset for which the rules of modification without derecognition apply, in accordance with IFRS 9:

- reassessment in terms of classification and measurement is not required: the SPPI test is only performed on initial recognition of the instrument and there is no subsequent reassessment of this initial assessment;
- the gains or losses resulting from the modification are calculated as the difference between the gross carrying value of the pre-modified financial asset and its restated gross carrying value (corresponding to the present value of the renegotiated or modified cash flows, discounted at the financial asset's original effective interest rate, i.e. before the modification), adjusted where applicable in the case of hedging transactions;
- any deterioration in the credit risk of the modified financial asset is analysed by comparing it with the credit risk at the asset's original recognition date, before the modification.

4. Hedging derivatives

Financial assets include derivatives which have a positive fair value at the reporting date. Derivatives with negative fair value are recognised in the balance sheet under other financial liabilities.

Hedging transactions

Hedging transactions are executed to hedge contingent losses that are attributable to a specific risk and which can be found in a specific element or group of elements, should that particular risk effectively materialise.

As permitted by paragraph 7.2.21 of IFRS 9, CDP RETI has decided to apply the provisions on hedging from IAS 39 rather than those from Chapter 6 of IFRS 9, to be used for its separate financial statements, the consolidated financial statements of the CDP RETI Group, as well as its own half-yearly financial statements.

In accordance with IAS 39, hedging instruments are derivatives or, limited to the hedging of foreign currency risk, non-derivative financial assets or liabilities whose fair value or cash flows are expected to offset the changes in fair value or cash flows of a designated hedged position [IAS 39, paragraphs 72-77 and Appendix A, paragraph AG94]. A hedged item is an asset, liability, firm commitment, a highly probable forecast transaction, or a net investment in a foreign operation that:

- exposes the company to the risk of a change in fair value or future cash flows;
- is designated as being hedged [IAS 39, paragraphs 78-84 and Appendix A, paragraphs AG98-AG101].

The effectiveness of the hedge is the extent to which the changes in fair value or cash flows of the hedged position that are attributable to a hedged risk are offset by the changes in fair value or cash flows of the hedging instrument [IAS 39, Appendix A, paragraphs AG105-AG113].

When a financial instrument is classified as a hedging instrument, the following are to be formally documented:

- the relationship between the hedging instrument and the hedged item, including the risk management objectives;
- the hedging strategy;
- the methods to be used in order to verify the hedge effectiveness.

Accordingly, both at the inception of the hedge and throughout its life, the change in the fair value of the derivative is analysed in order to determine whether it is highly effective in offsetting the changes in fair value of the hedged item.

A hedge is deemed to be highly effective if the changes in fair value of the hedged item or in the expected cash flows attributable to the risk being hedged are almost entirely offset by the changes in fair value of the hedging derivative.

At each annual or interim reporting date, the effectiveness is assessed through specific prospective and retrospective tests capable, respectively, of demonstrating the expected effectiveness and the level of effectiveness achieved.

If the hedge is not effective as described above, the hedging instrument is reclassified under financial instruments held for trading, while the hedged item continues to be measured in accordance with the criteria defined for its category. Hedge accounting also ceases when the hedging instrument expires, is sold or exercised or when the hedged item expires, is sold or is repaid.

Hedging derivatives are initially recognised at their fair value on the contract date. More specifically:

- for fair value hedge, the change in the fair value of the hedged item is offset by the change in the fair value of the hedging instrument. This offsetting is accounted for by recognising the changes in value through profit or loss, relating both to the hedged item (for the changes generated by the underlying risk factor) and to the hedging instrument. Any difference, which represents the partial ineffectiveness of the hedge, consequently represents the net profit or loss effect. The recognition through profit or loss of the change in fair value of the hedged item, attributable to the risk hedged, is also applied if the hedged item is a financial asset measured at fair value through other comprehensive income; if there were no hedging, this change would be recognised in equity;
- for cash flow hedge, the changes in fair value of the derivative are recognised, net of the tax effect, in specific "Valuation reserves" of equity, for the effective portion of the hedge, and are only recognised through profit or loss when there is a change in the cash flows to be offset for the hedged item. The amount of the gain or loss of the hedging instrument considered ineffective is recognised through profit or loss. This amount is equal to any excess of the accumulated fair value of the hedging instrument with respect to the related fair value of the instrument hedged; in any event, the fluctuation of the hedged item and the related hedge must be kept within the range of 80%-125%;
- hedges of a net investment in a foreign operation are accounted for in the same way as cash flow hedges.

In the case of highly likely future transaction hedges, if, during the life of a derivative, the expected hedged cash flows are no longer considered as highly probable, the portion of that instrument recognised in the "Valuation reserves" of equity is immediately recycled through profit or loss. Conversely, if the hedging instrument is transferred or no longer qualifies as an effective hedge, the portion of the item "Valuation reserves" representing the changes in the fair value of the instrument recognised up to that point are retained in equity and reversed to profit or loss in accordance with the classification criterion described above, in conjunction with the recognition of the financial effects of the transaction originally hedged.

In the case of cash flow hedges, if the hedging relationship ends, for reasons other than the sale of the hedged items, the accumulated revaluation/write-down recognised in the consolidated balance sheet (under financial assets or liabilities) is recognised through profit or loss under interest income or expense, over the residual maturity of the hedged financial asset or liability.

If these assets and liabilities are sold or redeemed, the amount of fair value not amortised is recognised immediately in the income statement.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method, net of any impairment losses recognised in specific bad debt provisions.

Impairment losses are calculated by applying the simplified approach under IFRS 9, based on which trade receivables, separated into specific clusters according to the regulatory framework, are applied an impairment model based on expected losses for collective assessment. For trade receivables deemed individually significant and with reference to which accurate information is available on the considerable increase in the credit risk, in the context of the simplified model, an analytical approach was applied. Impairment losses related to the impairment of trade receivables (and the related recoveries) are recognised through profit or loss in the item "Net impairment (recoveries) of trade receivables and other receivables".

Receivables due within normal commercial terms are not discounted.

Trade receivables are derecognised when the contractual rights to the associated cash flows have been realised, have expired or been sold.

Inventories

Inventories, including compulsory stock, are stated at the lower of their purchase or production cost and their net realisable value, represented by the amount that the business expects to obtain from their sale in the normal course of its activities, net of the costs estimated for completion and for the execution of the sale. The cost of natural gas inventories is determined by applying the average cost method.

Work in progress and semi-finished goods are valued at production cost, excluding financial charges and overheads. Sales and purchases of strategic gas do not generate an actual transfer of the risks and rewards associated with ownership and, therefore, do not result in changes in inventory.

Cash and cash equivalents

Cash and cash equivalents are recognised at their nominal amount.

This item mainly includes cash in hand, cash at banks and other current financial assets due within three months from purchase, readily convertible into cash with no cashing expenses and subject to an insignificant risk of changes in value.

Cash and cash equivalents take account of the interest accrued on the amounts, albeit not yet paid.

Non-current assets held for sale/Discontinued operations

The balance sheet items “Non-current assets held for sale” and “Liabilities directly attributable to assets held for sale” include the assets or groups of assets/liabilities whose carrying value will be recovered mainly through sale rather than through their continuous use. For these assets, the CDP RETI Group Companies must be committed to plans to dispose of the asset (or group of assets) and must have initiated programmes to locate potential buyers, such that a sale can be considered highly probable.

To be able to classify an asset (or group of assets) as available for sale, the following is also required:

- the asset can be readily exchanged in the market at a price considered reasonable in relation to its fair value at the current date;
- the sale is expected to be completed within one year from the date of classification, except as permitted by paragraph 9 of IFRS 5;
- the actions required to complete the plan to dispose of the asset do not indicate that it is unlikely to be completed.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is an investment exclusively acquired with a view to resale.

The non-current assets (or disposal groups) are presented separately from the balance sheet items “Other assets” and “Other liabilities”. The corresponding balance sheet values for the previous financial year are not reclassified in the statement of financial position. Initial recognition is done in compliance with the specific IFRS as applicable to each associated asset and liability while, subsequently, they are recognised at the lower of their carrying value and fair value (net of costs to sell), without any depreciation/amortisation being recognised. The corresponding balance sheet values for the previous financial year are not reclassified.

The individual assets of the companies classified as held for sale are not amortised, whereas financial expense and other expenses attributable to liabilities held for sale continue to be recognised.

Any subsequent impairment losses are recognised directly as an adjustment to the carrying amount of the non-current assets classified as held for sale through profit or loss.

The profits and losses net of tax that can be related to disposal groups of assets and liabilities are shown in the specific income statement item “Net income on discontinued operations”. The corresponding amounts for the previous year, if any, are reclassified and presented separately in the income statement, net of tax effects, for comparative purposes.

Current and deferred taxes

Tax assets and liabilities are recognised in the balance sheet respectively under consolidated assets items “Deferred tax assets” and “Income tax receivables”, and under consolidated liabilities items “Deferred tax liabilities” and “Income tax liabilities”.

The accounting entries related to current and deferred taxes include: i) current tax assets, consisting of tax paid in advance and receivables for withholding taxes incurred; ii) current tax liabilities, consisting of tax payables to be settled according to applicable tax regulations; iii) deferred tax assets, consisting of the amounts of tax recoverable in future years in view of deductible temporary differences; and iv) deferred tax liabilities, consisting of payables for tax to be paid in future periods as a result of taxable temporary differences.

Current taxes, consisting of corporate income tax (IRES) and regional tax on business activities (IRAP), are recognised on an accruals basis using a realistic estimate of the negative and positive tax components for the year. They are calculated on the basis of applicable tax rates.

Deferred tax assets and liabilities are recognised according to the tax rate that, under the legislation in force at the reporting date, is expected to apply in the year when the asset is realised or the liability is settled, and are periodically reviewed to take account of any changes in legislation.

The term “deferred” tax refers, in particular, to the recognition, in terms of tax, of the temporary differences between the value assigned to an asset or liability for statutory accounting purposes and the corresponding value for tax purposes.

Deferred taxes are recognised:

- under the item “Deferred tax assets”, if they relate to “deductible temporary differences”, which means the differences between statutory and tax values that will give rise to deductible amounts in future periods, to the extent that they are likely to be recovered;
- under the item “Deferred tax liabilities”, if they relate to “taxable temporary differences” representing liabilities because they are related to accounting entries that will become taxable in future tax periods.
- If the deferred tax items regard transactions that directly affected equity, they are recognised in equity.

Provisions for risks and charges

This item consists of the provision set aside to cover specific types of liabilities whose existence is certain or probable, but whose amount or accrual date were uncertain at the reporting date. Therefore, the provisions are recognised only when:

- there is a present (legal or constructive) obligation resulting from a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the value representing the best estimate of the amount that the entity would rationally pay to settle the obligation or to transfer it to third parties at the reporting date. Provisions relating to onerous contracts are recognised at the lower of the cost required to fulfil the obligation, net of the expected economic benefits arising from the contract, and the cost for terminating the contract.

When the time value is significant and the dates of payment of the obligations can be estimated reliably, the provision is made by discounting, at a rate that reflects the market valuations of the current value of money, the expected cash flows calculated considering the risks associated with the obligation. Any increase in the provision relating to the passage of time is recognised in the income statement under “Financial income (expense)”.

If the liability refers to items of property, plant and equipment (e.g. dismantling and restoration of sites), the provision is recognised as a balancing entry to the asset it refers to and is recognised in the income statement via the depreciation process. The costs which the entity expects to incur to implement a restructuring plan are recognised in the year in which the plan is formally approved and there is a settled expectation among the affected parties that the restructuring plan will be implemented.

Contingent – not probable – liabilities are not recognised in the balance sheet. However, they are disclosed in the notes, unless the probability of an outflow of resources is remote or the event is deemed insignificant.

The provisions are used only to cover the costs for which they were originally recognised, and they are reversed in the income statement when the obligation is settled or when it is no longer probable that an outflow of resources will be required to settle the present obligation.

This item also includes provisions for credit risk for commitments to disburse funds and on financial guarantees that are subject to the rules of impairment in IFRS 9.

This item also includes the company pension plans and other post-retirement benefit obligations, i.e. the provisions for long-term employment and post-employment benefits.

Provisions for employee benefits

This item includes the staff severance pay (TFR) and other long-term benefits such as loyalty bonus, supplementary funds, other benefits, etc.

Staff severance pay (TFR) covers the entire entitlement accrued by employees at the end of the financial year, as provided by law (Article 2120 of the Italian Civil Code) and applicable employment agreements.

In accordance with IAS 19, staff severance pay is treated as a “Post-employment benefit” and is classified as:

- a “Defined benefit plan” for the portion of staff severance pay accrued by employees until 31 December 2006;
- a “Defined contribution plan” for the portion of staff severance pay accrued by employees beginning 1 January 2007.

The accounting standard envisages that the portions of staff severance pay be recognised at their actuarial value. The accruing and accrued obligations are considered for discounting purposes (these obligations are, respectively, the discounted value of the expected future payments related to benefits accrued during the current financial year and the discounted value of future payments resulting from amounts accrued in previous financial years).

Financial liabilities

Financial liabilities are included in the items "Loans", "Other financial liabilities", "Current portions of long-term loans" and "Current financial liabilities".

Non-current and current financial liabilities, represented by loans raised and securities issued, are recognised initially at cost, i.e. the fair value of the liabilities, less any directly attributable transaction costs. Subsequently, these financial liabilities are measured at amortised cost, using the effective interest rate method.

Financial liabilities also include hedging derivatives which have a negative fair value at the reporting date. See the previous paragraph "Hedging transactions" in section "4. Hedging derivatives" for a description of the financial reporting standards adopted for the recognition of hedging derivatives.

Financial liabilities are derecognised when settled or when the obligation specified in the contract has been satisfied, cancelled or has expired.

Trade payables

Trade payables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest rate method. Trade payables are not discounted if the due dates are line with normal commercial terms.

Revenues

Revenues are recognised in such a way as to accurately represent the process of transfer of goods and services to customers in an amount that reflects the consideration that one expects to receive in exchange for supplied goods and services, using a model consisting of five basic steps:

- step 1: identify the contract with the customer;
- step 2: identify the contractual obligations, noting the separable goods or services as separate obligations;
- step 3: determine the price of the transaction, i.e. the amount of the consideration that one expects to receive;
- step 4: allocate the transaction price to each obligation identified in the contract based on the sale price of each individual separable item of goods or services;
- step 5: recognise the revenue when (or if) each contractual obligation is fulfilled through the transfer of the good or service to the customer, i.e. when the customer obtains control of the good or service.

According to the type of transaction, revenue is recognised based on the specific criteria reported below:

- revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer and its amount can be measured reliably and collected;
- revenue from services is recognised with reference to the stage of completion of the activities. In case it is not possible to reliably measure the value of revenue, this is measured up to the amount of the costs incurred that is believed will be recovered;
- revenue accrued in the year for contract work in progress is recognised on the basis of the amounts agreed proportionate to the progress of the work, which is calculated using the cost-to-cost method. In addition to the amount of revenue agreed in the contract, contract revenue includes variations in contract work, reviewed prices and incentive payments, to the extent that it is probable that they will result in revenue and can be reliably measured. Revenue may decrease also as a result of penalties arising from delays caused by group companies.

Revenue from regulated activities is governed by the regulations issued by the Italian Energy Networks and Environment Regulator (ARERA). Consequently, the financial terms and conditions relating to the services provided are not defined by negotiation but in accordance with the relevant regulatory frameworks and the tariffs are set periodically by ARERA and used as a basis to define the tariff criteria for the reference period.

In particular, the tariff system requires that the reference revenue to calculate the tariffs be recognised in order to cover the costs incurred by the operator and provide an equitable return on the capital invested.

There are three cost categories recognised:

- the cost of the net invested capital for RAB (Regulatory Asset Base) purposes through applying a rate of return on that invested capital;
- the economic - technical amortisation covering the investment costs;
- the operating costs covering the running costs.

Payments collected on behalf of third parties, such as fees for other non-Group grid owners, as well as fees recognised for the balancing of the national electrical energy system, which do not increase equity, are shown net of the related costs.

Financial income (expense)

Financial income (expense) includes:

- interest income and expense;
- income and expense associated with hedging activities;
- gains (losses) on disposal or repurchase;
- income and expense associated with trading activities;
- the net gain (loss) on financial assets and liabilities measured at FVTPL;
- the net adjustments and recoveries for credit risk relating to financial assets measured at amortised cost or at FVTOCI;
- exchange rate differences.

Interest income and expense is recognised in the income statement for all instruments based on amortised cost using the effective interest rate method. The interest also includes the net balance, either positive or negative, of the differentials and margins relating to derivatives.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The qualifying assets (property, plant and equipment and intangible assets) involved are those that require at least one year before being ready for use. The directly attributable financial expenses are those that would not have been incurred if the expense for that asset had not been incurred.

Where funds are borrowed specifically, costs eligible for capitalisation are the actual financial expense incurred for that financing, less any income earned on the temporary investment of such borrowings. In regard to the general pool of assumed debt, the amount of financial expenses that can be capitalised is determined by applying a capitalisation rate to the expenses incurred for that asset which corresponds to the weighted average of the borrowing costs applicable to the general pool, excluding any specifically borrowed funds. The amount of borrowing costs capitalised during a financial year shall in any case not exceed the amount of borrowing costs incurred during that year.

The starting date of capitalisation is the date on which all of the following conditions were met for the first time: (a) the costs for the asset were incurred; (b) the financial expenses were incurred; and (c) the activities necessary to prepare the asset for its intended use or for sale were undertaken.

Capitalisation of the financial expenses ceases when the activities necessary to prepare the asset for its intended use or sale are substantially complete.

Other information

Leases

Leases are recognised on the basis of the rules in IFRS 16 whereby the control of right of use of an asset discriminates in the identification of contracts that are or contain a lease from those for the supply of services. The key features of this distinction are: the identification of the asset, the absence of substitution rights, the right to obtain substantially all economic benefits resulting from use of the asset and the right to direct the use of the leased asset. Thus, it follows that even rental and hire contracts and leases payable can now be included within the scope of the standard.

The lessee recognises a right-of-use asset underlying the lease and a lease liability consisting in the present value of outstanding lease payments. These items are depreciated over the life of the lease (this period includes any renewal or early termination options, if the exercising of these options is reasonably certain).

Essentially, the balance sheet liabilities show the Lease Liability, which consists of the present value of the payments which, at the valuation date, have yet to be paid to the lessor; the balance sheet assets, on the other hand, show the Right-of-Use Asset, calculated as the sum of the lease still payable, the initial direct costs incurred to sign the contract, the payments made on or before the inception date of the contract (net of any lease incentives received) and the present value of the costs of dismantling and/or restoration.

Regarding the recognition of the income statement items, the expense accrued on the lease liability will be recognised in "Interest expense and similar expense", and the depreciation/amortisation of the Right-of-Use Asset in "Net adjustments to/recoveries on property, plant and equipment and intangible assets". The right-of-use asset is amortised over the contractual term (or the useful life of the underlying asset if shorter), subject to any impairment.

For leases involving low value assets and leases with a duration of 12 months or less (i.e. short-term leases), IFRS 16 does not entail the recognition of financial liabilities and the relevant right of use, but lease payments shall continue to be recognised in the income statement on a straight line basis for the duration of the respective leases.

On first-time adoption the Group applied the standard according to the "Modified Retrospective Approach", recognising the cumulative effect of the initial application of the Standard on the first-time adoption date without restating the comparative information (IFRS 16 C5 b), in the option envisaged in paragraph C.8 b (ii).

On the basis of this approach, the following were recognised:

- the lease liability calculated as the present value of the remaining payments due on the lease, discounted at the incremental borrowing rate at the date of initial application (IFRS 16.C8.a);
- the right-of-use asset equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application (IFRS 16.C8.bii).

In addition, some of the practical expedients and recognition exemptions provided by the standard have been adopted upon initial application. More specifically:

- use of the incremental borrowing rate as the discount rate to calculate the lease liability[56];
- exclusion of leases with a total or remaining lease term[57] of 12 months or less;
- exclusion of leases with a low value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application.

Uncertainty on the treatment for the purpose of income tax

An entity shall consider whether it is probable that the relevant taxation authority will accept every tax treatment, or group of tax treatments, it has used or plans to use in its tax return. If the entity concludes that it is probable that a particular tax treatment will be accepted, the entity shall determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its tax documentation. If the entity concludes that it is unlikely that a particular tax treatment will be accepted, the entity must use the most likely amount or the expected value from the tax treatment in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates. The judgement should be based on which method provides the best forecast of how to resolve the uncertainty.

Share-based payments

These are payments to employees as consideration for their work services performed. When specific conditions are met, the cost of employee service is remunerated through stock option plans, whose value is measured according to the fair value of the options granted to employees at the grant date.

The fair value of options granted is recognised in the income statement, under the item "Staff costs" over the vesting period, with a corresponding increase in equity, considering the best possible estimate of the number of options that employees will be able to exercise. That estimate is revised where subsequent information indicates that the expected number of equity instruments that will vest differs from the estimate previously carried out, independently of market conditions.

The measurement method used to calculate fair value considers all the characteristics of the options (term, price and conditions for exercise, etc.), as well as the value of the underlying security at the grant date, volatility and the yield curve at the grant date, in line with the duration of the plan.

At maturity, the estimate is revised and recognised in the income statement to register the amount corresponding to the number of equity instruments that have effectively vested, independently of whether market conditions have been met.

Grants

Capital grants provided by public entities are recognised when there is reasonable certainty that the conditions established by the granting authorities for obtaining the grant will be met. Their recognition reduces the purchase or transfer price or the production cost of the asset they refer to. Similarly, capital grants received from private parties are accounted for in accordance with the same accounting policies.

Grants for operating expenses can be recognised through profit or loss on an accruals basis when the related costs are incurred or, alternatively, in full when the conditions for their recognition have been met.

With particular reference to connection fees for private users, the remuneration component for the initial installation investment amount is recognised as revenue to be deferred over the useful life of the asset to which it refers, with a balancing entry among other liabilities.

[56] Rate which represents the rate of interest that a lessee "would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment".

[57] For the purpose of determining the lease term, it was assumed that the contractual renewal is reasonably certain if:
- there is a clause that grants the lessee the right to renew the contract and there is a clause through which the lessor is obliged to not refuse the renewal request;
- there is a clause that grants the lessee the right to renew the contract and the lessor has not notified his/her desire to exercise the right of refusing the renewal within the contractually set terms.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. not a forced liquidation or distress sale) at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. Underlying the definition of fair value is the assumption that the entity is operating its business normally without any intention to liquidate its own assets, significantly reduce the level of its own assets, or settle transactions at unfavourable conditions. An entity shall measure the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

As envisaged in IFRS 13, to measure the fair value, the effect of non-performance risk is also considered. This risk includes both the changes in the counterparty's credit risk and the changes in the issuer's own credit risk.

The fair value of financial instruments is calculated according to a hierarchy of criteria based on the origin, type, and quality of information used. In detail, this hierarchy assigns the highest priority to the prices quoted (and not changed) on active markets and lower importance to unobservable inputs. Three different input levels are identified:

- in the case of instruments listed on active markets, prices on financial markets are used (Level 1);
- in the case of instruments not listed on active markets, recourse is made, where possible, to valuation techniques that use observable market inputs other than quoted prices for the financial instrument but connected with its fair value by non-arbitrage relationships (Level 2);
- in other cases, recourse is made to internal valuation techniques that also use unobservable market inputs that are therefore inevitably subjective to some degree (Level 3).

Since Level 1 inputs are available for numerous financial assets and liabilities, some of which are traded on more than one active market, the entity has to take special care when defining both of the following aspects:

- the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability;
- whether the entity can conclude a transaction involving the asset or liability at that price and on that market at the measurement date.

The CDP RETI Group believes that the principal market of a financial asset or liability can be identified as the market on which the Group normally operates.

A market is considered active if the quoted prices, representing effective and regular market transactions executed during an appropriate reference period, are readily and regularly available through stock exchanges, brokers, intermediaries, specialised firms, quotation services or authorised entities.

In the event of a significant reduction in the volume or level of ordinary activity for the asset or liability (or for similar assets or liabilities) flagged by certain indicators (number of transactions, insignificance of the prices given by the market, significant increase in the implicit premiums for liquidity risk, widening or increase in the bid-ask spread, reduction or total absence of a market for new issues, scanty information in the public domain), the transactions or quoted prices are analysed.

In the case of financial instruments that are not quoted on active markets, valuation using Level 2 inputs requires the use of valuation techniques that process market inputs at different levels of complexity. For example, valuation techniques may involve, in addition to interpolations and extrapolations, the specification of stochastic processes that represent market dynamics and the use of simulations or other numerical techniques to determine the fair value of the instruments being measured.

The Group takes the following into consideration when selecting the valuation techniques to be used in Level 2 measurements:

- simpler valuation techniques are preferred to more complex techniques, all other conditions being equal and as long as they represent all of the relevant characteristics of the product, ensuring that they are reasonably in line with the practices and results of other sector operators;
- valuation techniques are applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge;
- all other conditions being equal, preference is given to standard models whose mathematical structure and implementing procedures are familiar to practitioners and implemented in the Group's systems.

The market parameters used as inputs for Level 2 valuations are selected on the basis of non-arbitrage relationships or comparative relationships that define the fair value of the financial instrument being measured as the relative fair value compared with that of financial instruments listed on active markets.

In some cases, in determining the fair value it is necessary to have recourse to valuation techniques that call for inputs that cannot be drawn directly from observable market variables, statistical or "expert-based" estimates by those carrying out the valuation (Level 3).

Level 3 valuation techniques are also applied consistently over time to consistent categories of instruments, unless objective grounds for replacement emerge. Similarly, parameters that cannot be drawn directly from observable market variables are applied consistently over time.

Business combinations

A business combination involves the transfer of control over a business activity or, more generally, a company.

Business combinations are recognised in accordance with the acquisition method, by which the assets transferred and liabilities assumed by the CDP RETI Group at the business combination acquisition date are recognised at fair value. Transaction costs are generally recognised in the income statement in the years when those costs are incurred or the services are rendered.

For newly acquired companies, if the initial values for a business combination are incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group reports in its consolidated financial statements provisional amounts for the item for which the accounting is incomplete. In accordance with IFRS 3, paragraphs 45 ff., within twelve months of the acquisition date, the differences resulting from the business combination have to be allocated by recognising the fair value at the acquisition date of the identifiable assets acquired and liabilities assumed. The following items are an exception and are measured in accordance with their applicable standard:

- deferred tax assets and liabilities within the scope of IAS 12;
- assets and liabilities for employee benefits within the scope of IAS 19;
- liabilities or equity instruments related to share-based payment transactions involving shares of the acquiree or share-based payment transactions involving shares of the Group issued in replacement of contracts of the acquiree, as defined by IFRS 2;
- insurance contracts within the scope of IFRS 4;
- assets and liabilities arising from leases within the scope of IFRS 16 for which the acquiree is the lessee;
- assets held for sale and discontinued operations within the scope of IFRS 5.

Goodwill is determined as the excess of the aggregate of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree over the fair value at the acquisition date of the net assets acquired and the liabilities assumed. If the fair value at the acquisition date of the net assets acquired and the liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of any equity interest previously held by the acquirer in the acquiree, the excess is recognised in the income statement as a gain from the transaction.

After initial recognition, the goodwill acquired for consideration in a business combination is tested for impairment once annually or whenever there is evidence of impairment. For newly acquired companies, the difference between the acquisition price and equity is provisionally recognised as goodwill, if positive, or under liabilities if negative, net of goodwill, if any, recognised in the financial statements of the acquirees.

At the acquisition date, non-controlling interests are measured at fair value or as a proportionate share of the recognised amounts of the acquiree's identifiable net assets. The measurement method is selected on a transaction basis.

Any contingent consideration provided in the business combination is measured at the acquisition-date fair value and included in the amount of the consideration transferred in the business combination for the purposes of calculating goodwill. Any subsequent changes in that fair value, which qualify as adjustments occurring during the measurement period, are included in goodwill retrospectively. Changes in fair value that can be considered as measurement-period adjustments are those prompted by new information about facts and circumstances that existed at the acquisition date, that has been obtained during the measurement period (which shall not exceed one year from the business combination).

In the case of business combinations achieved in stages, the equity investment previously held by the Group in the acquiree is revalued at the fair value at the date control was acquired and any resulting gain or loss is recognised through profit or loss. Any changes in the value of the previously held equity investment that had been recognised in other comprehensive income are reclassified to the income statement as if the equity investment had been sold. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the CDP RETI Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall adjust the provisional amounts to reflect new information obtained about facts and circumstances that existed at the acquisition date and that, if known, would have affected the measurement of the amounts recognised at that date.

Business combinations do not include those transactions aimed at obtaining control of one or more companies that do not constitute a business activity or if the business combination is carried out with reorganisation purposes, or between two or more entities already belonging to the same group, and which do not cause changes in the control structure independently of the percentage of non-controlling interests before and after the transaction (referred to as "business combination under

II - INFORMATION ON THE CONSOLIDATED BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown of the CDP RETI Group's property, plant and equipment, which show a net value of 38,633 million euro at 31 December 2022 (37,320 million euro at 31 December 2021).

Property, plant and equipment: breakdown

(thousands of euro)	31/12/2022			31/12/2021		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Land	418,230	(1,121)	417,109	395,798	(841)	394,957
Buildings	3,501,703	(1,279,661)	2,222,042	3,366,581	(1,192,416)	2,174,165
Plant and equipment	53,062,601	(23,175,143)	29,887,458	51,346,807	(21,990,550)	29,356,257
Other plant and equipments	2,845,756	(1,321,642)	1,524,114	2,739,905	(1,135,685)	1,604,220
Industrial and commercial equipment	512,461	(372,682)	139,779	474,119	(344,486)	129,633
Other assets	267,652	(202,608)	65,044	225,527	(173,611)	51,916
Assets under development and	4,273,535	(82,402)	4,191,133	3,542,967	(78,298)	3,464,669
Right of use acquired under leases ex IAS 17						
Land						
Buildings	720	(182)	538	720	(161)	559
Plant and equipment	6,409	(2,308)	4,101	6,799	(2,164)	4,635
Other plant and equipments						
Industrial and commercial equipment						
Other assets	1,522	(1,522)		1,853	(1,853)	
Assets under development and						
Right of use acquired under leases ex IFRS 16						
Land	30,084	(8,324)	21,760	13,723	(5,604)	8,119
Buildings	141,164	(60,212)	80,952	123,842	(40,727)	83,115
Plant and equipment						
Other plant and equipments	2,078	(192)	1,886	25	(23)	2
Industrial and commercial equipment	52,699	(35,665)	17,034	45,284	(24,994)	20,290
Other assets	87,330	(27,668)	59,662	43,967	(16,779)	27,188
Assets under development and						
Total	**65,203,944**	**(26,571,332)**	**38,632,612**	**62,327,917**	**(25,008,192)**	**37,319,725**

The item mainly includes investments made by the TERNA group in power transport lines and transformation stations, investments made by the SNAM group in transport infrastructure, gas storage and regasification, and the investments made by the ITALGAS group in the gas distribution segment, limited to land and buildings that are not subject to IFRIC12. Also included are rights of use acquired under a lease and relating to the use of property, plant and equipment (for the lessees), equal to approximately 186 million euro at 31 December 2022.

During the year, the SNAM group made investments for 1,171 million euro, mainly in the transport sector (841 million euro).

As regards the TERNA group, investments during the period totalled 1,544.8 million euro, including 1,481.5 million euro in the Regulated sector. Investments in the Unregulated sector amounted to 63.3 million euro, mainly related to the Italy-France and Italy-Austria private interconnections and third-party variants.

During the period, investments of the ITALGAS group amounted to approximately 37 million euro and mainly referred to buildings used for offices (2.2 million euro), industrial and commercial equipment (3.6 million euro) and leased assets (26.4 million euro).

During the period, technical financial depreciation was recorded, determined on the basis of the useful life of the assets, i.e. on their residual useful lives, and, with reference to leased assets, on the basis of the contractual term if the exercise of the possible purchase option is not likely, for a total of 1,638 million euro, substantially attributable to the SNAM group for 747 million euro, to the TERNA group for 624 million euro and for the residual part to the ITALGAS group.

Commitments to purchase property, plant and equipment are listed in paragraph "IX. Guarantees and commitments".

Property, plant and equipment: changes for the year

(thousands of euro) Items/Figures	Land	Buildings	Plant and equipments	Other plant and equipments	Industrial and commercial equipment	Other assets	Assets under development and advances	Total
Gross opening balance	409,521	3,491,143	51,353,606	2,739,930	519,403	271,347	3,542,967	62,327,917
of which Right of use ex IAS 17		*720*	*6,799*			*1,853*		*9,372*
of which Right of use IFRS 16	***13,723***	*123,842*		*25*	*45,284*	*43,967*		*226,841*
Provision for amortisation, depreciation and impairment - opening balance	(6,445)	(1,233,304)	(21,992,714)	(1,135,708)	(369,480)	(192,243)	(78,298)	(25,008,192)
of which Right of use ex IAS 17		*(161)*	*(2,164)*			*(1,853)*		*(4,178)*
of which Right of use ex IFRS 16	***(5,604)***	*(40,727)*		*(23)*	*(24,994)*	*(16,779)*		*(88,127)*
Net opening balance	**403,076**	**2,257,839**	**29,360,892**	**1,604,222**	**149,923**	**79,104**	**3,464,669**	**37,319,725**
of which Right of use ex IAS 17		**559**	**4,635**					**5,194**
of which Right of use IFRS 16	**8,119**	**83,115**		**2**	**20,290**	**27,188**		**138,714**
Gross amount: change for the period								
Change in opening balances								
Investments	6,481	16,819	1,665	35,278	28,511	50,796	2,607,338	2,746,888
of which Right of use ex IAS 17								
of which Right of use IFRS 16	*1,387*	*13,785*			*5,633*	*41,989*		*62,794*
Contributions from business combinations	8,239	19,283	2,311	155,556	4,794	17,805	19,295	227,283
of which Right of use ex IAS 17								
of which Right of use IFRS 16	*220*	*9,527*		*30*	*2,320*	*2,013*		*14,110*
Transfers	5,754	120,599	2,003,254	66,751	15,191	20,436	(2,233,056)	(1,071)
of which Right of use ex IAS 17								
of which Right of use IFRS 16						*(21)*		*(21)*
Disposals	(1,242)	(14,151)	(180,764)	(2,193)	(9,014)	(2,928)	(8,692)	(218,984)
of which Right of use ex IAS 17								
of which Right of use IFRS 16	*(350)*	*(7,911)*		*(24)*	*(458)*	*(1,104)*		*(9,847)*
Other changes	21,389	14,977	(111,062)	(138,635)	6,469	31	372,885	166,054
of which Right of use ex IAS 17			*(390)*			*(331)*		*(721)*
of which Right of use IFRS 16	*15,104*	*1,921*		*2,047*	*(80)*	*486*		*19,478*
Reclassifications	(1,828)	(5,083)		(8,853)	(194)	(983)	(27,202)	(44,143)
Provision for amoirtsation, depreciation and impairment: change for the period								
Change in opening balances								
Depreciation for the period	(2,840)	(97,355)	(1,348,455)	(130,861)	(40,078)	(18,868)		(1,638,457)
of which Right of use ex IAS 17		*(21)*	*(534)*					*(555)*
of which Right of use IFRS 16	*(2,840)*	*(18,464)*		*(193)*	*(9,763)*	*(10,432)*		*(41,692)*
Contributions from business combinations		(9,697)	(1,422)	(53,282)	(2,676)	(14,660)		(81,737)
of which Right of use ex IAS 17								
of which Right of use IFRS 16		*(5,092)*			*(1,243)*	*(1,436)*		*(7,771)*
Disposals	7	7,616	149,257	5,042	8,270	3,045		173,237
of which Right of use ex IAS 17			*390*			*331*		*721*
of which Right of use IFRS 16	*7*	*3,588*		*24*	*316*	*717*		*4,652*
(Writedowns)/Writebacks	(280)	(5,283)	(7,004)	(2,662)	(568)	(263)	(4,628)	(20,688)
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16		*(1,436)*						*(1,436)*
Other changes	113	(3,686)	22,887	(10,168)	(3,828)	(8,809)	524	(2,967)
of which Right of use ex IAS 17								
of which Right of use IFRS 16	*113*	*1,919*			*19*	*262*		*2,313*
Reclassifications		1,654		5,805	13			7,472
of which Right of use ex IAS 17								
of which Right of use ex IFRS 16								
Gross closing balance	**448,314**	**3,643,587**	**53,069,010**	**2,847,834**	**565,160**	**356,504**	**4,273,535**	**65,203,944**
of which Right of use ex IAS 17		**720**	**6,409**			**1,522**		**8,651**
of which Right of use IFRS 16	**30,084**	**141,164**		**2,078**	**52,699**	**87,330**		**313,355**
Provision for amortisation, depreciation and impairment - closing balance	**(9,445)**	**(1,340,055)**	**(23,177,451)**	**(1,321,834)**	**(408,347)**	**(231,798)**	**(82,402)**	**(26,571,332)**
of which Right of use ex IAS 17		**(182)**	**(2,308)**			**(1,522)**		**(4,012)**
of which Right of use IFRS 16	**(8,324)**	**(60,212)**		**(192)**	**(35,665)**	**(27,668)**		**(132,061)**
Net closing balance	**438,869**	**2,303,532**	**29,891,559**	**1,526,000**	**156,813**	**124,706**	**4,191,133**	**38,632,612**
of which Right of use ex IAS 17		**538**	**4,101**					**4,639**
of which Right of use IFRS 16	**21,760**	**80,952**		**1,886**	**17,034**	**59,662**		**181,294**

2. Inventories – compulsory stock

Compulsory stock: breakdown

(thousands of euro)/(billions of cu.m.) Items/Figures	31/12/2022 Carrying amount	31/12/2022 Volumes (billions of cu.m.)	31/12/2021 Carrying amount	31/12/2021 Volumes (billions of cu.m.)
Compulsory stock	362,713	4.5	362,713	4.5
Total	**362,713**	**4.5**	**362,713**	**4.5**

Inventories - compulsory stock, equal to 363 million euro (likewise at 31 December 2021), includes the minimum natural gas quantities that the storage companies are required to hold under Presidential Decree no. 22 of 31 January 2001. The stock of gas, equivalent to approximately 4.5 billion standard cubic metres of natural gas, is determined by the Ministry of Economic Development on an annual basis[58].

3. Intangible assets

The following table shows the breakdown of "Intangible assets", which at 31 December 2022 amounted to 12,083 million euro (10,852 million euro at 31 December 2021).

Intangible assets: breakdown

(thousands of euro) Items/Figures	31/12/2022 Gross amount	31/12/2022 Provision for amortisation, depreciation and impairment	31/12/2022 Net value	31/12/2021 Gross amount	31/12/2021 Provision for amortisation, depreciation and impairment	31/12/2021 Net value
Goodwill	1,054,365	(2,173)	1,052,192	898,997		898,997
Service concession agreements	16,595,547	(7,539,100)	9,056,447	15,065,502	(6,869,304)	8,196,198
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	1,408,465	(357,353)	1,051,112	1,357,913	(357,624)	1,000,289
Other intangible assets	2,767,931	(1,965,338)	802,593	2,308,065	(1,638,884)	669,181
Assets under development and advances	121,004	(583)	120,421	87,475	(85)	87,390
Total	**21,947,312**	**(9,864,547)**	**12,082,765**	**19,717,952**	**(8,865,897)**	**10,852,055**

The main component of intangible assets consists of ITALGAS' service concession agreements (8.2 million euro), which concern public-private agreements ("Service concession arrangements") relating to the development, financing, maintenance and operation of infrastructures under concession arrangements from the granting authority. The provisions on service concession agreements are applicable to ITALGAS in relation to the public service of natural gas distribution, i.e. agreements whereby the operator undertakes to provide the public service of natural gas distribution at the tariff set by the Italian Energy Networks and Environment Regulator (ARERA), with the right to use the infrastructure controlled by the granting authority in order to provide the public service.

In implementation of the "partial goodwill method" for the recognition of goodwill envisaged by IFRS 3, the item "Goodwill" represents the only share belonging the goodwill recorded in the consolidated financial statements of TERNA, SNAM, and ITALGAS, as well as the share recorded as a result of allocating the differences between the prices paid for the purchase of equity investments and the relevant equity.

Goodwill recognised in the financial statements as at 31 December 2022 in the amount of 1,052 million euro (of which 944 million euro pertaining to the Group), consists of:

- 371 million euro for the TERNA group;
- 442 million euro for the SNAM group;
- 239 million euro for the ITALGAS group.

In relation to TERNA, SNAM and ITALGAS, the CGUs to which goodwill was allocated coincide with the individual legal entities and the recoverable value is equivalent to the market value of the companies, determined on the basis of the weighted average prices of the volumes traded in December. The fair value for each of these three companies was higher than the value of their respective net assets, inclusive of the effects of purchase price allocation.

[58] On 10 January 2022, the Ministry set the total volume of strategic storage for the 2022-2023 contractual year (1 April 2022 - 31 March 2023) at 4.62 billion cubic metres, equal to approximately 48,846 Gigawatt hours – Gwh, unchanged from the 2021-2022 thermal year (1 April 2021 - 31 March 2022). Stogit's share remained unchanged at 4.5 billion cubic metres.

Intangible assets: changes for the year

(thousands of euro) Items/Figures	Goodwill	Service concession agreements	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance	898,997	15,065,502		1,357,913	2,308,065	87,475	19,717,952
Provision for amortisation, depreciation and impairment - opening balance	-	(6,869,304)		(357,624)	(1,638,884)	(85)	(8,865,897)
Net opening balance	**898,997**	**8,196,198**		**1,000,289**	**669,181**	**87,390**	**10,852,055**
Gross amount: change for the period							
Change in opening balances							
Investments		719,193		3,377	251,630	184,348	1,158,548
Contributions from business combinations	160,361	1,467,391		57,442	52,884	-	1,738,078
Transfers		57,748		4,456	251,445	-	313,649
Disposals		(158,623)		(14,682)	(419)	(1,536)	(175,260)
(Writedowns)/Writebacks							
Other changes	(2,027)	(1,043)		36	(69,103)	(149,283)	(221,420)
Reclassifications	(2,966)	(554,621)		(77)	(26,571)	-	(584,235)
Provision for amortisation, depreciation and impairment - change for the period							
Change in opening balances							
Depreciation for the period		(456,622)		(14,227)	(213,418)		(684,267)
Contributions from business combinations		(581,435)		(59)	(17,243)		(598,737)
Disposals		76,430		14,669	383		91,482
(Writedowns)/Writebacks		(895)			(2,428)	(549)	(6,045)
Other changes		1,450		(112)	(94,412)	51	(93,023)
Reclassifications		291,276			664		291,940
Gross closing balance	**1,054,365**	**16,595,547**		**1,408,465**	**2,767,931**	**121,004**	**21,947,312**
Provision for amortisation, depreciation and impairment - closing balance	**(2,173)**	**(7,539,100)**		**(357,353)**	**(1,965,338)**	**(583)**	**(9,864,547)**
Net closing balance	**1,052,192**	**9,056,447**		**1,051,112**	**802,593**	**120,421**	**12,082,765**

Investments for the period mainly refer to service concession agreements (719 million euro) of the ITALGAS group.

The contractual commitments for the acquisition of intangible assets, as well as for the provision of services connected with their implementation, are reported in paragraph “IX - Guarantees and commitments”.

4. Equity investments

SNAM, TERNA, and ITALGAS’ equity investments are listed below, together with information on the investment relationships.

