

Consolidated Financial Statements

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Statement of Financial Position

(€ thousands)	Notes	31.12.2021		31.12.2022	
		Total	of which, related parties	Total	of which, related parties
ASSETS					
Current assets					
Cash and cash equivalents	(7)	1,391,763		451,946	
Current financial assets	(8)	5,120		5,770	2,246
Trade and other receivables	(9)	588,098	225,831	1,142,950	28,586
Inventories	(10)	105,294		120,486	
Current income tax assets	(11)	21,625		8,703	
Other current financial assets	(20)			17,455	
Other current non-financial assets	(12)	54,079	4	80,775	4
		2,165,979		1,828,085	
Non-current assets					
Property, plant and equipment	(13)	372,108		379,026	
Intangible assets	(14)	7,469,805		8,509,368	
Investments valued using the equity method	(15)	30,108		47,243	
Non-current financial assets	(16)	7,855		22,945	612
Deferred tax assets	(24)				
Non-current income tax assets	(11)	22,936		54,862	
Other non-current financial assets	(20)	670		35,442	
Other non-current non-financial assets	(12)	80,366	668	153,575	232
		7,983,848		9,202,461	
Non-current assets held for sale	(17)	2,180		11	
TOTAL ASSETS		10,152,007		11,030,557	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term financial liabilities	(18)	591,188	464	142,437	118
Trade and other payables	(19)	769,137	36,683	1,197,117	444,040
Current income tax liabilities	(11)	3,430		16,105	
Other current financial liabilities	(20)	290		290	
Other current non-financial liabilities	(21)	13,111	175	30,072	194
		1,377,156		1,386,021	
Non-current liabilities					
Long-term financial liabilities	(18)	5,785,707	1,351	6,402,913	(2,048)
Provisions for risks and charges	(22)	159,506		144,277	
Provisions for employee benefits	(23)	95,648		69,917	
Non-current income tax liabilities	(11)	-		-	
Deferred tax liabilities	(24)	50,791		91,633	
Other non-current financial liabilities	(20)	6,283		34	
Other non-current non-financial liabilities	(21)	534,425		545,192	
		6,632,360		7,253,966	
Liabilities directly associated with non-current assets held for sale					
TOTAL LIABILITIES		8,009,516		8,639,987	
SHAREHOLDERS' EQUITY (25)					
Share capital		1,002,016		1,002,608	
Reserves		154,510		202,360	
Profit (loss) carried forward		372,075		496,006	
Profit (loss) for the year		362,813		407,288	
Treasury shares					
Total Italgas shareholders' equity		1,891,414		2,108,262	
Minority interests		251,077		282,308	
TOTAL SHAREHOLDERS' EQUITY		2,142,491		2,390,570	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,152,007		11,030,557	

Income Statement

(€ thousands)	Notes	2021		2022	
		Total	of which, related parties	Total	of which, related parties
REVENUES	(27)				
Revenues		2,098,463	806,219	2,182,712	(229,456)
Other revenues and income		64,769	5,726	129,764	17,863
		2,163,232		2,312,476	
OPERATING COSTS	(28)				
Costs for raw materials, consumables, supplies and goods		(150,932)	(11,096)	(154,746)	(9,325)
Costs for services		(614,223)	(2,926)	(654,094)	(6,853)
Costs for leased assets		(90,780)	(1,142)	(102,319)	(1,021)
Personnel cost		(254,580)		(257,492)	
Allocations to/releases from provision for risks and charges		1,868		1,797	
Allocations to/releases from provisions for doubtful debt		(320)		342	
Other expenses		(25,783)	(99,170)	(25,440)	(155,131)
		(1,134,750)		(1,191,952)	
AMORTISATION, DEPRECIATION AND IMPAIRMENT	(29)	(445,251)		(479,186)	
EBIT		583,231		641,338	
FINANCIAL INCOME (EXPENSE)	(30)				
Financial expense		(64,645)	(914)	(61,367)	
Financial income		3,630		4,043	1
Derivative financial instruments		636		1,049	
		(60,379)		(56,275)	
INCOME (EXPENSE) FROM EQUITY INVESTMENTS	(31)				
Effect of valuation using the equity method		2,011	2,011	662	662
Dividends		50	50	48	48
Other income (expense) from equity investments		391		2,722	
		2,452		3,432	
Gross profit		525,304		588,495	
Income taxes	(32)	141,884		152,369	
Net profit (loss) for the year		383,420		436,126	
Attributable to Italgas		362,813		407,288	
Minority interests		20,607		28,838	
Net profit (loss) per share attributable to Italgas (€ per share)	(33)				
- basic and diluted from continuing operations		0.45		0.50	
- basic and diluted from discontinued operations					
- total basic and diluted		0.45		0.50	

Consolidated Statement of Comprehensive Income: attributable to the parent company and to minority interests

(€ thousands)	2021			2022		
	Attributable to the parent company	Attributable to minority interests	Total	Attributable to the parent company	Attributable to minority interests	Total
Net profit (loss) for the year	362,813	20,607	383,420	407,288	28,838	436,126
Other comprehensive income						
Components reclassifiable to the income statement:						
Change in fair value of financial assets, other than equity investments, measured at fair value with effects on OCI						
Change in fair value of cash flow hedge derivatives (Effective portion)	14,753		14,753	56,593		56,593
Change in fair value of the time value of options						
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(3,541)		(3,541)	(13,582)		(13,582)
	11,212		11,212	43,011		43,011
Components not reclassifiable to the income statement:						
Actuarial gains (losses) from remeasurement of defined benefit plans for employees	1,761	168	1,929	11,035	624	11,659
Change in fair value of investments measured at fair value with effects on OCI				802		802
Share of "other comprehensive income" of investments valued using the equity method						
Tax effect	(493)	(47)	(540)	(3,283)	(175)	(3,458)
	1,268	121	1,389	8,554	449	9,003
Total other components of comprehensive income, net of tax effect	12,480	121	12,601	51,565	449	52,014
Total comprehensive income for the year	375,293	20,728	396,021	458,853	29,287	488,140