Equity investments in joint operations, associates and other companies: information on investments

(thousands of euro)
Items/Figures

Name	Registered office	Equity investment: Investor	Equity investment: % holding	Voting rights %	Carrying amount	Valuation method
A. Companies subject to joint control						
AS Gasinfrastruktur Beteiligung GmbH	Wien	SNAM S.p.A.	40.00%	40.00%	92,163	Equity method
BMT Energy Transmission Development LCC	Wilmington	Terna USA LLC	40.00%	40.00%	188	Equity method
ELMED Etudes S.a.r.l.	Tunisi	Terna S.p.A.	50.00%	50.00%	216	Equity method
Energie Reti Gas S.r.l.	Milan	Medea S.p.A.	49.00%	49.00%	23,102	Equity method
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	Italgas S.p.A.	50.00%	50.00%	2,033	Equity method
OLT Offshore LNG Toscana S.p.A.	Milan	SNAM S.p.A.	49.07%	49.07%	31,851	Equity method
SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER S.A.	Salonicco	Terna S.p.A.	25.00%	25.00%	59	Equity method
Terega Holding S.A.S.	Pau	SNAM S.p.A.	40.50%	40.50%	396,924	Equity method
Trans Austria Gasleitung GmbH	Wien	SNAM S.p.A.	84.47%	84.47%	274,627	Equity method
Umbria Distribuzione GAS S.p.A.	Terni	Italgas S.p.A.	45.00%	45.00%	2,167	Equity method
B. Companies subject to significant influence						
CESI S.p.A.	Milan	Terna S.p.A.	42.70%	42.70%	45,431	Equity method
CGES A.D.	Podgorica	Terna S.p.A.	22.09%	22.09%	26,694	Equity method
CORESO S.A.	Bruxelles	Terna S.p.A.	15.84%	15.84%	836	Equity method
East Mediterranean Gas Company S.a.e.	Cairo	Snam International B.V.	25.00%	25.00%	44,672	Equity method
Enerpaper S.r.l.	Turin	Geoside S.p.A.	20.01%	20.01%	488	Equity method
Equigy B.V.	Arnhem	Terna S.p.A.	20.00%	20.00%	390	Equity method
Galaxy Pipeline Assets Holdco Limited	Jersey	SNAM S.p.A.	12.33%	12.33%	70,599	Equity method
Gaxa S.p.A.	Cagliari	Italgas S.p.A.	15.56%	15.56%	93	Equity method
Gesam Reti S.p.A.	Lucca	Toscana Energia S.p.A.	42.96%	42.96%	21,130	Equity method
Industrie De Nora S.p.A.	Milan	Asset Company 10 S.r.l.	25.79%	25.79%	401,198	Equity method
Interconnector Ltd	London	Snam International B.V.	23.68%	23.68%	83,994	Equity method
Interconnector Zeebrugge Terminal B.V.	Bruxelles	Snam International B.V.	25.00%	25.00%	566	Equity method
Senfluga energy infrastructure holdings S.A.	Atene	SNAM S.p.A.	54.00%	54.00%	168,173	Equity method
Sicilian Biogas Refinery S.r.l.	Catania	Iniziative Biometano S.p.A.	32.00%	32.00%	-	Equity method
Sviluppo Biometano Sicilia S.r.l.	Cittadella	Iniziative Biometano S.p.A.	50.00%	50.00%	-	Equity method
Trans Adriatic Pipeline AG	Baar	Snam International B.V.	20.00%	20.00%	449,232	Equity method
dCarbonX Ltd	London	Snam International B.V.	28.89%	28.89%	6,506	Equity method
C. Unconsolidated subsidiaries (1)						
ASSET COMPANY 7 B.V.	Amsterdam	SNAM S.p.A.	100.00%	100.00%	1	At Cost
Arbolia S.p.A. Societa' Benefit	Milan	SNAM S.p.A.	51.00%	51.00%	510	At Cost
Asset Company 4 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	1,010	At Cost
Asset Company 9 S.r.l.	San Donato Milanese (MI)	SNAM S.p.A.	100.00%	100.00%	60	At Cost
Cogenest S.r.l.	Padova	Iniziative Biometano S.p.A.	98.00%	98.00%		Equity method
Govone Biometano S.r.l.	Pordenone	IES Biogas S.r.l.	100.00%	100.00%	92	At Cost
IES Biogas S.r.l. (Argentina)	Buenos Aires	IES Biogas S.r.l.	95.00%	95.00%	1	At Cost
		Bioenerys S.r.l.	5.00%	5.00%		
Isola Biometano S.a.r.l	Cittadella	Iniziative Biometano S.p.A.	70.00%	70.00%		At Cost
Piazzola Nuove Energie S.a.r.l	Cittadella	Iniziative Biometano S.p.A.	100.00%	100.00%		At Cost
S.tà Agr. Astico Biometano SRL	Cittadella	Iniziative Biometano S.p.A.	100.00%	100.00%		At Cost
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing (China)	Snam International B.V.	100.00%	100.00%	1,683	Equity method
Snam International UK Limited	Maidenhead	Snam International B.V.	100.00%	100.00%	300	At Cost
Snam Middle East BV BS Co	Riyadh	Snam International B.V.	100.00%	100.00%	3,455	At Cost
Snam North America LLC	Wilmington (Delaware)	Snam International B.V.	100.00%	100.00%		At Cost
Snam energy services private limited	New Delhi	Snam International B.V.	99.00%	99.00%	13	At Cost
D. Unconsolidated associates (1)						
Albanian Gas Service Company Sh.a.	Tirana	SNAM S.p.A.	25.00%	25.00%	7	At Cost
Energy Investment Solution S.r.l.	Milan	Tep Energy Solution S.r.l.	40.00%	40.00%	743	At Cost
Latina Biometano S.r.l.	Rome	IES Biogas S.r.l.	32.50%	32.50%		At Cost

(1) Companies in liquidation or subsidiaries in the start-up phase without assets and liabilities

During the period, the value of the equity investments changed as follows:

Equity investments: changes for the period

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
A. Opening balance	**2,414,450**	**1,797,294**
B. Increases	**518,559**	**840,934**
B.1 Purchases	28,084	527,854
of which business combinations		
B.2 Writebacks	31,000	
B.3 Revaluations	253,513	249,189
B.4 Other increases	205,962	63,891
C. Decreases	**(781,682)**	**(223,778)**
C.1 Sales	(160,973)	(18,180)
of which business combinations	(2,200)	*(590)*
C.2 Writedowns	(522,437)	(1,849)
C.3 Other decreases	(98,272)	(203,749)
D. Closing balance	**2,151,327**	**2,414,450**

The revaluations, amounting to 254 million euro, mainly relate to the effect on the income statement of the measurement at equity of investments subject to joint control or significant influence of the Snam group.

The sales, amounting to 161 million euro, mainly refer to the sale of shares of Industrie De Nora S.p.A. by the Snam group aimed at the company's IPO. Following the transaction, Snam now holds, also taking into account capital increases of the same company not subscribed, 25.79% of the share capital (35.63% before the IPO).

The impairment losses, equal to 522 million euro, mainly refers to the impairment recognised by the Snam group on the following equity investments:

- TAG: the company, 84.47% owned, is the owner of the gas pipeline that transports in Italy, crossing Austria, Russian gas passing through Ukraine, Slovakia and up to the entry point of Tarvisio. The continuation of the Russia-Ukraine conflict, started in February 2022, has led to a significant reduction in gas flows from Russia in the year, measured at the entry point of Baumgarten, equal to about 52.6% compared to 2021, with the consequent reduction in volumes imported from the entry point of Tarvisio (from about 29 billion standard cubic metres in 2021 to about 14 billion standard cubic meters in 2022). Furthermore, on 31 December 2022, approximately 85% of long-term transport capacity contracts expired. Against a background of significant uncertainties about the outcome and duration of the conflict, with actions already taken by some states that will lead to Europe’s gradual independence from Russian gas, Snam has estimated the recoverable amount of the equity investment based on a multi-scenario approach, attributing a probability of occurrence to each of the scenarios considered. Multiplying the value in use emerging from each of the scenarios considered by the probability of occurrence assigned to them, the recoverable amount was thus calculated, which led to an impairment of the equity investment held in TAG of 340 million euro, with a value as at 31.12.2022 standing at 274 million euro. At the same time, the company is actively cooperating with the competent Austrian authorities regarding the definition of the regulatory framework applicable from 2025 (2025-2028 regulatory period) in light of the changed context in which the company operates.
- AS Gasinfrastruktur Beteiligung GmbH: with reference to this 40% equity investment, the rise in interest rates, which negatively affected the recoverable amount, led to an impairment of the equity investment of 25 million euro, with a value as at 31 December 2022 of 93 million euro. It should be noted that the operating company, GCA, during 2022, used its interconnection points with Germany to ensure the security of supply in Austria and, at the same time, achieve the national storage filling target. In addition, at 31 December 2022, the company has long-term transport capacity contracts in place, with gradual expiries until 2031.

The other negative changes are mainly attributable to decreases for dividends distributed by the investee companies.

Other information on equity investments

Consistent with the provisions set out in IFRS 12 “Disclosure of interests in other entities”, the financial performance of joint operations and associates is summarised below.

Significant equity investments: carrying amount and dividends received

(thousands of euro) Names	Carrying amount	Total Net equity	Pro quota Net Equity	Goodwill	Other changes	Dividend paid
A.1 Joint ventures						
Trans Austria Gasleitung GmbH	274,627	688,890	274,627	11,424		
Terega Holding S.A.S.	396,924	978,800	396,414			
AS Gasinfrastruktur Beteiligung GmbH	92,163	292,211	117,165			
A.2 Associates						
Trans Adriatic Pipeline AG	449,232	1,788,978	449,232			
Senfluga energy infrastructure holdings S.A.	168,173	570,478	168,173			10,962
Interconnector (UK) Ltd	83,994	460,360	83,994			22,439
Galaxy Pipeline Assets Holdco Limited	70,599	532,154	70,599			19,162

Significant equity investments: accounting data

(thousands of euro) Names	Cash and cash equivalent	Current assets	Non current asstes	Current financial liabilities	Non current financial liabilities	Current liabilities	Non current liabilities	Revenues
A.1 Joint ventures								
Trans Austria Gasleitung GmbH	52,482	72,111	1,083,848	32,488	261,160	102,319	135,009	447,822
Terega Holding S.A.S.	72,200		3,051,400	121,403	1,703,598	14,400	305,400	467,600
AS Gasinfrastruktur Beteiligung GmbH	1,821		571,291	3,171	33,148	78	243,804	346
A.2 Associates								
Trans Adriatic Pipeline AG		890,353	4,614,269			546,821	3,168,823	874,323
Senfluga energy infrastructure holdings		357,849	903,785			256,244	434,913	323,467
Interconnector (UK) Ltd		266,649	586,993			71,962	321,320	196,726
Galaxy Pipeline Assets Holdco Limited		197,863	7,208,449			46,924	6,827,234	0

Interest income	Interesnt expenses	Depreciation	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Taxes	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3)= (1)+(2)
79	10,371	63,346	87,868		23,117	64,751	438	65,189
	31,500	108,700	157,100		39,300	117,800	500	118,300
1,578	6,822		10,002		2	10,000		10,000
			358,629			297,658	398,741	696,399
			107,069			81,046	21,477	102,523
			92,495			71,853		71,853
			(1,202,794)			(1,202,794)	173,764	(1,029,030)

Non-significant equity investments: accounting data

(thousands of euro) Type of investments	Carryng amount of the investments	Total assets	Total liabilities	Total revenues	Income (loss) before taxes on continuing operations	Income (loss) after taxes on continuing operations	Net income (loss) for the period (1)	Other comprehensive income net of taxes (2)	Comprehensive income (3) = (1)+(2)
Joint ventures	59,616	1,015,566	182,339	908,783	6,106		17,519		17,519
Associates	548,004	2,030,553	1,242,631	482,189	(9,534)		67,432	16,337	83,769

The consolidated accounting figures for joint arrangements and significant associates were produced based on the information provided by the investees at 31 December 2022.

Commitments relating to equity investments

The contractual commitments referring to equity investments are listed in paragraph “IX. Guarantees and commitments”.

5. Non-current financial assets

Below is a breakdown of the CDP RETI Group’s non-current financial assets, which had a net value of 804 million euro at 31 December 2022 (697 million euro at 31 December 2021).

Non-current financial assets: financial assets at fair value - breakdown and fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings	2		2					
Loans								
Trading derivatives	37,663		37,663					
Total	**37,665**		**37,665**					
A.2 Other financial assets at FVTPL								
Debt securities								
Equity securities								
Units in collective investment undertakings	2,506			2,506				
Loans	5,007			5,007	5,007			5,007
Total	**7,513**			**7,513**	**5,007**			**5,007**
B. Financial assets at FVTOCI								
Debt securities	119,608	119,608			23,066	23,066		
Equity securities	52,731	13,190	97	39,444	115,953	81,355		34,598
Loans	13,954			13,954				
Total	**186,293**	**132,798**	**97**	**53,398**	**139,019**	**104,421**		**34,598**
Total	**231,471**	**132,798**	**37,762**	**60,911**	**144,026**	**104,421**		**39,605**

Non-current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities	482	482			156	156		
Loans and receivables	418,728	3,502		415,226	545,386	2,692		542,694
of which finance lease								
Total	**419,210**	**3,984**		**415,226**	**545,542**	**2,848**		**542,694**

Non-current financial assets: hedging derivatives - breakdown and fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	153,315		153,315		7,231		7,231	
Total	**153,315**		**153,315**		**7,231**		**7,231**	

The main component of the item is represented by the financial assets measured at amortised cost of the SNAM group (116.1 million euro) and the TERNA group (299.2 million euro), the latter relating to the Interconnector Guarantee Fund, established for the carrying out of interconnection work referred to in Article 32 of Law 99/09 and the security deposits received from the operators participating in the capacity market pursuant to Resolution 98/2011/R/eel, as amended and supplemented.

6. Deferred tax assets

Deferred tax assets recorded in the financial statements at 31 December 2022 amount to 848 million euro (936 million euro at 31 December 2021), of which 819 million euro were recorded in the income statement.

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Deferred tax assets		
- recognised in income statement	818,709	852,591
- recognised in equity	29,162	83,452
Total	**847,871**	**936,043**

Below is the breakdown of deferred tax assets:

Deferred tax assets: breakdown

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Deferred tax assets recognised in income statement	**818,709**	**852,591**
- losses carried forward	1,579	742
- non-repayable grants	52,746	62,477
- misc. impairment	17,657	14,548
- financial instruments		
- payables		
- site decommissioning and reinstatement	82,153	199,862
- provisions	61,937	71,694
- write-downs on receivables	25,201	22,604
- equity investments		
- property, plant and equipment/intangible assets	474,027	374,724
- employee benefits	19,613	16,046
- exchange rate differences		
- other temporary differences	83,796	89,894
Deferred tax assets recognised in equity	**29,162**	**83,452**
- financial assets at FVTOCI		
- exchange rate differences		
- cash flow hedge	12,185	61,868
- other	16,977	21,584
Total	**847,871**	**936,043**

The changes in deferred tax assets during the year, with the balancing entry in the income statement, are shown below:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**852,591**	**811,311**
Change in opening balance		
2. Increases	**137,785**	**107,332**
2.1 Deferred tax assets recognised during the year	90,559	69,087
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	90,559	69,087
2.2 New taxes or increases in tax rates		
2.3 Other increases	31,643	37,917
2.4 Business combinations	15,583	328
3. Decreases	**(171,667)**	**(66,052)**
3.1 Deferred tax assets derecognised during the year	(48,867)	(66,052)
a) reversals	(48,863)	(55,799)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other	(4)	(10,253)
3.2 Reduction in tax rates		
3.3 Other decreases	(122,800)	
3.4 Business combination transactions		
4. Closing balance	**818,709**	**852,591**

The changes in deferred tax assets during the year, with the balancing entry in equity, are shown below:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**83,452**	**115,620**
Change in opening balance		
2. Increases	**65**	**323**
2.1 Deferred tax assets recognised during the year	1	1
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	1	1
2.2 New taxes or increases in tax rates		
2.3 Other increases	64	322
2.4 Business combinations		
3. Decreases	**(54,355)**	**(32,491)**
3.1 Deferred tax assets derecognised during the year	(2,148)	(5,828)
a) reversals	(2,148)	(5,828)
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases	(52,207)	(26,663)
3.4 Business combination transactions		
4. Closing balance	**29,162**	**83,452**

7. Other non-current assets

Other non-current assets at 31 December 2022 amounted to 400 million euro (209 million euro at 31 December 2021).

The following table shows the breakdown:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Accrued income and prepaid expenses from regulated activities	148,164	117,164
Accrued income and prepaid expenses	85,313	14,364
Guarantee deposits	23,300	24,535
Loans and advances to employees	10,986	10,435
Receivables for tax withholdings and direct taxes	71,603	21,180
Advances to suppliers		
Other assets	60,773	21,812
Total	**400,139**	**209,490**

Accrued income and prepaid expenses from regulated activities of 148 million euro at 31 December 2022, which represent the majority of Other non-current assets, relate to: (i) the tariff adjustment recognised by the Authority as a consequence of the plan to replace traditional meters under Article 57 of ARERA Resolution no. 367/14, as amended and supplemented, as a result of the change in methodology on previous years and the recovery of non-applied amortisation (IRMA) pursuant to DCO 545/2020/R/gas, Resolution no. 570/2019/R/gas and Decision no. 3/2021 of the ITALGAS group (74 million euro); (ii) the Snam group (74 million).

8. Non-current assets held for sale

Assets held for sale at 31 December 2022 amounted to 155 million euro (378 million euro at 31 December 2021).

The following table shows the breakdown:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
A. Individual assets		
A.1 Financial assets	10,839	
A.2 Equity investments	3,503	
A.3 Tangible assets	35,739	
A.4 Intangible assets	25,984	
A.5 Other assets	8,163	
Total A	**84,228**	
B. Asset groups (discontinued operating units)		
B.1 Property, plant and equipment	32	3,133
B.2 Inventories	26,920	19,285
B.3 Intangible assets	2,203	12,485
B.4 Equity investments		
B.5 Financial assets	26,828	207,871
B.6 Other assets	14,731	134,924
Total B	**70,714**	**377,698**
Total	**154,942**	**377,698**

The item includes the balance sheet values of the net assets attributable to the Snam and Terna groups. More specifically:

- SNAM group (about 84 million euro of assets held for sale and about 17 million euro of directly attributable liabilities): they refer to the set of assets and liabilities arising from the consolidation of controlling equity investments held by Iniziative Biometano S.p.a., a company 51% owned by Snam through the wholly-owned subsidiary Bioenerys S.r.l., as well as equity investments in companies subject to joint control and associates held directly and indirectly by Iniziative Biometano S.p.a. The assets mainly include property, plant and equipment (36 million euro) and intangible assets (26 million euro, including goodwill), while the liabilities mainly include to short-term financial liabilities (3 million euro) and trade payables (3 million euro). The classification of these assets and liabilities as a disposal group held for sale, in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*", follows the signing, in December 2022, of binding agreement between the shareholders of Iniziative Biometano aimed at separating the shareholding structure.
- Terna group (approximately 71 million euro): they include the balance sheets values of the assets included in the scope of the agreement that the Terna group signed on 29 April 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna group. On 7 November 2022, the first closing was finalised of the Brazilian companies SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Transmissora de Energia Linha Verde II S.A., owners of three power lines in Brazil, for a total of 670 km, while on 22 December 2022 the closing was finalised of the company Difebal S.A., owner of a power line in Uruguay for a total of 214 km, was finalised. The sale of the other projects in Brazil and Peru will be completed in several stages, after the conditions set out in the sale agreements are fulfilled. Specifically, following the sale transaction of the Brazilian companies SPE Santa Lucia Transmissora de Energia S.A., SPE Santa Maria Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A., and the Uruguay-based company Difebal S.A., the item includes the reclassification, pursuant to IFRS 5, of the net assets attributable to the Brazilian company SPE Transmissora de Energia Linha Verde I S.A. and the Peruvian Terna Perù S.A.C.. Net assets held for sale amounted to 61.1 million euro ful at 31 December 2022, mainly representing investments in infrastructure under concession in Brazil relating to the subsidiary SPE Transmissora de Energia Linha Verde I S.A.

Current assets

9. Current financial assets

Below is a breakdown of the CDP RETI Group's current financial assets, which had a net value of 284 million euro at 31 December 2022 (992 million euro at 31 December 2021).

Current financial assets: financial assets at fair value: breakdown and fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
A. Financial assets at FVTPL								
A.1 Held for trading								
Debt securities								
Equity securities								
Units in collective investment undertakings	7			7				
Loans					6			6
Trading derivatives								
Total	**7**			**7**	**6**			**6**
A.2 Other financial assets at								
Debt securities								
Equity securities								
Units in collective investment								
Loans	119			119	119			119
Total	**119**			**119**	**119**			**119**
B. Financial assets at FVTOCI								
Debt securities	249,254	249,254			974,370	974,370		
Equity securities								
Loans								
Total	**249,254**	**249,254**			**974,370**	**974,370**		
Total	**249,380**	**249,254**		**126**	**974,495**	**974,370**		**125**

Current financial assets: financial assets measured at amortised cost - breakdown and fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Financial assets at amortized cost								
Debt securities								
Loans and receivables	10,714			10,714	13,256			13,256
Total	**10,714**			**10,714**	**13,256**			**13,256**

Current financial assets: hedging derivatives - fair value levels

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carrying amount	L1	L2	L3	Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	23,649		23,649		4,285		4,285	
Total	**23,649**		**23,649**		**4,285**		**4,285**	

The decrease in financial assets at fair value (725 million euro) refers essentially to changes in the TERNA group's securities portfolio.

10. Income tax receivables

Income tax receivables recorded in the consolidated financial statements at 31 December 2022 amounted to 66 million euro (38 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Income tax receivables		
- Ires receivables	57,690	33,061
- Irap receivables	4,508	4,947
- other tax receivables	3,698	13
Total	**65,896**	**38,021**

11. Trade receivables

Trade receivables recorded in the consolidated financial statements at 31 December 2022 amounted to 7,729 million euro (6,077 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Energy-related receivables	1,622,768	2,114,926
Grid transport consideration receivables	472,784	477,895
Gas sector trade receivables	3,746,819	2,642,165
Other trade receivables	1,786,572	756,037
Construction contracts	99,772	86,387
Total	**7,728,715**	**6,077,410**

Trade receivables are calculated net of amounts deemed unrecoverable which, therefore, are recorded as an adjustment to the bad debt provision.

The Gas sector trade receivables mainly relate to:

- SNAM group receivables, mainly concerning the natural gas transport (3,151 million euro), storage (251 million euro) and regasification (29 million euro) sectors;
- trade receivables amounting to 315 million euro, recorded by the ITALGAS group, mainly relating to gas distribution and related services and also including those resulting from the first consolidation of the Depa Infrastructure.

TERNA's trade receivables amount to 2,358 million euro in total, and mainly include:

- the so-called "pass-through" items related to the activities performed by Terna pursuant to Resolution 111/06 (1,261 million euro) as well as receivables due from dispatching customers for user fees (356 million euro); this item also includes the receivables (6 million euro) from Cassa per i Servizi Energetici e Ambientali (CSEA) related to service quality and output-based incentive regulation;
- the receivable in respect of the grid transmission fees amounting to 473 million euro, related to the consideration paid to the Terna group and other owners use of the National Transmission Grid by electric power distributors;
- other trade receivables (263 million euro): these mainly refer to trade receivables from customers of the Unregulated business, for specialist services rendered to third parties mainly in the field of plant engineering services, operation and maintenance of High and Very High Voltage plants, as well as housing and telecommunication equipment. Maintenance services for optical fibre networks and for orders of the Tamini group, the subsidiary Brugg Cables and the LT group.

12. Inventories

Inventories at 31 December 2022 were recorded in the financial statements for 3,405 million euro (296 million euro at 31 December 2021) and are recognised net of the provision for impairment of 54 million euro (46 million euro at 31 December 2021).

Inventories: breakdown

(thousands of euro)

	31/12/2022			31/12/2021		
Items/Figures	Gross amount	Provision for impairment	Net value	Gross amount	Provision for impairment	Net value
Raw materials, supplies and consumables	1,055,523	(19,208)	1,036,315	277,839	(13,446)	264,393
Finished products and goods	2,403,761	(34,603)	2,369,158	64,077	(32,193)	31,884
Total	**3,459,284**	**(53,811)**	**3,405,473**	**341,916**	**(45,639)**	**296,277**

Inventories of raw materials, supplies and consumables mainly consist of natural gas of the SNAM group (833 million euro). The item also includes 120 million euro for gas meters to be used in the ITALGAS group's replacement programme, plus approximately 83 million euro mainly related to materials to be used in the TERNA group's orders.

Finished products inventories, equal to 2,369 million euro in total, net of the relevant provision (35 million euro at 31 December 2022), consist instead of natural gas in the storage network.

In general, the increase in the item compared to the previous period (+3,109 million euro) is attributable to the purchases made by the Snam group in order to guarantee the security of gas supplies in Italy for the coming winter. In particular, the purchases were made in implementation of the following Regulator's Resolutions: (i) Resolution 165/2022/R/Gas, which provided for the supply by Snam Rete Gas of the volumes covering system gas and gas for the technical consumption of storage (approximately 0.6 billion cubic metres for a total value of 705 million euro); (ii) Resolution 274/2022/R/Gas, which defined the provisions for the filling service of last resort (approximately 1.4 billion cubic metres for a total value of 2,348 million euro).

13. Other current assets

The breakdown of Other current assets, which at 31 December 2022 amounted to 806 million euro (1,031 million euro at 31 December 2021), is shown below.

Other current assets: breakdown

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Accrued income and prepaid expenses from regulated activities	42,165	23,703
Accrued income and prepaid expenses	77,761	44,952
Guarantee deposits	73	133
Loans and advances to employees	2,689	2,035
Receivables for tax withholdings and direct taxes	172,490	225,182
Advances to suppliers	70,474	42,594
Other assets	439,899	692,895
Total	**805,551**	**1,031,494**

The decrease (-225 million euro) compared to December 2021 is attributable to the reduction in receivables from the CSEA of the SNAM group, essentially referring to receivables for settlement of the company Snam Rete Gas.

14. Cash and cash equivalents

Cash and cash equivalents, which amounted to 4,530 million euro at 31 December 2022 (4,387 million euro at 31 December 2021) can be broken down as shown in the following table and refer mainly to:

- SNAM group (1,757 million euro): mainly refer to current accounts and bank deposits in euro (1,659 million euro), representing the use of cash held for the group's financial needs, and the cash equivalents from subsidiaries (total 97 million euro);
- TERNA group (2,155 million euro): short-term, highly liquid deposits (1,528 million euro) and bank current accounts and cash in hand (627 million euro);
- ITALGAS group (452 million euro): current account deposits held with banks.

Cash and cash equivalents: breakdown

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Current accounts and demand deposits	2,668,537	2,528,430
Short-term financial investments	1,860,622	1,856,463
Cash	829	2,007
Total	**4,529,988**	**4,386,900**

II. LIABILITIES

15. Equity

15 a. Group equity

Equity pertaining to the Group, amounting to 4,917 million euro (4,713 million euro at 31 December 2021) consisted of the following:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Share capital	**162**	**162**
Issue premium	**1,315,158**	**1,315,158**
Reserves	**3,331,690**	**3,022,542**
- Legal reserve	32	32
- Reserve for shareholder payments for investments	2,029,921	2,029,921
- Other reserves		
- Retained earnings	1,301,737	992,589
Valuation reserves	**89,340**	**(50,618)**
- Cash flow hedges	57,595	(47,147)
- Exchange rate differences	7,195	(8,667)
- Actuarial Profit (Loss) on defined-benefit pension plans	(4,361)	(5,778)
- Share of valuation reserves of equity investments accounted for using equity method	33,641	356
- Financial assets (other than equity securities) measured at fair value through other comprehensive income	(928)	378
- Financial assets (equity securities) measured at fair value through other comprehensive income	(3,802)	10,240
Advances on dividends	**(331,879)**	**(311,297)**
Net income for the period (+/-)	**512,689**	**736,682**
Total	**4,917,160**	**4,712,629**

During the period, there were no changes to the shareholding structure and the number of shares, which remained the same compared to the prior year:

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59.10%
State Grid		56,530		35.00%
Cassa Forense			4,253	2.63%
Foundations and Savings Banks			5,273	3.27%
Total	**95,458**	**56,530**	**9,526**	**100.00%**

Shares outstanding at the reporting date consisted of 161,514 shares without nominal value, fully paid-up.

15 b. Non-controlling interests

A breakdown of the item Non-controlling interests is provided below:

(thousands of euro)

Names	31/12/2022	31/12/2021
1. Italgas S.p.A.	2,205,089	2,030,442
2. SNAM S.p.A.	6,369,860	6,207,903
3. Terna S.p.A.	5,077,510	3,811,408
Total	**13,652,459**	**12,049,753**

Non-current liabilities

16. Provisions for risks and charges

The provisions for risks and charges recorded in the consolidated financial statements at 31 December 2022 amounted to 859 million euro (1,076 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
1. Provision for risks of legal disputes	43,058	45,476
2. Provision for early retirement incentives	43,006	43,176
3. Provision for site decommissioning and reinstatement	497,704	713,734
4. Provision for tax risks	14,324	8,339
5. Provision for environmental risks and charges	80,800	90,426
6. Provisions for credit risk on guarantees provided		
7. Other provisions	180,309	174,788
Total	**859,201**	**1,075,939**

The provisions for site decommissioning and remediation, which represent the majority of this item, were recorded by the SNAM group companies to cover the costs they will presumably incur to remove and reinstate natural gas storage and transport facilities.

The changes to the provisions for risks and charges recorded during the year are detailed below:

(thousands of euro) Items/Figures	Provision for risks of legal disputes	Provision for early retirement incentives	Provision for site decommissioning and reinstatement	Provision for tax risks	Provision for environmental risks and charges	Provisions for credit risk on guarantees provided	Other provisions	Total
Opening balance	**45,476**	**43,176**	**713,734**	**8,339**	**90,426**		**174,788**	**1,075,939**
Change in opening balance								
Changes for business combinations (+/-)	3,740		7,265				19,865	30,870
Increases:								
Allocation in the year	16,833	17,680		7,861	85		15,674	58,133
Changes due to the passing of time			12,233		(180)			12,053
Changes due to changes to the discount rate								
Other changes	225			442			32,936	33,603
Decreases:								
Use in the financial year	(22,264)	(17,050)	(7,305)	(2,318)	(8,706)		(31,305)	(88,948)
- to charges	*(9,133)*	*(17,050)*	*(7,305)*	*(1,120)*	*(8,639)*		*(29,997)*	*(73,244)*
- due to surplus	*(13,131)*			*(1,198)*	*(67)*		*(1,308)*	*(15,704)*
Changes due to changes to the discount rate			(226,836)					(226,836)
Other changes	(952)	(800)	(1,387)		(825)		(31,649)	(35,613)
Closing balance	**43,058**	**43,006**	**497,704**	**14,324**	**80,800**		**180,309**	**859,201**

17. Provisions for employee benefits

Below is the breakdown of the provisions for employee benefits:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Severance pay	99,154	124,320
Long-term service award	3,996	4,969
Supplementary health funds	18,850	26,756
Energy discount	2,420	3,196
Other employee benefits	21,026	33,747
Total	**145,446**	**192,988**

The changes to the Provisions for employee benefits are shown below:

(thousands of euro)

Items/Figures	Severance pay	Long-term service award	Supplementary health funds	Energy discount	Other employee benefits	Totale
Opening balance	**124,320**	**4,969**	**26,756**	**3,196**	**33,747**	**192,988**
Changes for business combinations	3,298					3,298
Current cost	1,599	(728)	768		1,804	3,443
Interest expense	594	42	217	13	107	973
Revaluations:						
- actuarial profit and loss due to changes in financial assumptions	(15,812)		(7,325)	(426)	(4,105)	(27,668)
- actuarial profit and loss due to changes in demographic assumptions						
- effect of past experience	2,152		(962)		3,656	4,846
Other changes	(3,074)	(287)	(470)	(363)	(1,330)	(5,524)
Paid benefits	(13,923)		(134)		(12,853)	(26,910)
Closing balance	**99,154**	**3,996**	**18,850**	**2,420**	**21,026**	**145,446**

The average actuarial assumptions used by the CDP RETI Group for the purpose of applying IAS 19 are provided below.

Items/Figures %	Min	Max
Discount rate	0.37%	0.98%
Expected rate of salary increases	1.00%	4.00%
Inflation rate	0.70%	1.75%

18. Long-term loans

Long-term loans recorded by the Group at 31 December 2022 amounted to 27,407 million euro (25,931 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Bonds	18,953,966	19,336,600
Bank loans	7,870,267	6,279,523
Lease liabilities	126,997	92,910
Other lenders	456,106	222,399
Total	**27,407,336**	**25,931,432**

Long-term loans relate chiefly to bond issues (totalling around 19 billion euro) by SNAM (around 8.7 billion euro), TERNA (5.1 billion euro) and ITALGAS (4.7 billion euro).

An analysis of bond issues, with an indication of the issuing company, the currency, the interest rate and maturity, is provided below:

(thousands of euro)					Carrying amount at 31/12/2022		Maturity analysis (years)				
Issuer	year of issue	Maturity	Currency	Rate	Current	Non current	2023	2024	2025	2026	beyond
CDP RETI S.p.A.			euro		5,377	496,419			496,419		
TERNA SPA		2023	euro	2.730%	659,638	-					
TERNA SPA		2023	euro	1.000%	999,200	-					
TERNA SPA		2023	euro	1.000%	36,359	-					
TERNA SPA		2024	euro	4.900%		858,198	800,000				58,198
TERNA SPA		2025	euro	0.130%		497,565		500,000			(2,435)
TERNA SPA		2026	euro	1.000%		498,809			500,000		(1,191)
TERNA SPA		2026	euro	1.600%		79,510			80,000		(490)
TERNA SPA		2027	euro	1.380%		984,810				1,000,000	(15,190)
TERNA SPA		2027	euro	3.440%		99,771				100,000	(229)
TERNA SPA		2028	euro	1.000%		705,601					705,601
TERNA SPA		2029	euro	0.380%		597,188					597,188
TERNA SPA		2030	euro	0.380%		403,800					403,800
TERNA SPA		2032	euro	0.750%		353,616					353,616
ITALGAS S.p.A.	2017	2027	euro	1.625%	11,540	746,335				746,335	
ITALGAS S.p.A.	2017	2024	euro	1.125%	3,432	380,928	380,928				
ITALGAS S.p.A.	2017	2029	euro	1.625%	11,586	747,169					747,169
ITALGAS S.p.A.	2019	2030	euro	0.875%	3,610	593,947					593,947
ITALGAS S.p.A.	2019	2031	euro	1.000%	274	496,013					496,013
ITALGAS S.p.A.	2020	2025	euro	0.250%	651	497,263		497,263			
ITALGAS S.p.A.	2021	2028	euro	0%		494,531					494,531
ITALGAS S.p.A.	2021	2033	euro	0.50%	2,178	494,217					494,217
EDA ATTIKIS	2021	2027	euro	1,90% + 3M	1,148	18,277				18,277	
EDA THESS	2018	2023	euro	2,30% + 3M	2,400	-					
EDA THESS	2019	2027	euro	2,17% + 3M	738	11,762				11,762	
EDA THESS	2020	2028	euro	1,90% + 3M	709	11,291					11,291
EDA THESS	2021	2031	euro	1,85% + 3M	2,211	35,220					35,220
DEPA INFRASTRUCTURE	2022	2029	euro	1,70% + 3M	9,516	151,571					151,571
SNAM S.P.A.	2014	2024	euro	3.25%	11,154	364,435	364,435				
SNAM S.P.A.	2014	2023	euro	1.50%	83,515						
SNAM S.P.A.	2015	2023	euro	1.50%	73,051						
SNAM S.P.A.	2015	2023	euro	1.38%	137,500						
SNAM S.P.A.	2016	2026	euro	0.88%	2,008	1,246,099			1,246,099		
SNAM S.P.A.	2017	2025	euro	1.25%	3,107	266,243		266,243			
SNAM S.P.A.	2017	2022	euro	0.00%	-						
SNAM S.P.A.	2017	2024	euro	0.00%	366	106,160	106,160				
SNAM S.P.A.	2017	2027	euro	1.38%	1,394	550,368				550,368	
SNAM S.P.A.	2018	2023	euro	1.00%	209,998						
SNAM S.P.A.	2018	2023	euro	1.000%	213,300						
SNAM S.P.A.	2019	2025	euro	1.250%	2,140	498,209		498,209			
SNAM S.P.A.	2019	2030	euro	1.625%	3,985	248,162					248,162
SNAM S.P.A.	2019	2024	euro	0.000%	-	499,163	499,163				
SNAM S.P.A.	2019	2034	euro	1.000%	1,808	589,856					589,856
SNAM S.P.A.	2019	2024	euro	0.000%	-	199,246	199,246				
SNAM S.P.A.	2020	2030	euro	0.75%	2,024	498,129					498,129
SNAM S.P.A.	2020	2028	euro	0.00%	-	597,229					597,229
SNAM S.P.A.	2021	2030	euro	0.75%	1,012	256,505					256,505
SNAM S.P.A.	2021	2025	euro	0.00%	-	499,697		499,697			
SNAM S.P.A.	2021	2031	euro	0.63%	1,575	493,260					493,260
SNAM S.P.A.	2022	2034	euro	1.25%	4,318	646,264					646,264
SNAM S.P.A.	2022	2029	euro	0.75%	3,388	843,354					843,354
SNAM S.P.A.	2022	2026	euro	3.38%	693	297,776			297,776		

With reference to the analysis of the maturities of payables for loans, please refer to the following table:

(thousands of euro)					Carrying amount at 31/12/2022		Maturity analysis (years)				
Loans	year of issue	Maturity	Currency	Rate	Current	Non current	2023	2024	2025	2026	Oltre
Loan 2020			euro	Euribor 6m + spread	3,484	935,819		935,819			
IFRS 16 remaining (no CDP RETI Group			euro		27	79	30	30	19		
IFRS 16 remaining (no CDP RETI Group		2024	euro		14,223	51,744		51,744			
BEI		2044	euro	1.740%	20,475	1,454,488	24,558	47,697	58,531	92,142	1,231,560
TERNA SPA		2024	euro			300,000	300,000				
TERNA SPA		2023	euro	1.470%	100,000	699,100	100,000	600,000			(900)
BEI		2041	euro	1.250%	111,048	832,485	115,325	115,325	115,325	115,325	371,185
TERNA SPA		2024	euro		1,862	(19)	(19)				
IFRS 16 remaining (no CDP RETI Group			euro		21,199	49,437	16,517	14,958	8,326	5,330	4,306
ITALGAS S.p.A. - BEI	2017	2037	euro	0,35+Euribor 6M	24,000	335,750	24,000	24,000	24,000	24,000	239,750
ITALGAS S.p.A. - BEI	2015	2035	euro	0,14+Euribor 6M	25,000	212,491	25,000	25,000	25,000	25,000	112,491
ITALGAS S.p.A. - BEI	2016	2032	euro	0,47+Euribor 6M	8,279	111,637	8,266	8,266	8,266	8,266	78,573
ITALGAS S.p.A. - BEI	2022	2037	euro	3.180%	210	149,925			12,500	12,500	124,925
TOSCANA ENERGIA S.p.A - BEI	2016	2031	euro	1.049%	8,438	65,563	8,182	8,182	8,182	8,182	32,835
ITALGAS S.p.A.	2021	2024	euro	0.000%		300,000	300,000				
ITALGAS S.p.A.	2021	2024	euro	U		200,000	200,000				
ITALGAS S.p.A.	2022	2025	euro	0,60+Euribor 3M	1,146	250,200		250,200			
ITALGAS RETI S.p.A.	2004	2028	euro	-	225	706	225	225	225	31	
GEOSIDE S.p.A.	2021	2025	euro	83.00%	450	891	444	447			
DEDA - European Investment Bank (EIB)	2022	2042	euro	2,772%		12,000					12,000
ITALGAS NEWCO - PHAETHON HOLDING	2022	2029	euro	4%		34,750					34,750
Mediobanca	2021	2024	euro	0.04%		100,000	100,000				
INTESA SAN PAOLO	2021	2024	euro	0.00%		250,000	250,000				
UNICREDIT	2021	2024	euro	0.00%		250,000	250,000				
BAYERISCHE	2018	2023	euro	2.40%	50,277						
BNL	2018	2023	euro	2.19%	150,549						
BAYERISCHE	2022	2027	euro	2.23%	688	75,000				75,000	
BNL	2020	2023	euro	0.10%	150,036						
CASSA DEPOSITI E PRESTITI	2022	2027	euro	3.28%	292	200,000				200,000	
BANCO BILBAO VIZCAYA ARGENTARIA S.A.	2022	2025	euro	2.50%	231	100,000		100,000			
Banca Europea per gli Investimenti	2013	2032	euro	2.95%	4,551	38,999	4,333	4,333	4,333	4,333	21,667
Banca Europea per gli Investimenti	2015	2035	euro	2.73%	25,161	298,401	24,867	24,867	24,867	24,867	198,933
Banca Europea per gli Investimenti	2017	2037	euro	1.50%	33,322	278,761	20,607	20,607	20,607	20,607	196,333
Banca Europea per gli Investimenti	2019	2038	euro	1.37%	926	135,000	9,000	9,000	9,000	9,000	99,000
Banca Europea per gli Investimenti	2019	2031	euro	0.55%	3,815	20,000	2,500	2,500	2,500	2,500	10,000
Banca Europea per gli Investimenti	2019	2039	euro	0.00642	337	105,000	3,500	7,000	7,000	7,000	80,500
Banca Europea per gli Investimenti	2012	2029	euro	0.02989	20,186	120,000	20,000	20,000	20,000	20,000	40,000
Banca Europea per gli Investimenti	2015	2035	euro	0.01155	14,066	153,332	13,333	13,333	13,333	13,333	100,000
Banca Europea per gli Investimenti	2013	2033	euro	0.0163	20,229	188,668	18,867	18,867	18,867	18,867	113,200
Banca Europea per gli Investimenti	2022	2032	euro	0.02601	701	55,738		3,981	7,963	7,963	35,831
Banca Europea per gli Investimenti	2022	2027	euro	0.0296	45	54,500		10,900	21,800	21,800	
MPS		2028	euro	0.0295	319	1,555	328	338	348	358	183
MPS		2027	euro	Eur6M+1,5% Floor	218	818	218	218	218	164	
Credit Agricole - Friuladria		2028	euro	Eur3M+2,2%	308	1,452	313	319	324	329	167
Credit Agricole - Friuladria		2023	euro	Eur6M+2% Floor	77						
MPS		2023	euro	Eur6M+3,5%	75						
Banca Sella		2025	euro	Eur3M+2,5%Floor 2%	32	36	33	3			
MPS		2027	euro	Eur6M+1,5% Floor	250	750	200	200	200	150	
Credit Agricole		2026	euro	Eur3M+1,75%	198	558	201	203	154		
Banca PopSo RINVENUTO CON CONSOLIDAMENTO EVOLVE	2019	2025	euro	Euribor 1M + 1,5%	120	132	120	12			
Mediocredito in pool RINVENUTO CON CONSOLIDAMENTO EVOLVE	2019	2023	euro	0.02	171						
BPER RINVENUTO CON CONSOLIDAMENTO MIECI	2019	2026	euro	Euribor 3M + 0,551%	403	643	401	241	1		
MPS RINVENUTO CON CONSOLIDAMENTO MIECI	2019	2025	euro	Euribor 3M + 1,25%	1,640	1,244	1,244				
IFRS 16 remaining (no CDP RETI Group companies)	2019	2040	euro		7,312	25,737	5,747	5,434	4,468	2,158	7,930

The table below shows the reconciliation of the liabilities arising from the loans, as required by IAS 7:

(thousands of euro) Items/Figures	31/12/2021	Changes from financing cash flows	No cash flow changes Effect of changes in foreign exchange rates	Changes due to IFRS9	Changes arising from obtaining or losing control of subsidiaries or other businesses	31/12/2022
Cash and cash equivalents	4,386,900	137,219		(7,608)	13,477	4,529,988
Short-term financial debts	5,449,336	(2,425,674)		(903,265)	(53,570)	2,066,827
Long-term financial debts	30,319,297	867,343		(774,512)	158,954	30,571,082
Financial debts for leased goods	124,289	(43,553)		78,040	10,982	169,758
Gross financial debt	**35,892,922**	**(1,601,884)**		**(1,599,737)**	**116,366**	**32,807,667**
Net financial debt	**31,506,022**	**(1,739,103)**		**(1,592,129)**	**102,889**	**28,277,679**

19. Other non-current financial liabilities

Other non-current financial liabilities were recognised in the financial statements for a total amount of 247 million euro (91 million euro at 31 December 2021). The following table shows the breakdown of the item and the respective fair value levels.

(thousands of euro)	31/12/2022			31/12/2021		
Items/Figures	L1	L2	L3	L1	L2	L3
Fair value-related hedging derivatives		**247,174**				
a) interest rate risk		247,174				
b) exchange rate risk						
c) several risks						
Cash flow hedge-related derivatives		**34**			**46,408**	
a) interest rate risk		34			46,408	
b) exchange rate risk						
c) other						
Foreign investments hedging derivatives						
a) interest rate risk						
b) exchange rate risk						
c) other						
Non-hedging derivatives					**44,511**	
Totale		**247,208**			**90,919**	

20. Deferred tax liabilities

Deferred tax liabilities recorded at 31 December 2022 amounted to 2,055 million euro (2,152 million euro at 31 December 2021), and consist almost entirely of deferred tax liabilities entered as the balancing entry recognised in the income statement as detailed in the following table:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Deferred tax liabilities		
- recognised in income statement	1,993,803	2,147,088
- recognised in equity	61,478	5,300
Total	**2,055,281**	**2,152,388**

Below is the breakdown of deferred tax liabilities:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Deferred tax liabilities recognised in income statement	**1,993,803**	**2,147,088**
- surplus paid in instalments	6,816	1,757
- staff severance pay	13,695	13,665
- leasing		
- property, plant and equipment	1,810,430	1,927,992
- own securities		
- equity investments	23,215	21,993
- other financial instruments		
- exchange rate differences		
- other temporary differences	139,647	181,681
Deferred tax liabilities recognised in equity	**61,478**	**5,300**
- financial assets at FVTOCI		
- other reserves	61,478	5,300
- Law 213/98 reserves		
- other reserves		
Total	**2,055,281**	**2,152,388**

The changes in deferred tax liabilities during the year, with the balancing entry in the income statement, are shown below:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**2,147,088**	**2,602,126**
Change in opening balance		
2. Increases	**101,188**	**27,736**
2.1 Deferred tax liabilities recognised during the year	24,878	16,863
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	24,878	16,863
2.2 New taxes or increases in tax rates		1,461
2.3 Other increases	25,462	8,621
2.4 Business combination transactions	50,848	791
3. Decreases	**(254,473)**	**(482,774)**
3.1 Deferred tax liabilities derecognised during the year	(122,734)	(481,934)
a) reversals	(121,390)	(437,871)
b) due to change in accounting policies		
c) others	(1,344)	(44,063)
3.2 Reduction in tax rates		
3.3 Other decreases	(131,739)	(840)
3.4 Business combination transactions		
4. Closing balance	**1,993,803**	**2,147,088**

The changes in deferred tax liabilities during the year, with the balancing entry in equity, are shown below:

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**5,300**	**3,760**
Change in opening balance		
2. Increases	**58,016**	**2,014**
2.1 Deferred tax liabilities recognised during the year	57,852	2,008
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	57,852	2,008
2.2 New taxes or increases in tax rates		
2.3 Other increases	164	6
2.4 Business combination transactions		
3. Decreases	**(1,838)**	**(474)**
3.1 Deferred tax liabilities derecognised during the year	(1,838)	(474)
a) reversals	(1,838)	(474)
b) due to change in accounting policies		
c) others		
3.2 Reduction in tax rates		
3.3 Other decreases		
3.4 Business combination transactions		
4. Closing balance	**61,478**	**5,300**

21. Other non-current liabilities

The table below provides a breakdown of Other non-current liabilities recognised at 31 December 2022 for a total amount of 2,996 million euro (2,136 million euro at 31 December 2021).