Statement of changes in shareholders' equity

(€ thousands)	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect
Balance as at 31 December 2020 (a) (Note 25)	1,001,232	(323,907)	620,130	200,246	(16,408)	(15,962)
2021 profit for the year						
Other components of comprehensive income:						
<i>Components reclassifiable to the income statement:</i>						
- change in fair value of cash flow hedge derivatives						11,212
<i>Components not reclassifiable to the income statement:</i>						
- Actuarial gains on remeasurement of defined-benefit plans for employees					1,268	
- Share-based payments						
Total comprehensive income 2021 (b)					1,268	11,212
Transactions with shareholders:						
- Allocation of 2020 profit for the year						
- Allocation of Italgas SpA dividend for 2020 (€ 0.277 per share)						
- Payment of share capital by minority shareholders						
- Allocation of dividends to minority shareholders						
- Stock grant reserve						
- Change in scope of consolidation						
Total transactions with shareholders (c)						
Other changes in shareholders' equity (d)	784		2,247			
Balance as at 31 December 2021 (e=a+b+c+d) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)

(€ thousands)	Share capital	Consolidation reserve	Share premium reserve	Legal reserve	Reserve for defined benefit plans for employees, net of tax effect	Fair value reserve for cash flow hedge derivatives, net of tax effect
Balance as at 31.12.2021 (a) (Note 25)	1,002,016	(323,907)	622,377	200,246	(15,140)	(4,750)
2022 profit for the year						
Other components of comprehensive income:						
<i>Components reclassifiable to the income statement:</i>						
- change in fair value of cash flow hedge derivatives						43,011
<i>Components not reclassifiable to the income statement:</i>						
- Actuarial gains on remeasurement of defined-benefit plans for employees					7,945	
- Valuations of equity investments measured at fair value						
- Share-based payments						
Total comprehensive income 2022 (b)					7,945	43,011
Transactions with shareholders:						
- Allocation of 2021 profit for the year						
- Allocation of Italgas SpA dividend for 2021						
- Payment of share capital by minority shareholders						
- Allocation of dividends to minority shareholders						
- Stock grant reserve						
- Change in scope of consolidation						
Total transactions with shareholders (c)						
Other changes in shareholders' equity (d)	592		2,072			
Balance as at 31.12.2022 (e=a+b+c+d) (Note 25)	1,002,608	(323,907)	624,449	200,246	(7,195)	38,261

Reserve for business combinations under common control	Stock grant reserve	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(349,839)	5,635		19,926	211,755	384,626	1,737,434	239,989	1,977,423
					362,813	362,813	20,607	383,420
						11,212		11,212
						1,268	121	1,389
					362,813	375,293	20,728	396,021
				384,626	(384,626)			
				(224,306)		(224,306)		(224,306)
							11,267	11,267
							(19,500)	(19,500)
	2,214					2,214		2,214
	2,214			160,320	(384,626)	(222,092)	(8,233)	(230,325)
	(2,247)		(5)			779	(1,407)	(628)
(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491

Reserve for business combinations under common control	Stock grant reserve	Fair value valuation reserve for equity investments	Other reserves	Retained earnings	Net profit for the year	Total	Minority interests	Total shareholders' equity
(349,839)	5,602		19,921	372,075	362,813	1,891,414	251,077	2,142,491
					407,288	407,288	28,838	436,126
						43,011		43,011
						7,945	449	8,394
		609				609		609
		609			407,288	458,853	29,287	488,140
				362,813	(362,813)			
				(238,882)		(238,882)		(238,882)
							(14,244)	(14,244)
	451					451		451
			(1,964)			(1,964)	(1,065)	(3,029)
	451		(1,964)	123,931	(362,813)	(240,395)	(15,309)	(255,704)
	1,149		(5,423)			(1,610)	17,253	15,643
(349,839)	7,202	609	12,534	496,006	407,288	2,108,262	282,308	2,390,570

Cash flow statement

(€ thousands)	2021	2022
Profit (loss) for the year	383,420	436,126
Adjustments to reclassify net profit to cash flow from operating activities:		
Amortisation and depreciation	444,387	478,290
Net impairment of assets	864	895
Effect of valuation using the equity method	(2,011)	(662)
Other income from equity investments	(391)	(2,722)
Non-monetary items	3,375	7,958
Net capital losses (capital gains) on asset sales, cancellations and eliminations	3,553	(25,357)
Dividends	(50)	(48)
Financial income	(3,630)	(5,092)
Financial expense	65,281	61,413
Income taxes	141,884	152,369
Change in provisions for employee benefits	(9,581)	(17,574)
Changes in working capital:		
- Inventories	(3,518)	(4,751)
- Trade receivables	73,560	65,399
- Trade payables	(2,115)	400,375
- Provisions for risks and charges	(43,507)	(38,584)
- Other assets and liabilities	49,935	(759,189)
Cash flow from working capital	74,355	(336,750)
Dividends collected	1,254	1,372
Financial income collected	3,630	4,043
Financial expense paid	(59,783)	(53,720)
Income taxes paid, net of tax credits reimbursed	(206,923)	(152,372)
Net cash flow from operating activities	839,634	548,169
of which, related parties	731,289	(565,060)
Investments:		
- Property, plant and equipment	(30,836)	(10,645)
- Intangible assets	(788,747)	(766,585)
- Change in scope of consolidation, business units and equity investments	(21,264)	(874,741)
- Change in payables and receivables for investments	14,605	47,733
Disinvestments:		
- Assets available for sale		5,050
- Property, plant and equipment	961	2,502
- Intangible assets	296	293,213
- Disposals of assets and business units		19,647
- Change in receivables relating to disinvestment activities	11,244	
Net cash flow from investment activities	(813,741)	(1,283,826)
of which, related parties	(807)	(12,128)
Assumptions of long-term financial debt	1,492,298	602,660
Repayment of long-term financial debt	(313,514)	(194,717)
Increase (decrease) in short-term financial debt	(223,535)	(347,117)
Capital contributions from third parties	11,267	12,254
Sale of non-controlling interests		5,008
Financial receivables non-instrumental to operations		(1,133)
Dividends collected	(243,143)	(253,250)
Reimbursements of financial liabilities for leased assets	(21,529)	(27,865)
Net cash flow from financing activities	701,844	(204,160)
of which, related parties	(89,464)	(98,079)
Net cash flow for the year	727,737	(939,817)
Opening cash and cash equivalents	664,026	1,391,763
Closing cash and cash equivalents	1,391,763	451,946

Notes to the consolidated financial statements

Company Information

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries (hereinafter referred to as "Italgas", the "Italgas Group" or the "Group"), is at the forefront of the regulated natural gas sector.