(thousands of euro)

Items/Figures	31/12/2022	31/12/2021
Accrued liabilities and deferred income	6,612	5,280
Payments on account and advances		
Accrued liabilities and deferred income from regulated activities	1,292,161	1,214,184
Other liabilities	1,696,863	916,060
Total	**2,995,636**	**2,135,524**

Other non-current liabilities mainly consist of the following:

- accrued expenses and deferred income consisting of deferred income for grants related to plants of Terna S.p.A. (69.4 million euro), as well as advances received for the construction of the privately-owned Italy–Montenegro, Italy–France and Italy–Austria private Interconnector (totalling 449.9 million euro). The item also includes accrued expenses and deferred income related to connection fees of the ITALGAS group (510.8 million euro);
- other liabilities, essentially consisting of security deposits paid to the Snam group (1,382 million euro) mainly by users of the balancing service provided by the Snam group (1,382 million euro), pursuant to Resolution ARG/gas 45/11.

22. Liabilities directly attributable to assets held for sale

At 31 December 2022, the item was valued at 26,8 million euro (257.8 million euro as at 31 December 2021) and included:

- "Discontinued operations and assets held for sale", consisting of the balance sheet values of assets included in the scope of the agreement signed on 29 April 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna group;
- "Liabilities associated with individual assets held for sale" (17 million euro), arising from the consolidation of controlling equity investments held by Iniziative Biometano S.p.A., a company 51% owned by Snam through the wholly-owned subsidiary Bioenerys S.r.l., as well as equity investments in companies subject to joint control and associates held directly and indirectly by Iniziative Biometano S.p.A.

The following table shows the breakdown:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
C. Liabilities associated to individual assets held for sale		
C.1 Debts	4,621	
C.2 Securities	1,875	
C.3 Other liabilities	10,736	
Total C	**17,232**	
D. Liabilities associated to groups of individual assets held for sale		
D.1 Loans payable	3	220,369
D.2 Financial liabilities		1,379
D.3 Provisions		
D.4 Other liabilities	9,593	36,053
Total D	**9,596**	**257,801**
Total	**26,828**	**257,801**

See note 8. of Balance Sheet Assets for further details.

Current liabilities

23. Current portion of long-term loans

This item, which at 31 December 2022 amounted to 3,334 million euro (4,512 million euro at 31 December 2021) includes the current portion of long-term loans. The following table shows its composition:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Bonds	2,506,903	3,116,163
- EMTN programme	2,501,526	1,962,030
- other issues	5,377	1,154,133
Bank loans	782,689	1,364,479
Lease liabilities	42,761	31,379
Other lenders	1,151	133
Total	**3,333,504**	**4,512,154**

A breakdown of this item is detailed in the tables set out in note 18.

24. Trade payables

Trade payables recorded at 31 December 2022 amounted to 6,251 million euro (5,171 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Payables due to suppliers	6,205,613	5,141,795
- energy-related payables	*2,649,454*	*2,353,462*
- non-energy-related payables	*992,791*	*893,155*
- GAS sector payables	*2,225,914*	*1,698,404*
- due to other suppliers	*337,454*	*196,774*
Payables for construction contracts	45,447	28,960
Total	**6,251,060**	**5,170,755**

Energy-related trade payables (2,649 million euro) recorded in TERNA's financial statements, relating to the financial effects of "pass-through" costs, principally related to TERNA's electricity dispatching operations, as well as to the transport fees due to other owners of portions of the national transmission grid.

Non-energy related trade payables of 993 million euro recorded in TERNA group's consolidated financial statements refer to amounts owed to suppliers for invoices both already received and yet to be received for tenders, services and the purchase of materials and equipment.

Trade payables from the GAS segment of 2,226 million euro mainly related to the transport sector (1,163 million euro, of which 306 million euro related to balancing services) of the SNAM group, and trade payables (709 million euro) of the ITALGAS group.

25. Income tax liabilities

Current tax liabilities amounted to 81 million euro at 31 December 2022 (81 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
Income tax payables		
- Ires payables	59,890	73,260
- Irap payables	15,642	8,031
- other tax payables	5,721	162
Total	**81,253**	**81,453**

26. Current financial liabilities

Current financial liabilities amounted to 2,068 million euro at 31 December 2022 (5,456 million euro as at 31 December 2021).

Other financial liabilities amounted to 2,067 million euro at 31 December 2022 (5,449 million euro as at 31 December 2021), and mainly related to uncommitted floating-rate credit facilities (100 million euro), the issue of unsecured Euro Commercial Papers (1,128 million euro) of the SNAM group, and short-term loans of Terna S.p.A. (444 million euro).

The following table shows the breakdown:

(thousands of euro)	31/12/2022				31/12/2021			
Items/Figures	Carring amount	L1	L2	L3	Carring amount	L1	L2	L3
Fair value-related hedging derivatives	**1,649**		**1,649**		**290**		**290**	
a) interest rate risk	1,649		1,649		290		290	
b) exchange rate risk								
c) several risks								
Cash flow hedge-related derivatives					**6,685**		**6,685**	
a) interest rate risk					6,685		6,685	
b) exchange rate risk								
c) other								
Hedging derivatives on foreign investment								
a) interest rate risk								
b) exchange rate risk								
c) other								
Non-hedging derivatives								
Other financial liabilities	**2,066,827**			**2,066,827**	**5,449,336**			**5,449,336**
Total	**2,068,476**		**1,649**	**2,066,827**	**5,456,311**		**6,975**	**5,449,336**

27. Other current liabilities

Other current liabilities amounted to 8,215 million euro at 31 December 2022 (2,171 million euro at 31 December 2021) and were broken down as shown in the following table:

(thousands of euro) Items/Figures	31/12/2022	31/12/2021
VAT payables	118,373	32,430
Irpef withholdings on employees	13,771	15,425
Other duties and taxes	15,628	10,412
Accrued liabilities and deferred income	52,728	39,301
Advances	168,716	105,183
Payables due to pension and social security institutions	61,769	63,440
Payables due to employees	128,685	124,926
Accrued liabilities and deferred income from regulated activities	103,545	19,327
Other liabilities	7,551,668	1,760,621
Total	**8,214,883**	**2,171,065**

"Other liabilities" mainly refer to payables for investing activities (519 million euro, mainly related to natural gas transport, for 353 million euro, and natural gas storage, for 65 million euro) and payables due to CSEA (Cassa Conguaglio Settore Elettrico) by the SNAM group (5.571 million euro).

III - INFORMATION ON THE CONSOLIDATED INCOME STATEMENT

A. REVENUES

28. Revenues from sales and services

Revenues from sales and services: breakdown

(thousands of euro)

Items/Figures	2022	2021
Revenues from electricity dispatching and distribution		
Grid transport consideration fees	1,968,637	2,040,991
CTR adjustments for previous years		
Service quality	23,168	11,619
Other energy revenues	517,390	160,682
Other sales and performance	388,810	321,195
Total	**2,898,005**	**2,534,487**
- of which IFRIC 12 revenues	*67,426*	*46,933*
Revenues from storage, transportation, regasification and distribution of natural gas		
Storage	460,768	467,647
Distribution	1,998,922	2,032,664
Transport and dispatching	2,212,210	2,378,873
Regasification	43,091	19,493
Other sales and performance	963,927	484,428
Total	**5,678,918**	**5,383,105**
- of which IFRIC 12 revenues	*727,756*	*772,005*
Total revenues from sales and services	**8,576,923**	**7,917,592**

Revenues for the dispatching and distribution of electricity (2,898 million euro) increased overall growth (approximately +364 million euro compared to the previous year) essentially deriving from the following effects:

- the grid transmission fees (-72.4 million euro compared to the previous year): this item refers to the income for the ownership and management of the National Transmission Grid (NTG) earned by Terna S.p.A. (1,893.8 million euro) and the subsidiaries Rete S.r.l. (129.7 million euro) and Terna Crna Gora d.o.o. (15.1 million euro). The decrease in the item (-72.4 million euro) was mainly impacted by the lower WACC recognised for 2022 (as per Resolution 614/21) and the volume effect, partly offset by the increase in the regulated asset base and by output-based incentives mechanisms with the creation of additional intra-zonal transport capacity (34.5 million euro, Resolution 567/2019), net of the incentives recorded in 2021 (-48.1 million euro);
- other energy income, consists of the consideration paid for the dispatching and metering service fees (DIS component, amounting to 112.5 million euro, MIS component, amounting to 0.3 million euro, and other energy income and incentives amounting to 337.1 million euro) and income from the construction and development of infrastructure under concession, posted for the recognised in application of IFRIC 12 for a total of 67.4 million euro. The increase in the item, equal to 356.7 million euro compared to the previous year, was mainly driven by higher revenues for output-based incentives mechanisms on dispatching operations, totalling +334.7 million euro, accrued on the basis of the provisions of Resolutions 597/2021 and 132/2022, aimed at reducing MSD costs and costs arising from the lack of wind power production and essential conditions (194.2 million euro, corresponding to the share of the present value of the incentive receivable over the period 2022–2024), and Resolution 699/2018, which incentivised network development work in the period 2019–2021 to address intra-zonal congestion issues, network constraints for voltage regulation of voltage and essential conditions (140.5 million euro, corresponding to the present value of the amount set by Resolution 26/2023, receivable over three years starting from 2023);
- other sales and services (approximately +68 million euro compared to the previous year): the increase was mainly driven by the greater contribution of the subsidiaries Tamini group and Brugg group (+27.4 million euro and +19.0 million euro respectively), higher revenues from the Energy Solutions operations (+30.2 million euro, of which +20.1 million euro for the LT group) and higher revenues from Connectivity operations (+1.0 million euro) and NTG connection services (+3.3 million euro), net of lower revenues from the Italy–France interconnection (-12.9 million

euro), due to delays in the delivery of activities which triggered penalties envisaged under the contract vis-à-vis the energy-intensive party.

Revenues in the gas sector, which amounted to 5,679 million euro, refer to the following sectors of activities: transport and dispatching (2,212 million euro); distribution (1,999 million euro); natural gas storage (461 million euro); LNG regasification (43 million euro) and other sales and services (964 million euro). These revenues are recorded net of the tariff components, in addition to the tariff, which are meant to cover the general costs of the gas system. The amounts collected are then paid to Cassa per i Servizi Energetici e Ambientali (CSEA), for the same amount.

29. Other revenues and income

The table below shows the breakdown of Other revenues and income, which at 31 December amounted to 183 million euro (145 million euro at 31 December 2021):

(thousands of euro)

Items/Figures	2022	2021
Other industrial revenues	**46,021**	**37,850**
Revenues from the sale of gas for the balancing service		2,475
Income from the sale of energy efficiency securities		232
Contractual penalties and other income relating to trade transactions	46,021	35,143
Other revenues and incomes	**119,139**	**87,487**
Rental income	2,826	2,618
Lease of business unit		
Other contributions	28,873	28,571
Other income	87,440	56,298
Gains on disposal	**17,777**	**19,975**
Gains on disposal from property, plant and equipment	14,884	19,975
Gains on disposal from intangible assets	2,893	
Total	**182,937**	**145,312**

B. OPERATING COSTS

30. Raw materials and consumables used

The breakdown of costs for raw materials is shown in the table below:

(thousands of euro)

Items/Figures	2022	2021
Raw materials, supplies, consumables and goods	1,113,470	977,496
Increases for internal work	(55,680)	(51,957)
Total	**1,057,790**	**925,539**

The item represents the value of materials and miscellaneous equipment consumed in ordinary plant operation and plant maintenance, as well as the consumption of materials for the fulfilment of orders.

31. Services

Costs for services recognised in the financial statements at 31 December 2022 amounted to 1,234 million euro (1,056 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro)

Items/Figures	2022	2021
Construction, planning and works management	561,669	484,476
IT services (Information Technology)	124,811	117,733
Purchase of transport capacity (interconnection)		11
Maintenance services	57,199	44,563
Technical, legal, administrative and professional services	203,372	203,882
Personnel-related services	30,241	25,069
Telecommunications services	38,658	44,446
Electricity, thermal energy, water, etc.	65,848	32,144
Advertising and marketing expenses	24,675	20,478
Other services	170,790	130,709
Costs for leases and rentals	150,963	120,626
- fees, patents and user licenses	*79,576*	*84,502*
- leases and rentals	*71,387*	*36,124*
Increases for internal work	(201,245)	(172,831)
Commission expenses	7,133	4,803
Total	**1,234,114**	**1,056,109**

Costs for professional services include the 2022 fees for auditing, certification and other services provided to companies of the Group by the independent auditors of the parent company CDP RETI, namely Deloitte & Touche S.p.A.

The following disclosure is provided pursuant to Article 149-duodecies of CONSOB Issuers' Regulations:

(thousands of euro)

Items/Figures	Service Provider	2022
Auditing		2,861
Certification	Deloitte & Touche S.p.A.	459
Other		
Total		**3,320**

32. Staff costs

A breakdown of staff costs is provided below:

(thousands of euro)

Items/Figures	2022	2021
1) Employees	**1,019,425**	**932,874**
a) salaries and wages	718,864	661,920
b) social security charges	3,267	4,982
c) staff severance pay	17,763	18,095
d) pension costs	191,394	177,052
e) provision for staff severance pay	7,430	3,138
f) provision for post-employment benefits:		13,168
- defined contribution		13,168
- defined benefits		
g) payments to external supplementary pension plans:	27,115	13,441
- defined contribution	23,463	9,907
- defined benefits	3,652	3,534
h) costs related to payment agreements based on own equity instruments		
i) other benefits for employees	53,592	41,078
2) Other personnel in service	**9,454**	**6,887**
3) Board of Directors and Board of Auditors	**21,250**	**13,842**
4) Retired personnel		
5) Increases for internal work	**(188,793)**	**(169,626)**
Total	**861,336**	**783,977**

The following table shows the average headcount of group employees by contractual level:

Items/Figures	2022	2021
Senior Managers	317	272
Middle Managers	1,838	1,497
Office staff	7,354	6,470
Manual workers	3,774	3,538
Total	**13,283**	**11,777**

With reference to the average figures of workforce per company, see paragraph "3.1 Organisational structure" of the consolidated report on operations.

33. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

Amortisation, depreciation and impairment, amounting to 2,349 million euro at 31 December 2022 (2,185 million euro at 31 December 2021) are broken down as follows:

	2022				2021			
(thousands of euro) Items/Figures	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)
Property, plant and equipment	**1,638,457**	**20,688**		**1,659,145**	**1,563,154**	**12,496**	**(31)**	**1,575,619**
- Owned	*1,596,210*	*19,252*		*1,615,462*	*1,521,677*	*12,496*	*(31)*	*1,534,142*
- Right of use acquired under leases ex IAS 17	*555*			*555*	*394*			*394*
- Right of use acquired under leases IFRS 16	*41,692*	*1,436*		*43,128*	*41,083*			*41,083*
Intangible assets	**684,267**	**6,045**		**690,312**	**608,703**	**928**		**609,631**
- Owned	*684,254*	*6,045*		*690,299*	*608,703*	*928*		*609,631*
- Right of use acquired under leases IFRS 16	*13*			*13*				
Total	**2,322,724**	**26,733**		**2,349,457**	**2,171,857**	**13,424**	**(31)**	**2,185,250**

33 a. Net impairment/ recoveries of trade receivables and other receivables

This item, introduced following the adoption of IFRS 9, is equal to -9.8 million euro (-2.1 million euro at 31 December 2021) and essentially refers to the SNAM group.

34. Other operating costs

Other operating costs, which amounted to 240 million euro at 31 December 2022 (174 million euro at 31 December 2021), are shown in the table below:

(thousands of euro) Items/Figures	2022	2021
Indirect duties and taxes	32,084	32,782
Losses from cancellation of property, plant and machine and intangible assets	47,695	27,184
Net provisions for bad debts		
Methane gas consumption tax		
Service quality charges	3,753	8,590
Net provision for risks and charges	16,185	7,395
Net accruals to the provisions for credit risk on commitments and guarantees issued		
Other costs	140,512	97,920
Total	**240,229**	**173,871**

C. FINANCIAL INCOME (EXPENSE)

35. Financial income

Financial income, amounting to 221 million euro (101 million euro at 31 December 2021) was broken down as follows:

(thousands of euro) Items/Figures	2022	2021
Interest income and other financial income	73,353	47,277
- of which: interest income on finance lease		
Interest income on hedging derivatives	12,330	670
Income on trading activities	130,747	50,003
Income on hedging transactions	4,109	1,188
Financial income on disposal and repurchase		
Fair value gains of financial assets measured at fair value		391
Recoveries for credit risk relating to financial assets at fair value		809
Other financial income	873	302
Total	**221,412**	**100,640**

36. Financial expenses

Financial expenses recognised at 31 December 2022 amounted to 411 million euro (318 million euro at 31 December 2021) and are broken down as follows:

(thousands of euro) Items/Figures	2022	2021
Interest expenses and other charges	373,797	289,608
- of which: interest expenses on bonds	*268,047*	*233,043*
- of which: interest expense on finance lease	*1,403*	*1,133*
Interest expenses on hedging derivatives	1,008	7,480
Exchange rate differences		
Financial expenses from trading activities		
Financial expenses from hedging activities	13,613	14,002
Financial expenses on disposal and repurchase	14,315	6,623
Fair value losses of financial assets measured at fair value	94	
Adjustments for credit risk relating to financial assets	8,491	1
Other financial expenses		
Total	**411,318**	**317,714**

37. Portion of income / (expenses) from equity investments accounted for using the equity method

Income and expenses from equity investments, amounting to -194 million euro at 31 December 2022 (247 million euro at 31 December 2021) consisted of the following:

(thousands of euro)	2022				2021			
Items/Figures	Joint ventures	Associates	Other	Total	Joint ventures	Associates	Other	Total
A. Income	**113,318**	**237,744**	**3,365**	**354,427**	**113,436**	**135,825**	**152**	**249,413**
1. Income	113,318	140,195		253,513	113,436	135,601	152	249,189
- Net equity valued investments	113,318	140,195		253,513	113,436	135,601		249,037
- Other investments							152	152
2. Gains on disposal		65,057	15	65,072				
3. Writebacks		31,000		31,000				
4. Other		1,492	3,350	4,842		224		224
B. Charges	**(387,038)**	**(151,697)**	**(9,246)**	**(547,981)**		**(1,665)**	**(699)**	**(2,364)**
1. Impairment	(4,118)	(151,673)	(1,646)	(157,437)		(1,650)	(199)	(1,849)
- Net equity valued investments	(4,118)	(151,673)		(155,791)		(1,650)	(199)	(1,849)
- Other investments			(1,646)	(1,646)				
2. Impairment adjustments	(365,000)			(365,000)				
3. Losses on disposal		(24)	(600)	(624)				
4. Other	(17,920)		(7,000)	(24,920)		(15)	(500)	(515)
Total	**(273,720)**	**86,047**	**(5,881)**	**(193,554)**	**120,386**	**60,461**	**822**	**247,049**

For further information see paragraph “4. Equity investments” of these notes.

37a. Other income (expenses) from equity investments

Other income (expenses) from equity investments, amounting to 2.6 million euro as at 31 December 2022 (equal to zero as at 31 December 2021), referred to the ITALGAS group.

D. TAXES FOR THE PERIOD

38. Taxes for the period

Taxes for the year amounted to 832 million euro (512 million euro at 31 December 2021) and were broken down as follows:

(thousands of euro) Items/Figures	2022	2021
1. Current taxes (+/-)	972,921	998,164
2. Change in current taxes from previous years (+/-)	(1,411)	(18,342)
3. Reduction of current taxes for the year (+)		(1,218)
4. Change in deferred tax assets (+/-)	(41,692)	(3,035)
5. Change in deferred tax liabilities (+/-)	(98,077)	(463,610)
Taxes for the period	**831,741**	**511,959**

Reconciliation between theoretical and actual tax liability: IRES

(thousands of euro)

Items/Figures	2022	2021
Income (loss) before taxes	**2,626,244**	**2,626,244**
IRES theoretical tax liability (24.0%)	(630,299)	(711,851)
Increase in taxes	**(382,879)**	**(344,440)**
- non deductible interest expenses 4%	(5,500)	(5,426)
- temporary non deductible differences	(32,308)	(34,841)
- permanent non deductible differences	(129,228)	(84,836)
- equity investments impairment		
- adjustments on receivables		
- effect of different foreign rates (-)	(214)	(205)
- additional IRES tax (so called "Robin Hood tax")		
- technical reserves		
- exchange rate differences		(234)
- other changes	(215,629)	(218,898)
Decreases in taxes	**198,250**	**213,245**
- dividends 95% exempt	141,498	158,924
- non-taxable income		
- ACE benefit	15,549	18,245
- temporary differences	11,958	526
- prior period deductible expenses		
- IRAP deduction	2,054	1,941
- staff bonuses		
- technical reserves		
- use of accruals	9,436	13,434
- exchange rate differences		
- effect of different foreign rates (+)		
- other changes	17,755	20,175
IRES Actual tax liability	**(814,928)**	**(843,045)**

Reconciliation between theoretical and actual tax liability: IRAP

(thousands of euro)

Items/Figures	2022	2021
IRAP tax base	**3,179,687**	**3,125,704**
IRAP theoretical tax liability 5.57%	(177,109)	(174,102)
Increases in taxes	**(18,882)**	**(12,452)**
- non deductible interest expenses 4%	(279)	(108)
- other non deductible expenses	(9,731)	(5,124)
- effect of different regional tax rates (-)	(8,872)	(7,220)
Decreases in taxes	**34,474**	**31,729**
- prior period deductible expenses (+)		
- deductible employees costs		
- decreases	4,986	1,893
- effect of different regional tax rates (+)	29,488	29,836
- IRAP surcharge		
IRAP Actual tax liability	**(161,517)**	**(154,825)**

E. NET INCOME (LOSS) ON CONTINUING OPERATIONS

39. Net income (loss) from assets held for sale

The net income (loss) from assets held for sale at 31 December 2022, amounting to -20.3 million euro, consisted of the profits (losses) on assets included in the scope of the agreement that the Terna group signed on 29 April 2022 with CDPQ, a global investment group, for the sale of the entire portfolio of power lines in Brazil, Peru and Uruguay owned by the Terna group.

On 7 November 2022, the first closing was finalised of the Brazilian companies SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Transmissora de Energia Linha Verde II S.A., while on 22 December 2022 the closing of the company Difebal S.A., owner of a power line in Uruguay, was finalised. The sale of the other projects in Brazil and Peru will be completed in several stages, after the conditions set out in the agreement are fulfilled.

(thousands of euro)

Items/Figures	2022	2021
1. Income	20,595	50,670
2. Expenses	(31,024)	(48,162)
3. Results of valuations of the disposal groups and associated liabilities	(17,330)	(11,504)
- Revaluations	2,625	
- Impairments	(19,955)	(11,504)
4. Gains (losses) on disposal	8,702	
- Gains on disposal	43,221	
- Losses on disposal	(34,519)	
5. Duties and taxes	(1,289)	(3,848)
Totale	**(20,346)**	**(12,844)**

IV – BUSINESS COMBINATIONS

IV.1 TRANSACTIONS IN THE PERIOD

The following business combinations of relevance for the CDP RETI Group were carried out during 2022.

(thousands of euro) Company name	Date of transaction	(1)	(2)	(3)	(4)
Companies within the biogas/biomethane business – Waste CGU	28/02/2022	8,952	100%	9	(40)
Companies within the biogas/biomethane business – Waste CGU	03/03/2022	37,594	100%	16,405	(1,283)
Companies within the biogas/biomethane business – Agri CGU	01/11/2022	42,977	100%	2,647	(122)
Biomethane Initiatives	01/04/2022	15,470	51%	7,790	(13)
Depa Infrastructure Sa	01/09/2022	929,146	100%	146,766	66,723
Janagas Srl	13/12/2022	30,901	100%	8,895	12,665

(1) = Cost of transaction
(2) = Percentage of voting rights in the Ordinary Shareholders' Meeting
(3) = Total group revenues
(4) = Group net Profit (Loss)

Acquisition of companies operating in the Biogas/Biomethane business

During 2022, SNAM acquired control of 16 companies operating in the Biogas/Biomethane business. In line with the definition of the SNAM group CGUs, 10 companies were included within the Agri CGU[59], and 6 companies within the Waste CGU[60].

For the purposes of these consolidated financial statements at 31 December 2022, SNAM carried out a preliminary purchase price allocation; the process of identifying the fair value of the acquired assets and liabilities will be completed in the following period and in any case within 12 months from each of the respective acquisition dates.

The tables below show the consideration paid for acquisition of the companies and give a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

Companies in the biogas/biomethane business - Waste CGU (1)

(thousands of euro) Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	4		4
Property, plant and equipment	1,745		1,745
Intangible assets		8,340	8,340
Other assets	636		636
Total acquired assets	**2,385**	**8,340**	**10,725**
Liabilities			
Bank financial liabilities	5		5
Tax liabilities		2,175	2,175
Other liabilities	1,920		1,920
Total acquired liabilities	**1,925**	**2,175**	**4,100**
Acquired net assets	**460**	**6,165**	**6,625**
Badwill		2,327	2,327
Business combination cost	**460**	**8,492**	**8,952**

[59] The acquired companies are: 1) Società Agricola Asola Energie Biogas S.r.l.; 2) Società Agricola Tessagli Agroenergie S.r.l.; 3) Società Agricola Santo Stefano S.r.l.; 4) Società Agricola Agrimezzana Biogas S.r.l.; 5) Società Agricola Agrimetano S.r.l.; 6) Società Agricola Carignano Biogas S.r.l.; 7) Emiliana Agroenergia Società Agricola S.r.l.; 8) Piacentina Agroenergia Società Agricola S.r.l.; 9) Società Agricola San Giuseppe Agroenergia S.r.l.; 10) Società Agricola La Valle Green Energy S.r.l.

[60] The acquired companies are: 1) Cupello Renerwaste S.r.l.; 2) Biowaste CH4 Anzio S.r.l., 3) Biowaste CH4 Foligno S.r.l., 4) Biowaste CH4 Group S.r.l., 5) Biowaste CH4 Genova S.r.l. 6) Biowaste CH4 Tuscania S.r.l.

Companies in the biogas/biomethane business - Waste CGU (2)

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	5,094		5,094
Property, plant and equipment	71,556	1,932	73,488
Intangible assets	6,587	8,817	15,404
Tax assets	1,659	823	2,482
Other assets	18,365	(187)	18,178
Total acquired assets	**103,261**	**11,385**	**114,646**
Liabilities			
Financial liabilities	67,970	46	68,016
Tax liabilities	25	3,954	3,979
Other liabilities	21,413	348	21,761
Severance pay		173	173
Provision for risks and charges		1,030	1,030
Total acquired liabilities	**89,408**	**5,551**	**94,959**
Acquired net assets	**13,853**	**5,834**	**19,687**
Goodwill		17,907	17,907
Business combination cost	**13,853**	**23,741**	**37,594**

Companies in the biogas/biomethane business - Agri CGU

(thousands of euro)

Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	3,808		3,808
Property, plant and equipment	18,841	2,803	21,644
Intangible assets	512	32,705	33,217
Equity investments	1		1
Financial assets	215	(15)	200
Tax assets	59	250	309
Other assets	17,315	(221)	17,094
Total acquired assets	**40,751**	**35,522**	**76,273**
Liabilities			
Financial liabilities	19,183	526	19,709
Tax liabilities		9,547	9,547
Other liabilities	18,939	(111)	18,828
Provision for risks and charges	331	2,157	2,488
Total acquired liabilities	**38,453**	**12,119**	**50,572**
Acquired net assets	**2,298**	**23,403**	**25,701**
Goodwill		17,276	17,276
Business combination cost	**2,298**	**40,679**	**42,977**

Acquisition of Iniziative Biometano

On 30 September 2020, through Bioenerys (formerly Snam4Environment), Femogas S.p.A. acquired a 50% equity investment in the share capital of Iniziative Biometano S.p.A., a company operating in the management of biogas and biomethane plants powered by biomass of agricultural origin in Italy; the acquired equity investment conferred the right to jointly control Iniziative Biometano S.p.A.

On 11 April 2022, following the exercise of a call option provided for in the contractual agreements between shareholders, Bioenerys increased its equity investment in Iniziative Biometano S.p.A. from 50% to 51% of the share capital, resulting in the acquisition of control instead of joint control; the transaction, within the half-yearly condensed consolidated financial statements of Snam at 30 June 2022, was recognised in compliance with the provisions of IFRS 3 "Business Combinations".

On 22 December 2022, Bioenerys and Femogas S.p.A. signed a binding term sheet, aimed at outlining the execution of a series of transactions that will lead Snam, by 2023, to lose control of Iniziative Biometano and certain companies controlled by it.

(thousands of euro)

Items/Figures Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	1,994		1,994
Property, plant and equipment	37,149		37,149
Intangible assets	3,702	23,789	27,491
Equity investments	991		991
Financial assets	2,299		2,299
Tax assets	1,264		1,264
Ather assets	10,985		10,985
Total acquired assets	**58,384**	**23,789**	**82,173**
Liabilities			
Financial liabilities	17,657		17,657
Tax liabilities	292	7,474	7,766
Other liabilities	26,001		26,001
Severance pay	119		119
Provision for risks and charges	3,751		3,751
Non controlling interests (+/-)	14,109		14,109
Total acquired liabilities	**61,929**	**7,474**	**69,403**
Acquired net assets	**(3,545)**	**16,315**	**12,770**
Goodwill		2,700	2,700
Business combination cost	**(3,545)**	**19,015**	**15,470**

Acquisition of Depa Infrastructure Sa

As part of the public tender launched by the Greek government for the privatisation of the distribution operator DEPA Infrastructure S.A., on 9 September 2021 Italgas was declared "preferred bidder" by the Greek privatisation fund (Hellenic Republic Asset Development Fund, HRADF) and on 10 December 2021 a preliminary sale agreement was signed.

Following the occurrence of the conditions precedent provided for in the purchase agreement, on 1 September 2022 the acquisition by Italgas Newco S.p.A. was completed of 100% of DEPA Infrastructure Single Member S.A., a company that controls Thessaloniki - Thessalia Gas Distribution S.A.. (EDA Thess), Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and Public Gas Distribution Networks S.A. (DEDA), the three major gas distribution companies in Greece, which manage a total of about 7,500 kilometres of network and over 600,000 active re-delivery points.

(thousands of euro)			
Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	107,118		107,118
Property, plant and equipment	11,537		11,537
Intangible assets	847,877		847,877
Tax assets	11,120		11,120
Ather assets	82,429		82,429
Total acquired assets	**1,060,081**		**1,060,081**
Liabilities			
Financial liabilities	106,479		106,479
Tax liabilities	59,141		59,141
Other liabilities	55,845		55,845
Severance pay	2,615		2,615
Provision for risks and charges	22,644		22,644
Total acquired liabilities	**246,724**		**246,724**
Acquired net assets	**813,357**		**813,357**
Goodwill		115,789	115,789
Business combination cost	**813,357**	**115,789**	**929,146**

Acquisition of Janagas Srl

On 2 August 2022, Italgas signed a binding agreement for the acquisition from the Fiamma 2000 group of the LPG distribution and sale activities, with related networks and plants, managed in 12 municipalities of Sardinia.

Following the occurrence of the conditions precedent provided for in the purchase agreement, on 13 December 2022 the acquisition from the Fiamma 2000 group of the entire company capital Janagas S.r.l. by Medea S.p.A. was completed. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 group has conferred the LPG distribution and sales networks in Sardinia, which will be subsequently converted to natural gas.

The table below shows the consideration paid for the acquisition of the business unit and gives a breakdown of the assets acquired and liabilities assumed at the date of the transaction.

(thousands of euro)			
Items/Figures			
Assets	Carring amount	Adjustment	Fair value
Cash and cash equivalents	12		12
Intangible assets	41,150		41,150
Tax assets	4,463		4,463
Ather assets	911		911
Total acquired assets	**46,536**		**46,536**
Liabilities			
Financial liabilities	45		45
Tax liabilities	257		257
Other liabilities	1,328		1,328
Severance pay	396		396
Provision for risks and charges	51		51
Total acquired liabilities	**2,077**		**2,077**
Acquired net assets	**44,459**		**44,459**
Goodwill		(13,558)	(13,558)
Business combination cost	**44,459**	**(13,558)**	**30,901**

IV.2 BUSINESS COMBINATIONS CARRIED OUT AFTER THE REPORTING DATE

In the period running from the reporting date of the consolidated financial statements to the date of their approval by the Board of Directors, no business combinations were completed.

V – TRANSACTIONS WITH RELATED PARTIES

V.1 INFORMATION ON THE REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table provides the remuneration amounts for 2022 paid to members of the management and control bodies, and key management personnel of the Parent Company and of the companies that are consolidated on a line-by-line basis.

Remuneration of key management personnel

(thousands of euro)	31/12/2022			
Items/Figures	Directors	Board of auditors	Key management personnel	Total
a) short-term benefits	11,151	1,997	10,825	23,973
b) post-employment benefits	466		459	925
c) other long-term benefits	814		3,946	4,760
d) severance benefits	5,565		1,698	7,263
e) share-based payments	1,257		928	2,185
Total	**19,253**	**1,997**	**17,856**	**39,106**

V.2 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

This paragraph provides the disclosures required pursuant to IAS 24 concerning transactions concluded in 2022 between the CDP RETI Group and related parties.

The related parties of the CDP RETI Group are:

- the Ministry of the Economy and Finance (MEF) and the Group's direct and indirect subsidiaries and associates;
- the companies of the CDP Group, including companies subject to joint control or under significant influence, and their subsidiaries;
- the companies of the CDP RETI Group subject to joint control or under significant influence, and their subsidiaries;
- the company State Grid Europe Limited (SGEL), which exercises significant influence over the parent company CDP RETI and the company State Grid International Development, which owns the entire capital of SGEL;
- key management personnel of the CDP RETI Group, their close family members and any companies controlled by them, even jointly;
- post-employment benefit plans for employees of the CDP RETI Group.

The following table shows the assets, liabilities, guarantees and commitments as well as the financial transactions as at 31 December 2022, broken down by type of related party

Transactions with related parties

(thousands of euro) Items/values	CDP	CDP RETI Group subsidiaries and associates	CDP Group subsidiaries and associates	MEF and MEF subsidiaries and associates	Other	31/12/2022 Total transactions with related parties	Financial statement item Total	% Impact
Property, plant and equipment			101			101	38,632,612	0%
Non-current financial assets	77,595	104,668				182,263	803,996	23%
Other non-current assets							400,139	0%
Current financial assets				299		299	283,743	0%
Trade receivables		13,334	439,771	888,579	1,458	1,343,142	7,728,715	17%
Other current assets	2,824		1,616			4,440	805,551	1%
Cash and cash equivalents	40,089			116		40,205	4,529,988	1%
Total assets	**120,509**	**118,002**	**441,488**	**888,994**	**1,458**	**1,570,451**	**53,184,744**	**3%**
Loans	370,496		106		30,108	400,710	27,407,336	1%
Other financial liabilities	489					489	247,208	0%
Current portion of long-term loans	2,438					2,438	3,333,504	0%
Trade payables	2,451	24,520	732,979	245,938	134	1,006,022	6,251,060	16%
Current financial liabilities	75,884					75,884	2,068,476	4%
Other current liabilities	825	709	3,934	16,265	2,369	24,102	8,214,883	0%
Total liabilities	**452,583**	**25,229**	**737,019**	**262,203**	**32,611**	**1,509,644**	**47,522,467**	**3%**
Revenues	55	5,287	1,035,104	2,164,480	1,404	3,206,330	8,759,860	37%
Operating costs	(6,436)	(18,033)	(287,042)	(198,922)	(5,637)	(516,070)	(5,752,736)	9%
Financial income (expense)	(6,148)	16,781	(1,077)	4		9,560	(189,906)	(5%)
Income Statement items Total (before tax)	**(12,529)**	**4,035**	**746,985**	**1,965,562**	**(4,234)**	**2,699,820**	**2,817,218**	**96%**
Guarantees issued		**1,218,220**				**1,218,220**		
Guarantees received								
Commitments		**4,553**	**24,359**	**3,811**		**32,723**		

Key transactions between the CDP RETI Group and its related parties concern trade relationships with the companies controlled by the MEF, as follows:

- Snam group's trade relationships with ENI and Enel referring, on one hand, to natural gas transportation, regasification and storage services at tariffs set by the Authority, and on the other hand, to electricity purchased from ENI to conduct its business operations;
- Terna group's trade relationships with: (i) Enel, concerning grid transmission and measure aggregation fees, dispatching fees, services associated with leases, rentals, line maintenance, power line communications on owned power lines and services; (ii) Ferrovie dello Stato, for the dispatching fee and for interventions for line shifts and crossing fees;
- Italgas group's trade relationships with: (i) Eni and Enel Energia, deriving from the distribution of natural gas; (ii) ENI group, for the supply of electricity and methane gas for internal consumption; (iii) GSE, deriving from the acquisition of energy efficiency certificates.

A significant item of loans payable and current financial liabilities is the debt payable by CDP RETI to the direct Parent Company CDP. For more information, see Section "V. Transactions with related parties" of CDP RETI S.p.A.

VI - FINANCIAL RISK MANAGEMENT

With regard to the financial risks of the Parent Company CDP RETI, reference is made to the specific section of the notes to the financial statements.

With regard to enterprise risk, the main risks measured and managed at the level of the subsidiaries SNAM, ITALGAS and TERNA are indicated below.

SNAM GROUP

Financial risk management

Within the framework of corporate risks, the main financial risks identified, monitored, and, as specified below, managed by Snam, are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of default by a counterparty;
- liquidity risk arising from a lack of financial resources to meet short-term commitments.

With regard to the risk of exposure to changes in exchange rates, due to the current circumstances, at present the Snam group's exposure is small with regard to transaction risk, while it still has exposure to translation risk in relation to several foreign subsidiaries that prepare their financial statements in currencies other than the euro. For the time being, it has been decided not to adopt specific hedging policies for these exposures. In this regard, it should be noted that the effects of exchange rate differences arising from the difference in translation into the presentation currency (euro) of the functional currencies of these companies are recognised in the statement of comprehensive income.

See the "Risk management – Risk factors and uncertainty" section in the Snam group's Report on Operations for further information on the other risks considered in the risk management process, including those associated with the COVID-19 pandemic.

Below, a description is provided of Snam's policies and principles for the management and control of financial risks, according to the approach required by IFRS 7 – Financial Instruments: Disclosures.

Interest rate risk

Interest rate risk relates to fluctuations in interest rates, which may affect the market value of the company's financial assets and liabilities and the level of net financial charges.

Snam's objective is to optimise interest rate risk whilst pursuing the objectives set out in its Financial Plan.

The Snam group has adopted a centralised organisational model. Under this model, Snam's business units cover their financial requirements through recourse to the financial markets and use funds in line with the approved objectives, ensuring that the risk profile is kept within set limits.

As at 31 December 2022, the Snam group used external financial resources through bond issues and bilateral and syndicated loan agreements with banks and other Financial Institutions, in the form of medium- and long-term loans and credit facilities at interest rates indexed to benchmark market rates – in particular the Europe Interbank Offered Rate (Euribor) – or at fixed rates. As at 31 December 2022, exposure to interest rate risk, considering outstanding hedges, amounted to approximately 20% of total group exposure (28% at 31 December 2021). As at 31 December 2022, Snam held Interest Rate Swaps (IRSs), for an overall notional amount of 106 million euro, hedging a floating-rate bond of 106 million euro, maturing in 2024.

While the Snam group has put in place a proactive risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk might have adverse impacts on the Snam group's business and balance sheet and cash flow situation. Although the Snam group's exposure to changes in interest rates is limited to 20% of the group's total exposure and is fully linked to the Euribor rate, a change in the method of calculating the Euribor rate and any related fallback clauses that may be introduced, could result in the need for the Snam group to amend the financial agreements affected by the change and/or the management of future cash flows.

Credit risk

Credit risk is the company's exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact Snam's performance and financial balance. With respect to the risk of counterparty default in commercial agreements, credit management is the responsibility of Snam's business units and of its centralised functions in charge of debt collection and dispute management.

Provisions for the impairment of trade receivables reflect the value of expected losses over the life of the receivables. The provisions are allocated using the expected credit loss model or on a specific basis for receivable accounts that show distinct elements of risk. See note 5 “Significant accounting policies” – “Non-derivative financial assets – receivables and debt securities” for more details.

As regards the regulated activities, which currently account for almost all its business, Snam provides its business services to 230 gas sector operators. The top 10 operators represent approximately 67% of the whole market (Eni, Edison and Enel Global Trading hold the top three positions in the ranking). The rules governing the customers’ access to the services offered are established by the Authority and are provided for in the Network Codes, which set out, for each type of service, the duties and responsibilities of the parties selling and providing the services, as well as the contractual clauses that significantly reduce the risk of non-compliance by customers. The Codes provide for the issue of guarantees covering the obligations undertaken. In specific cases, the issue of said guarantees can be mitigated when the customer has a credit rating issued by a major international rating agency. The regulatory framework also provides for specific clauses to guarantee the neutrality of the Balancing activity operator, a role held by Snam Rete Gas as a major transmission service operator since 1 December 2011. More specifically, the current balancing rules require that, on a cost-effective basis, Snam focuses primarily on purchases and sales on the GME balancing platform to guarantee the resources needed for safe and efficient transport of gas from the feed points to the draw points, to ensure the constant balance of the network.

With regard to non-regulated activities, which will become increasingly significant over the plan period, the company, through its centralised functions, carries out a prior analysis of the financial soundness of the counterparties in order to minimise this risk.

The maximum exposure to credit risk for Snam at 31 December 2022 is the carrying value of the financial assets shown in the financial statements commented on in note 15 “Trade and other receivables”.

The net carrying value of trade receivables past-due at 31 December 2022 and not written down, amounting to 558 million euro, mainly refers to trade receivables held by companies engaged in regulated businesses, specifically: (i) the transport sector (442 million euro), primarily in relation to receivables due from customers relating to balancing and settlement service items, which qualify for the neutrality mechanisms envisaged by the current regulatory framework; and (ii) the storage sector (77 million euro), primarily linked to VAT invoiced to users for the use of strategic gas supplies unduly drawn and not reinstated by them within the terms set forth by the Storage Code in 2010 and 2011. As contemplated by laws in force, VAT adjustment notes can only be issued at the end of insolvency proceedings and enforcement procedures that prove unsuccessful.

Below is a description of the debt collection action pursued against certain users of the transport and balancing system and of the storage system.

Debt collection action pursued against certain users of the transport and balancing system

The balancing service ensures the security of the network and the correct allocation of costs on market operators. Balancing is intended in both a physical and commercial sense. The physical balancing of the network consists of dispatch operations through which Snam Rete Gas controls gas flow parameters (flow rate and pressure) in real time to ensure the safe and efficient transport of gas from feed points to draw points. The commercial balancing of the network consists of the necessary operations for the correct planning, accounting and allocation of transported gas, along with a remuneration system that incentivizes users to balance the quantities of gas they feed into the network with the quantities they withdraw.

In accordance with the balancing system introduced by resolution ARG/gas 45/11 and in force since 1 December 2011, Snam Rete Gas, in its capacity as Balancing Operator, is required to procure the amounts of gas required to balance the system and offered on the market by Users through a dedicated Energy Market Operator platform. As such, it sees to the clearing of individual imbalances through the purchase and sale of gas at the benchmark unit price (principle of economic merit). The Company is also required to collect from any defaulting users the amounts paid to clear their imbalances.

Receivables not collected, relating to the period from 1 December 2011 to 23 October 2012

The regulatory framework initially set out by the Authority in resolution ARG/gas 155/11 envisaged the obligation for users to provide specific guarantees to cover their exposures, for which, in the event that Snam Rete Gas diligently provided the service and was unable to recover the costs incurred, said costs would be recouped through a price set by the Authority.

In the subsequent resolution 351/2012/R/gas[61], the Authority approved the application of a variable unit price (CVBL) to cover the receivables not collected, envisaging an instalment plan for the costs to be recouped of no less than 36 months, with a maximum monthly payment of 6 million euro.

[61] Said resolution was annulled by the Regional Administrative Court of Milan in its ruling No. 1587/2014, concerning the obligation of users to pay the CVBL price of 0.001 euro/Scm commencing as of 1 October 2012. Moreover, resolution 372/2014/R/gas revised the coefficient, setting it at the same price of 0.001 euro/Scm.