Italgas S.p.A. is a joint stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices in Milan at 11 via Carlo Bo.

CDP S.p.A. has "de facto" control over Italgas S.p.A. pursuant to the accounting principle IFRS 10 "Consolidated Financial Statements".

As at 31 December 2022, CDP S.p.A. owns, via CDP Reti S.p.A.¹ 26.01% of the share capital of Italgas S.p.A.

The parent company Italgas S.p.A. is not subject to management and coordination activities. Italgas S.p.A. exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Italian Civil Code.

1. Basis of preparation

The consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005. The IFRS also include the International Accounting Standards (IAS) as well as the interpretive documents still in force issued by the IFRS Interpretations Committee (IFRS IC), including those previously issued by the International Financial Reporting Interpretations Committee (IFRIC) and, before that, by the Standing Interpretations Committee (SIC). For sake of simplicity, all of the aforementioned standards and interpretations will hereafter be referred to as "IFRS" or "International Accounting Standards".

The same consolidation principles and measurement criteria of the previous year are applied in the 2022 consolidated financial statements, except for the international accounting standards that came into force starting from 1 January 2022, which are described in the following section "Accounting principles and interpretations applicable from 2022" of said report.

The consolidated financial statements are prepared on a going-concern basis, using the historical cost method, taking into account value adjustments, where appropriate, with the exception of the items which, according to IFRS, must be measured at fair value, as described in the measurement criteria.

The consolidated Financial Statements as at 31 December 2022, approved by Italgas S.p.A.'s Board of Directors at the meeting of 09 March 2023, were subjected to an audit by Deloitte & Touche S.p.A., which - as the main auditor - is responsible for auditing the separate financial statements of Italgas S.p.A. and its subsidiaries.

The consolidated Financial Statements are presented in Euro. Given their size, amounts in the financial statements and respective notes are expressed in thousands of Euro, unless otherwise specified.

Some information contained in the notes to the consolidated financial statements when extracted from the XHTML format in an XBRL instance, due to certain technical limits may not be reproduced identically with respect to the corresponding information displayable in the consolidated budget in XHTML format.

1. CDP S.p.A. holds 59.10%.

Accounting standards, amendments and interpretations issued by the IASB (International Accounting Standards Board), approved by the European Union (EU) and in force since 1/1/2022

The following provisions issued by the IASB (International Accounting Standards Board) entered into effect in the European Union on 1 January 2022:

IASB AND IFRS DOCUMENTS	EU effective date	Date of endorsement	Date of publication in the Official Journal
Amendments to IFRS 3 Business Combinations			
IAS 16 Property, Plant and Equipment;			
IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020)	1 January 2022	28 June 2021	2 July 2021

On 14 May 2020, the IASB published the document "**Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)**", with which a very special case was regulated concerning the possibility of deducting, from the costs of assets under construction or not fully operational, the revenues from the sale of products obtained in the meantime from the same assets. The IASB has specified that sales revenues must be recognised in the income statement and must not be deducted from the costs of these assets.

On 14 May 2020, the IASB published the "**Annual Improvements to IFRS Standards 2018–2020**" document, containing amendments to certain IFRS standards as a result of the IASB's annual improvement project. In particular, the changes concerned:

- paragraph 16 of IFRS 1 "First-time Adoption of International Financial Reporting Standards", which essentially allows a subsidiary, which adopts IFRS for the first time after its parent company, to measure its assets and liabilities at the carrying amounts recorded in the consolidated financial statements of the parent company at the date of transition to IFRS by said parent company. In such a case, the permissible change consists in allowing the subsidiary in the transition phase to IFRS to assume the values defined by its parent company on a cumulative basis;
- paragraph B3.3.6 of IFRS 9 "Financial instruments", which indicates which paid or received fees are to be considered in the "10 per cent" test carried out to establish whether an issuer reacquiring its own financial instrument, for example for the purposes of re-issuing it later on, can consider that instrument derecognised; In this regard, the fees to be considered are only those paid or received between the borrowing company and the lending company;
- illustrative Example 13 accompanying IFRS 16 "Leasing", from which references to repayments made by the lessor to the lessee have been removed, in the event that the latter has made improvements to third-party assets, as such repayments are not to be considered incentives for leasing pursuant to IFRS 16.

On 14 May 2020, the IASB published the "**Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)**" document, amending the standard by detailing which contractual costs a company has to consider for the purposes of provisions under IAS 37, which governs Provisions for risks and charges. In the case of termination of a contract with charges to be borne by the company, the provision to be made must include "costs that relate directly to the contract" such as direct costs (e.g., labour, materials) or an allocation of other costs that nonetheless relate to the performance of contracts (an example might be the allocation of depreciation for an item of property, plant and equipment used in the performance of the contract).

The adoption of these amendments had no effect on the Consolidated Financial Statements of the Group.

New accounting standards, amendments and interpretations issued previously and approved by the European Union but not yet in force

On 12 February 2021, the IASB published the "**Definition of Accounting Estimates (Amendments to IAS 8)**" document to help entities distinguish between changes in accounting policies and changes in accounting estimates. Specifically, changes in accounting policies must be applied retroactively, while changes in accounting estimates must be accounted for prospectively. The amendments to IAS 8 focus on accounting estimates, clarifying that such estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". A change in the accounting estimate that results from new information or new developments is therefore

not the correction of an error and may affect only the current period's profit or loss, and/or the profit or loss of future periods. The changes are effective for financial years starting on or after 1 January 2023.

On 12 February 2021, the IASB issued the "**Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)**" document, containing amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. IAS 1 states that "an entity shall disclose its significant accounting policies", but no definition is provided for the term "significant" (material). Therefore, the IASB amended/supplemented the standard with information that an entity can use to identify material accounting policy information. For example, it is clarified that a policy is material if changing it has a significant impact on disclosures in the financial statements or if its application requires significant estimates. The amendments also clarify that the accounting policy information may be: (i) material because of its nature, even if the related amounts are immaterial; (ii) material if users of an entity's financial statements would need it to understand other material information in the financial statements; (iii) extended to immaterial information, as long as this does not obscure material information. In addition, the IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the "materiality process". The changes to the IAS 1 are effective for financial years starting on or after 1 January 2023.

The adoption of such amendments is not expected to have effects on the Consolidated Financial Statements of the Group.

Accounting standards, amendments and interpretations not yet approved by the European Union as at the date of reference of 31 December 2022

On 22 September 2022, the IASB issued the document "Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)" with amendments that clarify how a seller of an asset, subsequently a lessee of the same asset, should measure sale and leaseback transactions pursuant to IFRS 15.

The Board established that the seller-lessee must measure the Liabilities arising from the leaseback in a way that does not recognise any gain or loss connected to the right to continue to use the asset.

The amendments are effective for financial years beginning on or after 1 January 2024. Early application is permitted.

On 31 October 2022, the IASB issued "**Non-current Liabilities with Covenants (Amendments to IAS 1)**" to clarify that, for the purposes of classification of financial liabilities as current or non-current, reference is only made to the covenants with which an entity must comply on or before the reporting date. The amendments to IAS 1 specify that the covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. In any case, an entity shall disclose information in the notes

that enables users of the financial statements to understand the risk that non-current liabilities subject to covenants may be repaid within 12 months.

The amendments are effective for financial years beginning on or after 1 January 2024.

The adoption of such amendments is not expected to have effects on the Consolidated Financial Statements of the Group.

2. Consolidation principles

The consolidated financial statements comprise the financial statements of Italgas S.p.A. and of the companies over which the Company has the right to exercise direct or indirect control, as defined by IFRS 10 – "Consolidated Financial Statements". Specifically, control exists where the controlling entity simultaneously:

- has the power to make decisions concerning the affiliate;
- is entitled to receive a share of or is exposed to the variable profits and losses of the affiliate;
- is able to exercise power over the affiliate in such a way as to affect the amount of its economic returns.

The proof of control must be verified on an ongoing basis by the Company, with a view to identifying all the facts or circumstances that may imply a change in one or more of the elements on which the existence of control over an affiliate depends.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. as at 31 December 2022", which is an integral part of these notes.

All financial statements of consolidated companies close at 31 December and are presented in Euro.

Companies included in the scope of consolidation

Figures relating to subsidiaries are included in the consolidated financial statements from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist.

The assets, liabilities, income and expenses of the consolidated companies are consolidated line-by-line in the consolidated financial statements (full consolidation); the book value of the equity investments in each of the subsidiaries is derecognised against the corresponding portion of shareholders' equity of each of the participated entities, inclusive of any adjustments to the fair value of the assets and liabilities on the date of acquisition of control.

The portions of equity and profit or loss attributable to minority interests are recorded separately in the appropriate items of shareholders' equity, the income statement and the statement of comprehensive income.

Changes in the equity investments held directly or indirectly by the Company in subsidiaries that do not result

in a change in the qualification of the investment as a subsidiary are recorded as equity transactions. The book value of the shareholders' equity pertaining to shareholders of the parent company and minority interests are adjusted to reflect the change in the equity investment. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under shareholders' equity pertaining to shareholders of the parent company.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of consolidated shareholders' equity transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the former subsidiary which will be reversed to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new book value of the equity investment, and therefore the reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Equity investments in associates and joint ventures

An associate is a participated company in relation to which the investor holds significant influence or the power to participate in determining financial and operating policies but does not have control or joint control². It is assumed that the investor has significant influence (unless there is proof to the contrary) if it holds, directly or indirectly through subsidiaries, at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Business combinations

Business combinations are recorded using the acquisition method in accordance with IFRS 3 - "Business Combinations". Based on this standard, the consideration transferred in a business combination is determined at the date on which control is assumed, and equals the fair value of the assets transferred, the liabilities incurred or assumed, and any equity instruments issued by the acquirer. Costs directly attributable to the transaction are posted to the income statement when they are incurred.

The shareholders' equity of these participated companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the acquisition or transfer cost is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of shareholders' equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the "full goodwill method"). In this case, minority interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill ("Partial goodwill method" or "Full goodwill method") is made based on each individual business combination transaction.

If control is assumed in successive stages, the acquisition cost is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid for the remaining portion. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of comprehensive income are posted to the income statement or to another item of shareholders' equity, if no provisions are made for reversal to the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

2. Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as "business combinations of entities under common control". Such transactions do not fall within the scope of application of IFRS 3 and are not governed by any other IFRS. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which dictates that the principle of continuity be applied to the values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired predating the transaction or, where available, at the values from the consolidated financial statements of the common ultimate parent. With regard to business transfers under common control, the transferee entity should record the business transferred at its historical book value increasing its shareholders' equity by this amount; the transferring entity will record the equity investment in the transferee entity for the same amount as the increase in the shareholders' equity of the latter.

This accounting treatment is based on the Preliminary Guidelines on IFRS (OPI 1 Revised) - "Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements" issued by Assirevi in October 2016.

Intragroup transactions that are eliminated in the consolidation process

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they effectively represent impairment of the asset transferred.

3. Measurement criteria

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

Property, plant and equipment

Property, plant and equipment is recognised at the cost of purchase or production, including directly allocable ancillary costs needed to make the assets available for use.

Property, plant and equipment may not be revalued, even through the application of specific laws.

The costs of incremental improvements, upgrades and transformations to/value of property, plant and equipment are posted to assets when it is likely that they will increase the future economic benefits expected. The costs of replacing identifiable components of complex

assets are allocated to balance sheet assets and depreciated over their useful life. The remaining book value of the component being replaced is allocated to the income statement. Ordinary maintenance and repair expenses are posted to the income statement in the period when they are incurred.