The Authority later opened a fact-finding investigation into the methods for the provision of the balancing service in the period spanning 1 December 2011 to 23 October 2012[62]. The investigation was then closed by the Authority by resolution 144/2013/E/gas of 5 April 2013. On the same date, the Authority: (i) started up a procedure to determine the share of the costs arising from the uncollected receivables to be recouped by the gas balancing operator, for the period 1 December 2011–23 October 2012; and (ii) initiated six sanctioning proceedings aimed at investigating violations in the balancing service for natural gas.

In relation to point (i) above, the procedure was closed by resolution 608/2015/R/gas, in which the Authority decided not to recognize a portion of the uncollected receivables relating to the specific matters under investigation, without prejudice to the right of Snam Rete Gas to withhold any amounts receivable in relation to balancing service costs that had already been collected. The Company appealed against resolution 608/2015/R/gas to the Regional Administrative Court of Milan, which partially upheld the appeal lodged by the Company in its ruling No. 942/2017. Both the Company and the Authority lodged partial appeals against the ruling. The ruling was later upheld by the Council of State in its ruling No. 1630/2020.

During the aforementioned investigation period, Snam Rete Gas started up debt collection action to recover amounts receivable in relation to balancing service and transport service costs, after having terminated the transport contracts of the six users involved in the aforementioned sanctioning procedures, on the grounds of default or breach of the obligations binding under industry regulations and the Network Code governing balancing operations.

Snam Rete Gas obtained the issue of eleven provisionally enforceable injunction orders by Judicial Authorities, six of which referred to amounts receivable in relation to the balancing service and five referred to amounts receivable in relation to the transport service[63], on the basis of which enforcement action was initiated. Said action recovered only a negligible part of the total outstanding debt of the users, also considering the insolvency proceedings filed by the users in question.

Specifically, at the date of this report:

- five users have been declared bankrupt. In relation to all five of these Users, Snam Rete Gas obtained admission to the list of claims for the entire amounts receivable, plus interest. In one of the bankruptcy proceedings, an arrangement approved by the majority of creditors was filed; following the final distribution of assets, the bankruptcy procedures were closed. Another, second procedure was also closed following the approval and execution of the final distribution of assets.
- one user filed a request for a voluntary arrangement with creditors, with the Judicial Authority handing down its ruling approving the arrangement.[64].

Receivables not collected, subsequent to 23 October 2012

In 2013, another two transport contracts were terminated and Snam Rete Gas applied for *ex parte* proceedings, obtaining three injunction orders for receivables not collected — two in relation to the balancing service and one in relation to the transport service. Appeals brought by both users were rejected, consolidating Snam Rete Gas's creditor claims. The enforcement procedures led to the recovery of a negligible amount of the total outstanding debt of the users, both of which were later declared bankrupt. Snam Rete Gas duly lodged its creditor claims in the insolvency proceedings against the users. In both cases, the insolvency proceedings led to the recovery of only a small part of the total outstanding debt of the bankrupt users.

In 2014, another transport contract was terminated. The debt collection actions initiated by Snam Rete Gas obtained two provisionally enforceable injunction orders, one referring to amounts receivable in relation to the balancing service and one in relation to the transport service. After the user was declared bankrupt, Snam Rete Gas obtained admission to the list of claims for the entire amount receivable, plus interest.

Finally, in 2015, another transport contract was terminated. The debt collection actions initiated by Snam Rete Gas obtained two provisionally enforceable injunction orders against the user, one referring to amounts receivable in relation to the balancing service and one in relation to the transport service. The user was later declared bankrupt and Snam Rete Gas duly lodged its creditor claim in the relative insolvency proceedings. Given the insolvency of the bankrupt user, the insolvency proceedings did not lead to the recovery of the amounts.

As effectively acknowledged in the provisionally enforceable injunction orders obtained from Judicial Authorities, Snam Rete Gas acted with propriety and in accordance with the provisions of the transport contract, the Network Code and, more generally, with applicable laws and regulations.

Finally, we report that preliminary investigations led the Public Prosecutor's Office at the Milan Court, on 12 February 2016, to order the urgent precautionary seizure of assets and property belonging to companies variously linked to five of the

[62] The period targeted by the fact-finding investigation, initially limited to 1 December 2011–31 May 2012, was later extended to 23 October 2012.

[63] Some of the injunction orders were appealed against by the users affected. Specifically, in addition to requesting the suspension of provisional enforcement and the revocation and/or declaration of nullity, annullability and/or lack of effect of the injunction orders, three of the users filed counterclaims against Snam Rete Gas for damages they alleged to have suffered. The proceedings initiated by these users were cancelled, resulting in the dismissal of the counterclaims and the injunction orders becoming final.

[64] An appeal was brought against the approval ruling to the Turin Court of Appeal, which upheld the application, for which another appeal was lodged with the Supreme Court of Cassation. The second appeal was later rejected by the court.

users mentioned above. In May 2017, the investigation was closed and the companies were charged with criminal conspiracy to commit aggravated fraud against Snam Rete Gas. At the preliminary hearing on 19 December 2018, the Judge accepted the application by Snam Rete Gas to join a civil law claim for damages to the criminal proceedings. The Court granted the application for measures of inquiry and opened the hearing to oral arguments.

Criminal prosecution is currently pending in the trial stage, following the conclusion of oral arguments. The hearing is now adjourned until 15 February 2023, for any rejoinders and the final ruling of the Court.

The criminal proceedings originated from a complaint/lawsuit (and subsequent integrations) brought by Snam Rete Gas as the offended party in October 2012 in relation to the crimes of malicious falsehood and aggravated fraud.

Debt collection action pursued against certain users of the storage system

Strategic storage supplies withdrawn by three users, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code

Following the withdrawal of strategic storage supplies by a user in 2010, Stogit initiated debt collection action, obtaining an injunction order whose provisional enforceability was confirmed in the appeal brought by the counterparty. Appropriate enforcement action was consequently taken.

After the further withdrawal and failure to reinstate strategic gas supplies in the first quarter of 2011, Stogit applied for and obtained a second provisionally enforceable injunction order for the additional amounts receivable.

Urgent legal action was also initiated for the reinstatement of all the gas supplies unduly drawn, which ended with the sentencing of the debtor, whose subsequent application for interim measures was rejected.

In 2012, said user and another two users (similarly in default with Stogit) applied for voluntary arrangement proceedings, in which Stogit duly lodged its creditor claims.

Later, following a sub-proceeding for the cancellation of the arrangement, the Asti Court declared two of the aforementioned users bankrupt. In both cases, Stogit obtained admission to the list of claims.

The voluntary arrangement procedure involving the third user is still pending, after one of the creditors appealed against the validation of the arrangement. The appeal was upheld by the Turin Court of Appeal, and is now pending before the Court of Cassation.

Strategic storage supplies withdrawn by one user, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code, attributable to the natural gas years 2010–2011 and 2011–2012

Stogit filed a lawsuit with the Milan Civil Court to obtain a provisionally enforceable injunction order of payment against a user, pursuant to Article 186-ter of the Civil Code.

At present, following the partial reinstatement of gas supplies after legal action was initiated, around 23.6 million Scm of supplies remain to be reinstated to Stogit.

Appropriate enforcement action was therefore taken by Stogit.

The Rome Court subsequently declared the user bankrupt and Stogit obtained admission to the list of claims in the relative insolvency proceedings.

Strategic storage supplies withdrawn by one user, invoiced by Stogit, and drawn but not reinstated by the user within the terms set forth by the Storage Code, attributable to the months of October and November 2011

Stogit filed a lawsuit with the Milan Civil Court to obtain a provisionally enforceable injunction order of payment against a user for the undue withdrawal of gas supplies, of which around 56.0 million Scm remain to be reinstated to Stogit.

Pending the decision of the court, the Rome Court declared the user bankrupt. As such, the Milan Civil Court ruled to discontinue the lawsuit and Stogit lodged its creditor claim in the relative insolvency proceedings, which resulted in a final distribution of assets. In 2020, with the closure of the insolvency proceedings, no amounts were liquidated to the Company.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Snam’s Risk Management goal is to implement, in its financial plan, a financial structure that, in line with business objectives, guarantees an adequate level of liquidity for the group, minimising opportunity cost and maintaining an optimal profile in terms of debt maturity and composition.

The financial market is characterised by an increasing availability of sources of funding for companies that are able to improve the environmental impact of their investments. The interest of investors is linked and subject to the ability of these companies to achieve specific environmental sustainability goals.

With a view to ensuring the proper management of the liquidity risk, the diversification of sources of funding, including through use of sustainable financial instruments, is therefore vital to ensure that companies have wide access to financial markets at competitive conditions, with resulting positive effects on their financial position and performance of operations.

Likewise, Snam’s failure to meet the KPIs for ESG - within the scope of the group’s general goal to make its business more sustainable over the medium-long term - could in future result in higher borrowing costs or lack of access to certain sources of funding.

The mitigation of this risk is further aided by Snam’s strong focus on ESG issues, which traditionally form an important and structured part of its business strategy.

In line with this approach, in 2018 Snam converted syndicated credit facilities worth 3.2 billion euro into a sustainability-linked loan, which at the time was the third largest sustainability-linked loan in the world and the largest by a gas utility. The loan includes bonus / malus mechanisms subject to meeting specific KPIs for ESG (Environment, Social, Governance). In addition, Snam issued: (i) in February 2019, its first Climate Action Bond worth 500 million euro; (ii) between 2020 and 2021, a Transition Bond worth 2,350 million euro; (iii) in January 2022, an inaugural dual-tranches Sustainability-Linked Bond (SLB) worth 1.5 billion euro, the economic performance of which is tied to the delivery of a number of sustainability-linked targets; and (iv) in November 2022, an inaugural EU Taxonomy-Aligned Transition Bond worth 300 million euro. The bonds will finance investments in environmental sustainability and energy transition, while the yields on the SLB are tied to the achievement of methane and CO2 emission reduction targets. It should be noted that the issuance in January 2022 was associated with a Liability Management action that led to the repurchase of 350 million euro of bonds to proactively manage future debt maturities and accelerate the transition from plain vanilla bonds to sustainable finance instruments. Over the course of 2022, Snam negotiated with leading relationship banks: (i) a total of 1.2 billion euro of Revolving Credit Facilities (RCF), of which 1.1 billion euro is KPI-linked; (ii) 375 million euro of bank loans, of which 275 million euro was granted in the form of Green and KPI-linked loans; and (iii) a bank loan agreement for 1.5 billion euro with a maturity of 24 months. In addition, in 2020, Snam renewed its Euro Commercial Paper programme, increasing it from 2 billion euro to 2.5 billion euro and linking it to environmental and social sustainability objectives in line with sustainable loan criteria. The original EE rating of the programme by the ESG rating company Standard Ethics, reconfirmed in 2021, was upgraded to EE+ in 2022. Finally, in June 2021, Snam signed a loan agreement for a total of 150 million euro with the European Investment Bank (EIB) to support the group’s residential and industrial energy efficiency projects. In particular, the agreement concerns initiatives totalling 200 million euro planned by the subsidiary TEP Energy Solutions, which mainly consist of energy upgrading of residential buildings and energy efficiency and decarbonisation measures for industrial activities, including the installation of photovoltaic panels. The loan features a framework loan structure that can be used in several tranches within a three-year period. Each tranche will have an overall maximum duration of 15 years. As at 31 December 2022, the line was drawn down by approximately 110 million euro. As noted in the paragraph 26.2 “Interest rate risk”, the Company has accessed a large range of funding sources through the credit system and the capital markets (bilateral contracts, syndicated loans by major national and international banks, loan agreements funded by the European Investment Bank - EIB, bonds and Commercial Papers).

Snam’s objective is to maintain a balanced debt structure, in terms of subdivision into bonds and bank loans and in terms of availability of committed bank loan facilities, in line with Snam’s business profile and regulatory framework.

As at 31 December 2022, Snam had unused long-term committed credit facilities totalling approximately 5.9 billion euro, of which: (i) 4.65 million euro in pooled credit lines; (ii) a total of 1.2 million euro of Revolving Credit Facilities (RCF); and (iii) approximately 40 million euro under the framework loan signed with the EIB in June 2021. As at 31 December 2022, Snam had a Euro Medium Term Notes (EMTN) programme for an overall maximum nominal value of 13 billion euro, used for approximately 9.5 billion euro, as well as a Euro Commercial Paper (ECP) Programme for an overall maximum nominal value of 2.5 billion euro, used at 31 December 2022 for by 1,130 million euro.

Snam’s cash and cash equivalents mainly refer to current accounts and promptly collectable bank deposits.

The group’s main long-term financial debt instruments contain covenants typically used in international practice, which include negative pledge and pari passu clauses. Failure to comply with these clauses or the occurrence of other events, e.g. cross-default events, may result in Snam’s failure to comply and could trigger the early repayment of the related loan, resulting in additional costs and/or problems of liquidity. These commitments do not include covenants requiring compliance with economic and/or financial ratios.

Among the factors that determine the risk perceived by the market, the credit rating, assigned to Snam by the rating agencies, plays a decisive role because it affects the company's ability to access sources of funding and the related financial conditions. A deterioration of this credit rating could therefore limit access to the capital market and/or result in an increase in the cost of sources of funding, with consequent adverse effects on the group's earnings, cash flows and financial position.

Snam's long-term rating is: (i) Baa2 with a negative outlook, confirmed on 6 September 2022 by Moody's Investors Services; (ii) BBB+ with a stable outlook, confirmed on 6 February 2023 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with a stable outlook, confirmed on 16 February 2023 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, Fitch and Standard & Poor's is one notch above that of the Italian Republic. Based on the methodology adopted by Moody's and S&P, the downgrade by one notch of the Italian Republic's current rating would trigger a likely equivalent downgrade of Snam's current rating. In this regard, on 30 September 2022 Moody's confirmed its country rating and negative outlook for Italy, which it had revised downwards on 5 August 2022, leading to the downgrading of Snam's outlook to negative on 9 August 2022. On 26 July 2022, S&P revised its outlook for Italy down from positive to stable, with the same downgrade announced for Snam on 29 July 2022. The Rating Agencies are due to announce their next country reviews for Italy on 21 April 2023 for S&P, 12 May 2023 for Fitch and 19 May 2023 for Moody's.

Snam's short-term rating - used in the context of its Commercial Paper programme - is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam group enters into transactions with diversified counterparties of high credit standing based on a risk management policy and the constant monitoring of their credit risk, the default by any counterparty or the difficulty of liquidating assets on the market may have adverse impacts on the Snam group's business and financial position and performance.

Financial covenants and negative pledge contractual clauses

As at 31 December 2022, Snam had unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions (excluding residual bank borrowings amounting to 18.0 million euro relating to subsidiaries scoped into consolidation during the first half of 2022 and engaged in the Biogas/Biomethane business). Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries. Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies. The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues. As at 31 December 2022, the financial debt subject to these restrictive clauses amounted to approximately 3 billion euro.

Bond loans issued by Snam as at 31 December 2022, with a nominal value of approximately 9.5 billion euro, referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

TERNA GROUP

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

In this section information is provided on the Terna group's exposure to each of the risks listed above, the aims, policies and processes for managing these risks and the methods used to measure them, also including further quantitative information on the 2022 financial statements.

The group's risk management policies seek to identify and analyse the risks to which the group companies are exposed, establish their limits and create a system to monitor them. These policies and the related systems are reviewed on a regular basis in order to take account of any changes in market conditions or in the operations of group companies.

The exposure of the Terna group to the aforementioned risks is largely represented by the exposure of the Parent Company.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically with respect to the instruments to be used and the precise operating limits in managing them.

	31/12/2022			31/12/2021		
(million of euro)	Loans carried at amortized cost	Hedging derivatives	Total	Loans carried at amortized cost	Hedging derivatives	Total
Assets						
Derivative financial instruments		75.7	75.7		1.6	1.6
Cash and equivalent	2,155.1	246.8	2,401.9	1,566.8	958.5	2,525.3
Trade receivables	2,358.3		2,358.3	2,777.4		2,777.4
Total	**4,513.4**	**322.5**	**4,835.9**	**4,344.2**	**960.1**	**5,304.3**

	31/12/2022			31/12/2021		
(million of euro)	Payables carried ad amortised cost	Hedging derivatives	Total	Payables carried ad amortised cost	Hedging derivatives	Total
Liabilities						
Long-term debt	10,326.0		10,326.0	10,475.0		10,475.0
Derivative financial instruments		247.9	247.9		83.7	83.7
Trade payables	3,687.7		3,687.7	3,275.6		3,275.6
Total	**14,013.7**	**247.9**	**14,261.6**	**13,750.6**	**83.7**	**13,834.3**

Financial risks

Market and financial risks of the group

In the course of its operations, the Terna group is exposed to a variety of financial risks: market risk, liquidity risk and credit risk.

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk comprises three forms of risk: exchange rate risk, interest rate risk and inflation risk.

Risk management must pursue the objective of minimising the risks in question by selecting counterparties and instruments compatible with the corporate Risk Management policy. Speculative activity is not envisaged in the corporate mission.

The Terna group intends to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aiming at minimising risk through continuous monitoring of financial markets in order to execute planned recourse to new debt and hedging transactions in favourable market conditions. The dynamic approach makes it possible to take action to improve existing hedges where changing market conditions or changes in the hedged item make the latter unsuitable or unduly expensive.

The fair value of instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (level 2) by means of appropriate valuation models for each category of financial instrument, using market data as at the end of the financial year (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risks

Interest rate risk is represented by the uncertainty associated with changes in interest rates. It is the risk that a change in market interest rates could have an impact on the fair value or future cash flows of financial instruments.
In conducting its operations, the group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk derives from items of net financial debt and the associated hedging positions in derivatives, which generate financial expenses. Terna’s borrowing strategy focused on debt instruments with long-term maturities reflecting the useful life of the company’s assets. It also pursued an interest rate risk hedging policy that aimed to cover at least 40% of fixed-rate debt, as established in the company’s policies. At the end of 2022, the fixed-rate group debt was 87%.

As at 31 December 2022, interest rate derivatives are fair value hedge derivatives and cash flow hedge derivatives, used to hedge the risk of changes in the cash flows associated with loans.

The following table shows the notional amounts and the fair value of derivatives entered into by the Terna group:

(million of euro)	31/12/2022 Notional	31/12/2022 Fair value	31/12/2021 Notional	31/12/2021 Fair value	Change (+ / -) Notional	Change (+ / -) Fair value
FVH derivatives	1,973.5	(247.9)	1,700.0	1.6	273.5	(249.5)
CFH derivatives	1,996.3	75.7	3,241.0	(83.7)	(1,244.7)	159.4

The notional amounts of CFH derivatives as at 31 December 2022, amounting to 1,996.3 million euro, are broken down as follows:

- 100.0 million euro (fair value equal to 1.9 million euro) maturing in 2023;
- 1,496.3 million euro (fair value equal to 69.2 million euro) maturing in 2024;
- 200.0 million euro (fair value equal to 1.8 million euro) maturing in 2025;
- 200.0 million euro (fair value equal to 2.8 million euro) maturing in 2028.

The notional amounts of FVH derivatives as at 31 December 2022, amounting to 1,973.5 million euro, are broken down as follows:

- 100.0 million euro (fair value equal to -0.8 million euro) maturing in 2023;
- 950.0 million euro (fair value equal to -90.2 million euro) maturing in 2030;
- 343.5 million euro (fair value equal to -51.9 million euro) maturing in 2039;
- 490.0 million euro (fair value equal to -88.1 million euro) maturing in 2042;
- 90.0 million euro (fair value equal to -17.0 million euro) maturing in 2043.

Sensitivity to interest rate risk

Terna has interest rate swaps in place through which it manages the interest rate fluctuation risk.
Since the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, initially and periodically verified, is high, Terna chose to apply hedge accounting in order to ensure perfect time matching between the hedge and the hedged item. The purpose of hedge accounting is to recognise simultaneously the income statement effects of the hedges and the hedged item. As a result, for CFH derivatives, the fair value changes of the derivative must be recognised in "Other comprehensive income" (immediately recognising any ineffective portion in profit or loss) and then derecognised from Equity and recognised in profit or loss in the same period in which the cash flows relating to the hedged item have an impact on income. The characteristics of the CFH derivative contracts in place mirror those of the underlying hedged items; therefore, the related cash flows shall occur at the same maturities as the interest on debt, with no impact of fair value changes on the income statement.
The following table shows: the amounts recognised in the income statement and in "Other comprehensive income" in respect of positions sensitive to changes in interest rates; the theoretical value of those positions following a positive or negative shift in the market yield curve; and the differential impact of those changes recognisable in the income statement and in "Other comprehensive income". A hypothetical 10% variation (increases and decreases) in the yield curve with respect to market interest rates at the reporting date has been assumed.

(million of euro)	Net income or loss Current rates +10%	Net income or loss Current values	Net income or loss Current rates -10%	Comprehensive income Current rates +10%	Comprehensive income Current values	Comprehensive income Current rates -10%
31 December 2022						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	5.0	3.6	2.1	169.8	159.1	148.3
Hypothetical change	*1.4*		*(1.4)*	*10.7*		*(10.8)*
31 December 2021						
Positions sensitive to changes in interest rates (FVH, bonds, CFH)	1.4	1.3	1.2	169.5	167.7	165.9
Hypothetical change	*0.1*		*(0.1)*	*1.8*		*(1.8)*

Global regulators have begun reforming the IBOR (Interbank Offered Rates) indices, which are the benchmark indices for most financial instruments traded worldwide, in order to restore the reliability and robustness of the benchmarks. The transition from EONIA to ESTER has already taken place in 2022, with no major impact. The group continues to closely monitor the market and the results obtained by the various working groups in the sector that manage the transition to the new reference rates for the other maturities (EURIBOR). Management is aware of the associated risks and accordingly activities are planned to complete the transition in parallel with the changes in the applicable regulations. In addition, all new financial agreements include fallback clauses governing the transition period.

Inflation risk

As regards inflation rate risk, the rates established by the Regulator to remunerate Terna S.p.A.'s activities are determined so as to allow coverage of the sector's recognised costs. These cost components are updated each year to reflect the accrued impact of inflation. In 2007, the company used an inflation-linked bond issue, thereby obtaining a partial hedge on net income for the year: any decrease in expected revenues due to a decrease in the inflation rate is partially offset by lower financial expense and vice versa.

Exchange rate risk

Exchange rate risk management must be carried out with the aim of defending the company's profitability from the risks of exchange rate fluctuations through continuous market control and constant monitoring of existing exposure. To manage this risk, each time, Terna selects the financial hedging instruments with structural and duration characteristics consistent with the group's exposure to foreign currencies. The instruments used by Terna are those with limited complexity, high liquidity and ease of pricing, such as forward contracts and options. The group's existing contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from an appreciation or depreciation of the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position. As at 31 December 2022, the group's Income Statement exposure to exchange rate risk was residual and due to the currency flows of subsidiaries Tamini and Brugg.

Liquidity risk

Liquidity risk is the risk that the Terna group might experience difficulties in discharging its obligations in respect of its financial liabilities and operational cycle. Liquidity risk management seeks to ensure adequate coverage of cash needs by obtaining adequate lines of credit and appropriately managing any surplus liquidity. As at 31 December 2022, the group had approximately 884 million euro available in short-term credit lines (out of total credit lines of around 1,010 million euro), 3,150 million euro in revolving credit lines.

Credit risk

Credit risk is the risk that a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in financial derivatives is considered to be marginal since, in compliance with financial risk management policies, the counterparties are leading international credit institutions with high ratings.
Terna essentially renders its services to counterparties considered solvent by the market and hence with a high credit standing, and avoids concentrations of credit risk.

Credit risk management is also compliant with Resolution no. 111/06 of the Italian Regulatory Authority for Energy, Networks and the Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), which, at Article 49, introduced instruments to limit the risks linked to the insolvency of dispatching customers, both on a preventive basis and in the event of actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover), the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees) and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be defined by ARERA where necessary.

At the end of the year, this exposure was as follows:

(million of euro)	31/12/2022	31/12/2021	Change (+ / -)
FVH derivatives	75.7	1.6	74.1
Cash and cash equivalents and other financial assets	2,155.1	1,566.8	588.3
Trade receivables	2,358.3	2,777.4	(419.1)
Total	**4,589.1**	**4,345.8**	**243.3**

Default risk and debt covenants

This risk is associated with the possibility that the loan contracts or bond rules to which the parent company is party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. For more information on the contractual provisions of outstanding loans at 31 December 2022, please see the section "Loans and financial liabilities" in the Notes to the financial statements of the Terna group.

Bank Guarantees

The amount of bank guarantees issued to third parties on behalf of the group companies as at 31 December 2022 totalled 315.1 million euro, subdivided as follows: 76.5 million euro on behalf of Terna S.p.A., 78.7 million euro on behalf of the company Tamini Trasformatori S.r.l., 61.9 million euro on behalf of the company Terna Rete Italia S.p.A., 39.2 million euro on behalf of the company Terna Interconnector S.r.l., 47.7 million euro on behalf of the Brugg Group companies, 0.1 million euro on behalf of the company Terna Plus S.r.l., 4.7 million euro on behalf of the company Terna Perù SAC, 0.4 million euro on behalf of the company Difebal S.A., 5.8 million euro on behalf of the company Terna Energy Solutions S.r.l. and 0.1 million euro on behalf of the company Terna Chile S.p.A.

ITALGAS GROUP

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

Financial risks

Interest rate risk

Interest rate fluctuations affect the market value of the company's financial assets and liabilities and the level of net financial charges.

Any increase in interest rates not included wholly or partly in the regulatory WACC could have negative effects on the business, financial position and results of the Italgas group for the variable component of the outstanding debt and for future loans.

Italgas' aim is to maintain a fixed-to-floating rate debt ratio that minimises the risk of a rise in interest rates.

At 31 December 2022, 9.2% of the financial debt was carried at a floating rate and 90.8% was carried at a fixed rate.

Fixed-rate financial liabilities amounted to 5,940.6 million euro and consisted mainly of bonds (4,483.7 million euro), four EIB loans (846.1 million euro), bank loans (504.0 million euro) and financial liabilities pursuant to IFRS 16 (72.0 million euro) and payables to other lenders (34.8 million euro).

Variable-rate financial liabilities amounted to 605.0 million euro, an increase of 139.0 million euro compared to 31 December 2021 following the consolidation of bank loans subscribed by DEPA Infrastructure group companies (245.0 million euro), partially offset by a lower use of bank lines by Italgas S.p.A..

Except for the EIB loan for a nominal amount of 90 million euro taken out by Toscana Energia and some loans entered in by DEPA Infrastructure subsidiary companies prior to the acquisition, as at 31 December 2022 there are no financing contracts containing financial covenants and/or backed by collateral.

Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2022, these commitments had been met.

Credit risk

Credit risk is the exposure to potential losses arising from a counterparty defaulting on its obligations. The non-payment or delayed payment of any amounts due may negatively impact the performance and financial situation of Italgas.

The rules governing customers' access to the services offered are established by the relevant regulatory Authority and are provided for in Network Codes, i.e. in documents that set out, for each type of service, the rules that govern the rights and obligations of the parties providing the services and specify the contractual clauses that reduce the risk of non-compliance by customers, such as the issue of demand bank or insurance guarantees.

In addition, in order to manage credit risk, the group has defined procedures for the monitoring and assessment of its customer portfolio. The reference markets are the Italian and Greek markets.

As at 31 December 2022, no significant credit risks had been identified. On average: (i) in Italy, 98.4% of trade receivables related to gas distribution are paid on the expiry date, and over 99.7% within the following 4 days, (ii) in Greece, 83.2% of trade receivables related to gas distribution are paid on the expiry date, and over 90.8% within the following 4 days, confirming the absolute reliability of its customers.

It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to discharge their payment obligations.

Liquidity risk

Liquidity risk is the risk that, due to the inability to raise new funds (funding liquidity risk) or to liquidate assets on the market (asset liquidity risk), the company may be unable to fulfil its payment commitments, resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk.

Italgas does not expect significant negative impacts, considering the following: (i) the Company has available cash at leading banks amounting to about 451.9 million euro at 31 December 2022 which, also in light of the investment plans in place and the operations envisaged in the short term, would allow it to manage, without significant material effects, any restrictions on access to credit; (ii) the next repayment of a bond loan is scheduled for 2024 for which there are no short-term refinancing needs; (iii) the bonds issued by Italgas at 31 December 2022, under the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement figures.

The financial objective of Italgas is to set up a financial structure that, consistently with its business goals, will guarantee an adequate level for the group in terms of duration and composition of the debt. That financial structure will be realised by monitoring certain key indicators, such as the ratio between debt and RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed-rate and floating-rate debt, and the ratio between firm commitment bank credit and used bank credit.

Rating risk

With reference to Italgas' long-term debt, on 9 August 2022 the rating agency Moody's confirmed Italgas' long-term creditworthiness at Baa2, reviewing the Outlook from stable to negative, reflecting Italgas' exposure to the pressures that accompany a deterioration in the quality of sovereign credit, in view of the fact that its activities are essentially concentrated in Italy.

On 23 September 2022, Moody's confirmed Italgas' long-term creditworthiness at Baa2, Negative Outlook.

On 29 November 2022, Fitch Ratings (Fitch) confirmed Italgas' long-term creditworthiness, equal to BBB+ with a Stable Outlook.

Based on the methodologies adopted by the rating agencies, a downgrade by one notch of the Italian Republic's current rating could trigger a downgrade in Italgas' current rating, which in turn could have impacts on the future cost of debt.

Default risk and debt covenants

At 31 December 2022, there were no loan agreements containing financial covenants and/or secured by collateral, except for the EIB loan taken out by Toscana Energia and some loans entered into by the subsidiaries of DEPA Infrastructure prior to the acquisition, which require compliance with particular financial covenants. Some of these contracts provide, inter alia, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations on pledging as collateral or placing other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; and (iii) limitations on certain non-recurring transactions that the company and its subsidiaries may carry out. At 31 December 2022, these commitments had been met.

The bonds issued by Italgas as at 31 December 2022 as part of the Euro Medium Term Notes programme provided for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and pari passu clauses.

The failure to meet the commitments accompanying these loans, and in certain cases only when that default is not remedied by the stipulated deadlines, and the occurrence of other events such as, for example, cross-default events, some of which are subject to specific materiality thresholds, result in defaults by Italgas and could cause the related loan to become immediately due.

As concerns EIB financing, the contracts contain a clause whereby, in the event of a significant loss of concessions, this must be notified to the EIB, leading to a consultation period after which the EIB may demand early repayment of the loan.

These cases are carefully monitored by the group in the context of financial management and business performance.

VII – SHARE-BASED PAYMENTS

Incentive plans for executives based on SNAM shares

2017-2019 Long-term Performance Share Plan

With reference to the 2017-2019 long-term performance share plan, as approved by the Shareholders' Meeting of Snam on 11 April 2017, a total of 5,385,372 shares have been assigned, of which 1,368,397 shares in relation to 2017 (1,511,461 shares were assigned in July 2020 at the end of the vesting period), 2,324,413 shares in relation to 2018 (2,441,742 shares were assigned in July 2021 at the end of the vesting period) and 1,692,562 shares in relation to 2019.

The Plan ended on 30 June 2022, that is, on expiry of the three-year vesting period linked to the last assignment of shares (2019).

For more information on the conditions of the Plan, see the "2017-2019 Long-term Performance Share Plan Information Document" prepared pursuant to article 84-bis of the Issuers' Regulation, available on Snam's website.

2020-2022 Long-term Performance Share Plan

On 18 June 2020, the shareholders' meeting of Snam, in the ordinary session, approved the 2020-2022 Long-term Performance Share Plan, giving the powers necessary to implement the Plan to the board of directors.

The Plan applies to the Chief Executive Officer and to Snam executives who hold offices that have the greatest impact on the company's financial performance or who are strategically important in terms of achieving Snam's multi-year objectives, as well as any additional positions identified in relation to the performance achieved, the available skills or with a view to retention, up to a maximum of 100 beneficiaries.

2020 award	Vesting period and performance			2023 free share award
	2020	2021	2022	

2021 award	Vesting period and performance			2024 free share award
	2021	2022	2023	

2022 award	Vesting period and performance			2025 free share award
	2022	2023	2024	

The Plan provides for three annual awards over the period 2020-2022. Each award is subject to a three-year vesting period. As a result, the shares, if any, are granted between 2023 and 2025.

The board of directors set the maximum number of shares backing each three-year period of the Plan to 3,500,000. The Plan will end in 2025, that is, on expiry of the vesting period of the last assignment set for 2022.

The Plan includes free shares granted in variable numbers in relation to the individual assignment and the degree to which the performance targets of the Plan are met. The number of shares vested is subject to meeting the performance targets, verified for all the beneficiaries at the end of each three-year vesting period, upon completion, by the Remuneration Committee, of a thorough process of assessment of the results achieved.

The Plan's performance targets, measured according to a linear interpolation criterion among the minimum, target and maximum values, are linked to the following parameters:

- accumulated adjusted net income in the three-year period corresponding to the Performance Period, with a weight of 50%;

- Added value which reflects the value generation of the regulated business, calculated as a change in the RAB in the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt;
- ESG Metric, with a weight of 20%, measured through the results achieved with regard to 2 indicators, aiming to:
  1) reduce natural gas emissions in the three-year period corresponding to the Performance Period (weight of 10%);
  2) ensure fair representation of the least present gender in Snam's management team (weight of 10%), in terms of % of senior and middle manager positions of the least represented gender on the total of senior and middle manager positions of the group.

An additional number of shares is also envisaged - defined as dividend equivalent - to be allocated based on the shares actually granted at the end of the vesting period. The number of additional shares to be assigned is determined by dividing the sum of the dividends distributed during the vesting period by the average share price recorded in the month preceding the allocation. For the Chief Executive Officer and the other beneficiaries of the Plan, 20% of the granted shares, gross of those necessary to comply with the tax expense, will be subject to a lock-up period.

For more information see the "2020-2022 Long-term Performance Share Plan Information Document" prepared pursuant to article 84-bis of the Issuers' Regulation, available on Snam's website.

A total of 1,277,996 shares have been assigned under the Plan in relation to 2020, 1,245,854 in relation to 2021, and 1,032,626 in relation to 2022.

The costs for 2022, referring to the 2020-2021-2022 assignments, equal to the sum of the number of shares expected to vest at maturity multiplied by their fair value at the grant date, were recognised as a component of labour cost against a corresponding equity reserve, and amounted to 5 million euro.

2022-2026 LONG-TERM PERFORMANCE SHARE PLAN OF TERNA S.P.A.

On 15 June 2022, the Board of Directors approved the Regulation concerning the 2022-2026 Performance Share Plan, implementing the terms set by the Ordinary Shareholders' Meeting on 29 April 2022.

The ESG-linked treasury shares buy-back programme (to service the 2022-2026 Performance Share Plan) was completed on 13 June 2022. Terna purchased about 1.3 million treasury shares (0.064% of share capital) under the programme, for a total value of approximately 10 million euro. The purchased shares are in addition to the approximately 3.1 million treasury shares already purchased by the company in 2020 and 2021. In line with Terna's commitment to sustainability and social and environmental issues, the programme includes a penalty mechanism in the event of the company failing to meet specific environmental, social and governance (ESG) targets.

LONG-TERM PERFORMANCE SHARE PLAN OF ITALGAS S.P.A.

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

On 9 March 2023, in implementation of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018, the Board of Directors resolved on the free assignment of a total of 499,502 new ordinary shares of the Company to the beneficiaries of the Plan (so-called third cycle of the Plan) and executed the third tranche of the share capital increase approved by the same Shareholders' Meeting, for a nominal amount of 619,382.48 euro drawn from the retained earnings reserve.

VIII – OPERATING SEGMENTS

This section of the Notes to the consolidated financial statements has been prepared in compliance with IFRS 8 “Operating Segments”, which came into force on 1 January 2009 and replaces IAS 14 "Segment Reporting".

The corporate purpose of CDP RETI is the holding and management, both ordinary and extraordinary, of equity investments in SNAM, TERNA and ITALGAS, monitoring the appropriate development/maintenance of the managed infrastructures, and developing specific skills in the sectors of transport, dispatching, distribution, regasification, gas storage, electricity transmission and energy transition in order to better control its investments.

The segments that CDP RETI and its subsidiaries operate in essentially consist of:

- gas transport, regasification, storage and energy transition by the companies of the SNAM group;
- gas distribution by the companies of the ITALGAS group;
- dispatch and transmission of electricity by the companies of the TERNA group.

The table below shows the results of the CDP RETI Group’s operating segments at 31 December 2022, together with a reconciliation with the Group’s results.

(million of euro)	2022							2021
Items	CDP RETI	SNAM	TERNA	ITALGAS	Intercompany adj.	Other adj.	Group	Group
Revenues from sales and services		3,496	2,898	2,183			8,577	7,918
Other revenues and income		19	66	129	(1)	(31)	183	145
Revenues from financial statement		**3,515**	**2,964**	**2,312**	**(1)**	**(31)**	**8,760**	**8,063**
Reclassifications				(757)			(756)	(793)
Revenues from sectors		**3,515**	**2,965**	**1,555**	**(1)**	**(31)**	**8,004**	**7,270**
Costs from financial statement (not included Depreciation and Amortization)	**(2)**	**(1,297)**	**(907)**	**(1,191)**	**(1)**	**(7)**	**(3,404)**	**(2,942)**
Reclassifications			1	737		(1)	738	772
Costs from sectors (not included Depreciation and Amortization)	**(2)**	**(1,297)**	**(905)**	**(454)**	**(1)**	**(7)**	**(2,666)**	**(2,169)**
EBITDA	**(2)**	**2,219**	**2,060**	**1,101**	**(1)**	**(38)**	**5,338**	**5,100**
EBITDA margin	*0%*	*63%*	*69%*	*71%*	*0%*	*-*	*67%*	*70%*
Ammortisation, depreciation and impairment		(890)	(724)	(479)	1	(256)	(2,349)	(2,185)
Reclassifications			(2)	19		1	18	21
Operating profit (EBIT)	**(2)**	**1,329**	**1,334**	**641**		**(294)**	**3,007**	**2,936**
EBIT margin	*0%*	*38%*	*45%*	*41%*	*0%*	*0%*	*38%*	*40%*
Financial income	527	37	175	5		(523)	221	101
Borrowing expenses	(27)	(177)	(146)	(61)			(411)	(318)
Portion of income (expenses) from equity investments valued with the equity method		(138)	(1)	3		(55)	(191)	247
Reclassifications								
Taxes for the period	3	(378)	(386)	(152)		82	(832)	(512)
Profit from discontinued operations			(20)				(20)	(13)
Reclassifications								
Net income from sectors	**501**	**672**	**955**	**436**		**(789)**	**1,774**	**2,441**

The balance sheet information analysed by Top Management does not refer directly to the individual segment operations, but rather to the overall valuation and representation of Equity, Net Financial Debt and Technical Investments.

IX - GUARANTEES AND COMMITMENTS

Guarantees and commitments, amounting in total to 19.1 billion euro at 31 December 2022 (10.9 billion euro at 31 December 2021), are broken down as follows:

Guarantees and commitments: breakdown

Items/Figures	31/12/2022	31/12/2021
Guarantees pledged	**2,340,210**	**2,138,314**
Trade guarantees	777,453	681,214
Financial guarantees	1,545,370	1,457,100
Assets held as guarantee for third-party services	17,387	
Commitments	**6,880,387**	**4,802,330**
Commitments for the purchase of goods and services	6,753,024	4,769,130
Commitments for associates		
Other	127,363	33,200
Risks	**9,919,995**	**3,996,750**
For third-party assets held for safekeeping	9,574,112	3,652,827
For damages and claims	345,883	343,923
Total	**19,140,592**	**10,937,394**

IX.1 GUARANTEES

Guarantees given, for a total amount of 2,340 million euro, refer to indemnities issued to third parties against sureties and other guarantees issued in the interest of subsidiaries or associates to guarantee the performance of works and in relation to tenders and credit facilities mainly associated with the distribution of natural gas. The financial guarantees given, totalling 1,545 million euro, include the guarantee provided by Snam for the subsidiary Snam International B.V. in relation to the TAP project (1,129 million euro).

IX.2 COMMITMENTS

Commitments undertaken towards suppliers to purchase property, plant and equipment and for the supply of services relating to investments in property, plant and equipment and intangible assets under construction/development totalled 6,753 million euro.

IX.3 RISKS

Risks for third-party assets held, amounting to 9,574 million euro (3,653 million euro as at 31 December 2021), refer to around 7 billion cubic metres of natural gas held at storage facilities by the beneficiaries of the service. This amount was determined by measuring the quantities of stored gas at the presumed unitary repurchase cost, amounting to around 1.32 euro per normal cubic metre (0.54 euro per normal cubic metre at 31 December 2021).

Risks associated with compensation and claims, totalling 346 million euro, refer to compensation potentially payable but not probable in relation to ongoing disputes with low probability of verification of the related business risk.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

On first-time adoption the CDP RETI Group applied the new standard according to the "Modified Retrospective Approach", which allows recognition of the cumulative effect of the application of the standard on the first-time adoption date without restating the comparative information.

As a result of this decision, upon first-time adoption no impact on the book equity was recognised at 1 January 2019. Property, plant and equipment includes 81 million euro in right-of-use assets against Operating lease liabilities of 73.4 million euro. Total lease liabilities recognised upon FTA amounted to 73.9 million euro.

The Group has decided to adopt some of the practical expedients and recognition exemptions provided by the standard. More specifically:

- exclusion of leases with a total or remaining lease term of 12 months or less;
- exclusion of leases with a low underlying asset value at the date of purchase;
- exclusion of the initial direct costs incurred to measure the right-of-use asset at the date of initial application;
- exclusion of leases of intangible assets (IFRS 16.4).

For further details, please refer to paragraph "I.2 Main items of the consolidated financial statements" in the Notes to the consolidated financial statements.

Quantitative disclosures

Classification by time band of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	31/12/2022 Lease payables	31/12/2021 Lease payables
Up to 1 year	43,781	31,930
Between 1 and 2 years	76,205	52,212
Between 2 and 3 years	20,868	16,784
Between 3 and 4 years	13,189	11,305
Between 4 and 5 years	7,782	7,309
Over 5 years	14,332	6,959
Total lease payments to be made	**176,157**	**126,499**
Reconciliation with lease liabilities	**(6,399)**	**(2,210)**
Unearned finance income (+)	(6,399)	(2,210)
Unguaranteed residual value (+)		
Lease liabilities	**169,758**	**124,289**

Exceptions to IFRS 16 (short term, low value, etc.) - Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2022 Lease payments to be made	31/12/2021 Lease payments to be made
Up to 1 year	14,223	5,992
Between 1 and 2 years	51,744	29,988
Between 2 and 3 years		
Between 3 and 4 years		
Between 4 and 5 years		
Over 5 years		
Total	**65,967**	**35,980**

X.2 LESSOR

Qualitative disclosures

The CDP RETI Group has operating leases outstanding for which the related lease payments are recognised in the income statement on a straight-line basis over the term of the contract.