If impairment indicators are present, the book value of property, plant and equipment is verified to identify any impairment (see the paragraph "Impairment of property, plant and equipment and intangible assets with a finite useful life" for more details).

Rights of use

A contract is, or contains, a lease if it attributes to an undertaking the right to control the use of an identified asset for a certain period of time in exchange for consideration.

For leases with a duration of over 12 months, (i) an asset, within the item "Property, plant and equipment", which is representative of the right of use of the assets, and (ii) a financial liability representative of the obligation to make the payments envisaged by the contract, are posted to the financial statements at the effective date, i.e. when the asset is made available for use.

The cost of the asset consisting of right of use comprises:

- a. the amount of the initial measurement of the liability of the lease;
- b. the payments due for the lease made on the date or before the starting date, net of lease incentives received;
- c. the initial direct costs incurred;
- d. the costs for dismantling and restoring the site.

The liabilities of the leases include the following payments for the right of use of the underlying asset along the duration of the lease unpaid as at the starting date:

- a. the fixed payments, net of any lease incentives receivable;
- b. the variable payments due for the lease that depend on an index or rate;
- c. the amounts payable by way of warranties of the residual value;
- d. the price for exercising the right to purchase where there is the reasonable certainty of exercising the option;
- e. the payments of lease termination penalties where lease termination is provided for.

The discount rate used is the embedded interest rate of the lease for the remaining duration of the lease, if such rate is not easy to determine, the marginal loan interest rate of the Group as at the recalculation date is used.

In determining the duration of the lease, the Group considered the presence of renewal and cancellation options respectively for the lessee, the lessor or both.

As the standard allows, the short-term leases and the leases for assets of a modest amount were excluded.

The duration of the lease is calculated by taking into account the non-voidable lease period, together with any periods covered by an option to extend the agreement if it is reasonably certain that this option will be exercised, or any period covered by an option to terminate the lease contract, if the Group deems it reasonably certain that such option will not be exercised.

In the event of any significant changes in events and circumstances under the Group's control that make it appropriate to change the assessment of the reasonable certainty of exercising the options, the Group will redetermine the duration of the lease.

After initial recognition, the right-of-use asset is adjusted to take into account (i) the amortisation portions, (ii) any impairment losses and (iii) the related effects and any restatements of the leasing liability.

Depreciation of property, plant and equipment

Property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. Depreciation starts when the asset is available and ready for use.

The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%)
Land and building	
- Industrial buildings	2%
- Civil buildings	3%
Plant and equipment	
- Other plant and equipment	4% - 6.6%
Industrial and commercial equipment	
- Office furniture and machinery	12% - 33.3%
- Transportation vehicles	20% - 25%
Rights of use	duration of the lease agreement

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

Land is not depreciated, even if purchased in conjunction with a building; neither is property, plant and equipment held for sale (see the "Non-current assets held for sale" section).

Depreciation rates are reviewed each year and are altered if they do not adequately reflect the future benefits expected. Any changes to the depreciation plan arising from revision of the useful life of an asset, its residual value or ways of obtaining economic benefit from it are recognised prospectively.

Freely transferable assets are depreciated during the period of the concession or of the useful life of the asset, if lower.

Intangible assets

Intangible assets are those assets without identifiable physical form which are controlled by the company and capable of producing future economic benefits, as well as goodwill, when purchased for consideration. Intangible assets are reported at the cost of purchase or internal production, when their use is likely to generate future benefits and the relative cost can be reliably determined.

They may not be revalued, even through the application of specific laws.

Development costs are only recognised as intangible assets when the Group can prove the technical feasibility of completing the intangible asset and can demonstrate that it has the ability, intention and available resources to complete the asset for use or sale. Research costs are recognised in the income statement.

Intangible fixed assets with a finite useful life are measured at cost, net of amortisation and accumulated impairment losses. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested at each reporting date, as provided for by IAS standard 36, to check for impairment losses to be reflected in the financial statements.

Intangible assets are eliminated at the time they are decommissioned, or when no future economic benefit is expected from their use; the related profit or loss is posted in the income statement.

Service concession arrangements

Intangible assets include service concession agreements between the public and private sectors for the development, financing, management and maintenance of infrastructures under concession in which: (i) the grantor controls or regulates the services provided by the operator through the infrastructure and the related price to be applied; and (ii) the grantor controls any significant remaining interest in the infrastructure at the end of the concession by owning or holding benefits, or in some other way. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service distributor of natural gas and other gases, i.e. they are applicable to the agreements

under which the operator is committed to providing the public natural gas distribution service at the tariff established by the ARERA, in Italy, and the Regulatory Authority for Energy (RAE or PAE from Ρυθμιστική Αρχή Ενέργειας) (each separately or jointly "Authority"), in Greece, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service. These provisions also apply to the integrated water service agreements.

The Group applies the intangible asset model as provided for by IFRIC 12 for the accounting of service concession agreements. The intangible asset is accounted for at the cost both on initial recognition and for subsequent recognition. Network construction activities and other services are recognised and measured applying IFRS 15. Construction services and improvements carried out on behalf of the grantor are accounted for as changes to work in progress on order.

Amortisation of intangible assets

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset. Amortisation starts when the asset is ready for use.

The amount to be amortised is the book value, reduced by the projected net realisable value at the end of the asset's useful life if this is significant and can be reasonably determined.

The table below shows the annual amortisation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual amortisation rate (%)
Patent rights and intellectual property rights	20% - 33.3%
Concession expenses	Depending on the duration of the agreement
Land and buildings (concession agreements)	
- Industrial buildings	1.67% - 5%
- Light constructions	9% - 10%
Plant and equipment (concession agreements)	
- Gas distribution network	1.67% - 5%
- Principal and secondary facilities	4% - 6%
- Gas derivation plants	2% - 10%
Industrial and commercial equipment (concession agreements)	
- Metering and control equipment	6.7% - 20%

Subsidies

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase, transfer or production cost of the related assets.

Operating grants are recognised in the income statement on an accrual basis, consistent with the relative costs incurred.