Quantitative disclosures

Classification by time band of the payments to be received

(thousands of euro) Time bands	31/12/2022 Lease payments to be received	31/12/2021 Lease payments to be received
Up to 1 year		124
Between 1 and 2 years		37
Between 2 and 3 years		37
Between 3 and 4 years		37
Between 4 and 5 years		37
Over 5 years		
Total		**272**

ANNEXES

Annex 1 – Scope of consolidation

Annex 2 - Disclosure pursuant to Law 124 of 4 August 2017, Article 1, paragraphs 125-129

ANNEX 1: SCOPE OF CONSOLIDATION

Company name	Registered office	Share capital (euro)		Investor	% holding	Consolidation method
Parent company						
CDP Reti S.p.A.	Rome	161,514		Cassa depositi e prestiti S.p.A.	59.10%	
				State Grid Europe Limited	35.00%	
				Cassa Nazionale di Previdenza e Assistenza Forense	2.63%	
				Soci terzi	3.27%	
Consolidated companies						
AS Gasinfrastruktur Beteiligung GmbH	Wien	35,000		SNAM S.p.A.	40.00%	Equity
ASSET COMPANY 2 S.r.l.	San Donato Milanese (MI)	10,000,000		SNAM S.p.A.	100.00%	Line-by-line
ASSET COMPANY 7 B.V.	Amsterdam	1		SNAM S.p.A.	100.00%	Unconsolidated subsidiary
AVVENIA THE ENERGY INNOVATOR S.r.l.	Rome	10,000		Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Albanian Gas Service Company Sh.a.	Tirana	875,000	(i)	SNAM S.p.A.	25.00%	Unconsolidated subsidiary
Arbolia S.p.A. Societa' Benefit	San Donato Milanese (MI)	100,000		SNAM S.p.A.	51.00%	Unconsolidated subsidiary
Ariano Biometano S.a.r.l.	Cittadella	10,000		Iniziative Biometano S.p.A.	98.00%	Line-by-line
Asset Company 10 S.r.l.	San Donato Milanese (MI)	10,000		SNAM S.p.A.	100.00%	Line-by-line
Asset Company 4 S.r.l.	San Donato Milanese (MI)	100,000		SNAM S.p.A.	100.00%	Unconsolidated subsidiary
Asset Company 9 S.r.l.	San Donato Milanese (MI)	10,000		SNAM S.p.A.	100.00%	Unconsolidated
BMT Energy Transmission Development LCC		500,000	(f)	Terna USA LLC	40.00%	Equity
Bioenerys S.r.l.	San Donato Milanese (MI)	5,000,000		SNAM S.p.A.	100.00%	Line-by-line
Biogas Bruso S.a.r.l.	Cittadella	10,000		Iniziative Biometano S.p.A.	99.90%	Line-by-line
Biowaste CH4 Anzio S.r.l.	San Donato Milanese (MI)	700,000		Renerwaste S.r.l.	100.00%	Line-by-line
Biowaste CH4 Foligno S.r.l.	San Donato Milanese (MI)	4,347,618		Renerwaste S.r.l.	100.00%	Line-by-line
Biowaste CH4 Group S.r.l.	San Donato Milanese (MI)	22,000		Renerwaste S.r.l.	100.00%	Line-by-line
Biowaste CH4 Tuscania S.r.l.	San Donato Milanese (MI)	5,950,000		RENERWASTE S.r.L.	100.00%	Line-by-line
Biowaste Ch4 Genova S.r.l.	San Donato Milanese (MI)	4,127,000		Renerwaste S.r.l.	100.00%	Line-by-line
Bludigit S.p.A.	Milan	11,000,000		Italgas S.p.A.	100.00%	Line-by-line
Brugg Cables (India) Pvt., Ltd.	Haryana	48,000,000	(g)	Brugg Kabel AG	99.74%	Line-by-line
				Brugg Kabel GmbH	0.26%	
Brugg Cables (Shanghai) Co., Ltd.	Shanghai	1,600,000	(f)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables (Suzhou) Co., Ltd.	Suzhou	32,000,000	(k)	Brugg Cables (Shanghai) Co., Ltd.	100.00%	Line-by-line
Brugg Cables Company	Riyadh	50,000	(o)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables Italia S.r.l.	Milan	10,000		Brugg Kabel Manufacturing AG	100.00%	Line-by-line
Brugg Cables Middle East DMCC	Dubai	100,000	(m)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables Middles East Contracting LLC	Dubai	200,000	(o)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Cables, Inc.		1,000	(f)	Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel AG	Brugg	22,000,000	(l)	Brugg Kabel Services AG	90.00%	Line-by-line
Brugg Kabel GmbH	Schwieberdingen	103,000		Brugg Kabel AG	100.00%	Line-by-line
Brugg Kabel Manufacturing AG	Brugg	7,000,000	(l)	Brugg Kabel Services AG	100.00%	Line-by-line
CESI S.p.A.	Milan	8,550,000		Terna S.p.A.	42.70%	Equity
CGES A.D.	Podgorica	155,108,283		Terna S.p.A.	22.09%	Equity
CORESO S.A.	Bruxelles	1,000,000		Terna S.p.A.	15.84%	Equity
Ca' Bianca S.a.r.l.	Cittadella	10,000		Iniziative Biometano S.p.A.	70.00%	Line-by-line
Cogenest S.r.l.	Padua	20,000		Iniziative Biometano S.p.A.	98.00%	Equity
Cubogas S.r.l.	San Donato Milanese (MI)	1,000,000		Snam 4 Mobility S.p.A.	100.00%	Line-by-line
DEDA S.A.	Athens	78,333,710		DEPA Infrastructure S.A.	100.00%	Line-by-line
DEPA Infrastructure S.A.	Athens	79,709,919		Italgas Newco S.p.A.	100.00%	Line-by-line
EBS SOCIETA' AGRICOLA a r.l.	Cittadella	104,725		Iniziative Biometano S.p.A.	94.53%	Line-by-line
EDA Attikis S.A.		243,811,712		DEPA Infrastructure S.A.	100.00%	Line-by-line
EDA Thess S.A.		247,127,605		DEPA Infrastructure S.A.	100.00%	Line-by-line
ELMED Etudes S.a.r.l.	Tunisi	2,700,000	(h)	Terna S.p.A.	50.00%	Equity
ESPERIA-CC S.r.l.	Rome	10,000		Terna S.p.A.	1.00%	Line-by-line
East Mediterranean Gas Company S.a.e.	Cairo	147,000,000	(f)	Snam International B.V.	25.00%	Equity
Ecoprogetto Milano S.r.l.	San Donato Milanese (MI)	1,000,000		Renerwaste S.r.l.	45.00%	Line-by-line
				Renerwaste Lodi S.r.l.	55.00%	
Ecoprogetto Tortona S.r.l.	San Donato Milanese (MI)	1,000,000		Renerwaste S.r.l.	100.00%	Line-by-line
Emiliana Agroenergia Società Agricola S.r.l.		30,000		IES Biogas s.r.l.	100.00%	Line-by-line
Energie Reti Gas S.r.l.	Milan	11,000,000		Medea S.p.A.	49.00%	Equity
Energy Investment Solution S.r.l.	Milan	100,000		Tep Energy Solution S.r.l.	40.00%	Unconsolidated subsidiary
Enerpaper S.r.l.	Turin	20,156		Geoside S.p.A.	20.01%	Equity
Enersi Sicilia	San Donato Milanese (MI)	400,000		Renerwaste S.r.l.	100.00%	Line-by-line
Enura S.p.A.	San Donato Milanese (MI)	3,700,000		SNAM S.p.A.	55.00%	Line-by-line
Equigy B.V.	Arnhem	50,000		Terna S.p.A.	20.00%	Equity
Evolve S.p.A.	Milan	1,450,000		Renovit S.p.A.	100.00%	Line-by-line
GNL Italia S.p.A.	San Donato Milanese (MI)	17,300,000		SNAM S.p.A.	100.00%	Line-by-line
Galaxy Pipeline Assets Holdco Limited	Jersey	1,979,221,357	(f)	SNAM S.p.A.	12.33%	Equity
Gasrule Insurance D.A.C.	Dublin	20,000,000		SNAM S.p.A.	100.00%	Line-by-line
Gaxa S.p.A.	Cagliari	50,000		Italgas S.p.A.	15.56%	Equity
Geoside S.p.A.	Casalecchio di Reno	57,089,254		Toscana Energia S.p.A.	32.78%	Line-by-line
				Italgas S.p.A.	67.22%	
Gesam Reti S.p.A.	Lucca	20,626,657		Toscana Energia S.p.A.	42.96%	Equity
Golar LNG NB13 Corporation	Marshall Islands	234,714,733	(f)	SNAM FSRU ITALIA S.r.l.	100.00%	Line-by-line
Govone Biometano S.r.l.	Pordenone	70,000		IES Biogas S.r.l.	100.00%	Unconsolidated
Halfbridge Automation S.r.l.	Rome	10,000		LT S.r.l.	70.00%	Line-by-line

Company name	Registered office	Share capital (euro)		Investor	% holding	Consolidation method
IES Biogas S.r.l.	Pordenone	100,000		Bioenerys S.r.l.	100.00%	Line-by-line
IES Biogas S.r.l. (Argentina)	Buenos Aires	100,000	(j)	IES Biogas S.r.l.	95.00%	Unconsolidated
				Bioenerys S.r.l.	5.00%	
Immogas S.r.l.	Firenze	1,718,600		Toscana Energia S.p.A.	100.00%	Line-by-line
Industrie De Nora S.p.A.	Milan	18,268,204		Asset Company 10 S.r.l.	25.79%	
Infrastrutture Trasporto Gas S.p.A.	San Donato Milanese (MI)	10,000,000		ASSET COMPANY 2 S.r.l.	100.00%	Line-by-line
Iniziative Biometano S.p.A.	San Donato Milanese (MI)	18,000,002		Bioenerys S.r.l.	51.00%	Line-by-line
Interconnector Ltd	London	12,754,680	(a)	Snam International B.V.	23.68%	Equity
Interconnector Zeebrugge Terminal B.V.	Bruxelles	123,946		Snam International B.V.	25.00%	Equity
				Interconnector Ltd	48.00%	
Isola Biometano S.a.r.l	Cittadella	10,000		Iniziative Biometano S.p.A.	70.00%	Unconsolidated
Italgas Acqua S.p.A.	Milan	50,000		Italgas S.p.A.	100.00%	Line-by-line
Italgas Newco S.p.A.	Milan	50,000,000		Iniziative Biometano S.p.A.	70.00%	Unconsolidated
Italgas Reti S.p.A.	Turin	252,263,314		Italgas S.p.A.	100.00%	Line-by-line
Italgas S.p.A.	Milan	1,002,016,255		SNAM S.p.A.	13.48%	Line-by-line
				CDP Reti S.p.A.	26.01%	
Janagas S.r.l.	Rome	10,000		Medea S.p.A.	100.00%	Line-by-line
LT S.r.l.	Rome	400,000		Terna Energy Solutions S.r.l.	75.00%	Line-by-line
Latina Biometano S.r.l.	Rome	10,000		IES Biogas S.r.l.	32.50%	Unconsolidated
MZ Biogas S.a.r.l.	Cittadella	119,000		Iniziative Biometano S.p.A.	99.90%	Line-by-line
Maiero Energia S.a.r.l.	Cittadella	10,000		Iniziative Biometano S.p.A.	100.00%	Line-by-line
Medea S.p.A.	Sassari	95,500,000		Italgas Reti S.p.A.	51.85%	Line-by-line
Metano S.Angelo Lodigiano S.p.A.	Sant'Angelo Lodigiano	200,000		Italgas S.p.A.	50.00%	Equity
Mieci S.p.A.	Milan	200,000		Renovit S.p.A.	100.00%	Line-by-line
Motta Energia S.a.r.l.	Cittadella	50,000		Iniziative Biometano S.p.A.	94.80%	Line-by-line
OLT Offshore LNG Toscana S.p.A.	Milan	40,489,544		SNAM S.p.A.	49.07%	Equity
Piacentina Agroenergia Società Agricola S.r.l.		28,000		IES Biogas s.r.l.	100.00%	Line-by-line
Piazzola Nuove Energie S.a.r.l	Cittadella	10,000		Iniziative Biometano S.p.A.	100.00%	Unconsolidated
Ravenna LNG Termina S.r.l.	San Donato Milanese (MI)	10,000		SNAM FSRU ITALIA S.r.l.	100.00%	Line-by-line
Renerwaste Cupello S.r.L.	San Donato Milanese (MI)	1,000,000		Renerwaste S.r.l.	100.00%	Line-by-line
Renerwaste Lodi S.r.l.	San Donato Milanese (MI)	10,000		Renerwaste S.r.l.	100.00%	Line-by-line
Renerwaste S.r.l.	San Donato Milanese (MI)	1,710,764		Bioenerys S.r.l.	100.00%	Line-by-line
Renovit S.p.A.	San Donato Milanese (MI)	4,375,000		SNAM S.p.A.	60.05%	Line-by-line
Rete S.r.l.	Rome	387,267,082		Terna S.p.A.	100.00%	Line-by-line
S.tà Agr. Astico Biometano SRL	Cittadella	10,000		Iniziative Biometano S.p.A.	100.00%	Unconsolidated
SNAM RETE GAS S.p.A.	San Donato Milanese (MI)	1,200,000,000		SNAM S.p.A.	100.00%	Line-by-line
SNAM S.p.A.	San Donato Milanese (MI)	2,735,670,476		CDP Reti S.p.A.	31.35%	Line-by-line
SOUTHEAST ELECTRICITY NETWORK	Salonicco	200,000		Terna S.p.A.	25.00%	Equity
SPE TRANSMISSORA DE ENERGIA LINHA VERDE	Belo Horizonte	434,999,313	(d)	TERNA PLUS S.r.l.	75.00%	Line-by-line
Senfluga energy infrastructure holdings S.A.	Athens	20,125,050		SNAM S.p.A.	54.00%	Equity
Sicilian Biogas Refinery S.r.l.	Catania	12,000		Iniziative Biometano S.p.A.	32.00%	Equity
Snam 4 Mobility S.p.A.	San Donato Milanese (MI)	2,320,000		SNAM S.p.A.	100.00%	Line-by-line
Snam FSRU Italia S.r.l.	San Donato Milanese (MI)	10,000		SNAM S.p.A.	100.00%	Line-by-line
Snam Gas & Energy Services (Beijing) Co. Ltd.	Beijing (China)	15,493,800	(k)	Snam International B.V.	100.00%	Equity
Snam International B.V.	Amsterdam	6,626,800		SNAM S.p.A.	100.00%	Line-by-line
Snam International UK Limited	Maidenhead	1,800,000	(a)	Snam International B.V.	100.00%	Unconsolidated
Snam Middle East BV BS Co	Riyadh	15,000,000	(o)	Snam International B.V.	100.00%	Unconsolidated
Snam North America LLC	Wilmington (Delaware)	1,500,000	(f)	Snam International B.V.	100.00%	Unconsolidated
Snam energy services private limited	New Delhi	1,000,000	(g)	Snam International B.V.	100.00%	Unconsolidated
				SNAM S.p.A.	0.00%	
Società Agricola Agrimetano S.r.l.		60,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Agrimezzana Biogas S.r.l.		30,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Asola Energie Biogas S.r.l.		60,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 1 S.r.l.	Pordenone	10,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 2 S.r.l.	Pordenone	10,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 3 S.r.l.	Pordenone	10,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Biostellato 4 S.r.l.	Pordenone	10,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Carignano Biogas S.r.l.		100,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola G.B.E. Gruppo Bio Energie S.r.l.	Pordenone	20,000		Società Agricola Sangiovanni S.r.l.	100.00%	Line-by-line
Società Agricola La Valle Green Energy S.r.l		10,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola SQ Energy S.r.l.	Pordenone	100,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola San Giuseppe Agroenergia		450,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Sangiovanni S.r.l.	Pordenone	20,000		IES Biogas s.r.l.	50.00%	Line-by-line
				Società Agricola SQ Energy S.r.l.	50.00%	
Società Agricola Santo Stefano Energia S.r.l.		60,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola T4 Energy S.r.l.	Pordenone	200,000		Società Agricola SQ Energy S.r.l.	50.00%	
Società Agricola Tessagli Agroenergia S.r.l.		29,000		IES Biogas s.r.l.	100.00%	Line-by-line
Società Agricola Zoppola Biogas S.r.l.	Pordenone	10,000		Società Agricola Sangiovanni S.r.l.	100.00%	Line-by-line
Stogit S.p.A.	San Donato Milanese (MI)	152,205,500		SNAM S.p.A.	100.00%	Line-by-line
Sviluppo Biometano Sicilia S.r.l.	Cittadella	10,000		Iniziative Biometano S.p.A.	50.00%	Equity
TERNA Crna Gora d.o.o.	Podgorica	208,000,000		Terna S.p.A.	100.00%	Line-by-line
TERNA PLUS S.r.l.	Rome	16,050,000		Iniziative Biometano S.p.A.	50.00%	Equity
TERNA RETE ITALIA S.p.A.	Rome	300,000		Terna S.p.A.	100.00%	Line-by-line
Tamini Transformatori India Private limited	Magarpatta City, Hadapsar, Pune	13,175,000	(g)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Transformers USA L.L.C.	Sewickley	52,089	(f)	Tamini Trasformatori S.r.l.	100.00%	Line-by-line
Tamini Trasformatori S.r.l.	Legnano (MI)	4,285,714		Terna Energy Solutions S.r.l.	100.00%	Line-by-line
Tea Innovazione Due S.r.l.	Brescia	20,000		Tep Energy Solution S.r.l.	100.00%	Unconsolidated
Tep Energy Solution S.r.l.	Rome	1,000,000		Renovit S.p.A.	100.00%	Line-by-line
Terega Holding S.A.S.	Pau	505,869,374		SNAM S.p.A.	40.50%	Equity
Terna 4 Chacas S.A.C.	Lima	9,133,600	(e)	TERNA PLUS S.r.l.	99.99%	Line-by-line
				Terna Chile S.p.A.	0.01%	
Terna Chile S.p.A.	Santiago de Chile	2,315,194,500	(c)	TERNA PLUS S.r.l.	100.00%	Line-by-line
Terna Energy Solutions S.r.l.	Rome	2,000,000		Terna S.p.A.	100.00%	Line-by-line
Terna Forward S.r.l.	Rome	10,000		Terna S.p.A.	100.00%	Line-by-line
Terna Interconnector S.r.l.	Rome	10,000		TERNA RETE ITALIA S.p.A.	5.00%	Line-by-line
				Terna S.p.A.	65.00%	
Terna Peru S.A.C.	Lima	116,813,900	(e)	Terna Chile S.p.A.	0.01%	Line-by-line
				TERNA PLUS S.r.l.	99.99%	
Terna S.p.A.	Rome	442,198,240		CDP Reti S.p.A.	29.85%	Line-by-line
Terna USA LLC	New York	1	(f)	TERNA PLUS S.r.l.	100.00%	Line-by-line
Tlux S.r.L.	Piancogno (BS)	50,000		Mieci S.p.A.	100.00%	Line-by-line
Toscana Energia S.p.A.	Firenze	146,214,387		Italgas S.p.A.	50.66%	Line-by-line
Trans Adriatic Pipeline AG	Baar	1,049,293,650	(l)	Snam International B.V.	20.00%	Equity
Trans Austria Gasleitung GmbH	Wien	76,566		SNAM S.p.A.	84.47%	Equity
Umbria Distribuzione GAS S.p.A.	Terni	2,120,000		Italgas S.p.A.	45.00%	Equity
dCarbonX Ltd	London	4	(a)	Snam International B.V.	28.89%	Equity

(a) values in GBP
(b) values in Uruguayan Pesos
(c) values in Chilean Pesos
(d) values in Real
(e) values in Nuovo Sol
(f) values in Dollar
(g) values in Indian Rupees
(h) values in Tunisian Dinar
(i) values in Albanian ALL
(j) values in Argentine Pesos
(k) values in Renminbi Chinese
(l) values in Swiss Francs
(m) values in Dirham
(n) values in Lev
(o) values in Saudi Riyal

ANNEX 2: DISCLOSURE PURSUANT TO LAW 124 OF 4 AUGUST 2017, ARTICLE 1, PARAGRAPHS 125-129

This section is dedicated to the fulfilment of the disclosure obligations introduced, starting from 2018, by Law 124 of 4 August 2017, whose rules have been reformulated by Article 35 of Decree Law no. 34 of 30 April 2019, relating to the disclosure obligations connected to public funds.

The reformulation of the original regulatory provisions clarified some significant interpretation issues raised by the previous formulation, confirming the interpretation guidance shared during the first application of the disclosure obligations, and contained in Assonime circular no. 5 of 22 February 2019 regarding "Transparency in the system of public funding: analysis of the rules and interpretation guidance".

According to the contents of Article 35 of decree no. 34/2019:

- companies publish in the notes to the separate financial statements and to the consolidated financial statements, if any, the amounts and information relating to subsidies, subventions, benefits, contributions or aid, paid in cash or in kind, not of a general nature and with no consideration, remuneration or compensation, effectively granted to them by government agencies and from companies controlled, directly or indirectly, on a legal or de facto basis, by government agencies, including listed companies and their subsidiaries;
- the publication obligations established for government agencies by Article 26 of Legislative Decree no. 33 of 2013 apply also to entities and companies controlled, directly or indirectly, on a legal or de facto basis by government agencies, with the publication in the notes to their annual accounting reports.

The disclosure obligations established by Law 124 of 2017, in continuity with what was represented during the first application, are thus limited to transactions that provide the beneficiary a direct or indirect economic benefit through the provision of incentives or concessions that have the effect of providing relief, savings or the acquisition of resources, and that are in the nature of gifts or donations.

The disbursements, unless otherwise specified, are recognised on a cash basis. With reference to any disbursements not in cash, the cash criterion is understood in a substantial sense, allocating the economic benefit to the financial year in which it is received.

In accordance with the guidance provided by the Assonime circular no. 5/2019, the information provided in application of Law 124/2017 is provided in table form, indicating:

- the identification details of the granting entity and the beneficiary;
- the amount of the economic benefit awarded or received;
- a brief description of the type of benefit (reason for payment).

The tables below show the public funding received and disbursed in 2022 by the fully-consolidated subsidiaries of the CDP RETI Group basis that fall within the subjective scope of the law in question, as presented in their respective separate or sub-consolidated financial statements.

Public payments received pursuant to art.1 c.125 Law no.124/2017

Beneficiary	Licensor: Name/Company name	Licensor: Fiscal code	Licensor: VAT number	Causal	Amount €/thousand
TERNA SPA	Ministry of Economic Development	80230390587	80230390587	State Aid (*)	15,575
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	516370673	(**)	14
ITALGAS RETI S.P.A.	TORRE ANNUNZIATA	581960630	1244431217	(**)	2
ITALGAS RETI S.P.A.	SAN LORENZO	283710804	283710804	(**)	467
ITALGAS RETI S.P.A.	PALIZZI	81000970806	728590803	(**)	179
ITALGAS RETI S.P.A.	ROANA	256400243	256400243	(**)	6
ITALGAS RETI S.P.A.	MANIAGO	81000530931	199780933	(**)	6
ITALGAS RETI S.P.A.	GAZZO VERONESE	82002770236	1700550237	(**)	2
ITALGAS RETI S.P.A.	PINETO	159200674	159200674	(**)	6
ITALGAS RETI S.P.A.	MONTESILVANO	193460680	193460680	(**)	11
ITALGAS RETI S.P.A.	ROSE	80001170788	427870787	(**)	3
ITALGAS RETI S.P.A.	CARDETO	80009020803	80009020803	(**)	428
ITALGAS RETI S.P.A.	MELITO DI PORTO SALVO	281270801	281270801	(**)	415
ITALGAS RETI S.P.A.	MONTEBELLO JONICO	80003190800	710360801	(**)	403
MEDEA S.P.A.	OZIERI	247640907	247640907	(***)	486
TOSCANA ENERGIA S.P.A.	MONSUMMANO TERME	81004760476	363790478	(**)	7
TOSCANA ENERGIA S.P.A.	TERRICCIOLA	286650502	286650502	(**)	41

(*) Grants collected against the reporting of Terna S.p.A. projects financed with public contributions from the resources of the National Operational Program (NOP) Enterprise & Competitiveness 2014 - 2020 ERDF - AXIS IV - Investment Priority 4d - Action 4.3.1
(**) Contributions for plants and equipments - L.R. 3 APRILE 1995, N. 25 and - LEGGE REGIONALE 27.12.2001, N. 84
(***) Contributions for plants Deliberation 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5

Public grants pursuant to art.1 c.126 Law no.124/2017

Beneficiary	Beneficiary			Causal	Amount €/thousand
	Name/Company name	Fiscal code	VAT number		
LT	Associazione Sportiva Dilettantistica TRIIRON	2789661200	2789661200	Sports association support	10
TAMINI TRASFORMATORI SRL	FONDIMPRESA	97278470584		Training Plan No. 294897 English	16
TERNA SPA	Maggio Fiorentino	00427750484	00427750484	Symphonic Season	20
TERNA SPA	Parrocchia Madonna di Pompei	97521820015	97521820015	Pompei Hackathon Project	10
TERNA SPA	Save The Children	97227450158	7354071008	Ukraine emergency	30
TERNA SPA	Caritas Italiana	80102590587	80102590587	Ukraine emergency	30
TERNA SPA	Confindustria Energia	97441040587		Energy infrastructure study	20
TERNA SPA	Komen	6073831007	6073831007	Prevention day nationwide	60
TERNA SPA	Europacolon Italia Onlus	97988510588		Vinci 2022 Campaign	40
TERNA SPA	Fondazione Accademia Musicale Chigiana	68580521		Summer Academy 2022	10
TERNA SPA	Coldiretti	97467440588	10569111007	Friendly Campaign	25
TERNA SPA	XXXVI incontro internazionale di dialogo per la pace	80191770587	2132561008	S.Egidio Community Liberality	30
TERNA SPA	Chiaramonte Gulfi	00068940881		Cultural and theatrical activities season 2021-2022	10
TERNA SPA	Progetto tutela e sostenibilità Marcigliana	97727100584	97727100584	FUKYO Association O.d.V. Liberality	36
TERNA SPA	Fondazione Venezia Capitale Mondiale della Sostenibilità	94102820274		Joining foundation as a co-founding member	34
TERNA SPA	Fondazione Vespasiano	90053860574	1042190577	Reate Festival	10
TERNA SPA	Associazione Sant' Erasmo Nautilus	05571220820		Everyone's sea	40
TERNA SPA	Confindustria	80017770589		Study proposed reform of the Italian electricity market	19
TERNA SPA	Intercultura Onlus	91016300526		Disbursement of no. 5 scholarships under the EmpowHer project	45
TERNA SPA	Accademia Nazionale S. Cecilia	5662271005	5662271005	Second tranche	160
TERNA SPA	ASD Grifone	13928301004	13928301004	Sports association support	15
TERNA SPA	Save The Children	97227450158	7354071008	Donation Hours for Ukraine Emergency	24
TERNA SPA	Caritas Italiana	80102590587	80102590587	Donation Hours for Ukraine Emergency	24

REPORT OF THE INDEPENDENT AUDITORS

Deloitte.

Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
CDP Reti S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of CDP Reti S.p.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2022, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated equity and the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of CDP Reti S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Investments for the operation of infrastructures and for service concession agreements

Description of the key audit matter	The consolidated balance sheet of the CDP Reti Group as at and for the year ended 31 December 2022 presents "property, plant and equipment" for a value of 38,633 million euro and "intangible assets" for a value of 12,083 million euro. The items mainly include infrastructure investments made by the Group companies which operate in regulated sectors, in particular: (I) from the TERNA group, with regards to the operation and development of the Italian national transmission grid (NTG) for high and extra-high voltage power; (ii) from the SNAM group with regards to natural gas transportation, storage and regasification of natural gas; and (iii) from ITALGAS group with regards to the development and maintenance of infrastructures related to the natural gas distribution and metering service under concession located in Italy and Greece. During the year "properties, plants and equipment" increased by 2,747 million euro whereas "intangible assets" by 1,159 million euro. They experienced decreased for depreciation and amortization respectively by 1,638 million euro and 684 million euro. The sectors in which the Group's companies are regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA") and the Greek Regulatory Authority for Energy ("RAE") (exclusively with regards to the infrastructures related to natural gas distribution and metering service under concession located in Greece) which define, among the others, the rules for the remuneration of the related services. In particular, the Group's regulated revenues are determined by ARERA and RAE and provide for recognition of a predefined return on the regulatory net invested capital recognized for tariff purposes (RAB – Regulatory Asset Base), of the relative depreciation and of some operating expenses. The RAB value is determined by ARERA and RAE mainly through the "revalued historical cost" and "historical cost" methods, respectively. We believe that infrastructure investments carried out by Group companies operating in regulated sectors represent a key audit matter for the Group's consolidated financial statements as at December 31, 2022 due to (i) the relevance of the tangible and intangible assets related to these infrastructure investments, compared to the Group's total assets, (ii) the relevance of the investments made during the year, and (iii) their impact in determining the remuneration of services related to these sectors. Paragraph I.2 and notes 1 and 3 of paragraph II of the consolidated financial statements describe the accounting policies applied by the Group and the changes for the year.

Audit procedures performed	Our audit procedures concerning investments for operation and development of infrastructures and for service concession agreements included for the Group companies, among others, the following: • understand the processes and the relevant controls referred to the recognition of such investments in the financial statements and assessment of operating effectiveness of these controls • critical analysis of the "property, plant and equipment" and "intangible assets" captions, included the analysis of any unusual item; • test the accurate start of depreciation when the asset is available for use, for a sample of projects included in tangible and intangible assets with depreciation starting date in the year, and analysis of the aging of projects included in the assets in progress; • with reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards; • assessment of the consistency between the useful life used for the depreciation of the assets and their regulatory useful life and reperforming procedures of the period depreciation. Finally, we assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements and its compliance with the relevant accounting standards.

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

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP Reti S.p.A. has appointed us on May 10, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP RETI S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure of CDP RETI Group as at December 31, 2022, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98, with the consolidated financial statements of CDP RETI Group as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure are consistent with the consolidated financial statements of CDP RETI Group as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Exemption from the preparation of the non-financial statement

As described in the report on operations, the Directors of CDP Reti S.p.A. made use of the exemption from the preparation of the non-financial statement pursuant to art. 6, paragraph 2 of Legislative Decree 30 December 2016, no. 254.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 19, 2023

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

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2022.
2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the consolidated financial statements at 31 December 2022 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.
3. In addition, it is hereby certified that:

3.1 the consolidated financial statements at 31 December 2022:
   - have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the information in the books and other accounting records;
   - give a true and fair view of the performance and financial position of the issuer and of the companies included in the scope of consolidation.

3.2 the Report on Operations contains a reliable analysis of operations and performance, as well as the situation of the issuer and of the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 19 April 2023

The Chief Executive Officer	The Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

3.
REPORT ON OPERATIONS OF CDP RETI S.P.A.

1.

Operating performance of CDP Reti S.p.A.

2.

Report on corporate governance and ownership structure of CDP Reti

1. OPERATING PERFORMANCE OF CDP RETI S.P.A.

1.1 KEY MANAGEMENT FIGURES

Key Management Figures

Key financial figures

Items			31/12/2022	31/12/2021
Dividends		(thousand of euros)	523,114	492,619
- of which SNAM		*(thousand of euros)*	*281,546*	*268,165*
- of which TERNA		*(thousand of euros)*	*179,400*	*166,080*
- of which ITALGAS (1)		*(thousand of euros)*	*62,168*	*58,375*
Profit (loss) on operations (2)		(thousand of euros)	(25,374)	(24,475)
Net income (loss)		(thousand of euros)	500,513	471,193
Comprehensive income		(thousand of euros)	549,638	480,232

Key balance sheet and cash flow figures

Items			31/12/2022	31/12/2021
Equity investments carrying amount		(thousand of euros)	5,023,065	5,023,065
- of which SNAM		*(thousand of euros)*	*3,086,833*	*3,086,833*
- of which TERNA		*(thousand of euros)*	*1,315,200*	*1,315,200*
- of which ITALGAS		*(thousand of euros)*	*621,032*	*621,032*
Receivables for dividends not yet collected		(thousand of euros)	115,906	*110,427*
Equity		(thousand of euros)	3,591,082	3,533,218
Net financial debt (2)		(thousand of euros)	(1,604,073)	(1,604,931)

Other key figures and ratios

Items			31/12/2022	31/12/2021
Equity investments market value (2) (3)		(thousand of euros)	10,052,963	11,164,684
Dividends collected		(thousand of euros)	517,635	487,351
Dividends distributed		(thousand of euros)	491,775	461,749
Dividend per share		euros	3,099.88	2,917.35
	Interim	euros	*2,055.80*	*1,927.37*
	Final	euros	*1,044.08*	*989.98*
Net cash flow for the period		(thousand of euros)	74,216	19,245
ROE (2)		(%)	14%	13%
Dividends/Borrowing expenses (2)		(numbers)	19.67	27.78
Net financial debt/Equity investments carrying amount (2)		(%)	32%	32%
Net financial debt/Equity (2)		(numbers)	0.45	0.45
Net financial debt/Dividends (2)		(numbers)	3.07	3.26

(1) Company established on 1 June 2016 and previously called ITG Holding S.p.A. (as of 7 November 2016 renamed Italgas S.p.A.)

(2) NON GAAP ratios

(3) Product of the number of CDP RETI shares for the official price per share at the end of the period by Snam, Terna and Italgas

1.2 FINANCIAL PERFORMANCE

To facilitate the reading of the Income statement, in view of the fact that CDP RETI S.p.A. is an investment vehicle, the following reclassified income statement has been prepared, first presenting the items that relate to the financial operations, as this is the most significant component of income[65].

The income statement results of CDP RETI S.p.A. for 2022, compared with the previous year, are summarised in the management Income statement reported below.

Reclassified Income Statement CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2022	31/12/2021
Dividends	523,114	492,619
Profit (loss) on core business	**523,114**	**492,619**
Financial income and expenses	(22,918)	(22,609)
Depreciation	(48)	(48)
Administrative expenses	(2,408)	(1,818)
Profit (loss) on operations	**(25,374)**	**(24,475)**
Other revenues and income	15	20
Operating income	**497,755**	**468,164**
Income taxes	2,758	3,029
NET INCOME (LOSS)	**500,513**	**471,193**

The main positive components of CDP RETI's income are related to the **dividends accruing** from SNAM, TERNA and ITALGAS, totalling 523 million euro, up from 2021 (+30.5 million euro, +6.2%) due to the dividend policy (in terms of dividend per share) of SNAM (+13.4 million euro), TERNA (+13.3 million euro) and ITALGAS (+3.8 million euro).

More in detail, this item consists of dividends received from:

- **SNAM**: equal to 281.5 million euro (54% of total dividends) – 268.1 million euro in 2021 – of which (i) 165.6 million euro (collected in June 2022) and relating to the 2021 final dividend and (ii) 115.9 million euro (collected on 25 January 2023) as 2022 interim dividend (resolved by the Board of Directors of Snam S.p.A. on 9 November 2022[66]);
- **TERNA**: equal to 179.4 million euro (34% of total dividends) – 166.1 million euro in 2021 – of which (i) 115.7 million euro (collected in June 2022) and relating to the 2021 final dividend and (ii) around 63.7 million euro (collected on 23 November 2022) as 2022 interim dividend (resolved by the Board of Directors of Terna S.p.A. on 09 November 2022[67]);
- **ITALGAS**: equal to 62.1 million euro (12% of total dividends) – 58.4 million euro in 2021 – collected in May 2022 and relating to the 2021 dividend.

Among the negative income statement items instead, **financial expenses** are worth noting, totalling about 27 million euro and mainly referring to the interest expense on Term Loans (about 11 million euro also considering the settlement of the interest expense connected to the Swap Transactions[68]), the Bridge Loan (about 4 million euro) and the Bond (about 11 million euro). There was, however, a substantial equivalence of net financial expenses (totalling approx. 23 million euro) considering that the expenses related to the Bridge Loan[69] signed in May 2022 were partially offset by the lower expenses related to the bond loan (11 million euro vs 14 million euro in 2021) following the timing of the issue of the 2022 bond (as mentioned above, completed in October 2022). The item was also affected by the higher remuneration of the funds deposited with the parent company CDP.

Administrative expenses, up (0.6 million euro) compared to 2021, mostly in relation to the costs associated with the definition of the best refinancing strategy (e.g., legal fees, rating agencies, etc.), were mainly affected by staff costs

[65] This statement has been prepared on the basis of the suggestions set out in Consob Communication no. 94001437 of 23 February 1994.

[66] Based on the results of the first nine months and the forecasts for the entire 2022, the Board of Directors of SNAM resolved on the distribution to the shareholders of a 2022 interim dividend, equal to 0.1100 euro per share, with payment starting from 25 January 2023, with coupon due on 23 January and record date 24 January.

[67] Based on the results of the first six months and the forecasts for the entire 2022, the Board of Directors of TERNA resolved on the distribution to the shareholders of an interim dividend, equal to 0.1061 euro per share, with payment starting from 23 November 2022, with coupon due on 21 November 2022 and record date 22 November 2022.

[68] The overall impact attributable to the IRS hedging derivative was positive for about 2 million euro taking into account that in 2022, in addition to interest expense (about 1 million euro), recorded under financial expenses, about 3 million euro in interest income was also recorded under financial income.

[69] The proceeds of which were used for the full repayment of the 2015 Bond Loan. Reference is made to the Report on Operations of the consolidated financial statements and more specifically to section "2. Significant events taking place in the year by sector/company" for a more detailed description of the debt refinancing carried out in 2022.

(including the remuneration of directors and statutory auditors) and the fees paid to the parent company/third-party suppliers for services received in the period.

Income taxes, positive for about 2.7 million euro and slightly down (-0.3 million euro) compared to 2021, primarily refer to the estimated tax consolidation income deriving from the surplus compensation of the ACE benefit (0.1 million euro vs 0.4 million euro in 2021) and the surplus compensation (2.7 million euro, substantially in line with the comparison period) of the non-deductible interest expense on an individual basis and transferable to tax consolidation[70]. Compared to 2021, the reduction in income from tax consolidation related to the ACE benefit was due to the increase in IRES taxable income due to the increase in dividends received during the year.

The income components above resulted in **Net income** for the year equal to 501 million euro, up (30 million; +6%) compared to 2021 (471 million euro), mainly due to the increase in dividends for the year (+31 million euro), only marginally absorbed by a higher incidence of administrative expenses and financial operations, as well as a slight reduction in income from tax consolidation.

1.3 STATEMENT OF FINANCIAL POSITION

CDP RETI S.p.A.'s statement of financial position as at 31 December 2022 and 31 December 2021 is summarised in the following tables.

Reclassified Assets CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2022	31/12/2021
Equity investment in Snam	3,086,833	3,086,833
Equity investment in Terna	1,315,200	1,315,200
Equity investment in Italgas	621,032	621,032
Other assets	196,601	119,023
Cash and cash equivalents	166,305	92,089
TOTAL ASSETS	**5,385,971**	**5,234,177**

As at 31 December 2022, total assets stood at 5,386 million euro and mainly consisted of balance sheet items relating to **equity investments** (about 93% of total assets) in SNAM, TERNA and ITALGAS (for an overall amount of 5,023 million euro and unchanged compared to 2021).

The increase in total assets of approximately 152 million euro was mainly due to (i) the higher *mark to market* of the derivative contract (+73 million euro) and (ii) the higher cash and cash equivalents (+74 million euro), as analysed below.

With specific reference to the value of the **equity investments** held, please note that, also in light of the latest stock market values recorded:

- **SNAM**: closing price as at 30 December 2022 equal to 4.53 euro, weighted average with price volumes of the last month before 30 December 2022 equal to 4.73 euro;
- **TERNA**: closing price as at 30 December 2022 equal to 6.90 euro, weighted average with price volumes of the last month before 30 December 2022 equal to 7.26 euro;
- **ITALGAS**: closing price as at 30 December 2022 equal to 5.19 euro, weighted average with price volumes of the last month before 30 December 2022 equal to 5.45 euro;

above the carrying amount (equal to 2.93 euro for **SNAM**, 2.19 euro for **TERNA** and 2.95 euro for **ITALGAS**), as well as the information currently available, no impairment indicators are highlighted that are such to compromise the maintenance of the carrying amount of the equity investments held.

Other assets, totalling 197 million euro (+78 million euro compared to 2021), mainly refer to:

- the receivable from SNAM (116 million euro) for the 2022 interim dividend approved in November 2022 by its Board of Directors (and collected by CDP RETI in January 2023), up compared to 2021 (110 million euro collected in January 2022);
- the value (about 78 million euro) of the Interest Rate Swap (IRS) derivative contract signed by the company in May 2020 with the purpose of hedging the Term Loan Facilities. Compared to 2021 (positive value of 5 million euro) there was a significant increase in the positive value of the mark to market;
- the receivable (about 2.8 million euro, and slightly down compared to 2021) from the parent company CDP by way of compensation of the ACE benefit (0.1 million euro) and the non-deductible interest expense (2.7 million euro) that may

[70] The final amount will be calculated and settled, when preparing the consolidated income tax return.

be transferred to tax consolidation. In this regard, it should be noted that the receivable at 31 December 2021 from the parent company CDP was collected by the Company in December 2022, following filing of the tax consolidation return, as envisaged in the National Fiscal Consolidation for the three-year period 2022-2024[71].

The breakdown of **cash and cash equivalents** refers mainly to bank current accounts (126 million euro) and to the irregular deposit (around 40 million euro) with the parent company CDP[72].

To better understand the changes in cash and cash equivalents, please refer to the subsequent section "Net Financial Debt".

Reclassified Equity and Liabilities CDP RETI S.p.A.

(thousand of euros)

Items	31/12/2022	31/12/2021
Equity	3,591,082	3,533,218
- Share capital and reserves	*3,090,569*	*3,062,025*
- Net income for the period	*500,513*	*471,193*
Loans	1,694,494	1,694,059
- of which owed to Cdp	*499,578*	*562,675*
Other liabilities	100,394	6,900
- of which owed to Cdp	*76,372*	*3,661*
TOTAL LIABILITIES	**5,385,971**	**5,234,177**

As at 31 December 2022, **equity** (equal to 3,591 million euro), in addition to the net income for the period, mainly includes: i) the item *Shareholders' payment reserve for investments*, representing the value of the payment of about 3.5 billion euro made in 2012 by CDP and intended to finance the purchase of the equity investment in SNAM, net of the portion of this reserve distributed to CDP in 2014 (about 1.5 billion euro), ii) the item *Share premium account* deriving from the transfer in 2014 of TERNA (about 1.3 billion euro), iii) the item *Valuation reserve* (positive for 53 million euro) representing the measurement at fair value of the IRS derivative, net of the connected deferred taxes, and iv) the 2022 interim dividend equal to 332 million euro distributed in November 2022.

Compared to the end of 2021 (when it amounted to 3,533 million euro), the item in question benefited from (i) the net income for the period (501 million euro) and (ii) the improvement (around 49 million euro) in the Valuation Reserve, only partly absorbed by dividends distributed during the period to the shareholders (totalling about 492 million euro) as the 2021 final dividend[73] and 2022 interim dividend[74].

The payables relating to the **loans outstanding** at 31 December 2022, considering the current portion and the non-current portion, consisted of the following:

Loans outstanding

(thousand of euros)

	31/12/2022		31/12/2021	
Items	Non current	current	Non current	current
Bond	496,419	5,377		758,099
Lease liabilities	79	27	281	28
Bridge Loan		253,289		
Term Loan Facility	935,819	3,484	935,092	560
Total	**1,432,317**	**262,177**	**935,373**	**758,687**

Total indebtedness at 31 December 2022, amounting to 1,694 million euro (also taking into account interest accrued after 31 December 2022) and substantially in line with the previous period, refers to:

- Term Loans (939 million euro, for a total nominal amount of 938 million euro) granted by a pool of banks (for a total nominal amount of 716 million euro) and by the parent company CDP (for a total nominal amount of 222 million euro);

[71] The consolidation agreement was tacitly extended for the three-year period 2022-2024.

[72] Compared to the deposit agreement "under which a party (depositary) receives from the other (depositor) a movable asset with the obligation to safeguard and return it in kind" (art. 1766 of the Italian Civil Code), in the irregular deposit (concerning cash or other interchangeable assets), the depositary is not obliged to return exactly the same assets but must return just as many of them of the same kind and quality. Therefore, the depositary becomes, at the time of delivery, the owner of the assets delivered to it (art. 1782 of the Italian Civil Code).

[73] 160 million euro distributed in the form of 989.98 euro for each of the 161,514 shares.

[74] 332 million euro distributed in the form of 2,054.80 euro for each of the 161,514 shares. This interim dividend was approved (by the Board of Directors on 21 November 2022) on the basis of the Company's accounting situation at 30 June 2022, prepared in accordance with IFRS. The Company ended the period with a net income of approximately 332 million euro and available reserves of approximately 3,369 million euro.

- the bond (for a total nominal value of 500 million euro), listed on the Irish Stock Exchange, subscribed by institutional investors (nominal value of about 320 million euro, equal to 64%), by CDP (nominal value of about 150 million euro, equal to 30%) and by State Grid Europe Limited (nominal value of about 30 million euro, equal to 6%);
- Bridge Loans (at 31 December 2022 equal to 253 million euro and referable to the original amount of 750 million euro, then partially repaid after the bond was issued in October 2022) granted by a pool of banks (for a nominal residual amount of 126.5 million euro) and by the parent company CDP (for a nominal residual amount of 126.5 million euro).

To better understand the Overall financial debt, please refer to the subsequent section “Net Financial Debt”.

Other liabilities, amounting to 100 million euro and up 93 million euro compared to 2021, refer, among other things, (i) to the payable to the parent company CDP (about 76 million euro at 31 December 2022) for the margin received from it under the guarantee agreement (Credit Support Agreement or CSA) entered into when the cash flow hedge derivative was taken out, (ii) to the recognition of deferred tax liabilities (totalling 24 million euro), essentially referring for about 22 million euro to the deferred tax liabilities related to the derivative and for about 1 million euro to the 2022 interim dividend approved by SNAM in November 2022 and received in January 2023, and (iii) to trade payables and payables to the Parent Company CDP, primarily in relation to the current service agreements. This item is also affected by the release of the deferred tax liability recognised as at 31 December 2021 (amounting to about 1 million euro) in relation to the receipt of the 2021 interim dividend from SNAM in January 2022.

1.4 NET FINANCIAL DEBT AND CASH FLOWS

Net financial debt, calculated in accordance with Consob Communication no. DEM/6064293 of 2006, as amended on 5 May 2021 following implementation of ESMA[75] recommendations 32-232-1138 of 4 March 2021 concerning the Net financial position, breaks down as follows in comparison with year-end 2021:

Net Financial Debt

(thousand of euros)

	Items	31/12/2022	31/12/2021
A	Cash (1)	166,305	92,089
B	Cash equivalents (1)		
C	Other current financial assets		
D	**Liquidity (A + B + C)**	**166,305**	**92,089**
E	Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt) (2)	(329,173)	(2,960)
F	Current portion of non-current financial debt (*) (2)	(8,888)	(758,687)
G	**Current financial debt (E + F)**	**(338,061)**	**(761,647)**
H	**Net current financial debt (G - D)**	**(171,756)**	**(669,558)**
I	Non-current financial debt (excluding current portion and debt instruments) (*) (3)	(935,898)	(935,373)
J	Debt instruments (3)	(496,419)	
K	Trade payables and other non-current payables		
L	**Non-current financial debt (I + J + K)**	**(1,432,317)**	**(935,373)**
M	**Total financial debt (H + L)**	**(1,604,073)**	**(1,604,931)**

(*)They include financial liabilities for leased assets recognised in accordance with IFRS 16 "Leases", of which 79 thousands euros are long-term and 27 thousands euros are short-term portions of long-term financial liabilities.

In the balance sheet of CDP RETI S.p.A.:

(1) The balance is included in the item “Cash and cash equivalents”

(2) The balance is included in the item “Current portion of long-term loans ” and “Current financial liabilities”

(3) The balance is included in the item “Loans”

Net financial debt at 31 December 2022, totalling 1,604 million euro (including accrued interest to be paid after 31 December 2022), was substantially in line at 31 December 2021 (1,605 million euro, including the current portion of borrowings), considering that the higher gross financial debt (1,770 million euro versus 1,697 million euro), resulting almost entirely from the higher debt to the parent company compared to the margin received by it in fulfilment of the guarantee

[75] European Securities and Markets Authority.

contract relating to the hedging derivative, was offset by the relative higher cash and cash equivalents received by CDP. The amount in question is also not affected by the financial dynamics of the dividends, given that the higher dividends received (+31 million euro) are almost aligned with the higher dividends paid (+30 million euro) to shareholders. The higher debt relating to the Term Loan, attributable to the increase in interest rates, was also balanced by the reduction in the remaining debt (referable almost entirely to the Bridge Loan and the Bond issued in 2022) as a result of the accounting methodology for transaction costs.

At 31 December 2022, the net financial debt towards the parent company CDP amounted to 535 million euro and was down (-18 million euro) at 31 December 2021 (553 million euro), mainly due to:

- repayment (nominal value of 337.5 million euro) of CDP's share of the bond issued in 2015 and matured in May 2022;
- the higher cash and cash equivalents (+28 million euro) in the irregular deposit with the parent company;

partially offset by:

- the recognition of the portion held at the end of 2022 by the parent company CDP (equal to a nominal value of 150 million euro, corresponding to 30% of the total) of the new bond;
- the recognition of the portion held at the end of 2022 by the parent company CDP (equal to the nominal residual value of 126.5 million, corresponding to 50% of the total) of the short-term Bridge Loan;
- the higher payables (+73 million euro) to the parent company CDP (about 76 million euro; 3 million euro at 31 December 2021) relating to the CSA entered into at the same time as the cash flow hedge.

With regard to the detailed items, the following is noted.

Liquidity as at 31 December 2022 (166 million euro) consisted mainly of the sums of deposits held at leading banks (126 million euro) and the irregular deposit (40 million euro) with the parent company CDP.

In comparative terms, the increase (+74 million euro) compared to the end of 2021 was mainly due to dividends received in the period from subsidiaries (518 million euro), the settlement of margins received from the parent company CDP in accordance with the guarantee agreement signed at the same time as the hedging derivatives (with a positive cash flow for the period of around 73 million euro) and the collection (3 million euro) of the receivable from CDP for joining the tax consolidation, only partially absorbed by:

- the dividends – 2021 final dividend and 2022 interim dividend – distributed to shareholders (492 million euro);
- the payment (i) of the bond coupon (14 million euro), (ii) of the interest expense related to the Bridge Loan (2.2 million euro) and (iii) of the interest expense (also taking into account the settlement of the interest related to the Swap Transactions) related to the total Term Loan of 938 million euro (7.5 million euro);
- the so-called arrangement fees related to the issue of the Bridge Loan (1 million euro) and the fees/additional charges related to the bond issue (4 million euro);
- additional outflows connected to ordinary operations.

Overall, please note that the receivable from SNAM for the 2022 interim dividend (about 116 million euro, collected in January 2023), in line with the approach adopted in previous years, is considered by CDP RETI as cash flow generated by its operating activity and consequently excluded from calculation of the Net Financial Debt.

The **current financial debt** (338 million euro) mainly refers (i) to the amount of the Bridge Loan due in May 2023[76] (nominal value of 750 million euro, of which 497 million euro repaid in October 2022) and (ii) to the debt (76 million euro) due to the parent company CDP for the guarantee contract on the hedging derivative, as well as to the interest due on the Bond issued in October 2022 (about 5.4 million euro) and to those (3.5 million euro) on the Term Loan from a total of 938 million euro, having a financial impact in May 2023 for the Term Loan and October 2023 for the Bond. The significant decrease (424 million euro) compared to 2021 was mainly due to the repayment – in May 2022 – of the bond issued in 2015 (classified at the end of 2021 as short-term debt), only partly absorbed by the residual value of the short-term Bridge Loan. In this respect, please refer:

- to section "IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES" (paragraph "Liquidity and credit risk") of the notes to the separate financial statements for a more detailed description of the risk profiles;
- to section "5. BUSINESS OUTLOOK" of the Report on Operations of the Group for a description of the refinancing strategy.

The **non-current financial debt** (1,432 million euro)**,** up compared to 2021, does not consider the purely accounting effects deriving from the measurement at fair value of the derivative and refers almost entirely (i) to the Term Loan (936 million euro, equal to the nominal value of about 938 million euro, less the costs associated with it, which are amortised along its duration), granted in May 2020 by a pool of banks (76%) and the parent company CDP (24%) and maturing in 2025 and (ii) to the bond debt, contracted in October 2022 for a nominal value of 500 million euro, maturing in 2027, as said underwritten by institutional investors, CDP and State Grid Europe Limited, less the costs associated with it, which are amortised along its duration. The significant increase (497 million euro) compared to 2021 is attributable to the liability management strategy completed during 2022 with the aforementioned debt refinancing.

---

[76] With the possibility of extension for a further 6 months.

The main economic terms of the new loan agreement entered into in May 2020 (overall amounting to 938 million) may be summarised as follows:

- total amount financed of 937,634,700 euro, of which:
  - 715,634,700 euro from a pool of banks;
  - 222,000,000 euro from the parent company CDP;
- floating interest rate, equal to the 6-month Euribor increased by a spread of 105 bps;
- application of a zero floor to the entire interest rate (Euribor + spread);
- interest periods of six months (in May and November);
- arrangement fee equal to 40 bps.

Furthermore, in order to mitigate the variability of the 6-month Euribor rate and the related cash flows and their impact on net income for the period, for these loans the rate was converted from floating to fixed[77] by contracting a derivative - at market conditions[78] - to hedge the future cash flows associated with the Term Loans (i.e. Interest Rate Swaps with the parent company CDP hedging against the interest rate risk associated with the Term Loans, in other words minimising the changes in the cash outflows generated by the loans and associated with the floating rates).

The economic and financial characteristics of the hedging derivative are entirely aligned with those of the hedged items, and in particular:

- the notional amount is equal to the nominal value of the respective debts;
- the maturity (May 2025) and the settlement dates of the differentials of the derivative (on a half-yearly basis and in arrears[79]) are aligned with the two loan agreements;
- the underlying variable rate and the spread coincide: 6-month Euribor + 105 bps.

The total mark to market of the IRS derivative, which is not listed on an active market, as calculated on a daily basis by the parent company CDP[80], amounted to a positive value for CDP RETI of approximately 78 million euro at 31 December 2022. This amount has been classified among financial assets, whereas changes in the value of the effective component of the derivative have been classified to a specific equity reserve (the "Cash Flow Hedge valuation reserve"), net of deferred tax effects, since the conditions for the application of hedge accounting have been satisfied[81].

As at 31 December 2022, the Net Financial Debt/Equity ratio (leverage) stood at 0.45 and remained unchanged compared to 2021.

When compared to 2021, the Net Financial Debt/Dividends ratio (representing the profit or loss on the company's core business) is lower instead (from 3.26 to 3.07) due mainly to the higher dividends due.

Cash flows

(thousand of euros)

Items	31/12/2022	31/12/2021
Cash and cash equivalents at the start of the year	**92,089**	**72,844**
Cash flows from operating activities	567,823	481,014
Cash flows from investing/disinvesting activities	(30)	(20)
Cash flows from financing activities	(493,577)	(461,749)
Cash and cash equivalents at year end	**166,305**	**92,089**

The cash flow from operating activities in 2022 was positive for 568 million euro and up (+87 million euro) compared to 2021. The item mainly refers to the dividends received and the settlement of the margins received from the parent company CDP in accordance with the guarantee agreement signed at the same time as the hedging derivative (with a positive cash flow in the period), marginally absorbed by the higher interest paid on the financial debt.

The cash flow from investing/disinvesting activities refers to the lease for the premises in Via Alessandria, 220 (Rome).

The cash flow from financing activities, which absorbed a total of 494 million euro, refers mainly to the payment of dividends to shareholders (492 million euro vs. 462 million euro in 2021) and to a lesser extent to certain costs related to the refinancing of the debt.

---

[77] The annual fixed rate resulting from the hedging derivative contracted in May 2020 for the overall Term Loan of 938 million was 0.796%.
[78] That is to say, with a fair value upon the signing of the contract of near zero or else of an insignificant amount in terms of negative fair value as a percentage of the nominal value of the transaction.
[79] The differentials are settled in arrears on 19 May and 19 November of each year and calculated by comparing the following elements:
• the receive leg for CDP RETI: 6-month Euribor (fixed on the second business day prior to the beginning of the period) + a spread of 1.05%;
• the pay leg for CDP RETI: a fixed rate of 0.796%.
[80] On the basis of generally accepted valuation models and techniques, which refer to inputs (the Euribor interest rate curve for the entire period of reference of the contract) observable on the market.
[81] On 1 January 2018, CDP RETI adopted IFRS 9 as for the rules for classification, measurement and impairment. With regard to the rules on hedge accounting, the Company has exercised the option of maintaining the rules set out under IAS 39, applying the regulatory/accounting choices made by the Parent Company CDP.

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

With regard to the “Report on corporate governance and ownership structure: main characteristics of the risk management and internal control systems for financial reporting, including on a consolidated basis, pursuant to Article 123-bis, paragraph 2, letter b) of the Consolidated Law on Finance”, it is possible to refer to the contents of paragraph 8 of the Report on Operations of the consolidated financial statements, also applicable to the separate financial statements of CDP RETI S.p.A..

4.
2022 SEPARATE FINANCIAL STATEMENTS

Separate financial statements at 31 December 2022

Notes to the separate financial statements

Proposal for allocation of the net income for the year

Annexes

Report of the Independent Auditors

Report of the Statutory Auditors

Certification of the separate financial statements

FORM AND CONTENT OF THE SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

The separate financial statements at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and consist of:

- Balance Sheet;
- Income Statement;
- Statement of comprehensive income;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Notes to the Separate Financial Statements

The Notes to the Separate Financial Statements are composed of:

- Introduction
- I - Basis of presentation and accounting policies
- II - Information on the Balance Sheet
- III - Information on the Income Statement
- IV - Information on risks and the related hedging policies
- V - Transactions with related parties
- VI - Non-recurring events and significant transactions
- VII - Operating segments

The section “Annexes”, which is an integral part of the financial statements, also includes the analytical list of equity investments owned by CDP RETI and the separate financial statements at 31 December 2021 of the parent company Cassa Depositi e Prestiti S.p.A.

With reference to the report to be made regarding the obligations introduced by Law no. 124 of 4 August 2017, concerning the transparency of public funds, we can state there is nothing that needs reporting.

SUMMARY

SEPARATE FINANCIAL STATEMENTS AT 31 DECEMBER 2022

BALANCE SHEET - ASSETS

(euros) Assets	Notes	31/12/2022	*of which from related parties*	31/12/2021	*of which from related parties*
Non-current assets					
Property, plant and equipment	1	101,450	101,450	305,306	305,306
Intangible assets	2	49,713		69,175	
Equity investments	3	5,023,064,811		5,023,064,811	
Non-current financial assets	4	77,594,961	77,594,961	4,970,701	4,970,701
Deferred tax assets	5	20,610		20,074	
Other non-current assets					
Total non-current assets		**5,100,831,545**	**77,696,411**	**5,028,430,068**	**5,276,007**
Current assets					
Current financial assets					
Income tax receivables	6	66,150		109,566	
Other current assets	7	118,768,056	118,730,421	113,547,836	113,532,088
Cash and cash equivalents	8	166,305,286	40,089,410	92,089,301	12,400,953
Total current assets		**285,139,492**	**158,819,831**	**205,746,703**	**125,933,042**
Total assets		**5,385,971,038**	**236,516,242**	**5,234,176,771**	**131,209,049**

BALANCE SHEET - LIABILITIES

(euros) Liabilities and equity	Notes	31/12/2022	*of which from related parties*	31/12/2021	*of which from related parties*
Equity					
Share capital	9	161,514		161,514	
Reserves:	10	3,369,431,357		3,369,431,217	
Share premium reserve		*1,315,158,486*		*1,315,158,486*	
Income reserves		*24,352,849*		*24,352,709*	
Other reserves		*2,029,920,022*		*2,029,920,022*	
Valuation reserves	11	52,855,285		3,729,738	
Interim dividends	12	(331,878,967)		(311,297,238)	
Net income for the period (+/-)		500,512,909		471,193,008	
Total Equity		**3,591,082,099**		**3,533,218,239**	
Non-current liabilities					
Provisions					
Provision for employee benefits	13	4,955		998	
Loans	14	1,432,317,212	400,360,117	935,372,510	221,679,179
Other financial liabilities					
Deferred tax liabilities	15	23,582,638		2,875,058	
Other non-current liabilities					
Total non-current liabilities		**1,455,904,806**	**400,360,117**	**938,248,566**	**221,679,179**
Current liabilities					
Current portion of long-term loans	16	8,888,247	2,787,736	758,686,576	341,304,721
Trade payables	17	136,452	29,035	81,120	4,119
Income tax liabilities					
Current financial liabilities	18	329,172,661	202,528,145	2,959,826	2,959,826
Other current liabilities	19	786,774	717,693	982,444	873,637
- Tax payables		*21,329*		*74,593*	
- Payables to parent companies		*488,669*	*488,669*	*700,783*	*700,783*
- Payables due to pension and social security institutions		*7,392*		*4,973*	
- Other payables		*269,384*	*229,024*	*202,095*	*172,854*
Total current liabilities		**338,984,133**	**206,062,609**	**762,709,966**	**345,142,303**
Total liabilities and equity		**5,385,971,038**	**606,422,727**	**5,234,176,771**	**566,821,483**

INCOME STATEMENT

(euros) Income statement items	Notes	31/12/2022	*of which from related parties*	31/12/2021	*of which from related parties*
Revenues					
Revenues from sales and services					
Other revenues and income	20	15,278	15,278	19,719	19,719
Total revenues		**15,278**	**15,278**	**19,719**	**19,719**
Costs					
Services	21	(1,728,170)	(717,528)	(1,340,072)	(578,673)
Staff costs	22	(619,078)	(330,483)	(466,714)	(288,593)
Amortisation, depreciation and impairment on property, plant and equipment and intangible assets	23	(47,974)	(28,512)	(48,043)	(28,581)
Net impairment (recoveries) of trade receivables and other receivables					
Other operating costs	24	(60,633)		(11,017)	
Total costs		**(2,455,856)**	**(1,076,523)**	**(1,865,846)**	**(895,847)**
Profit (loss) on operations		**(2,440,578)**	**(1,061,245)**	**(1,846,127)**	**(876,128)**
Financial income	25	526,789,866	526,783,429	492,626,165	492,619,189
- of which dividends from subsidiaries		*523,114,371*	*523,114,371*	*492,619,189*	*492,619,189*
Borrowing expenses	26	(26,593,988)	(10,142,181)	(22,616,341)	(10,257,048)
Total financial income (expenses)		**500,195,878**	**516,641,248**	**470,009,825**	**482,362,141**
Income before taxes		**497,755,300**	**515,580,003**	**468,163,698**	**481,486,013**
Income taxes, current and deferred taxes	27	2,757,609		3,029,310	
NET INCOME FOR THE YEAR		**500,512,909**	**515,580,003**	**471,193,008**	**481,486,013**

STATEMENT OF COMPREHENSIVE INCOME

(euros) Comprehensive income items	Notes	31/12/2022	31/12/2021
Income (loss) for the year		**500,512,909**	**471,193,008**
Other comprehensive income net of taxes not transferred to income statement			
Property, plant and equipment			
Defined benefit plans			
Other comprehensive income net of taxes transferred to income statement			
Financial assets at FVTOCI			
Cash flow hedges	11-15	49,125,547	9,039,486
Total other comprehensive income net of taxes		**49,125,547**	**9,039,486**
COMPREHENSIVE INCOME		**549,638,457**	**480,232,493**

STATEMENT OF CHANGES IN EQUITY: CURRENT FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2021		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**
Change in opening					
Total equity at 1 January 2022		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**
Net income (loss) for the year					
Other comprehensive income:	10				
- cash flow hedges					49,125,547
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**49,125,547**
Comprehensive income					**49,125,547**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2021	12				
- dividends					
- retained earnings	10				
Interim dividend 2022	12				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2022		**161,514**	**32,303**	**1,315,158,486**	**52,855,285**

STATEMENT OF CHANGES IN EQUITY: PREVIOUS FINANCIAL YEAR

(euros)	Notes	Share capital	Legal reserve	Issue premium	Valuation reserves net of taxes
Total equity at 31 december 2020		**161,514**	**32,303**	**1,315,158,486**	**(5,309,748)**
Change in opening					
Total equity at 1 January 2021		**161,514**	**32,303**	**1,315,158,486**	**(5,309,748)**
Net income (loss) for the year					
Other comprehensive income:	12				
- cash flow hedges					9,039,486
- defined benefit plans					
- exchange rate differences					
- other					
Total other comprehensive income					**9,039,486**
Comprehensive income					**9,039,486**
Transactions with Shareholders					
Allocation of previous year net income/(loss):					
- interim dividend 2020	13				
- dividends					
- retained earnings	11				
Interim dividend 2021	13				
Treasury stock transactions					
Total transactions with Shareholders					
Other changes					
Total other changes					
Total equity at 31 december 2021		**161,514**	**32,303**	**1,315,158,486**	**3,729,738**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**
		500,512,909		500,512,909
				49,125,547
				49,125,547
		500,512,909		**549,638,457**
		(311,297,238)	311,297,238	
		(159,895,630)		(159,895,630)
	140	(140)		
			(331,878,967)	(331,878,967)
	140	**(471,193,008)**	**(20,581,729)**	**(491,774,597)**
2,029,920,022	**24,320,547**	**500,512,909**	**(331,878,967)**	**3,591,082,099**

Other reserves	Retained earnings	Net income (loss) for the year	Interim dividend	Total equity
2,029,920,022	**24,319,981**	**436,147,986**	**(285,695,654)**	**3,514,734,890**
2,029,920,022	**24,319,981**	**436,147,986**	**(285,695,654)**	**3,514,734,890**
		471,193,008		471,193,008
				9,039,486
				9,039,486
		471,193,008		**480,232,493**
		(285,695,654)	285,695,654	
		(150,451,906)		(150,451,906)
	426	(426)		
			(311,297,238)	(311,297,238)
	426	**(436,147,986)**	**(25,601,584)**	**(461,749,144)**
2,029,920,022	**24,320,407**	**471,193,008**	**(311,297,238)**	**3,533,218,239**

STATEMENT OF CASH FLOWS

(euros)	Notes	31/12/2022	31/12/2021
Net income		**500,512,909**	**471,193,008**
Adjustments to net income to reflect cash flow from operating activities:			
Amortisation and depreciation	23	47,974	48,043
Recoveries (impairment) on financial assets	26	1,851	352
Provisions for staff severance pay	22	3,957	5,112
Net writedowns (revaluations) from hedging activities			
Effect of accounting using the equity method			
Net losses (gains) on disposals, cancellations and eliminations of assets			
Dividends	25	(523,114,371)	(492,619,189)
Interest income	25	(3,675,494)	(6,976)
Interest expense	26	26,592,137	22,615,989
Income taxes	27	(2,757,609)	(3,029,578)
Changes in working capital:			
- Inventories			
- Trade receivables			
- Trade payables	17	55,331	6,369
- Provisions			
- Current financial assets			9,445,891
- Other assets and liabilities		72,620,559	3,288,834
Cash flow from working capital		**72,675,891**	**12,741,093**
Change in provisions for employee benefits	13	484	89
Dividends received	25	517,635,172	487,350,729
Interest received	26	1,127,299	319
Interest paid	26	(24,365,679)	(21,557,523)
Income taxes paid net of tax credits reimbursed / income from participation in the tax consolidation mechanism	6	3,138,093	4,273,013
Cash flow from operating activities		**567,822,613**	**481,014,480**
- with related parties		*582,974,584*	*493,743,736*
Investing activities:			
- Property, plant and equipment	1	(29,931)	(7,500)
- Intangible assets			(12,778)
- Companies in the scope of consolidation and business units			
- Equity investments			
- Change in payables and receivables relative to investing activities			
Cash flow from investing activities		**(29,931)**	**(20,278)**
Divestments:			
- Property, plant and equipment			
- Intangible assets			
- Equity investments			
- Change in payables and receivables relative to divestments			
Cash flow from divestments			
Net cash flow from investing activities		**(29,931)**	**(20,278)**
- with related parties			
Assumption of non-current liabilities	14	496,422,900	
Repayments of non-current liabilities			
Assumption of current liabilities	18	748,875,000	
Repayments of current liabilities	18	(1,247,100,000)	
Net equity capital injections			
Dividends distributed to shareholders	9-12	(491,774,597)	(461,749,144)
Net cash flow from financing activities		**(493,576,697)**	**(461,749,144)**
- with related parties		*(496,232,779)*	*(434,515,453)*
Net cash flow for the year	**8**	**74,215,985**	**19,245,058**
Cash and cash equivalents at start of year	**8**	**92,089,301**	**72,844,243**
Cash and cash equivalents at end of year		**166,305,286**	**92,089,301**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

INTRODUCTION

Form and content of the financial statements

The financial statements of CDP RETI have been prepared in accordance with the IFRS and comprise the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and these notes to the financial statements, as well as the Board of Directors' report on operations.

The financial statements clearly present, and give a true and fair view of, the company's financial performance and results of operations for the year, correspond with the company's accounting records and fully reflect the transactions conducted during the year.

The financial statements are expressed in euros, as are the tables in the explanatory notes. In the income statement, revenues are indicated without a sign, while costs are shown in brackets. The rounded amounts for the various items are the sum of the rounded balances of sub-items.

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

Auditing of the financial statements

The separate financial statements of CDP RETI are subject to statutory audit by the independent auditing firm Deloitte & Touche S.p.A., following award of the audit engagement for the 2020-2028 period by the Shareholders' Meeting of 10 May 2019.

Management and coordination by CDP S.p.A.

CDP RETI is 59.10% owned by CDP. The Company is subject to management and coordination by CDP. Management and coordination is performed in such a way as to avoid infringing European regulations on state aid.

I - BASIS OF PRESENTATION AND ACCOUNTING POLICIES

I. GENERAL INFORMATION

Declaration of compliance with the International Financial Reporting Standards

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as endorsed by the European Commission and in force at 31 December 2022, taking into account also the minimum reporting requirements established by the Italian Civil Code, where compatible with the standards adopted.

The international accounting standards include the IFRS issued by the IASB, the IAS still in force issued by the IASC and the interpretations issued by the IFRS Interpretation Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, even earlier, by the Standing Interpretations Committee (SIC).

General preparation principles

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

More specifically:

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

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

Reference is made to the section “Transactions with related parties” for information about the net amounts of receivables and payables and transactions with related parties.

The financial statements have been prepared in accordance with the financial reporting standards issued by the IASB (including the SIC and IFRIC interpretations) and endorsed by the European Commission pursuant to Regulation (EC) 1606 of 19 July 2002, published in Official Journal L. 243 of 11 September 2002.

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

- the Framework for the Preparation and Presentation of Financial Statements, issued by the International Accounting Standards Board (IASB) in 2001;
- Implementation Guidance, Basis for Conclusions, IFRIC interpretations, and any other documentation prepared by the IASB or IFRIC to supplement the IFRS issued;
- Interpretation documents concerning the application of the IFRS in Italy, prepared by the Organismo italiano di contabilità (Italian Accounting Board, OIC);
- Documents issued by ESMA, IOSCO and Consob with regard to assessments and disclosures required in respect of the impacts arising from: (i) COVID-19, (ii) issues related to climate change, (iii) Russia's invasion of Ukraine, (iv) issues related to the macroeconomic scenario[82].

[82] These references, for the 2022 financial statements, are represented by:

- Bank of Italy, CONSOB, IVASS and FIU Communication of 7 March 2022 “Reminder regarding compliance with the restrictive measures adopted by the EU in response to the Russian military aggression in Ukraine”;
- CONSOB warning notice of 18 March 2022 “CONSOB draws the attention of supervised issuers to the impact of the war in Ukraine on inside information and financial reporting”;
- ESMA Public Statement of 13 May 2022 “Implications of Russia's invasion of Ukraine on half-yearly financial reports” relating to the effects of the invasion of Ukraine by Russia on 2022 half-yearly financial reports prepared in accordance with IAS 34 “Interim financial reporting”;
- CONSOB warning notice no. 3/22 of 19 May 2022 on the conflict in Ukraine – Warning notice to supervised issuers on financial reporting and the obligations related to compliance with the restrictive measures adopted by the European Union against Russia;
- ESMA statement dated 28 October 2022 ‘European common enforcement priorities for 2022 annual financial reports’;
- IOSCO Statement of 14 November 2022 ‘Financial Reporting and Disclosure during Economic Uncertainty’.

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

The financial statements have been duly prepared on an accrual and going-concern basis. The general principles of the materiality and significance of information and the prevalence of substance over form have also been taken into account.

In compliance with IAS 1 Revised, CDP RETI has conducted an assessment of the Company's ability to continue to operate as a going concern, considering all available information over the medium term.

Based on analysis of this information, CDP RETI feels that it is appropriate to prepare its financial statements on a going concern basis. Please refer to the section "Other issues" of the notes to the financial statements for information on the impact of the Russian-Ukrainian conflict, rising inflation and interest rates and the general deterioration of the macroeconomic scenario.

No assets have been offset against liabilities, nor revenues against expenses, unless expressly required or allowed by an accounting standard or a related interpretation.

Use of estimates

The application of the International Financial Reporting Standards in preparing the financial statements requires the company to make accounting estimates for certain balance sheet items that are considered reasonable and realistic according to the information available at the time the estimate is made. Such estimates impact the carrying amount of the assets and liabilities, and the disclosures on contingent assets and liabilities at the reporting date, as well as the amounts reported for revenues and costs for the reporting period. Management's estimates and judgments are based on past experience and other factors considered reasonable on a case-by-case basis; they are adopted when the carrying value of assets and liabilities is not readily inferable from other sources. The actual results may therefore differ from these estimates. Changes in the conditions underlying the judgements, assumptions and estimates used could also have an impact on future earnings results.

Estimates and assumptions are subject to regular review and the effects of changes are reflected in the income statement if the review concerns only the current period; in the event that, on the other hand, the effects concern both current and future periods, the variation is recognised in the period in which the change in the estimate is made and in the relative future periods.

The main areas in which management is required to make subjective assessments are:

- the recoverable amount of equity investments: objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed at every annual reporting date. An impairment test is performed when the aforementioned evidence exists, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses;
- the fair value of interest rate swap hedging derivatives (unlisted financial instruments) using specific measurement techniques;
- leases: in the absence of observable inputs, the Company calculates the present value of the payments due under a lease by estimating the incremental borrowing rate - at the commencement date of a lease - based on assumptions that reflect the duration and contractual terms and conditions of a lease;
- the value of current and deferred tax; Deferred tax assets are recognised to the extent that future taxable income is likely to be available against which they can be recovered. The assessment of the recoverability of deferred tax assets takes into account the estimate of future taxable income.

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

Events subsequent to the reporting date

During the period between the reporting date for these financial statements and the date of their approval by the Board of Directors on (28 March 2023), no events occurred that would require an adjustment to the figures approved nor did any significant events occur that would have required providing additional information or additional reporting.

For more details, see the section "SIGNIFICANT EVENTS AFTER 31 DECEMBER 2022" of the Report on Operations in the Consolidated Financial Statements.

Other issues

New international financial reporting standards endorsed and in force from 2022, and new financial reporting standards and interpretations issued and endorsed by the European Union, but not yet in force (entry into force for financial years beginning from 1 January 2023)

As regards the new international financial reporting standards endorsed and in force from 2022, and the new standards and interpretations already issued and endorsed by the European Union, but not yet in force (date of entry into force for financial years beginning from 1 January 2023), reference is made to the Notes to the consolidated financial statements.

Issues related to climate change

CDP RETI S.p.A., as an investment vehicle, is only indirectly affected by the risk/effect profiles related to climate change. In particular, the main impacts on the parent company are related to the assessment of the value of the controlling equity investments held in the portfolio.

For information regarding the risks related to climate change, please refer to the detailed description in the specific section "IV – Information on risks and related hedging policies" of the explanatory notes to the separate financial statements.

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

At every annual reporting date, the existence of trigger events indicating that the carrying value of the equity investments might not be fully recoverable is assessed. An impairment test is performed when one or more of these events exist, to estimate the recoverable amount of the equity investments and comparing it with their carrying value, to determine the recognition of any impairment losses. When performing impairment testing, the Company takes into account the guidelines of the supervisory authorities on financial reporting aspects relating to risks, uncertainties, estimates, assumptions and valuations, as well as difficulties associated with the possible impact of climate risks on the entities under analysis.

Issues related to climate change have so far not impacted the estimation of recoverable amount (nor are they reasonably expected to do so).

Disclosure on the Russia-Ukraine conflict

In relation to the Russian-Ukrainian military conflict that broke out in February 2022, the tense situation generated at political and military level has led to significant effects and turbulence in markets, both on the financial front (with an increase in market volatility) and in terms of prices and exports of commodities. However, the rise in prices has led to an increase in inflation, with a consequent rise in interest rates, as a response from the markets and the Central Banks.

With regard to exposure to the risk profiles of CDP RETI S.p.A., the Russian-Ukrainian conflict has not generated additional risks or risk elements that are not monitored.

It should firstly be noted that the Company does not have any production activities or employees located in Russia or Ukraine, does not hold equity investments, including in joint ventures, with Russian or Ukrainian companies, and does not maintain commercial and/or financial relations with these countries. Furthermore, the Company has no current activities or investments in Russia and Ukraine, nor financing relationship with companies or financial institutions in those countries. Also with reference to the tensions in the financial markets, the Company is not exposed to the exchange rate risk.

In more general terms, however, it should be highlighted that, as the Company is a holder of significant equity investments, it is exposed to the risks typically associated with investee companies. It follows that, given its nature as a financial holding company, the performance and liquidity of the Company are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the SNAM group, the TERNA group and the ITALGAS group. Any impact on the economic and financial situation of the investee companies resulting from the consequences of the conflict, could, thus, have negative effects on the financial performance and profit or loss of CDP RETI S.p.A.. Therefore, there is still a need to constantly monitor the evolution of these elements in the current context.

As regards the availability of funding sources and the related costs, the continued geopolitical tensions between Russia and Ukraine (and the interest rate fluctuations) led to persistently high market volatility, which meant that the Company did not issue the new bond loan in the first half of 2022 (which then took place in October 2022). However, the increase in prices and the related rise in interest rates recorded in recent months did not affect the cost of the Term Loan subscribed in 2020 (for a total of 938 million) thanks to the interest rate swaps hedging derivative in place with the parent company CDP.

Notwithstanding the above and with the constant monitoring of the events by Management, it is not possible to completely exclude that the duration of the conflict could have adverse effects on CDP RETI S.p.A., which cannot be estimated based on the information available at present. In any case, the Company does not currently believe that the uncertainties are such as not to allow it to be considered capable of continuing to operate as a going concern.

Issues related to the macroeconomic scenario

The current macroeconomic context resulting from the combined effect of the residual consequences of the pandemic, inflation, rising interest rates, slowing markets, geopolitical risks and general uncertainty about future developments, has made it necessary to assess the impacts that this context can generate on the results and operations of the Company.

With reference to the estimated recoverable amount of the equity investments, to be understood as the higher of their fair value less costs to sell and their value in use, the Company considers a range of factors also relating to the unique circumstances characterised, among other things, by the instability of financial markets and the international real economy.

With regard to financial instruments, in view of the Company's current operations, there is no significant impact on other financial assets (e.g. receivables related to derivative transactions), also with respect to the measurement of expected credit losses according to IFRS 9.

II. THE MAIN FINANCIAL STATEMENT ITEMS

The accounting policies adopted in the preparation of the separate financial statements of CDP RETI S.p.A., with reference to the main financial statement items, are described in the Notes to the consolidated financial statements, to which reference is made, with the exception of the accounting policies relating to the treatment of equity investments in subsidiaries, described below.

An asset or liability is classified as "current" when its trading, realisation or settlement are expected within twelve months from the reporting date or within the normal business cycle, if after twelve months; all other assets and liabilities are classified as "non-current".

Equity investments

The equity investments held at 31 December 2022 are listed individually in Annex 1 "Analytical list of equity investments", which is an integral part of these Notes to the financial statements.

Equity investments are initially recognised at cost, as at the settlement date, including costs or revenues that are directly attributable to the transaction.

At every reporting date, objective evidence that the carrying value of the equity investments might not be fully recoverable is assessed.

Evidence of impairment, based on the existence of qualitative and quantitative indicators, as illustrated hereunder, and in accordance with the internal policies of the parent company CDP, differs where these involve investments in companies whose shares are or are not listed on active markets.

An impairment test is performed when the aforementioned indicators exist, in accordance with the provisions of IAS 36. This test is aimed at estimating the recoverable amount of the equity investment and comparing it with its carrying value to determine the recognition of any impairment losses.

The following are considered possible indicators of impairment:

- the recognition of losses[83] or significantly lower results than budgeted (or forecast in multi-year plans), if, after specific analyses, they are relevant due to their effects on the estimate of expected future cash flows in any impairment test preparation;
- significant financial difficulty of the investee;
- probability that the investee will declare bankruptcy or enter into other financial reorganisation procedures;
- a carrying value of the investment in the separate financial statements that exceeds the carrying value, in the consolidated financial statements, of the net assets of the investment (including any goodwill);
- the distribution of a higher dividend by the investee than the income in the comprehensive income (or statement of comprehensive income for financial companies) in the year when it is declared.

With reference to listed equity investments, the following are also considered indicators of impairment:

- a reduction in the market price exceeding the carrying value by over 40%;

[83] The recognition of losses may not be considered relevant if in line with the budget and/or business plan objectives of the equity investment (e.g. investments recently made); on the contrary, losses attributable to cases provided for by the Italian Civil Code (e.g. Articles 2446, 2447) are always considered relevant.

- a market price below the carrying value for a period of 24 months;
- a value of the net assets in the consolidated financial statements higher than the market price;
- a downgrade of the rating of at least four notches from the time when the investment was made, if assessed as relevant together with other available information[84].

The recoverable amount of the unit is the higher between fair value less costs of disposal and the value in use, being the present value of the future cash flows that the equity investment may generate, including the final disposal value of the investment. If the recoverable amount is lower than the carrying value and if there is persistent or significant impairment, the difference is recognised in the income statement as an impairment loss. If the reasons that led to the recognition of the impairments cease to exist, the impairment losses are reversed, while recognising the effect of this adjustment in the income statement under "Income (expenses) from equity investments".

The investor's interest in any losses of the investee that exceed the carrying value of the equity investment is recognised in a specific provision, to the extent that the investor is committed to meeting the legal or constructive obligations of the investee, or otherwise cover its losses.

The dividends are recognised when the investor has the right to receive payment for it (resolution to distribute dividends passed by the shareholders' meeting of the investee or the board of directors, if an advance on the dividend is received). The dividends resolved by the subsidiaries are recognised in the income statement when they are resolved and recognised as financial income regardless of the nature of the distributed reserves (equity or profit reserves and, in this latter case, even when these profits derive from the distribution of profit reserves that were established before the acquisition of the equity investment). In any event, considering that the distribution of those reserves represents an event implying a reduction in the value of the equity investment, the Company verifies the recoverability of the carrying value of the equity investment and, if appropriate, recognises an impairment.

Equity investments are derecognised when the contractual rights to the cash flows from the assets expire or when the financial asset is sold, substantially transferring all risks and rewards connected with it.

Cash and cash equivalents

Cash and cash equivalents include on-demand or near term deposits, as well as short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They are measured at their nominal amount, which corresponds to fair value.

Financial liabilities measured at amortised cost

This item mainly includes loans granted to the Company by the parent company or by banks, as well as the issuance of the bond in October 2022 which is listed at the regulated market of the Irish Stock Exchange (Euronext Dublin Regulated Market). Financial liabilities hedged by derivatives aimed at hedging the risk of changes in cash flows (cash flow hedge derivatives) continue to be measured at amortised cost, in accordance with the procedures set out in IAS 39 for hedge accounting. Financial liabilities other than derivative instruments are recognised when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value adjusted for directly attributable transaction costs. The financial liabilities are subsequently measured at amortised cost, using the effective interest rate method. Financial liabilities are derecognised when settled or when the contractual obligation has been satisfied, cancelled or has expired. When an existing financial liability is replaced by another to the same creditor on substantially different terms, or the terms of an existing liability are substantially modified, that replacement or modification is treated as a derecognition of the original liability and a recognition of a new liability. The difference between the respective carrying amounts is recognised in the income statement.

Hedging derivatives and hedge accounting

As permitted by IFRS 9, the Company has chosen to continue to apply the hedge accounting provisions of IAS 39 instead of the provisions of IFRS 9.

The derivative entered into by the Company is aimed at hedging the exposure to interest rate risk. More specifically, in May 2020 the Company entered into a derivative with its parent company CDP S.p.A. that hedges the risk of changes in the cash flows of the hedged instruments (cash flow hedge).

Derivatives, including embedded derivatives, are assets and liabilities recognised at fair value. A derivative is a financial instrument or other contract:

[84] The downgrade of the equity investment's credit rating is not, in itself, evidence of impairment, although it may be an indication to that effect; therefore, such a trigger is considered relevant only when activated together with at least another impairment trigger.

- whose value changes in relation to variations in a parameter defined as the "underlying", such as an interest rate, security or commodity price, foreign exchange rate, index of prices or rates, credit rating or other variable;
- that requires an initial net investment of zero, or less than what would be required for contracts with a similar response to changes in market conditions;
- that is settled at a future date.

In line with the provisions of IAS 39, in order to classify a transaction as a fair value hedge or a cash flow hedge, formal documentation is prepared at the inception of the hedge that describes the risk management strategies and objectives and identifies the hedging instrument, the instrument hedged, the nature of the hedged risk and how it will be assessed to determine whether the hedging relationship meets the hedge effectiveness requirements. When derivatives qualify for hedge accounting, changes in the fair value of derivatives that are considered effective are initially recognised in the equity reserve relating to other comprehensive income and subsequently recognised in profit or loss in accordance with the income effects produced by the hedged transaction[85]. The ineffective portion of the hedge is recognised immediately through profit or loss for the year.

Income taxes

Current income taxes are calculated on the basis of the estimated taxable income. Income taxes are recognised in the income statement, with the exception of those relating to items directly charged or credited to an equity reserve; in such cases the related tax effect is recognised directly in the respective equity reserves.

With regard to corporate income tax (IRES), CDP RETI, as a consolidated entity, has exercised the option of participating in the national fiscal consolidation together with its parent company CDP S.p.A. Under the group taxation rules, subsidiaries with taxable income are required to pay the tax due to the parent company CDP S.p.A. This taxable income is adjusted to take into account the recovery – based on the group's capacity – of negative components that would have been non-deductible without the consolidation (e.g. interest expense) and the ACE benefit.

Deferred income tax assets and liabilities are calculated on the temporary differences between the values of the assets and liabilities recognised in the financial statements and the corresponding values recognised for tax purposes based on the rates and regulations, applicable in the years when the temporary difference will reverse, approved at the end of the reporting financial year. Deferred tax assets are recognised when their recovery is considered likely and their recoverability is verified at least annually. When the results of operations are recognised directly in equity, the current taxes and the deferred tax assets and liabilities are also recognised in equity.

[85] For derivatives for which no hedging relationship has been designated, changes in value since initial recognition are recognised directly through profit or loss.

II - INFORMATION ON THE BALANCE SHEET

I. ASSETS

Non-current assets

1. Property, plant and equipment

Below is a breakdown of property, plant and equipment, which had a net value of 101 thousand euro at 31 December 2022, referring to the rights of use acquired through lease (RoU)[86]. More specifically, the item includes the value of the right of use following the execution - in the last quarter of 2020 - of the lease contract (entered into with CDP IMMOBILIARE as lessor) regarding portions of the property situated at Via Alessandria 220 (Rome). As specified in section "X.1 Lessee", during the period, following a review of the logistics hubs, the total duration of the contract and consequently the residual possibility of using the premises of Via Alessandria were revised. The initially planned duration (6+6 years) was prudentially reduced to only the first 6 years without exercising the tacit renewal option, consequently showing a lower RoU balance compared to the previous period. The property is used for office and management purposes.

See section "X – Disclosure of leases" for additional information on the accounting method and note 14 "Loans" for the impact on liabilities connected to leased assets.

Property, plant and equipment: breakdown

(euros)	31/12/2022			31/12/2021		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Owned						
Right of use acquired under leases ex IFRS 16						
Buildings	167,783	(66,333)	101,450	343,127	(37,821)	305,306
Plant and equipment						
Other plant and equipments						
Other assets						
Assets under development and advances						
Total	**167,783**	**(66,333)**	**101,450**	**343,127**	**(37,821)**	**305,306**

[86] Right of Use (by the Lessee) of an asset for a specific period of time upon paying consideration to the lessor. To this end, we remind you that adoption of the new IFRS 16 (Leases) from 1 January 2019 requires lease contracts to be recorded by recognising a financial liability in the balance sheet, equal to the present value of future lease payments, upon recognition under assets of the right of use of the leased asset.

Property, plant and equipment: changes for the year

(euros) Items/Figures	Buildings	Plant and equipments	Other plant and equipments	Other assets	Assets under development and advances	Total
Gross opening balance	343,127					343,127
of which Right of use IFRS 16	*343,127*					*343,127*
Provision for amortisation, depreciation and impairment - opening balance	(37,821)					(37,821)
of which Right of use ex IFRS 16	*(37,821)*					*(37,821)*
Net opening balance	**305,306**					**305,306**
of which Right of use IFRS 16	***305,306***					***305,306***
Gross amount: change for the period	**305,306**					305,306
Investments						
of which Right of use IFRS 16						
Provision for amortisation, depreciation and impairment: change for the period						
Depreciation for the period	(28,512)					(28,512)
of which Right of use IFRS 16	*(28,512)*					*(28,512)*
Other changes	(175,344)					(175,344)
of which Right of use IFRS 16	*(175,344)*					*(175,344)*
Provision for amortisation, depreciation and impairment - closing balance	**(241,677)**					**(241,677)**
of which Right of use IFRS 16	***(241,677)***					***(241,677)***
Net closing balance	**101,450**					**101,450**
of which Right of use IFRS 16	***101,450***					***101,450***

2. Intangible assets

The following table illustrates the breakdown of intangible assets at 31 December 2022, entirely referring to "*Concessions, licenses, trademarks and similar rights*". The gross value, equal to approximately 93 thousand euro, includes costs incurred to purchase software applications and user licences and the relative portion of the design and implementation phase. Accrued amortisation at the end of 2022, totalling 43 thousand euro and calculated annually on a straight-line basis over the remaining useful life (no more than five years), affected the residual net value of 50 thousand euro at the end of 2022.

Intangible assets: breakdown

(euros)	31/12/2022			31/12/2021		
Items/Figures	Gross amount	Provision for amortisation, depreciation and impairment	Net value	Gross amount	Provision for amortisation, depreciation and impairment	Net value
Goodwill						
Service concession agreements						
Industrial patent and intellectual property rights						
Concessions, licenses, trademarks and similar rights	92,966	(43,253)	49,713	92,966	(23,791)	69,175
Other intangible assets						
Assets under development and advances						
Total	**92,966**	**(43,253)**	**49,713**	**92,966**	**(23,791)**	**69,175**

Intangible assets: changes for the year

(euros) Items/Figures	Industrial patent and intellectual property rights	Concessions, licenses, trademarks and similar rights	Other intangible assets	Assets under development and advances	Total
Gross opening balance		92,966			92,966
Provision for amortisation, depreciation and impairment - opening balance		(23,791)			(23,791)
Net opening balance		**69,175**			**69,175**
Gross amount: change for the period					
Investments					
Transfers					
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Provision for amortisation, depreciation and impairment - change for the period					
Depreciation for the period		(19,462)			(19,462)
Disposals					
(Writedowns)/Writebacks					
Other changes					
Reclassifications					
Gross closing balance		**92,966**			**92,966**
Provision for amortisation, depreciation and impairment - closing balance		**(43,253)**			**(43,253)**
Net closing balance		**49,713**			**49,713**

3. Equity investments

The net amount of this item refers to the value of controlling equity investments that CDP RETI owns in SNAM S.p.A., Terna S.p.A., and Italgas S.p.A. When impairment indicators are identified (provided for in IAS 36 and the supplementary indicators), the recoverable amount is verified, considering the higher of fair value (net of disposal costs) and value in use. The fair value is generally determined based on stock market prices[87]. The value in use estimate (understood as the present value of the future cash flows that the equity investment is expected to generate) is determined based on valuation practices deemed to be in line with the best practices identified on a case-by-case basis. The estimate of recoverable amount of the equity investments recognised in the financial statements was made by determining the fair value. In this respect, please note that the equity investments in question passed the impairment tests.