Impairment of non-financial fixed assets

Impairment of property, plant and equipment and intangible assets with a finite useful life

When events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value adjusted for disposal costs (see "Fair value measurement") or the value in use, whichever is greater.

As regards the value of the non-financial fixed assets falling within the scope of the regulated activities, the recoverable value is determined considering: (i) the amount quantified by the Authority based on the rules used to define the tariffs for provision of the services for which they are intended; (ii) any value that the Group expects to recover from their sale or at the end of the concession governing the service for which they are intended; (iii) the cash flows expected from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Similarly to what happens for the quantification of tariffs, also the quantification of the recoverable value of the assets falling within the scope of regulated activities takes place on the basis of current regulatory provisions.

With reference to non-financial fixed assets not falling within the scope of the regulated activities, the value in use is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs. Cash flows are determined based on reasonable, documentable assumptions representing the best estimate of future economic conditions which will occur during the remaining useful life of the asset, with a greater emphasis on outside information. Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

The valuation is done for individual assets or for the smallest identifiable group of assets which, through ongoing use, generates incoming cash flow that is largely independent of those of other assets or groups of assets ("Cash-Generating Units" or CGUs).

The following are the Group's identified CGUs: Natural and other gas distribution and metering (regulated activity), Natural gas distribution and metering abroad

(regulated activity), Sale of natural and other gases, Integrated water service (regulated activity), Various activities (ESCos).

As compared with last year, it is noted that the CGU "Distribution and metering of natural gas abroad" was introduced, by virtue of the business combination relating to the DSOs of the DEPA Infrastructure Group operating in Greece.

If the reasons for impairment losses no longer apply, the assets are revalued, and the adjustment is posted to the income statement as a revaluation (recovery of value). The recovery of value is applied to the lower of the recoverable value and the book value before any impairment losses previously carried out, less any amortisation that would have been recorded if an impairment loss had not been recorded for the asset.

Impairment of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use

The recoverability of the book value of goodwill, intangible assets with an indefinite useful life and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment. Goodwill is tested at the level of the smallest aggregate, on the basis of which the Company's management directly or indirectly assesses the return on investment, including goodwill. When the book value of the CGU, including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed pro rata to the book value of the assets which constitute the CGU. Goodwill impairment losses cannot be reversed.

Investments valued using the equity method

Equity investments in joint ventures and associates are valued using the equity method.

In applying the equity method, equity investments are initially recognised at cost and subsequently adjusted to take into account: (i) the participant's share of the results of operations of the affiliate after the date of acquisition, and (ii) the share of the other components of comprehensive income of the affiliate. Dividends paid out by the affiliate are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the "Consolidation principles" section).

In the case of assumption of an association (joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the equity investments held prior to assumption of association (or joint control) is posted to the income statement, including any components recognised under other components of comprehensive income. When the transfer of

equity investments entails loss of joint control or significant influence over the affiliate, the following are recognised in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of the booked amount transferred; (ii) the effect of the revaluation of any residual equity investment maintained, to align it with the relative fair value; and (iii) any amounts posted to other components of comprehensive income relating to the affiliate that will be taken to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new book value, and therefore the reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the recoverability of the amount recognised is tested by comparing the book value with the related recoverable value determined using the criteria indicated in the section "Impairment of non-financial fixed assets".

When the reasons for the impairment losses entered no longer apply, equity investments are revalued up to the amount of the impairment losses entered with the effect posted to the income statement under "Income (expense) from equity investments".

The parent company's share of any losses of the participated company, greater than the equity investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the participated company or, in any event, to covering its losses.

Minority interests

Financial assets representing minority interests, since they are not held for trading, are measured at fair value with the effects recognised in the income statement.

Inventories

Inventories, including meters, are recorded at the lower of purchase or production cost and net realisable value, which is the amount that the company expects to receive from their sale in the normal course of business.

The cost of natural gas inventories is determined using the weighted average cost method.

The value of obsolete and slow-moving inventories is written down in relation to the possibility of use or realisation, through the allocation of a specific obsolescence fund.

Cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial investments with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible.

They are recorded at their nominal value, which corresponds to the fair value.

Financial instruments

Financial instruments are any contracts that give rise to a financial asset for one entity and a financial liability or equity instrument for another entity; they are recognised and measured in accordance with IAS 32 and IFRS 9.

Financial assets - debt instruments

Depending on the characteristics of the instrument and of the business model adopted for its management, financial assets representing debt instruments are classified in the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value with the effects recognised in the other comprehensive income components (hereinafter also referred to as OCI); (iii) financial assets measured at fair value with the effects recognised in the income statement.

Initial recognition is at fair value; for those trade receivables without a significant financial component, the initial recognition value is represented by the transaction price.

Following initial recognition, the financial assets that generate contractual cash flows representing only payments of capital and interest are measured at amortised cost if held with the aim of collecting their contractual cash flows (so-called hold to collect business model). Based on the amortised cost method, the initial book value is then adjusted to account for repayments of principal, any impairment losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial book value equal at the time of the initial recording.

The receivables and other financial assets measured at amortised cost are presented in the balance sheet net of their provision for impairment losses.

The financial assets representing debt instruments whose business model includes both the possibility to collect contractual cash flows and the possibility to realise capital gains on transfers (so-called hold to collect and sell business model) are measured at fair value with the effects recorded on OCI (hereinafter also FVTOCI).

In this case the fair value changes in the instrument are recognised in shareholders' equity amongst the other components of comprehensive income. The cumulative amount of the changes in fair value, recognised in the shareholders' equity provision that includes the other components of comprehensive income, is reversed to the income statement when the instrument is derecognised. The interest income, calculated using the effective interest rate, exchange rate differences and impairment losses, is recognised on the income statement.

A financial asset representing a debt instrument that is not measured at amortised cost or at FVTOCI is measured at fair value with the effects recognised in the income statement (hereinafter referred to as FVTPL).

When the purchase or sale of financial assets is made according to a contract requiring that the transaction be regulated and that the asset be delivered within a certain number of days, established by the market control authorities or by market agreements (e.g. purchase of securities on regulated markets), the transaction is recognised on the settlement date.