There were no changes in the value of equity investments in the period and the breakdown of the item is as follows:

Equity investments: breakdown

(euros) Names	31/12/2022	31/12/2021
Italgas SpA	621,032,150	621,032,150
SNAM SpA	3,086,832,661	3,086,832,661
Terna SpA	1,315,200,000	1,315,200,000
Total	**5,023,064,811**	**5,023,064,811**

[87] More specifically, on the basis of the weighted average price for the traded volumes recorded in the month preceding the reference date of the valuation.

Equity investments in subsidiaries, joint operations and companies subject to significant influence: information on investments

Names	Registered office	% holding
1. Italgas S.p.A.	Milan	26.01%
2. SNAM S.p.A.	San Donato Milanese (MI)	31.35%
3. Terna S.p.A.	Rome	29.85%

Please note that on 10 March 2022, in implementation of the incentive plan called "2018-2020 Co-Investment Plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting on 19 April 2018 - and the decision of the Board of Directors of ITALGAS to freely assign a total of 477,364 new ordinary shares of the Company to the beneficiaries of the Plan (the so-called second cycle of the Plan) and launch the execution of the second tranche of the capital increase approved by the aforementioned Shareholders' Meeting, CDP RETI's equity investment in ITALGAS went from 26.02% to 26.01%.

Equity investments in subsidiaries, joint operations and companies subject to significant influence: accounting information

(million of euro)

Names	Total assets (1)	Total revenues (1)	Net income (loss) (1)	Equity (1)	Carrying amount	Type of transaction
Italgas SpA	11,007	2,312	407	2,391	621	Control
SNAM SpA	32,393	3,515	672	7,524	3,087	Control
Terna SpA	22,803	2,964	858	6,169	1,315	Control

(1) Data from the 2022 Annual Report - Consolidated Financial Statements

The table below shows the changes in equity investments:

Equity investments: changes for the year

(euros)

Items/Figures	31/12/2022	31/12/2021
A. Opening balance	**5,023,064,811**	**5,023,064,811**
B. Increases		
B.1 Purchases		
B.2 Writebacks		
B.3 Revaluations		
B.4 Other increases		
C. Decreases		
C.1 Sales		
C.2 Writedowns		
C.3 Other decreases		
D. Closing balance	**5,023,064,811**	**5,023,064,811**
E. Total revaluations		
F. Total impairments		

The share certificates (dematerialised) of equity investments in Italian subsidiaries held by CDP RETI S.p.A. are kept at the premises of the parent company CDP S.p.A. based on a securities custody and administration deposit contract signed by the parties.

4. Non-current financial assets

Non-current financial assets originate from the fair value measurement (level 2) of the cash flow hedge derivative contract entered into by the company to hedge the interest-rate risk connected to the overall Term Loan Facility. During the financial year, the overall Mark to market of the IRS derivative was positive for 77,595 thousand euro, up sharply compared with the previous year when the overall valuation showed a positive balance of 4,971 thousand euro.

The characteristics of the derivative contract are described in the Report on Operations of CDP RETI S.p.A., in the section on Net financial debt and cash flows.

(euros) Items/Figures	31/12/2022 Carrying amount	L1	L2	L3	31/12/2021 Carrying amount	L1	L2	L3
Hedging derivatives								
Hedging derivatives	77,594,961		77,594,961		4,970,701		4,970,701	
Total	**77,594,961**		**77,594,961**		**4,970,701**		**4,970,701**	

5. Deferred tax assets

Following below is a breakdown of "Deferred tax assets" recognised at 31 December 2022 for a total amount of 21 thousand euro (20 thousand euro at 31 December 2021).

Deferred tax assets: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Deferred IRES	20,115	19,369
Deferred tax assets recognized in equity	495	705
Total	**20,610**	**20,074**

Deferred IRES is calculated on temporary differences between accounting and tax values that will become deductible in years following that in which they are recognised.

The deferred tax assets with an impact on shareholders' equity are instead attributable to the deferred tax recognised on the changes in the cash flow hedge reserve arising from the payment of a fee to the counterparty (i.e. the parent company CDP) in order to offset the difference in value (so-called Mark to Market) between the IRS derivative calculated with the EONIA rate (used until 4 May 2021 as the discount rate for the purposes of valuing the derivative) and the IRS value calculated with the €STR rate (used as the new discount rate). In this regard, in fact, CDP and CDP RETI opted to proceed with the early implementation – starting in May 2021 – of the reform of the interest rates of the European money market (Regulation 2016/1011 - Benchmark Regulation, BMR, which, from 03/01/2022, no longer provides for the publication of EONIA rates by the ECB).

The following tables indicate the change in deferred tax assets during the financial year:

Change in deferred tax assets (recognised in the income statement)

(euros) Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**19,369**	**19,560**
2. Increases	**19,644**	**19,019**
2.1 Deferred tax assets recognised during the year	19,644	19,019
a) in respect of previous periods		
b) due to change in accounting policies		
c) writebacks		
d) other	19,644	19,019
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**18,899**	**19,211**
3.1 Deferred tax assets derecognised during the year	18,899	19,211
a) reversals	18,899	19,211
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**20,115**	**19,369**

Change in deferred tax assets (recognised in equity)

(euros)

Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**705**	**2,205,521**
2. Increases	**495**	**705**
2.1 Deferred tax assets recognised during the year	495	705
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	495	705
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**705**	**2,205,521**
3.1 Deferred tax assets derecognised during the year	705	2,205,521
a) reversals	705	2,205,521
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**495**	**705**

The reduction in deferred tax assets, recognised at 31 December 2022 for 495 euro, was due to the decrease in the equity reserve created following the change in the discount rates of the IRS derivative (transition, as mentioned, from EONIA to €STR), with the consequent recognition of deferred tax assets.

6. Income tax receivables

The balance of “Income tax receivables” includes assets related to current taxes, and in particular the tax receivables for IRAP, whose balance is lower compared to 2021 as it was used to offset the payment of tax payables during the financial year.

In addition, the item includes the net balance of the VAT receivable for a total of 30 thousand euro, deriving from the net position between advance VAT paid, amounting to 68 thousand euro, and the VAT due for the month of December, amounting to 38 thousand euro.

Income tax receivables: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
IRAP receivables	36,023	109,566
VAT Advance	30,127	
Total	**66,150**	**109,566**

7. Other current assets

The following table shows the breakdown of “Other current assets”, which at 31 December 2022 amounted to 118,768 thousand euro (113,548 thousand euro at 31 December 2021):

Other current assets: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Receivables from CDP for tax consolidation	2,822,613	3,092,991
Receivables from CDP for tax consolidation: withholdings	1,674	1,686
Receivables from SNAM for interim dividend	115,906,134	110,426,935
Other current assets	37,636	26,225
Total	**118,768,056**	**113,547,836**

As at 31 December 2022, the amount due from SNAM S.p.A. was recognised under other current assets. The receivable refers to the advance on the 2022 dividend, which was approved by its Board of Directors on 9 November 2022 and amounts to 0.11 euro per share. CDP RETI received the advance on 25 January 2023.

Current assets also include the net amount due from the parent company CDP as a result of the tax consolidation mechanism, including:

- receivables of 73 thousand euro resulting from the excess 2022 ACE (aid to economic growth tax incentive) transferable to tax consolidation;
- receivables of 2,750 thousand euro resulting from excess interest expense that cannot be deducted at individual level but can be transferred to tax consolidation.

The other current assets mainly refer, instead, to the deferral of costs arising during the financial year but related to the following financial year.

8. Cash and cash equivalents

“Cash and cash equivalents” of CDP RETI, equal to 166 million euro and up (+74 million) with respect to the comparable period due to the cash flow generated by operations (568 million), which was higher than the cash flow used in financing activities (494 million), consisted of the following at 31 December 2022:

- balance of bank current accounts;
- balance of the interest-bearing demand deposit held with the parent company CDP.

The table below summarises cash and cash equivalents at 31 December 2022 including interest accrued and not yet paid.

Cash and cash equivalents: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Deposit with CDP	40,088,818	12,400,770
Banks	126,216,467	79,688,530
Total	**166,305,286**	**92,089,301**

II. LIABILITIES

Equity

9. Share capital

Share capital: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Share capital	161,514	161,514
Total	**161,514**	**161,514**

At 31 December 2022, the share capital consisted of 161,514 shares without par value (likewise at 31 December 2021), fully paid in.

During the year there were no changes to the ownership structure, which is therefore unchanged from the following situation resulting from the introduction, at the shareholders' meeting of 24 November 2014, of three separate categories of shares giving holders different rights concerning corporate governance:

Share capital: categories of shares

Member / Number of shares / %	Share category A	Share category B	Share category C	%
CDP	95,458			59%
State Grid		56,530		35%
Cassa Forense			4,253	3%
Foundations and Savings Banks			5,273	3%
Total	**95,458**	**56,530**	**9,526**	**100%**

10. Reserves

At 31 December 2022, the company reported the following “Reserves”:

Reserves: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Income reserves	24,352,849	24,352,709
Legal reserve	*32,303*	*32,303*
Retained earnings (losses carried forward)	*24,320,546*	*24,320,407*
Share premium reserve	1,315,158,486	1,315,158,486
Reserve for shareholder payments for investments	2,029,920,022	2,029,920,022
Total	**3,369,431,357**	**3,369,431,217**

The item "Reserve for shareholder payments for investments" included the residual value of the payment made by CDP to fund the purchase of the equity investment in SNAM.

At 31 December 2022, the company did not hold treasury shares directly or indirectly through its subsidiaries or intermediaries.

Information required by Article 2427, point 7-bis, of the Italian Civil Code on the individual details of equity items is given, specifying their origin, possible use and possible distribution.

Statement pursuant to Article 2427 of the Italian Civil Code

(euros) Items/Figures	Balance at 31/12/2022	Possible uses (*)	Amount available
Share capital	161,514		
Reserves			
- Legal reserve	32,303	B	32,303
- Retained earnings	24,320,546	A, B, C	24,320,546
- Share premium reserve (**)	1,315,158,486	A, B, C	1,315,158,486
- Shareholder payments for investments	2,029,920,022	A, B, C	2,029,920,022
Valuation reserves			
- CFH reserve	52,855,285		
Advances on dividends	(331,878,967)		
Total	**3,090,569,189**		**3,369,431,357**

(*) A = capital increase; B = loss coverage; C = distribution to shareholders

(**) Share premium reserve is fully available for distribution since Legal reserve reached a fifth of Share capital

11. Valuation reserves

Valuation reserves recorded a change mainly due to the measurement of the cash flow hedge derivative entered into by the company in May 2020, net of deferred tax, and to a lesser extent to the recognition of a reserve recorded against the replacement of the Eonia rate with the €STR rate.

Valuation reserves: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Valuation reserves CFH Swap	52,855,285	3,729,738
Total	**52,855,285**	**3,729,738**

12. Advances on dividends

Having satisfied the requirements of Article 2433-bis of the Italian Civil Code, on 21 November 2022 the company resolved to distribute advances on dividends for 2022, amounting to 2,054.80 euro per share, for a total of 331,878,967.20 euro to be paid on 30 November 2022.

Advances on dividends: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Interim dividend	(331,878,967)	(311,297,238)
Total	**(331,878,967)**	**(311,297,238)**

Non-current liabilities

13. Provisions for employee benefits

At 31 December 2022, the company's non-current liabilities in provisions for employee benefits amounted to 4,955 euro relative to the provision for staff severance pay made in accordance with current regulations for employees.

The balance of the provision increased compared to the previous financial year as a result of the amounts set aside in the period.

For further details, reference should be made to section "3. Organisational structure" in the "Group's Report on Operations".

Staff severance pay: annual changes

(euros) Items/Figures	31/12/2022	31/12/2021
A. Opening balance	**998**	
B. Increases	**3,957**	**998**
B.1 Allocation in the year	3,957	998
B.2 Other increases		
C. Decreases		
C.1 Payments made		
C.2 Other decreases		
D. Closing balance	**4,955**	**998**

14. Loans

The total of medium/long-term "Loans" at 31 December 2022, considering the current portion and the non-current portion, amounted to 1,441 million euro (1,695 million euro at 31 December 2021). See note 18. Current financial liabilities for debt related to the short-term Bridge Loan.

The breakdown of loans is shown in the table below.

Loans: breakdown

(euros)	31/12/2022		31/12/2021	
Items/Figures	Non current	Current	Non current	Current
Bond	496,419,241	5,377,391		758,098,877
Lease liability	79,123	27,022	281,420	27,619
Term loan facility 2020	935,818,848	3,483,834	935,091,090	560,080
Total	**1,432,317,212**	**8,888,247**	**935,372,510**	**758,686,576**

At 31 December 2022, the amount of 1,432 million euro included in the non-current portion of loans included:

- 936 million euro for the total Term Loan Facility signed in May 2020;
- the non-current portion of the lease liability for the lease of the property portions in Via Alessandria 220. The balance decreased compared to 31 December 2021 due to the aforementioned reorganisation of the logistics hubs, resulting in a reduction in the liability incurred due to the simultaneous reduction in the asset item Property, Plant and Equipment. The total of cash outflow for leases included: (i) payments for the principal repayments of the liability for leased assets of 120 thousand euro; (ii) payments for interest expense of 14 thousand euro. For more details, see "X-Disclosures of leases";
- the unsubordinated and unsecured fixed-rate bond for a nominal value of 500 million euro issued by CDP RETI in October 2022. This liquidity was fully used to repay part of the debt deriving from the two short-term loan agreements signed in May 2022, and maturing in May 2023, i.e., 50% from CDP S.p.A. and the remaining 50% from a pool of banks (Bridge Loan).

With regard to the breakdown of the current portion of loans, there was a decrease compared to the previous year. The significant reduction compared to 2021 was mainly due to the repayment – in May 2022 – of the bond issued in 2015 (classified at the end of 2021 in the current portion).

The breakdown of non-current loans into loans agreed or subscribed by the parent company CDP or by the lending banks or by other institutional investors is provided in the table below:

Non-current loans: breakdown by type of creditor

(euros) Items/Figures	31/12/2022 CDP	31/12/2022 Other Istitutional Investors	31/12/2022 Pool of Banks	31/12/2021 CDP	31/12/2021 Other Istitutional Investors	31/12/2021 Pool of Banks
Bond	148,925,772	29,785,154	317,708,314			
Lease liability		79,123			281,420	
Term loan facility 2020	221,570,068		714,248,780	221,397,760		713,693,330
Total	**370,495,840**	**29,864,277**	**1,031,957,094**	**221,397,760**	**281,420**	**713,693,330**

15. Deferred tax liabilities

Deferred tax liabilities amounted to 23,583 thousand euro (2,875 thousand euro at 31 December 2021) and are broken down as follows:

Deferred tax liabilities: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Deferred tax liabilities recognized in equity	22,191,765	1,549,934
Deferred tax liabilities recognized in PL	1,390,874	1,325,123
Total	**23,582,638**	**2,875,058**

Deferred tax liabilities with an impact on equity resulted from the recognition of the Interest Rate Swap (IRS) derivative contract entered into to hedge the Term Loan Facility. With respect to the comparison period, the item included deferred taxes due to the mark to market dynamics, which recorded an overall positive value of 77,595 thousand euro, a net improvement with respect to the comparison period (approximately +73 million euro) and consequently with a correlated impact on taxes.

Deferred tax liabilities recognised in the income statement originate from the recognition of tax on the 2022 dividend advance approved by SNAM in November 2022 and collected on 25 January 2023.

The table below shows the changes in deferred tax liabilities.

Deferred tax liabilities recognised in Equity: changes

(euros) Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**1,549,934**	
2. Increases	**22,191,765**	**1,549,934**
2.1 Deferred tax liabilities recognised during the year	22,191,765	1,549,934
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	22,191,765	1,549,934
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**1,549,934**	
3.1 Deferred tax liabilities derecognised during the year	1,549,934	
a) reversals	1,549,934	
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**22,191,765**	**1,549,934**

Deferred tax liabilities recognised in the Income Statement: changes

(euros) Items/Figures	31/12/2022	31/12/2021
1. Opening balance	**1,325,123**	**1,261,902**
2. Increases	**1,390,874**	**1,325,123**
2.1 Deferred tax liabilities recognised during the year	1,390,874	1,325,123
a) in respect of previous periods		
b) due to change in accounting policies		
c) others	1,390,874	1,325,123
2.2 New taxes or increases in tax rates		
2.3 Other increases		
3. Decreases	**1,325,123**	**1,261,902**
3.1 Deferred tax liabilities derecognised during the year	1,325,123	1,261,902
a) reversals	1,325,123	1,261,902
b) writedowns for supervening non-recoverability		
c) due to change in accounting policies		
d) other		
3.2 Reduction in tax rates		
3.3 Other decreases		
4. Closing balance	**1,390,874**	**1,325,123**

Current liabilities

16. Current loans

This item includes the current portion of the loans described above, i.e., almost the entire amount of interest and the coupons maturing and expiring within the following financial year, as well as, for the remaining part, the lease liabilities due within the following year. The table below shows the breakdown of the item at 31 December 2022:

Current loans: breakdown by type of creditor

(euros)	31/12/2022			31/12/2021		
Items/Figures	CDP	Other Istitutional Investors	Pool of Banks	CDP	Other Istitutional Investors	Pool of Banks
Bond	1,613,217	322,643	3,441,530	341,144,495	416,954,382	
Lease liability		27,022			27,619	
Term loan facility 2020	824,853		2,658,980	132,608		427,472
Total	**2,438,071**	**349,665**	**6,100,511**	**341,277,103**	**416,982,001**	**427,472**

The decrease from 758,687 thousand euro at 31 December 2021 to 8,888 thousand euro at 31 December 2022 was mainly due to the aforementioned repayment of the 750 million euro bond (included at the end of 2021 under current liabilities), only marginally absorbed by the interest on the Bond issued in October 2022 (approx. 5.4 million euro) with financial impact in October 2023.

With regard to the current portions of the Term Loan to be repaid within the following year, an increased balance compared to 2021 was recorded due to the interest rate dynamics.

17. Trade payables

"Trade payables" at 31 December 2022 refer to payables to suppliers related to normal company operations and are broken down as follows:

Trade payables: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Trade payables	58,541	18,943
Trade payables for invoices to receive	77,911	62,177
Total	**136,452**	**81,120**

18. Current financial liabilities

“Current financial liabilities” at 31 December 2022 amounting to 329,173 thousand euro refer to:

- the recognition of the payable with the parent company CDP for the margin received from it in fulfilment of the Credit Support Agreement signed at the time of subscription of the cash flow hedge. The increase in the balance compared to the previous year is due to the trend of the mark to market of the hedge derivative;
- the residual value of the short-term loan (Bridge Loan) subscribed in May 2022 by the company and partially repaid by using the liquidity from the new bond issue.

Furthermore, note that at 31 December 2022, CDP RETI did not have any credit facilities available. For information on financial covenants, see the paragraph “Default risk and debt covenants” in section “IV - INFORMATION ON RISKS AND RELATED HEDGING POLICIES”.

(euros)

Items/Figures	31/12/2022	31/12/2021
Loans to CDP for CSA	75,883,629	2,959,826
Bridge loan	253,289,032	
Total	**329,172,661**	**2,959,826**

For more information on refinancing strategies and methods, see section “5. BUSINESS OUTLOOK” of the Report on Operations of the Group.

19. Other current liabilities

"Other current liabilities" refer to short-term payables that will be paid within the financial year following the reporting date. The item mainly includes payables to the parent company CDP S.p.A. for existing service agreements, payables to corporate bodies, remuneration to be paid to members of the Board of Directors and tax payables.

Other current liabilities: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Tax payables	21,329	74,593
Payables to parent companies	488,669	700,783
Payables due to pension and social security institutions	7,392	4,973
Other payables	269,384	202,095
Total	**786,774**	**982,444**

The table below shows the breakdown of tax payables, consisting of the tax withheld by the Company on behalf of its employees and independent contractors, which is paid to the revenue authorities the month after being withheld.

Tax payables: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Irpef withholdings on employees	12,469	7,854
Irpef withholdings on professionals	8,861	744
Other tax payables		65,994
Total	**21,329**	**74,593**

The table below provides a breakdown of payables to the parent company, which are mostly related to the service agreements with CDP in order to provide the Company with all the skills and services that are key for the correct performance of its business, recognised by the Company in the financial statements at 31 December 2022:

Payables to parent companies: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Administrative services	374,285	568,100
Seconded personnel	74,074	84,663
Payables to directors to pay to CDP	40,000	38,740
Other payables	310	9,281
Total	**488,669**	**700,784**

Payables to pension and social security institutions as at 31 December 2022 amounted to 7 thousand euro, substantially in line with the previous year, and refer to payables to INPS recognised in December 2022 with reference to the fixed and variable remuneration of employees, as shown in the table below.

Payables due to pension and social security institutions: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Payables to INPS	7,117	4,973
Payables to INAIL	275	
Total	**7,392**	**4,973**

Other payables amounted to 269 thousand euro (202 thousand euro at 31 December 2021) and are broken down as follows:

Other payables: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Due to company bodies	142,508	137,385
Payables to employees	124,957	63,275
Payables to pension fund	1,919	1,436
Total	**269,384**	**202,096**

Payables to corporate bodies refer to remuneration accrued by members of the Board of Directors, during the year that is transferred to the shareholder SGEL, as well as the remuneration due to the Board of Statutory Auditors.

Payables to employees primarily originate from recognition under CDP RETI liabilities of deferred remuneration accrued by employees (including employees on secondment), and from year-end adjustments of the provision for vacation accrued but not used at 31.12.2022.

Disclosures on the fair value measurement of financial instruments

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

(euros)	31/12/2022			31/12/2021		
Items/Figures	L1	L2	L3	L1	L2	L3
Non-current financial assets		77,594,961			4,970,701	
Current financial assets						
Total		**77,594,961**			**4,970,701**	
Non-current financial liabilities						
- Other financial liabilities						
Current financial liabilities						
- Current financial liabilities						
Total						

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

(euros)	31/12/2022				31/12/2021			
Items/Figures	CA	L1	L2	L3	CA	L1	L2	L3
Non-current assets								
Current assets								
- Current financial assets								
- Cash and cash equivalents	*166,305,286*			*166,305,286*	*92,089,301*			*92,089,301*
Total	**166,305,286**			**166,305,286**	**92,089,301**			**92,089,301**
Non-current liabilities								
- Loans	*1,432,317,212*			*1,432,317,212*	*935,372,510*			*935,372,510*
Current liabilities								
- Current portion of loans	*8,888,247*	*5,404,413*		*3,483,834*	*758,686,576*	*758,098,877*		*560,080*
- Current financial liabilities	*329,172,661*			*329,172,661*	*2,959,826*			*2,959,826*
Total	**1,770,378,119**	**5,404,413**		**1,764,973,707**	**1,697,018,911**	**758,098,877**		**938,892,416**

Other information

Guarantees issued and commitments

The Company did not issue any guarantees or make commitments recognised in the memorandum accounts.

Assets pledged as collateral for own debts and commitments

No collateral or guarantees were pledged either directly or indirectly in the interest of third parties.

Owned securities deposited with third parties

The 1,053,692,127 shares of SNAM S.p.A., the 599,999,999 shares of Terna S.p.A., and the 210,738,424 shares of Italgas S.p.A. owned by CDP RETI are held at the parent company CDP.

III - INFORMATION ON THE INCOME STATEMENT

REVENUES

20. Other revenues and income

This item, with a balance of 15 thousand euro (20 thousand euro at 31 December 2021), refers to the charge-back to State Grid International Development of the costs incurred by CDP RETI for the audit performed (by the independent auditors Deloitte) on behalf of State Grid on the reporting package at 31 December 2021.

Other revenues and income: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Other income	15,278	19,719
Rounding		
Totale	**15,278**	**19,719**

OPERATING COSTS

21. Services

Costs for services incurred in 2022, amounting to 1,728 thousand euro (1,340 thousand euro in 2021), mainly refer to service contracts with CDP S.p.A. and costs for professional services received in the period (e.g., translation, legal, notary, legal audit services). In this regard, the increase in the item is mainly attributable to the costs related to the issue of the 2022 bond (including the advice provided by the various professionals who participated in the company's refinancing transaction).

Services: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Professional and financial services	918,599	614,371
Outsourcing CDP	695,053	637,743
General and administrative services	92,323	74,723
Utilities and other expenses	22,195	13,236
Total	**1,728,170**	**1,340,072**

The 2022 fees for the independent auditors Deloitte & Touche S.p.a., as provided by Article 149 - duodecies, paragraph 2, of Consob Resolution no. 11971 of 14 May 1999, as amended, are summarised below:

Independent auditors' fees:

(euros)

Type of service/Values	Service Provider	Fees for the year
Auditing	Deloitte & Touche S.p.A.	106,106
Certification		59,145
Other services		
Total		**165,251**

22. Staff costs

Staff costs at 31 December 2022 amounted to 619 thousand euro (467 thousand euro at 31 December 2021) and are broken down as shown in the table below:

Staff costs: breakdown

(euros) Items/Figures	31/12/2022	31/12/2021
Employees	296,612	184,508
Other personnel in service		
Board of Directors and Board of Auditors	163,777	163,494
Retired personnel		
Recovery of expenses for employees seconded to other companies		
Reimbursement of expenses for third-party employees seconded to the Company	158,690	118,712
Total	**619,078**	**466,714**

For further information on the organisational structure, reference is made to paragraph “3.1. The organisational structure” in the Report on Operations of the Group.

Average number of employees

The average number of employees broken down by job category is illustrated in the following table:

Average number of employees

Items/Figures	31/12/2022	31/12/2021
Senior Managers		
Middle Managers	2	1
Office staff		
Manual workers		
Total	**2**	**1**

23. Amortisation, depreciation and impairment of property, plant and equipment and intangible assets

The balance of depreciation/amortisation and impairments was 48 thousand euro, in line with the previous period, and is broken down as shown in the table below:

Amortisation, depreciation and impairment of property, plant and equipment and intangible assets: breakdown

(euros)	31/12/2022				31/12/2021			
Items/Figures	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)	Amortisation and depreciation (a)	Impairment adjustments (b)	Write-backs (c)	Net result (a+b+c)
Property, plant and equipment	**28,512**			**28,512**	**28,581**			**28,581**
- Owned								
- Right of use acquired under leases IFRS 16	*28,512*			*28,512*	*28,581*			*28,581*
Intangible assets	**19,462**			**19,462**	**19,462**			**19,462**
- Owned	*19,462*			*19,462*	*19,462*			*19,462*
- Right of use acquired under leases IFRS 16								
Total	**47,974**			**47,974**	**48,043**			**48,043**

The balance of depreciation/amortisation consists of 28 thousand euro related to the depreciation charge pursuant to IFRS 16 of the leased property located in Via Alessandria, while 20 thousand euro is the 2022 amortisation charge for the purchase of the license to use a software application.

24. Other operating costs

Other operating costs incurred by the company in 2022 amounted to 61 thousand euro (11 thousand euro in 2021) and are broken down as follows:

Other operating costs: breakdown

(euros)

Items/Values	31/12/2022	31/12/2021
AGCM Contribution	6,308	7,478
Taxes	610	436
Other operating costs	53,715	3,103
Total	**60,633**	**11,017**

"Other operating costs" substantially includes legal costs incurred and reversed to the company during 2022 as part of the bond issue transaction.

25. Financial income

At 31 December 2022, financial income amounted to 526,790 thousand euro (492,626 thousand euro at 31 December 2021) and is broken down as follows:

Financial income: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Interest income on deposit contract with CDP	571,634	493
Interest income on current bank account	6,437	6,483
Interest income on CFH	3,097,424	
Dividends	523,114,371	492,619,189
Total	**526,789,866**	**492,626,165**

The increase in the item is attributable to higher dividends received by the subsidiaries (approximately +31 million euro compared to the previous year) and to the interest income recorded in the period and related to the IRS hedging derivative (+3 million euro). Interest income of 472 thousand euro was also recognised as a result of higher remuneration of the funds deposited with the parent company CDP.

The breakdown of dividends to be distributed by the investee companies, as approved during the financial year, is shown in the following table:

Dividends: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Italgas S.p.A. dividend	62,167,835	58,374,543
SNAM S.p.A. dividend	281,546,536	268,164,646
Terna S.p.A. dividend	179,400,000	166,080,000
Total	**523,114,371**	**492,619,189**

All dividends were collected in the period, except for the advance on the 2022 dividend approved by SNAM S.p.A. in November 2022, equal to 115,906 thousand euro, which was collected in January 2023.

26. Financial expenses

Financial expenses relate mainly to interest expense for the period, as detailed in the table below.

Financial expenses: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
Interest on Bond	11,337,355	14,372,569
Interest on Term Facility 2020	10,347,682	5,835,671
Interest on Bridge loan 2022	3,666,963	
Other interest expense	1,240,138	2,407,748
Impairment losses on financial assets	1,851	352
Total	**26,593,988**	**22,616,341**

Other interest expense amounting to 1,240 thousand euro were mainly recognised with reference to:

- the cash flow hedge derivative for 1,008 thousand euro;

- interest expense accrued in fulfilment of the guarantee agreement (CSA) for 230 thousand euro;
- interest expense accrued on the lease liability following the lease in Via Alessandria for 2 thousand euro.

The calculation of impairment losses on financial assets takes into account their rating, recovery rate and probability of default and is broken down as follows:

Impairment losses on financial assets

(euros)

Items/Figures	31/12/2022	31/12/2021
Adjustments to financial assets:		
- recognised under cash and cash equivalents	(1,851)	(492)
- recognised under other current financial assets		140
Total	**(1,851)**	**(352)**

INCOME TAXES, CURRENT AND DEFERRED TAXES

27. Income taxes, current and deferred taxes

Taxes for 2022 are detailed below:

Income taxes: breakdown

(euros)

Items/Figures	31/12/2022	31/12/2021
1. Current taxes (-)	2,822,613	3,092,991
- of which income from participation in the tax consolidation mechanism	*2,822,613*	*3,092,991*
2. Change in current taxes from previous years (+/-)		
3. Reduction of current taxes for the year (+)		
4. Change in deferred tax assets (+/-)	747	(192)
5. Change in deferred tax liabilities (+/-)	(65,750)	(63,490)
6. Taxes for the year (-) (-1+/-2+3+/-4+/-5)	**2,757,609**	**3,029,310**

Current income taxes reflect the "income from participation in the tax consolidation mechanism" arising from payment of the excess ACE incentive (72 thousand euro) and the excess payment of interest expenses (2,750 thousand euro) that cannot be deducted on an individual basis but can be transferred to the tax consolidation mechanism in accordance with the provisions of the tax consolidation agreement[88]. As a balancing entry for this income, the Company recognised a receivable for the same amount from the parent company CDP.

The "change in deferred tax liabilities" refers to the recognition of deferred tax liabilities on the 2022 dividend approved by SNAM in November 2022 and yet to be collected at the end of the year.

The reconciliation between the theoretical and actual tax liability is shown below:

[88] In consequence of its participation since 2013 in the national tax consolidation mechanism of the CDP Group, which allows calculation of IRES on a consolidated basis for the companies that exercised the option for group taxation, CDP RETI may transfer to the tax consolidation mechanism the excess ACE incentive not used on an individual basis (i.e. deducting it from its own taxable income), consequently obtaining a gain compared to the tax rate in force at that time (24% beginning from 2017). Moreover, again in consequence of its participation in the tax consolidation mechanism, CDP RETI may transfer any excess interest expenses not deductible on an individual basis if and to the extent to which other entities (participating in the tax consolidation mechanism) report excess GOP (Gross Operating Profit) for the same tax period transferable to the Group. In exchange for the transfer of these interest expenses, CDP RETI obtains a gain resulting from lower IRES at the Group level and equal to 50% of the applicable tax year. The agreement relating to the tax consolidation mechanism was tacitly renewed for the period 2022-2024.

Reconciliation between theoretical and actual tax liability: IRES

(euros)

Items/Figures	31/12/2022	Tax rate
Income (loss) before taxes	**497,755,300**	
IRES theoretical tax liability (rate 24%)	**(119,461,272)**	**-24.00%**
Increases in taxes	**(6,845,163)**	
- non-deductible temporary differences	(1,344,767)	0.00%
- non-deductible permanent differences on interest expenses	(5,499,994)	-1.00%
- non-deductible permanent differences	(401)	0.00%
Decreases in taxes	**129,129,048**	
- dividends 95% exempt	120,660,950	24.00%
- ACE benefit	5,699,203	1.00%
- excess financial expenses	2,749,997	1.00%
- other	18,898	0.00%
IRES Actual tax liability	**2,822,613**	**1.00%**

Reconciliation between theoretical and actual tax liability: IRAP

(euros)

Items/Figures	31/12/2022	Tax rate
Difference between revenues and production costs	**(2,162,018)**	
IRAP Theoretical tax liability (5.57% rate)	**120,424**	**-5.57%**
Increases in taxes	(278,754)	n.s.
Decreases in taxes	133,922	n.s.
IRAP Actual tax liability		**n.s.**

IV – INFORMATION ON RISKS AND THE RELATED HEDGING POLICIES

Concerning risk exposure and the related uncertainties, it should be highlighted that, as a holder of significant equity investments, CDP RETI is exposed to the risks typically associated with investee companies. Such risks are monitored through a rigorous risk measurement and control process, which is carried out in first instance by the Directors as part of their assessment of the recoverability of the investments made. Their assessment is then reflected in the carrying amount shown in the financial statements for the related equity investments. Moreover, risk profiles are measured constantly on the basis of market price volatility of the related shares.

The Company is also supported by the parent company CDP, pursuant to the service agreements entered into. In particular, risk management is coordinated at group-level in synergy with the competent structures of CDP.

The main risks identified are listed below.

Market risk

In conducting its business, CDP RETI is exposed to the market risk and, in particular, to the interest rate risk, which is the risk that the fair value or the cash flows of financial instruments may fluctuate due to changes in market interest rates or may lead to unexpected changes in net financial charges in relation to the portion of debt with floating rate.

The Company's policy in the management of interest rate risk is achieved essentially through the definition of an optimal financial structure with the dual objective of stabilisation of expenses and containment of the cost of funding. The Company aims, in particular, to contain financial expenses and their volatility by entering into Over The Counter derivatives ("floating to fixed" Interest Rate Swaps with the parent CDP) with reference maturity and notional principal[89] aligned with those of the underlying financial liability.

The table below shows the breakdown of financial debt for loans in place by fixed-rate and floating-rate type, as at 31 December 2022 and as at 31 December 2021:

(euros)	31/12/2022		31/12/2021	
Items/Figures	Total	%	Total	%
Fixed interest	501,902,777	29.6%	758,407,915	44.8%
Variable interest	1,192,591,714	70.4%	935,651,170	55.2%
Total	**1,694,494,491**	**100.0%**	**1,694,059,086**	**100.0%**

Starting from the month of May 2020, the Company has one Interest Rate Swap contract linked to the overall Term Loan (nominal value 937.6 million), used to convert floating-rate loans into fixed-rate loans. The outstanding derivative has a total notional value coinciding with the total Term Loan (as mentioned, subscribed in May 2020), and a positive mark to market as of 31 December 2022 equal to 77,595 thousand. As already reported in the significant events that occurred in 2022, in addition, in May 2022, the company finalised the refinancing of the debt, deriving from the bond loan issued in 2015 and maturing on 29 May 2022 (the "2015 Bond Loan"), by taking on two short-term bridge loan contracts (the "Bridge Loan") for a total amount of 750 million euro.

Reference is made to the "Net Financial Debt" section of the Report on Operations for a detailed description of the item.

Risk related to climate change

Given its nature as a holding company, in overall terms, the exposure of CDP RETI S.p.A. to the risks related to climate change is currently limited. The company's objective of reducing its environmental impact is guided by the strategic guidelines set out at CDP Group level. The CDP Group has long placed sustainable development at the centre of its long-term strategy by setting environmental, social and governance goals and integrating them with the other objectives of the Business Plan.

With regard to the main asset item (equity investments in SNAM, TERNA and ITALGAS account for more than 90% of assets), issues related to climate change have so far not impacted the estimation of recoverable amount (equal to the greater of Fair Value and Value in Use[90]) (nor are they reasonably expected to do so) also in consideration of the fact that the stock prices of the controlling interests held in the portfolio are well above the book value. With reference to the main item of liabilities (loans), which is representative of the existing financing sources (Term Loan, Bridge Loan and Bond), please note that the contractual financial flows are in no way dependent on the achievement of climate-related objectives.

[89] Amount according to which the cash flows are exchanged.
[90] Intended as the present value of the future cash flows that the equity investment is expected to generate.

With regard to transition risk as well, the risk profiles that may be significant for CDP RETI, as an investment vehicle, are essentially of an indirect nature, i.e., risks that may affect the value of the controlling equity investments held in its portfolio. In this regard, note that all the subsidiaries are accelerating investments related to energy transition projects in order to meet the emission targets set by the European Union. These investments, which are expected to grow over the coming years, may affect the financial indebtedness levels of the subsidiaries. On the other hand, they will improve the quality and ultimately the value of their networks, with a positive impact on their company profile. For more information on the risks related to climate change, please see the more detailed information in the specific section "I.1.5. Other issues" of the Notes to the consolidated financial statements.

Risk related to the financial performance and the profit or loss of Snam, Terna and Italgas

Given its nature as a financial holding company, the performance and liquidity of the Company are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the SNAM group, the TERNA group and the ITALGAS group. Consequently, any material change in the two parameters above could have negative effects on the financial performance and profit or loss of CDP RETI.

Through its subsidiaries, CDP RETI is active in the gas transport, regasification and storage sector (SNAM), the electricity dispatching and transmission sector (TERNA) and the gas distribution sector (ITALGAS). Therefore, CDP RETI is exposed to the risks typical of those markets and sectors in which its investees operate. Furthermore, in line with its mission, CDP RETI has an undiversified equity investment portfolio, though concentrated in terms of country (ITALY) and regulatory authority (ARERA).

The dividend policies of the investee companies, which are based on the provisions of the respective strategic plans, are outlined below.

TERNA (Update of the 2021-2025 Plan presented on 24/03/2022): five-year dividend policy. The dividend policy confirms its forecast of a CAGR for dividend per share (DPS) of 8% in 2022 and 2023, compared to the dividend paid for 2021. From 2024 to 2025, the forecast of a 75% payout is confirmed, with a minimum guaranteed dividend equal to the dividend paid in 2023;

SNAM (2022-2026 Plan presented on 19/01/2023): minimum growth of 2.5% expected for the previous years was also extended to 2026, with a confirmation of +5% per share in 2022. In 2023, SNAM expects to distribute a total dividend of 0.2751 euro per share (of which 40% as an advance paid in January 2023 as approved by the Board of Directors on 9 November 2022, and the remaining balance of 60% paid in June 2023);

ITALGAS (2022-2028 Plan presented on 15/06/2022): the 2020-2023 policy, confirmed in the Strategic Plan of the ITALGAS group for the period 2022-2028, envisages a dividend equal to the higher of (i) the amount resulting from the 2019 DPS (0.256 euro) plus 4% per year, and (ii) the DPS equivalent to 65% of the adjusted EPS.

Risk related to restrictions on the transfer of financial resources from Snam, Terna and Italgas

As said, the financial position and operating results of CDP RETI are dependent on the flow of funds received, in the form of dividends, from SNAM, TERNA and ITALGAS. This availability depends not only on the ability of SNAM, TERNA and ITALGAS to generate sufficient cash flow, but also on the ability of the three groups to overcome any legal and contractual restrictions on the distribution of dividends. By way of an example, such restrictions might include: i) regulatory restrictions on increasing tariffs, ii) requests for significant investments on the infrastructure managed by the three groups, iii) the requirement to comply with the covenants of loan agreements. Another restriction, generally speaking, could be the extent of future taxation.

These restrictions, and the resulting fall in inflows, could have significant negative effects on the parent company's ability to make the required payments on the bond and the existing loan agreements.

Liquidity and credit risk

In relation to its own business activity, the parent company is exposed to the liquidity risk, which is the risk that, due to the inability to raise new funds or liquidate assets on the market, it is not able to fulfil its own payment commitments or can only fulfil them at unfavourable economic conditions also due to situations of tension or systemic crisis (e.g. crisis in sovereign debt), resulting in an impact on income if the company is forced to sustain additional costs to meet such commitments or, as an extreme consequence, in a condition of insolvency that puts the continuation of company business at risk. Notwithstanding the Company's goal to implement a financial structure that guarantees an adequate level of liquidity and an optimal profile in terms of debt maturity and composition, the effects of external factors cannot be excluded, including, for example, the effects of a negative market or a considerable tightening of bank credit access conditions. In such a scenario, the Company might find it difficult to make the required payments on the bond and on the existing loan agreements.

Access to the capital market and other forms of financing, and the associated costs, is also dependent on the Company's credit rating. A downgrade by the rating agencies could limit the Company's access to the capital market and increase the cost of funding. This would negatively affect the Company's financial position and performance. During 2022, CDP RETI maintained its "investment grade" long-term credit rating. In this regard, please note that on 9 August 2022, following the intervention carried out in relation to the rating of the Italian Republic, Moody's announced that it had revised downwards, from stable to negative, the outlook of CDP RETI, at the same time as the downward revision of the outlook of the subsidiaries, SNAM, TERNA and ITALGAS. At the same time, the agency confirmed the long-term credit rating of CDP RETI at Baa3. On 15 December 2022, the rating agency Fitch confirmed the Company's long-term rating at BBB, keeping the outlook at Stabile unchanged.

Ratings and outlooks are in line with those of the parent company, Cassa Depositi e Prestiti S.p.A.

The Company's current policy is to maintain available liquidity invested in demand or very short-term bank deposits or other readily liquid instruments, with investments allocated over a reasonable number of counterparties. The management of the CDP RETI liquidity risk is also aimed at maintaining cash and cash equivalents sufficient to meet expected commitments over a given time horizon (especially in light of the financial covenants under the existing loan agreements), as well as maintaining prudent liquidity reserves, sufficient to cope with any unexpected commitments. Where possible, debt management also provides for a diversified structure of funding sources (Term Loan, Bridge Loan and bond issue) and a balanced calendar of due dates (2023 for the Bridge Loan, 2025 for the Term Loan and 2027 for the Bond).

In view of its current business, CDP RETI is not significantly exposed to credit risk, i.e. the possibility of a deterioration in creditworthiness of counterparties that might lead to adverse effects on the expected value of the credit position and/or an increase in collection times. For the Company, the exposure to credit risk is mainly a question of the collection of dividends, approved by the subsidiaries, and the trading of derivatives (for which there is an exchange of cash collateral), bank deposits and irregular deposits with the parent CDP.

CDP RETI's entire debt is in the form of bullet loans, which means that there is no risk of having to resort to refinancing transactions, at least until May 2023, when the residual amount (approx. 253 million euro) of the Bridge Loan (taken out in May 2022 for a total amount of 750 million) falls due for repayment.

The table below shows the undiscounted contractual cash flows (as at 31 December 2022) of the gross financial debt at the nominal repayment amounts, and the related interest flows. Interest flows are calculated in accordance with the following terms and interest rates:

- as regards the bond[91], the annual coupon is equal to 5.875% (payment in October);

- as regards the Term Loan totalling 938 million euro, the floating interest rate (payment in May and November) is indexed to the 6-month Euribor (value as at 31 December 2022) and increased by the contractually agreed margin;

- as regards the remaining 253 million euro of the Bridge Loan, the floating interest rate (payment in February and May 2023[92]) is indexed quarterly to the 3-month Euribor (value as at 31 December 2022) and increased by the contractually agreed margin.

Financial liabilities - Analysis by due date of the contractually agreed payments.

(thousands of euro)

Items/Figures		2023	2024	2025	2026	2027
Bond	Principal					(500,000)
	Interests	(29,375)	(29,375)	(29,375)	(29,375)	(29,375)
Loans (*)	Principal	(252,900)		(937,635)		
	Interests	(42,349)	(43,026)	(18,258)		

(*) Financial flows from hedging derivatives are not included

The cash flows related to the Term Loan do not take into account receipts and payments linked to the derivative hedging instruments, which are analysed in the table hereunder.

[91] On 25 October 2022, CDP RETI issued a new unsubordinated and unsecured fixed-rate bond, with a nominal value of 500 million euro and with a duration of 5 years, on the capital market for institutional investors. It was listed on the regulated market of the Irish stock exchange (*Euronext Dublin Regulated Market*). The orders received – from around 70 institutional investors – amounted to more than 800 million euro and the yield of the securities was set at 5.977%, equivalent to a spread over the mid-swap rate of equal duration at 290 basis points.

[92] With an option to extend the duration for a further 6 months. The cash flows in 2023 do not reflect the effects of the possible exercise of this option.

(thousands of euro) Items/Figures		2023	2024	2025	2026	2027
Cash Flow Hedge	Payments	(7,464)	(7,464)	(3,442)		
	Collections	38,103	43,026	18,258		
	Net	**30,640**	**35,562**	**14,816**		

Default risk and debt covenants

Default risk and debt covenants relate to the possibility that loan agreements or bond rules to which CDP RETI is a party may contain provisions that entitle the counterparty to call in such loans immediately upon the occurrence of certain events, thereby generating a liquidity risk.