Disposals of financial assets are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Impairment of financial assets

Recoverability of the financial assets representing debt instruments not measured at fair value with effects on the income statement is measured on the basis of the so-called "expected credit loss model".

In particular, the expected losses are generally determined based on the product between: (i) the exposure to the counterparty net of the relevant mitigants (Exposure At Default, EAD); (ii) the probability that the counterparty does not meet its payment obligation (Probability of Default, PD); (iii) the estimate, in percentage terms, of the amount of credit that will be unable to be recovered in case of default (Loss Given Default, LGD) defined on the basis of prior experiences and possible attemptable recovery actions (e.g. out-of-court actions, legal disputes, etc.).

To this regard, to determine the probability of default of the counterparties the internal ratings already used for the assignment were adopted; the probability of default for the counterparties represented by state entities and in particular for the national oil companies, basically depicted by the probability of a late payment, is determined using the country risk premiums adopted to determine WACCs for the impairment of the non-financial assets as input.

For the retail customers not characterised by internal ratings, measurement of the expected losses is based on a matrix provision built by grouping, if advisable, the receivables in appropriate clusters to which impairment percentages defined on the basis of prior loss experience are applied. If necessary, those percentages are adjusted to take into account forward looking information on the credit risk of the counterparty or of clusters of counterparties.

Financial liabilities

Financial liabilities other than derivative instruments, including financial payables, trade payables, other payables and other liabilities, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting, as demonstrated in "Financial assets" above.

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset in the balance sheet when there is the currently exercisable legal right to compensation and there is the intention of settling the transaction on a net basis (i.e. realizing the asset and at the same time extinguishing the liability).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value according to the criteria indicated under the following point "Fair value measurement".

As part of the strategy and objectives defined for risk management, defining transactions as hedging requires: (i) checking the existence of an economic ratio between hedged object and hedging instrument such as to achieve the offsetting of the relevant changes in value and that this offsetting ability is not invalidated by the counterparty's level of credit risk; (ii) the definition of a ratio consistent with the risk management objectives within the scope of the defined risk management strategy, taking the appropriate rebalancing actions if necessary. The changes introduced to the risk management objectives, the conditions previously specified for defining transactions as hedging not met, or implementation of rebalancing transactions bring about the total or partial prospective interruption of the hedging.

When the hedge derivatives cover the risk of change in the fair value of the instruments to be hedged (fair value hedge; e.g. hedging the variability of the fair value of fixed rate asset/liability), the derivatives are recognised at fair value with the effects recorded in the income statement; consistently, the hedged instruments are adjusted to reflect the changes in fair value associated with the hedged risk in the income statement, regardless of the forecast of a different measurement criterion usually applicable to the type of instrument.

When the derivatives cover the risk of change in the cash flows of the hedged instruments (cash flow hedge; e.g. hedging the variability of the asset/liability cash flows due to fluctuations in interest rates or exchange rates), the changes in fair value of the derivatives considered effective are initially recognised in the shareholders' equity provision pertaining to the other components of comprehensive income and afterwards recorded in the income statement in line with the economic effects generated by the hedged transaction. In the case of hedging future transactions involving the recognition of a non-financial asset or liability, the cumulative changes in the fair value of the hedge derivatives recognised in the shareholders' equity are recorded to adjust the book value of the asset/liability of the non-financial asset/liability hedged (basis adjustment).

The non-effective portion of the hedge is recognised in the income statement item "Financial (expense)/income".

The changes in the fair value of the derivatives that do not meet the conditions to be defined as hedging, including any ineffective components of the hedge derivatives, are recorded in the income statement. Specifi-

cally, the changes in fair value of the non-hedge derivatives on interest rates and currencies are recognised in the income statement item "Financial (expense)/income".

The embedded derivatives incorporated in financial assets are no longer separated in accounting; in this case, the entire hybrid instrument is classified based on the general financial asset classification criteria. The embedded derivatives incorporated in financial liabilities and/or non-financial assets are separated by the main contract and are recognised separately if the embedded instrument: (i) meets the definition of derivative; (ii) as a whole is not measured at fair value with the effects recognised in the income statement (FVTPL); (iii) if the characteristics and risks of the derivative are not closely tied to those of the main contract. The existence of embedded derivatives to separate and measure separately is checked when the company joins the contract and afterwards when there are amendments to the conditions of the contract that bring about significant changes in the cash flows it generates.

Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its highest and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of the financial instruments is determined considering the credit risk of the counterparty of a financial asset ("Credit Valuation Adjustment" - CVA) and the risk of default by the same entity with reference to a financial liability ("Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of

the information used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: inputs represented by (unmodified) quoted prices on active markets for assets or liabilities identical to those that can be accessed as at the valuation date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs that cannot be observed for the asset or liability.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

Non-current assets held for sale

Non-current assets and current and non-current assets of disposal groups are classified as held for sale if the relative book value will be recovered mainly by their sale rather than through their continued use. This condition is regarded as fulfilled when the sale is highly probable, and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that affiliate are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Checking that the conditions required to classify an item as held for sale requires that the Company's management made subjective assessments and formulate reasonable and realistic assumptions based on the information available.

Non-current assets held for sale, current and non-current assets related to disposal groups and directly associated liabilities are recognised in the Statement of Financial Position separately from the Company's other assets and liabilities.

The assets and liabilities falling within a disposal group are measured according to the accounting standards applicable to them right before being classified as held for sale. Afterwards, the non-current assets held for sale and non-current assets in disposal groups are not amortised or depreciated and are measured at the lower between the book value and the related fair value, less any sales costs (please refer to the forgoing point "Fair value measurement").

The classification as "held for sale" of equity investments valued using the equity method implies suspended application of this measurement criterion. Therefore, in this case, the book value is equal to the value resulting from the application of the equity method at the date of reclassification.

Any negative difference between the book value of the non-current assets and the fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Provisions for risks and charges

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

Provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at a value representing the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits deriving from the contract, and the cost to terminate the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipat-

ed cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset and posting to the income statement is accomplished through depreciation. The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Provisions for employee benefits

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as "defined-benefit" or "defined-contribution" plans.