CDP RETI's loans include covenants that are common in international practice. Such covenants refer to:

- the bank debt, contracted in May 2020 for a nominal value of approximately 715.6 million euro, as part of the Term Loan established with a pool of banks;
- the debt with the parent CDP, entered into in May 2020 for a nominal amount of 222 million euro, always as part of the Term Loan;
- the bank debt, contracted in May 2022 for a nominal residual value of approximately 126.5 million euro, as part of the Bridge Loan in place with a pool of banks;
- the debt with the parent CDP, entered into in May 2022 for a nominal residual amount of 126.5 million euro, always as part of the Bridge Loan;
- the Company's bond debt, entered into in October 2022 for a nominal amount of 500 million euro, falling due in 2027.

The main covenants associated with the bond issue finalised in October 2022 can be summarised as follows:

- "negative pledge" clauses, under which the issuing entity is subject to limitations on the creation or maintenance of restrictions on all or part of its assets or on its revenues in order to guarantee current or future borrowing, except for specifically permitted circumstances;
- "change of control" clauses, under which bondholders have the option of requiring the issuing entity to redeem their securities in the event that Cassa Depositi e Prestiti no longer has control over the company;
- "event of default" clauses, under which, on the occurrence of certain predetermined events (such as, for example, failure to pay, failure to fulfil contractual obligations, etc.), an event of default occurs and the loan in question becomes immediately due; in addition, under the "cross default" clauses, if an "event of default" occurs on any financial borrowing (above certain amounts) issued by the issuer, an event of default also occurs on the loan in question, which becomes immediately due.

On the other hand, the main covenants in the loan agreements signed by CDP RETI in May 2020 and in 2022 with the parent company CDP and a pool of banks are summarised below:

- "pari passu" clauses, under which the Company, for the entire duration of the loans, will ensure that the payment obligations rank pari passu with those of all other unsubordinated unsecured creditors, subject to any privileges assigned by law;
- disclosure obligations, on both a periodic and an occasional basis, upon the occurrence of certain predetermined events;
- mandatory cancellation or early repayment of the loan in the case of, inter alia: (i) unlawfulness, (ii) change of control or (iii) sale, by the Company, of an equity investment in a significant subsidiary if this exceeds the threshold defined with CDP and the Bank Lenders (10%);
- observance of the following financial covenants to avoid an event of default:
  - Loan to Value: ratio, expressed as a percentage, between (i) Financial Debt (net of Cash and cash equivalents) and (ii) the market value (in the 180 days prior to the measurement date) of SNAM, TERNA and ITALGAS shares held by CDP Reti. This ratio must not exceed 50%;
  - Dividend Interest Coverage Ratio (DICR): ratio, with reference to the 12 months prior to the measurement date, between (i) the cash deriving from dividends received and (ii) interest paid on the Financial Debt. This ratio must not be less than 1.25;
  - Total Debt Service Amount (TDSA): at all times, CDP RETI must have cash or cash equivalents in an amount not less than interest, fees, commissions and other costs related to the Financial Debt to be paid in the following 6 months.

During the year, the Company complied with the capital and economic-financial requirements deriving from loan agreements.

CDP RETI mitigates the foregoing risks by monitoring any aspects that might have negative effects on its financial position and performance, also with a view to ensuring compliance with the covenants envisaged in the existing loans. With regard to the subsidiaries TERNA, SNAM and ITALGAS, CDP RETI closely monitors their market value, with particular attention to all aspects that might have an impact on their dividend distribution policies.

With regard to liquidity, discussions are held periodically with the parent CDP to assess the need to apply for credit lines. There are no liquidity difficulties to be reported as at 31 December 2022; CDP RETI collected around 518 million in dividends from its subsidiaries in the period and the balance of its cash and cash equivalents was approximately 166 million at 31 December 2022.

V – TRANSACTIONS WITH RELATED PARTIES

Information on the remuneration of key management personnel

Remuneration of key management personnel

(euros) Items/Figures	Board of Directors	Board of Auditors	Key management personnel
a) short-term benefits	100,000	102,508	238,863
b) post-employment benefits			
c) other long-term benefits			
d) severance benefits			
e) share-based payments			
Total	**100,000**	**102,508**	**238,863**

Remuneration paid to the Board of Directors and the Board of Statutory Auditors

(euros)

Name	Position	Period in office	Expiry of office (1)	Compensation and bonuses	
Directors in office as at 31 December 2022					
Giovanni Gorno Tempini	Chairman	01/01/2022-31/12/2022	2023	20,000	
Dario Scannapieco	Chief Executive Officer	01/01/2022-31/12/2022	2023	20,000	(2)
Coletti Sabrina	Director	01/01/2022-31/12/2022	2023	20,000	(2)
Yanli Liu	Director	01/01/2022-31/12/2022	2023	20,000	(3)
Qinjing Shen	Director	01/01/2022-31/12/2022	2023	20,000	(3)
Statutory Auditors in office as at 31 December 2022					
Florinda Aliperta	Chairman	01/01/2022-31/12/2022	2023	38,210	(4)
Paola Dinale	Auditor	01/01/2022-31/12/2022	2023	32,198	(4)
Paolo Sebastiani	Auditor	01/01/2022-31/12/2022	2023	32,100	(4)

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

(2) Compensation paid to Cassa depositi e prestiti S.p.A.

(3) Compensation is paid to State Grid Europe Limited.

(4) The amounts include remuneration accrued by members of the Board of Statutory Auditors and the Supervisory Body.

Information on transactions with related parties

The company is subject to management and coordination by CDP, the majority shareholder.

It should be noted that, without prejudice to the participation of the parent (as lender) in the refinancing of financial debt and for which reference is made to the specific section discussing "significant events that occurred during the period", the company did not carry out any atypical or unusual transactions with related parties whose size could have an impact on the assets and liabilities or performance of the company. All transactions with related parties were carried out on an arm's length basis (i.e. at the conditions that would be applied between two independent parties) and form part of the ordinary operations of CDP RETI.

Transactions with the parent company

(euros)

Items/Figures	31/12/2022	31/12/2021
Assets	**120,508,658**	**20,466,331**
- Deposit balance	40,089,410	12,400,953
- Receivable for tax consolidation (withholding tax)	1,674	1,686
- Receivable for tax consolidation	2,822,613	3,092,991
- Receivable for CSA financial transactions		
- CFH derivative agreement	77,594,961	4,970,701
Liabilities	**(575,950,725)**	**(566,335,472)**
- Payables for seconded personnel	(74,074)	(84,663)
- Payables for directors' compensation to pay to CDP	(40,000)	(38,740)
- Payables for outsourced services	(374,285)	(568,100)
- Other payables	(310)	(9,281)
- CFH derivative agreement		
- Loans to CDP for CSA	(75,883,629)	(2,959,826)
- Bridge Loan	(126,644,516)	
- Loans:		
included in current liabilities	*(2,438,071)*	*(341,277,103)*
included in non-current liabilities	*(370,495,840)*	*(221,397,760)*
Revenues	**3,669,058**	**493**
- Interest income on deposit contract	472,587	
- Interest income on CSA financial transactions	99,047	493
- Interest income on CFH	3,097,424	
Costs	**(10,600,979)**	**(11,020,697)**
- Interest expense on loan	(8,579,210)	(7,849,345)
- Interest expense on CFH	(1,008,155)	(2,377,849)
- Interest expense on CSA	(229,601)	(27,341)
- Impairment of financial assets	(409)	44
- Outsourced services rendered to CDP RETI	(669,219)	(624,295)
- Costs for personnel seconded to CDP RETI	(74,074)	(84,663)
- Costs for directors' compensation to pay	(40,000)	(38,740)
- Other personnel costs		
- Other costs	(310)	(18,509)
- Commissions for loan structuring		
Cash flows	**(288,290,236)**	**(273,987,082)**
Cash flow from operating activities	65,606,503	(1,084,115)
Net cash flow from investing activities		
Net cash flow from financing activities	(353,896,739)	(272,902,967)

Transactions with CDP in 2022, which are summarised in the preceding table, concerned the following:

- the irregular deposit agreement with the parent company CDP;
- the cash flow hedge derivative contract with regard to which, at 31 December 2022, the related liability and interest were recognised at fair value;
- the receivables arising from the participation of CDP RETI in the tax consolidation mechanism;
- the payable for the loan, the bond and the Bridge Loan (with respect to the amounts subscribed by CDP) and the respective portions of interest accrued as at 31 December 2022;
- the payable deriving from the CSA financial transactions related to the derivative contract;
- outsourcing services provided by CDP to CDP RETI;
- the remuneration of directors paid to the Parent Company;
- the contracts of the CDP employees partially seconded to CDP Reti.

Transactions with other related entities

(euros) Items/Figures	31/12/2022	31/12/2021
Assets	**116,007,584**	**110,742,717**
- Property, plant and equipment - RoU IFRS 16	101,450	305,306
- Receivables from SNAM for interim dividend	115,906,134	110,426,935
- IFRS 16 Prepaid expenses		10,476
Liabilities	**(30,300,459)**	**(348,626)**
- Lease liability	(106,145)	(313,157)
- Payables for pension fund	(1,904)	(1,420)
- Loans:		
included in current liabilities	*(322,643)*	
included in non-current liabilities	*(29,785,154)*	
- Payables for seconded personnel	(84,612)	(34,049)
Revenues	**523,129,649**	**492,638,908**
- Dividends from subsidiaries	523,114,371	492,619,189
- Other income from cost recharge to SGEL		4,441
- Other income from cost recharge to SGID	15,278	15,278
Costs	**(493,979)**	**(99,252)**
- Outsourced services rendered to CDP RETI	(110,446)	(47,497)
- Ifrs 16 costs	(53,088)	(44,176)
- Interest expense on loan	(322,424)	
- Costs related to pension fund	(8,021)	(7,579)
Cash flows	**375,002,110**	**325,595,131**
Cash flow from operating activities	517,368,080	487,215,117
Net cash flow from investing activities	(29,931)	(7,500)
Net cash flow from financing activities	(142,336,039)	(161,612,486)

Relations with the other related parties refer to the receivables for the 2022 interim dividend from SNAM resolved on 9 November 2022 and collected on 25 January 2023, payables to the shareholder SGEL for the bond loan and the respective share of interest accrued at 31 December 2022, lease payables pursuant to IFRS 16, payables for other services activated with other group companies (CDP Equity S.p.A) and payables to the pension fund.

The net cash flows from operating activities increased compared to 2021 and are substantially attributable to the collection of dividends from subsidiaries following the dividend policies.

The cash flow from investing/disinvesting activities refers to the lease for the premises in Via Alessandria, 220 (Rome).

The cash flow from financing activities, which absorbed a total of 142 million euro, refers to the payment of dividends to the shareholder SGEL (172 million euro), net of the inflow (30 million euro) from the subscription by the shareholder of part of the bond loan.

Financial highlights of the company performing management and coordination

In compliance with Article 2497-bis, paragraph 4, of the Italian Civil Code, the financial highlights from last year's financial statements of the parent company Cassa Depositi e Prestiti S.p.A. are shown in Annex 2.

VI – NON-RECURRING EVENTS AND SIGNIFICANT TRANSACTIONS

Pursuant to Consob communication no. DEM/6064293 of 28 July 2006, it should be noted that during the year there were no significant events and transactions of a non-recurring nature, or transactions and events that do not occur frequently in the usual course of business.

VII – OPERATING SEGMENTS

In line with the provisions of "IFRS 8 - Operating segments", for companies that publish the consolidated financial statements of the group and the separate financial statements of the parent company in a single document, the operating segments are presented only with reference to the consolidated financial statements. Therefore, reference is made to the similar paragraph of the Explanatory Notes to the consolidated financial statements of the CDP RETI Group.

X – DISCLOSURE OF LEASES

X.1 LESSEE

Qualitative disclosures

CDP RETI S.p.A. calculates the duration of the lease, which falls within the scope of IFRS 16, considering the “non-cancellable” period during which it has the right to use the underlying asset by measuring all the contractual aspects that may change this duration, among which, in particular, is the possible presence of:

- any period covered by an option to extend the lease, if it is reasonably certain that the option will be exercised;
- any period covered by an option to terminate the lease, if it is reasonably certain that the option will not be exercised.

This includes the lease contract regarding portions of the property situated at Via Alessandria 220 in Rome, used for office and management purposes. The contract provides for a lease period of 6 years, renewable automatically for a further 6 years, and the possibility of early termination with 12 months’ notice, without option to purchase the property once the lease period expires.

During the period, as part of a broader reorganisation of the logistics hubs, the company's Board of Directors was called upon to resolve on the future transfer of its headquarters. Consequently, the lease plan was therefore redefined, following the possible non-exercise of the option to renew the contract, with the consequent redetermination of the duration of the lease.

In accordance with the accounting standard which provides that “*the underlying asset can be of low value only if:*

- *the lessee can benefit from use of the underlying asset on its own or together with other resources that are readily available to the lessee; and*
- *the underlying asset is not highly dependent on, or highly interrelated with, other assets”.*

CDP RETI S.p.A. applies the exemption for lease contracts when the value of the asset on the purchase date is lower than 5,000 euro.

CDP RETI S.p.A. considers a lease to be “short-term” when it has a maximum lease duration of 12 months and does not include any option to extend (and to purchase) that may be exercised at the discretion of the lessee.

For these contracts, the related payments are recorded in the income statement on a straight-line basis for the corresponding duration.

Quantitative disclosures

Classification by time band of the payments to be made and reconciliation with the lease liabilities recognised

(thousands of euro) Time bands	Total 31/12/2022 Lease payables	Total 31/12/2021 Lease payables
Up to 1 year	30,000	30,000
Between 1 and 2 years	30,000	30,000
Between 2 and 3 years	30,000	30,000
Between 3 and 4 years	30,000	30,000
Between 4 and 5 years		30,000
Over 5 years		172,500
Total lease payments to be made	**120,000**	**322,500**
Reconciliation with lease liabilities	**(13,855)**	**(13,462)**
Unearned finance income (+)	(13,855)	(13,462)
Unguaranteed residual value (+)		
Lease liabilities	**106,145**	**309,038**

X.2 LESSOR

At 31 December 2022, this item did not appear in the financial statements of CDP Reti S.p.A..

PROPOSAL FOR ALLOCATION OF THE NET INCOME FOR THE YEAR

For 2022, the Board of Directors is proposing to distribute a total dividend of 500,512,504,32 euro, of which 331,878,967.20 euro relating to the advance approved on 21 November 2022.

The Board of Directors therefore proposes to allocate the 2022 net income of CDP RETI S.p.A., equal to 500,512,909.42 euro, as follows:

- 331,878,967.20 euro to cover the advance on the dividend paid by 30 November 2022;
- 168,633,537.12 euro to pay the balance of the dividend to be distributed, equal to 1,044.08 euro for each of the 161,514 shares;
- 405.10 euro as retained earnings.

The ordinary Shareholders' Meeting has been called to approve the separate financial statements of CDP RETI S.p.A. as at 31 December 2022 and to resolve on the proposed allocation of net income.

ANNEXES

ANNEX 1

Analytical list of equity investments

ANNEX 2

Separate financial statements at 31 December 2021 of Cassa Depositi e Prestiti S.p.A.

ANNEX 1

Analytical list of equity investments

(euros)

A. Listed entities	Names	Registered office	% holding	Carryng amount	Type
	Italgas S.p.A.	Milano	26.01%	621,032,150	Control
	SNAM SpA	San Donato Milanese (MI)	31.35%	3,086,832,661	Control
	TERNA S.p.A.	Roma	29.85%	1,315,200,000	Control

ANNEX 2

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

BALANCE SHEET

(euro)

Assets	31/12/2021	31/12/2020
10. Cash and cash equivalents	263,478,003	290,991,411
20. Financial assets measured at fair value through profit or loss	3,708,759,781	3,374,567,520
a) Financial assets held for trading	232,358,795	238,759,810
b) Financial assets designated at fair value		
c) Other financial assets mandatorily measured at fair value	3,476,400,986	3,135,807,710
30. Financial assets measured at fair value through other comprehensive income	14,244,059,928	13,064,270,807
40. Financial assets measured at amortised cost	358,102,654,371	357,590,992,604
a) Loans to banks	37,801,217,320	38,935,461,220
b) Loans to customers	320,301,437,051	318,655,531,384
50. Hedging derivatives	276,053,250	444,687,053
60. Fair value change of financial assets in hedged portfolios (+/-)	1,267,985,029	2,531,833,125
70. Equity investments	28,981,649,274	31,892,214,338
80. Property, plant and equipment	371,494,657	373,384,458
90. Intangible assets	59,327,896	42,583,786
- of which goodwill		
100. Tax assets	653,835,762	461,763,488
a) current tax assets	115,772,602	23,944,203
b) deferred tax assets	538,063,160	437,819,285
110. Non-current assets and disposal groups held for sale	4,251,174,320	
120. Other assets	778,954,611	278,875,476
Total assets	**412,959,426,882**	**410,346,164,066**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

(euro)

Liabilities and equity	31/12/2021	31/12/2020
10. Financial liabilities measured at amortised cost	382,558,801,228	378,819,556,956
a) due to banks	34,913,216,675	45,259,543,320
b) due to customers	325,974,035,731	312,007,319,904
c) securities issued	21,671,548,822	21,552,693,732
20. Financial liabilities held for trading	251,005,952	209,820,434
30. Financial liabilities designated at fair value		
40. Hedging derivatives	3,073,677,795	4,320,965,184
50. Adjustment of financial liabilities in hedged portfolios (+/-)	2,067,089	10,352,100
60. Tax liabilities	177,059,232	208,176,217
a) current tax liabilties	1,450,814	19,823,143
b) deferred tax liabilties	175,608,418	188,353,074
70. Liabilities associated with non-current assets and disposal groups held for sale		
80. Other liabilities	994,215,254	803,194,183
90. Staff severance pay	1,045,053	1,017,134
100. Provisions for risks and charges	592,480,846	475,625,125
a) guarantees issued and commitments	450,819,483	328,619,764
c) other provisions	141,661,363	147,005,361
110. Valuation reserves	315,148,441	653,173,211
140. Reserves	16,519,104,447	15,962,320,645
150. Share premium reserve	2,378,517,244	2,378,517,244
160. Share capital	4,051,143,264	4,051,143,264
170. Treasury shares (-)	(322,220,116)	(322,220,116)
180. Net income (loss) for the year (+/-)	2,367,381,153	2,774,522,485
Total liabilities and equity	**412,959,426,882**	**410,346,164,066**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

INCOME STATEMENT

(euro)

Items		2021	2020
10.	Interest income and similar income	7,598,560,597	7,719,754,617
	of which: interest income calculated using the effective interest rate method	*7,885,064,371*	*7,994,809,421*
20.	Interest expense and similar expense	(4,757,470,080)	(4,565,186,464)
30.	**Net interest income**	**2,841,090,517**	**3,154,568,153**
40.	Commission income	378,781,927	409,655,062
50.	Commission expense	(1,335,465,205)	(1,408,788,670)
60.	**Net commission income (expense)**	**(956,683,278)**	**(999,133,608)**
70.	Dividends and similar revenues	1,233,649,159	1,019,038,325
80.	Profits (losses) on trading activities	(23,440,561)	(21,084,673)
90.	Fair value adjustments in hedge accounting	160,905	23,920,623
100.	Gains (losses) on disposal or repurchase of:	481,842,195	873,666,735
	a) financial assets measured at amortised cost	355,072,776	736,876,810
	b) financial assets measured at fair value through other comprehensive income	126,769,419	136,789,925
	c) financial liabilities		
110.	Profits (losses) on financial assets and liabilities measured at fair value through profit or loss	161,820,908	(100,426,355)
	a) financial assets and liabilities designated at fair value		
	b) other financial asstes mandatorily measured at fair value	161,820,908	(100,426,355)
120.	**Gross income**	**3,738,439,845**	**3,950,549,200**
130.	Net adjustments/recoveries for credit risk relating to:	(33,540,895)	(151,277,092)
	a) financial assets measured at amortised cost	(34,958,153)	(151,001,121)
	b) financial assets at fair value through other comprehensive income	1,417,258	(275,971)
140.	Gains/losses from changes in contrats without derecognition	(377,214)	(15,223)
150.	**Financial income (expense), net**	**3,704,521,736**	**3,799,256,885**
160.	Administrative expenses	(209,456,888)	(190,416,437)
	a) staff costs	(141,103,991)	(123,068,383)
	b) other administrative expenses	(68,352,897)	(67,348,054)
170.	Net accruals to the provisions for risks and charges	16,044,305	(66,911,478)
	a) guarantees issued and commitments	16,106,525	(92,017,421)
	b) other net accruals	(62,220)	25,105,943
180.	Net adjustments to/recoveries on property, plant and equipment	(15,644,780)	(13,144,005)
190.	Net adjustments to/recoveries on intangible assets	(12,861,862)	(8,900,816)
200.	Other operating income (costs)	19,140,539	7,704,767
210.	**Operating costs**	**(202,778,686)**	**(271,667,969)**
220.	Gains (losses) on equity investments	(348,652,244)	
250.	Gains (losses) on disposal of investments	(135,938)	(48,432)
260.	**Income (loss) before tax from continuing operations**	**3,152,954,868**	**3,527,540,484**
270.	Income tax for the year on continuing operations	(785,573,715)	(820,105,999)
280.	**Income (loss) after tax on continuing operations**	**2,367,381,153**	**2,707,434,485**
290.	Income (loss) after tax on discontinued operations		67,088,000
300.	**Net income (loss) for the year**	**2,367,381,153**	**2,774,522,485**

Cassa Depositi e Prestiti società per azioni.

Registered office in Rome, Via Goito no. 4, Tax Code 80199230584

STATEMENT OF COMPREHENSIVE INCOME

(euro)

Items		2021	2020
10.	**Net Income (loss) for the tear**	**2,367,381,153**	**2,774,522,485**
	Other comprehensive income net of tax not transferred to income statement	**87,637,169**	**(241,923,764)**
20.	Equity securities designated at fair value through other comprehensive income	87,637,169	(241,923,764)
	Other comprehensive income net of tax transferred to income statement	**(425,661,939)**	**(6,976,750)**
120.	Cash flow hedges	(270,029,299)	(67,229,211)
140.	Financial assets (other than equity securities) measured at fair value through other comprehensive income	(155,632,640)	60,252,461
170.	**Total other comprehensive income net of tax**	**(338,024,770)**	**(248,900,514)**
180.	**Comprehensive Income (Items 10+170)**	**2,029,356,383**	**2,525,621,971**

Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
CDP Reti S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of CDP Reti S.p.A. (the "Company"), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

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

Key Audit Matters

There are no key audit matters to communicate in this report.

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

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of CDP Reti S.p.A. has appointed us on May 10, 2019, as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of CDP Reti S.p.A. are responsible for the preparation of the report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure of CDP Reti S.p.A. as at December 31, 2022, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the specific section related to the report on corporate governance and ownership structure set forth in art. 123-bis, paragraph 4, of Legislative Decree 58/98 with the financial statements of CDP Reti S.p.A. as at December 31, 2022 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and the information pursuant to art. 123-bis, paragraph 2 (b), of Legislative Decree 58/98 contained in the specific section related to the report on corporate governance and ownership structure are consistent with the financial statements of CDP Reti S.p.A. as at December 31, 2022 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Enrico Pietrarelli
Partner

Rome, Italy
April 19, 2023

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.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO SHAREHOLDERS' MEETING, IN ACCORDANCE WITH ARTICLE No. 153 OF THE LEGISLATIVE DECREE No. 58/1998 (CONSOLIDATED FINANCE ACT), AND ARTICLE No. 2429 OF THE ITALIAN CIVIL CODE

Dear Shareholders,

Through this report, drawn up in accordance with article 2429, paragraph 2, of the Italian Civil Code (hereinafter C.C.), the Board of Statutory Auditors of the company named CDP RETI S.P.A., hereby reports to the Ordinary Shareholders' Meeting – summoned for the approval of Financial Statements related to the accounting period closed on December 31st, 2022 – on the outcome of the above-mentioned accounting period, and on the activity carried out by the Board of Statutory Auditors in fulfilling its duties, by paying attention to behavior rules of the Board of Statutory Auditors recommended by National Board of Chartered Accountants and Accountancy Experts, as well as recommendations released by CONSOB (Italian Stock-Exchange Authority), and information included in the Self-Regulatory Code.

Furthermore, we hereby remind you that, during the accounting period related to the year 2022, the office of Legal Auditor – according to article 13 of the Legislative Decree No. 39 dated January 27th, 2010 – was carried out by the Auditing Company named "Deloitte & Touche S.P.A." (Deloitte), according to the assignment received from Ordinary Shareholders' Meeting held on May 10th, 2019, for the years as from 2020 until 2028.

Therefore, this report summarizes activity concerning provisions included in article 2429, paragraph 2, of the C.C.; more precisely:

- on the outcome of the accounting period;
- on the activity carried out in fulfilling duties, as envisaged by provisions of law;

- on observations and propositions related to Financial Statements, with particular reference to the possible use by the administrative body of the derogation pursuant to art. 2423, paragraph 4, of the C.C.;
- on any possible reports submitted by shareholders to this Board, in accordance with article 2408 of the C.C.

1. Meetings of the Board of Statutory Auditors

Over the accounting period related to the year 2022, the Board of Statutory Auditors met eight times.

The activities carried out by the Board of Statutory Auditors concerned, from the temporal point of view, the whole accounting period. During that period, meetings pursuant to article 2404 of the C.C. have regularly been held; about such meetings, regular minutes have been drawn up.

Furthermore, the Board of Statutory Auditors attended Shareholders' Meetings and meetings of the Board of Directors held during the accounting period.

2. Supervision activity concerning the respect of provisions of law, of the Memorandum of Association, and of the principles of correct management

The Board of Statutory Auditors supervised, pursuant to article 2403 of the C.C., on respect of provisions of law and of the Memorandum of Association, on respect of the principles of correct management, and on the adequacy of the organizational, administrative and accounting system, adopted by the company so as to carry out its own activity. Such a supervision activity has been carried out by the Board of Statutory Auditors, attending meetings of the Board of Directors, and through meetings and exchanging information with persons in charge of the company departments.

The Board of Statutory Auditors has received – pursuant to the frequency set out by provisions of law, and article 19, paragraph 11, of the Corporate ByLaws – pieces of information concerning management general trend and its foreseeable evolution, as well as on the more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries.

According to the foregoing, neither irregularities nor meaningful critical events have arisen.

Decisions taken by the Shareholders' Meeting and by the Board of Directors conform with provisions of law and the Corporate ByLaws, and they have been neither hazardous nor unwary; in other words, the integrity of the company's assets has always been safeguarded.

Transactions have always been carried out in compliance with provisions of law and the Memorandum of Association, and not in potential conflict with resolutions taken by the Shareholders' Meeting; in other words, the integrity of the company's assets has always been safeguarded.

Moreover, no reports concerning any irregularities and/or infringements – drawn up pursuant to article 2408 of the C.C. – have been received by the Board of Statutory Auditors.

It hasn't been necessary for the Board of Statutory Auditors to undertake any specific actions due to omissions by the Board of Directors pursuant to article 2406 of the C.C.

No reports pursuant to article 2409, paragraph 7, of the C.C. have been received by the Board of Statutory Auditors.

The Board of Statutory Auditors has not submitted any notice to the Board of Directors, pursuant to Article 15 of the Law Decree No. 118/2021.

3. Supervision activity concerning the adequacy of the organizational system, and internal auditing and risk management

The Board of Statutory Auditors has supervised the adequacy of the company's organizational system and the way it actually works, through meetings and the exchange of information with persons in charge of the main supervised activities.

Furthermore, the Board of Statutory Auditors has supervised the efficiency of the internal auditing system and risk management, in order to assess their effectiveness. The Board of Statutory Auditors also operates as Supervisory Body.

Through meetings held with corporate departments and through documents collected, necessary information has been drawn with reference to the correct application of the "Organizational, Management, and Control Model", pursuant to Legislative Decree no. 231/2001. The Supervisory Body, in its six-month reports for the year 2022, has also reported that – pursuant to inspections carried out – no critical elements.

4. Supervision activity carried out on the administrative and accountancy system, and the financial information process

The Board of Statutory Auditors monitored the process concerning financial information and also supervised on the adequacy of the company's administrative and accountancy system and its reliability in timely and correctly describing management events, also through meetings held with the Executive in charge of drawing-up of corporate accounting documents, as well as through analysis of other types of corporate documents, and analysis of the outcome concerning activity carried out by the Auditing Company.

Furthermore, the Board of Statutory Auditors supervised on respect of provisions of law concerning drawing-up of Financial Statements and the Management Commentary, by collecting pieces of information from the Auditing Company. In particular, the additional report drawn up by the Auditing Company under Article 11 of the EU Regulation No. 537/2014, does not arise any critical points in the internal auditing system regarding the financial information process.

According to inspections carried out, no critical points arose, which could undermine the adequacy of judgment and the appropriate application of the administrative and accountancy procedures.

5. Financial Statements

The Board of Statutory Auditors analyzed the project concerning the Financial Statements of the company named CDP RETI S.P.A. closed on December 31st, 2022, approved by said company's Board of Directors during the meeting held on March 28th, 2023.

Since the office of Legal Auditor is not included in the Board of Statutory Auditors' purposes, the Board itself supervised the general setting of Financial Statements, on its compliance with current provisions of law with regard to its drawing-up methods; on this point, there are no particular aspects to talk about. Furthermore, the Board of Statutory Auditors checked on respect of provisions of law concerning the drawing-up of the Management Commentary; in this case, too, there are no particular aspects to talk about. Directors, in their Financial Report, described the various items which led to the computation of the economic result, as well as the events that gave rise to said items.

Moreover, the Board of Statutory Auditors analyzed the Report of the Auditing Company, drawn up in accordance with articles 14 and 16 of the Legislative Decree No. 39/2010, in which said Company released a judgment with neither remarks nor emphasis of disclosure, with regard to Financial Statements.

On this issue, the Board of Statutory Auditors reports as follows:

- Financial Statements of the company named CDP RETI S.P.A., closed on December 31st, 2022, have been drawn up in accordance with "IFRS" international accounting standards (which include International Accounting Standards – IAS), released by the International Accounting Standard Board (IASB), in force on December 31st, 2022, and approved by European Commission.

- The correct description of the management events in the accounting records, and their indication in Financial Statements – pursuant to IFRS standards – has been supervised by Deloitte & Touche S.P.A., which is responsible for the Legal Auditing of accounts.

- Financial Statements closed on December 31st, 2022 highlight a net profit corresponding to € 500,512,909.00, and an Equity corresponding to € 3,591,082,099.00, including said profit.

In accordance with article 154-bis of the Legislative Decree No. 58/1998, both the Managing Director and the Executive in charge of drawing-up of CDP RETI's corporate accounting documents have stated – through a specific report attached to the Financial Statements' project related to year 2022 – as follows: (i) adequacy and appropriate application of the administrative and accountancy procedures, in order to draw-up said

Financial Statements; (ii) compliance of the Financial Statements' contents with the applicable international accounting standards approved by European Union, pursuant to EU Regulation No. 1606/2002; (iii) matching of the Financial Statements to accounting books and accounting records, and their appropriateness in truly and correctly describing assets, liabilities, equity, incomes, expenses, and financial issues; (iv) that the Management Commentary – attached to Financial Statements – includes a detailed analysis of the management trend and the management performance, together with a description of the main threats and risks the company is going to go through.

Schemes used in drawing-up Financial Statements, conform with provisions indicated in IAS No. 1 "Presentation of the Financial Statements".

Financial Statements comply with provisions of law with regard to the structure, drawing-up, and presentation of pieces of information to the Shareholders' Meeting.

Management Commentary has been drawn up in accordance with provisions of law.

As far as we know, The Board of Directors, in drawing-up Financial Statements, didn't derogate provisions of law pursuant to article 2423, paragraphs 4 and 5, of the C.C.

In compliance with provisions stated in "IAS No. 1 – revised", CDP RETI effected an assessment of the company's ability to keep on operating as a going concern, by paying attention to available information related to a medium-term scenario. In particular, by referring to said information, the Company deems it appropriate to carry out the assessments of the Financial Statements on the assumption of business continuity, despite the current economic context characterized by a certain uncertainty regarding future scenarios following the direct or indirect impact that the current geopolitical context. Adequate information has also been given on this in section "5. The foreseeable evolution of operations - prospects for 2023" of the Report on operations of the Group and in the section "I.1.5 Other aspects" of the consolidated explanatory notes with particular regard to the consequences deriving from the impacts of the Russian-Ukrainian conflict, from the increasing inflation and interest rates and the general deterioration of the macroeconomic scenario and the uncertainties regarding the possible evolution of the effects of these phenomena on the CDP RETI Group.

Financial Statements correspond to events and information as checked out by the Board of Statutory Auditors in fulfilling its duties.

The Board of Statutory Auditors acknowledges that the directors in the Management Report, with regard to the prospects for 2023, highlighted the impossibility of determining with absolute reliability the impacts related to the evolution of the current context, characterized by the residual effects of the COVID-19 pandemic, geopolitical tensions and the deterioration of the macroeconomic scenario on the targets for 2023 and subsequent years, even if, based on the information currently available, no significant impacts are expected on the Company's strategy and objectives, on the ability to distribute dividends to Shareholders, nor in terms of Net Financial Position and cash-flow or, more generally, on liquidity risk. However, it is not possible to exclude with absolute certainty that the possible persistence of the aforementioned context could produce negative effects on CDP RETI, which is currently estimated to be unavailable with the available elements. Any further future impacts on the Group's economic/financial performance and balance sheet, as well as on business development plans, will be assessed in light of the evolution and duration of the current context.

6. Supervision activity carried out in accordance with article 19 of the Legislative Decree No. 39/2010

Pursuant to its office of the Internal and Accounting Auditing Committee, in accordance with article 19 of the Legislative Decree No. 39/2010, the Board of Statutory Auditors monitored the activity concerning legal auditing of the accounts.

On this issue, the Board of Statutory Auditors has met over and over again with representatives of the Auditing Company – also with regard to article 2409-septies of the C.C. – in order to exchange information concerning activity carried out by said Auditing Company. During the periodical exchange of information between the Board of Statutory Auditors and the Auditing Company's representatives, no relevant events to report of arisen. In particular:

- The Board of Statutory Auditors met with the Auditing Company on the occasion of the preparation of the half-yearly report as of 30 June 2022. On September 27th, 2022, the Auditing Company released its own report on accountancy auditing, with regard to the abridged form of the six-month Financial Statements of the CDP RETI Group, closed on June 30th, 2022, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;

- on April 19th 2023, the Auditing Company released, pursuant to article 14 of the Legislative Decree No. 39/2010, and to Article 10 of the EU Regulation No. 537/2014, the Auditing Report related to Financial Statements closed on December 31st, 2022, by highlighting neither remarks nor emphasis of disclosure, with regard to such Financial Statements;
- on April 19th 2023, the Auditing Company also delivered to the Board of Statutory Auditors the additional report pursuant to article 11 of the EU Regulation No. 537/2014, which is *i)* coherent with the positive judgement released in the Auditing Report on Financial Statements closed on December 31st 2022; *ii)* doesn't include any recommendations on possible meaningful gaps in the internal auditing system and/or the accountancy system; *iii)* doesn't include any elements which need to be highlighted in this report. The additional report will be forwarded by the Board of Statutory Auditors to the administrative body, along with its own possible observations, in compliance with provisions included in article 19, paragraph 1, letter a) of the Legislative Decree No. 39/2010.

Moreover, the Board of Statutory Auditors has checked out and monitored independence of the Auditing Company, in particular with reference to the adequacy in providing for non-auditing services, in compliance with provisions stated in article 4 and 5 of the EU Regulation No. 537/2014.

On this issue, we hereby point out that – in attachment to the aforesaid additional report – Deloitte & Touche S.P.A. submitted to the Board of Statutory Auditors a statement concerning independence – as requested by article 6 of the EU Regulation No. 537/2014 – from which neither situations susceptible to undermine independence, nor conflicts of interest arise.

Furthermore, the Board of Statutory Auditors acknowledged about the transparency report drawn-up by Deloitte & Touche S.P.A., in accordance with article 18 of the Legislative Decree No. 39/2010.

7. More relevant transactions, transactions carried out with related parties and unusual transactions

Within the context of information flows – pursuant to article 19, paragraph 11, of the Corporate ByLaws – the Board of Statutory Auditors has periodically received – pursuant to a requested regular basis – information related to more relevant transactions (for dimensions and features), carried out by the company and its subsidiaries; such transactions are exhaustively described in explanatory notes to Financial Statements concerning "Transactions carried out with related parties" (to which we explicitly refer to identify the kind of transactions and the related economic, asset and financial impacts).

On this issue, the Board of Statutory Auditors reckons as detailed enough, information delivered by the Board of Directors. In particular, The Board of Statutory Auditors, without prejudice to the participation of the parent company (as lender) in the refinancing of the financial debt, has not found any atypical and/or unusual transactions which, due to the significance or relevance, nature of the counterparties, object and/or consideration could - theoretically - give rise to doubts regarding the correctness/completeness of the information in the financial statements or can be considered manifestly imprudent or risky or assumed in violation of the provisions on conflict of interest.

8. More relevant events, and meaningful facts

With regard to the main relevant events which affected the company, highlighting that said events belong to specific information included in the document named "Annual Financial Report for the year 2022", with the reference to those aspects falling within the responsibilities of the Board of Statutory Auditors, we hereby report the following relevant facts that occurred during 2022, in particular:

- in May 2022, CDP RETI finalized the debt refinancing operation, deriving from the bond loan issued in 2015 and maturing on 29 May 2022 (the "2015 Bond Loan"), by taking on a bridge loan at short-term (the "Bridge Loan") for a total amount of euro 750 million (the "Refinancing");
- on 25 October 2022, a new fixed-rate, non-subordinated and unsecured

bond was issued on the capital market, with a nominal value of Euro 500 million and a duration of 5 years, intended for institutional investors and listed on the regulated market of the Irish Stock Exchange. The proceeds of the issue were then used in full by the Company to repay, on 28 October 2022, the debt deriving from the aforementioned Bridge Loan.

- the Board of Directors of November 21, 2022, approved the distribution of an interim dividend for the 2022 financial year equal to 332 million euros;
- the Shareholders' Meeting held on March 31, 2022, confirmed Dr. Dario Scannapieco and Dr. Qinjing Shen as members of the Board of Directors with terms aligned with that of the other Directors in office (i.e. until the date of the Shareholders' Meeting called to approve the annual financial report for 2023). On the same date, the Board of Directors appointed Dario Scannapieco as Chief Executive Officer of the Company, granting him the related powers;
- the Shareholders' Meeting held on 3 May 2022, approved the amendment of article 15 of the Corporate ByLaws in order to align the provisions of this source with the articles of the Corporate Bylaws of the parent company CDP, regarding (i) requirements for directors and (ii) limits on the accumulation of offices.

Regarding relationships with subsidiary companies:

- following the resignation (effective from the date of appointment of a new director to replace him) by Yunpeng He from the office of director of Terna S.p.A., Snam S.p.A. and Italgas S.p.A., CDP RETI submitted to the aforementioned companies the candidacy of Qinjing Shen as new director (subsequently appointed as Director by the three companies);

- on 17 February 2022, the Board of Directors of CDP RETI granted a mandate to the Chairman to convene the Shareholders' Meeting of CDP RETI in order to authorize the resolutions of the Company's Board - taking into account the indications of the parent company CDP - relating to the designation of the lists of candidates for the office of director and statutory auditor of Italgas S.p.A. and Snam S.p.A. (expiring on the occasion of the shareholders' meetings called to approve the respective financial statements as at 31 December

2021) and the subsequent filing (pursuant to current provisions of law and the articles of association, at least 25 days before the related shareholders' meetings) of these lists at the Italgas offices and Snam;

- on 10 March 2022, in the execution of the incentive plan called "2018-2020 co-investment plan" - approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018 - and the decision of the Board of Directors of ITALGAS to assign free total n. 477,364 new ordinary shares of the Company to the beneficiaries of the Plan itself (so-called second cycle of the Plan) and start the execution of the second tranche of the capital increase resolved by the aforementioned Shareholders' Meeting, CDP RETI's stake in ITALGAS increased from 26.02% to 26.01%;

- on 31 March 2022, the CDP RETI Shareholders' Meeting, pursuant of the Corporate ByLaws, authorized the resolutions passed on the same date by the Board of Directors concerning: (i) with reference to SNAM, the designation of the slates of candidates for the office of director and statutory auditor, (ii) with reference to ITALGAS, the designation, jointly with SNAM, of the lists of candidates for the office of director and the designation of the lists of candidates for the office of the Statutory Auditor. In this regard, it should be noted that the instructions are given by CDP RETI and by SNAM to the members of the Consultation Committee referred to in the Italgas Shareholders' Agreement.

- regarding the COVID-19 health emergency, CDP RETI continued to inform staff to comply with rigorous hygiene practices and scrupulously implement the Covi-19 anti-contagion measures established by the Government as well as the specific company regulations.

In such a context, the Board of Statutory Auditors, also acting as a Supervisory Body, has received enough information concerning measures and initiatives undertaken by the company in order to counteract and contain the spreading of the Covid-19 virus, in the workplace environment.

9. Advisory activity carried out by the Board of Statutory Auditors

In carrying out advisory activity in accordance with current provisions of law, Corporate ByLaws, and other internal governance instructions, the Board of Statutory Auditors – during the year 2022 – released its own opinion with reference to the assignment of tasks other than auditing to the appointed auditor.

10. Events occurred after the approval date of the project concerning Financial Statements.

Concerning the main events that occurred after the closing date of the accounting period, we hereby point out:

- collection occurred on January 25th, 2023, of the advance payment referred to SNAM dividend for the year 2022, corresponding to about €116mn.

11. Conclusions

Within the context of the supervision activity carried out by the Board of Statutory Auditors, neither infringements nor irregularities have arisen.

With specific regard to the Financial Statements' project related to the accounting period closed on December 31st, 2022, drawn up by the Board of Directors, including Management Commentary, and submitted to Shareholders' Meeting approval, the Board of Statutory Auditors, by paying attention to specific tasks carried out by the Auditing Company, concerning accountancy supervision and inspection on Financial Statements' reliability, and after having acknowledged the contents of the reports released by said Auditing Company together with statements jointly released by the Managing Director and the Executive in charge, has no observations to deliver to Shareholders' Meeting. Therefore, the Board of Statutory Auditors unanimously reckons that there are no impediments to the approval of Financial Statements closed on December 31st, 2022 by the Shareholders' Meeting; furthermore, it is in agreement with the Board of Directors' proposition concerning the allocation of profit for the year.

Rome, April 19th, 2023

For the Board of Statutory Auditors

President

Mrs. Florinda Aliperta

CERTIFICATION OF THE SEPARATE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154 BIS OF LEGISLATIVE DECREE NO. 58/1998

1. The undersigned Dario Scannapieco, in his capacity as Chief Executive Officer, and Alessandro Uggias, in his capacity as Financial Reporting Manager of CDP RETI S.p.A., hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4, of legislative decree no. 58 of 24 February 1998:
   - the appropriateness with respect to the characteristics of the company; and
   - the actual application of the administrative and accounting procedures for the preparation of the separate financial statements during 2022.
2. The assessment of the appropriateness of the administrative and accounting procedures adopted in preparing the separate financial statements at 31 December 2022 was based on a process developed by CDP RETI S.p.A. in line with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a generally accepted framework at international level.
3. In addition, it is hereby certified that:
   3.1 the separate financial statements at 31 December 2022:
   - have been prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
   - correspond to the information in the books and other accounting records;
   - give a true and fair view of the performance and financial position of the issuer.

   3.2 The Report on Operations contains a reliable analysis of operations and performance, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which it is exposed.

Rome, 19 April 2023

The Chief Executive Officer	The Financial Reporting Manager
Dario Scannapieco	Alessandro Uggias

5.
RESOLUTION OF THE SHAREHOLDER'S MEETING

RESOLUTION OF THE SHAREHOLDER'S MEETING

The Ordinary Shareholders' Meeting of CDP RETI, held on 16 May 2023 and chaired by Giovanni Gorno Tempini, approved the separate financial statements for 2022. In particular, the shareholders' meeting resolved:

"(...) to approve the following allocation of profit for the period, amounting to 500,512,909.42 euro:

- 331,878,967.20 euro, to cover the 2022 interim dividend, paid by 30 November 2022;
- 168,633,537.12 euro, to pay the balance of the 2022 dividend, equal to 1,044.08 euro, before tax, for each of the 161,514 shares, to be paid no later than 31 May 2023;
- 405.10, as retained earnings."

Summary table of the allocation of net income for the year

Below is the summary table of the allocation of net income for the year:

(euro)	
Net Income	500,512,909.42
Total Dividend	500,512,504.32
Advance on the dividend	*331,878,967.20*
Balance of the dividend	*168,633,537.12*
Retained earnings	405.10
Dividend per share	3,098.88
Advance on the dividend	*2,054.80*
Balance of the dividend	*1,044.08*

CDP RETI S.p.A.
Registered office

Via Goito 4

I - 00185 Rome

Share capital euro 161.514,00 fully paid-in

Rome Chamber of Commerce REA 1349016

Fiscal Code, Company Registrar and VAT no.12084871008

The company is managed and coordinated by Cassa depositi e prestiti società per azioni, Via Goito n. 4, 00185 Rome – Share capital euro 4.051.143.264,00 fully paid-in – Rome Chamber of Commerce REA 1053767, Fiscal code and Company Registrar 80199230584 – VAT no. 07756511007

cdp CDP Reti