– Defined-benefit plans

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accrual basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in other comprehensive income in the period in which they occur and are not subsequently recognised in the income statement. When a plan is changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the

passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in "Financial income (expense)".

– Defined-contribution plans

In defined-contribution plans, the Company's obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term plans

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Distribution of dividends

The distribution of dividends to the Company's Shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's Shareholders or, in the case of interim dividends, by the Board of Directors.

Revenues

The recognition of revenues from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligations represented by the contractual promises to transfer goods and/or services to a customer; (iii) determination of the price of the transaction; (iv) allocation of the price of the transactions to the performance obligations identified based on the standalone selling price of each good or service; (v) recognition of the revenue when its performance obligation has been met, or when the promised good or service is transferred to the customer; the transfer is considered completed when the customer gains control of the good or service, which can occur over time or at a specific point in time.

As regards the activities carried out by the Italgas Group, revenues are recognised when the service is provided. The largest share of revenues relates to regulated activities, the income from which is governed by the regulatory framework established in Italy by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, ARERA), in Greece by the Regulatory Authority for Energy (RAE). Therefore, the economic conditions of the services provided are defined in regulatory schemes and not on a negotiation basis.

In reference to the distribution and metering of natural gas in Italy, the difference between revenues recognised by the regulator ("Revenue cap") and actual accrued revenues are posted in the Statement of Financial Position under the item "Trade and other receivables" if positive, and under the item "Trade and other payables",

if negative, in that it will be subject to monetary settlement by CSEA.

In reference to the distribution and metering of natural gas in Greece, the differential between revenues recognised by the Regulator and actual accrued revenues are posted, if positive, to the Statement of financial position under the item "Other current and non-current non-financial assets" and, if negative, to the item "Other current and non-current non-financial liabilities", since the operator has satisfied the related performance obligation and holds the title to recover or the obligation to return within subsequent regulation periods or at the end of the concession the amounts not charged or overcharged to customers during the financial year.

With regard to the recognition of revenues relating to the so-called "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit ("cap") to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per re-delivery point, expressed at 2017 prices, determined by Resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. Resolution no. 525/2022/R/gas subsequently governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase and the application methods of the mechanism, relating in particular to the determination of the service deployment ratio and the procedures for verifying that the maximum unit expenditure threshold has been exceeded, for the second and third stages of the mechanism. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Allocations of revenues relating to services partially rendered are recognised by the fee accrued, as long as it is possible to reliably determine the stage of completion and there are no significant uncertainties over the amount and the existence of the revenue and the related costs; otherwise they are recognised within the limits of the actual recoverable costs.

Items of property, plant and equipment not used in concession services, transferred from customers (or realised with the cash transferred from customers) and depending on their connection to a network for the provision of supply, are recognised at fair value as a contra-entry to revenues in the income statement. When the agreement

stipulates the provision of multiple services (e.g. connection and supply of goods), the service for which the asset was transferred from the customer is checked and, accordingly, the disclosure of the revenue is recognised on connection or for the shorter of the term of the supply and the useful life of the asset.

Revenues are recorded net of returns, discounts, allowances and bonuses, as well as directly related taxes.

Revenues are reported net of items involving regulation components, in addition to the Italian tariff, applied to cover gas system expenses of a general nature. Amounts received from Italgas are paid in full to the Energy and Environmental Services Fund (CSEA). Gross and net presentation of revenue is described in more detail in the Notes to the consolidated financial statements (see "Revenues" note).

Since they do not represent sales transactions, exchanges between goods or services of a similar nature and value are not recognised in revenues and costs.

Dividends received

Dividends are recognised at the date of the resolution passed by the Shareholders' Meeting, unless it is not reasonably certain that the shares will be sold before the ex-dividend date.

Costs

Costs are recognised in the period when they relate to goods and services sold or consumed during the same period or when it is not possible to identify their future use.

Costs sustained for share capital increases are recorded as a reduction of shareholders' equity, net of taxes.

Energy efficiency certificates

The Energy Efficiency Certificates purchased during the year are entered in the income statement at the cost borne. The relevant contribution that CSEA will pay at the time the certificates are cancelled is booked as a reduction of the cost borne and is calculated based on the repayment price scheduled at year-end. A special risk provision is allocated to cover the future expected charges to fulfil the year's objective calculated as the difference between the cost to be borne and its cancellation contribution.

Income taxes

Current income taxes are calculated by estimating the taxable income. Receivables and payables for current income taxes are recognised based on the amount which is expected to be paid/recovered to/from the tax authorities under the prevailing tax regulations and rates or those essentially approved at the reporting date.

Regarding the Italian corporation tax (IRES), Italgas has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up. The projected payable is recognised under "Current income tax liabilities".

The regulations governing Italgas Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Italgas. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate financial statements, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Italgas in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

The Italian regional production tax (IRAP) is recognised under the item "Current income tax liabilities"/"Current income tax assets".

Some Italian Group companies have adhered to the Italian national consolidation option, which makes it possible to determine current IRES on a taxable base that coincides with the algebraic sum of the positive and negative taxable income of the participating companies. Economic transactions, as well as the reciprocal responsibilities and obligations, are regulated by specific agreements between the parties, according to which, in the event of positive taxable income, the subsidiaries transfer the financial resources corresponding to the higher tax due by them as a result of their participation in the national consolidation scheme to the parent company and, in the event of negative taxable income, receive compensation equal to the relative tax savings achieved by the parent company.

As for Greece, corporate income tax is calculated according to the tax laws in force in the country. Current income tax includes those calculated based on the profits reported in the tax returns, the higher income taxes deriving from special provisions of the law or from tax audits by the Financial Administration and provisions for higher taxes and surcharges for tax periods not verified and are calculated according to the rates in force at the reporting date.

Deferred income tax assets and liabilities are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates or those essentially approved for future years. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, prepaid and deferred current taxes are also posted to equity.

Income tax assets with elements of uncertainty are recognised when they are regarded as likely to be obtained.

Operating sectors

The Group operates mainly in gas distribution and metering services, and is residually active in gas sales, integrated water service, energy service company (ESCO) business and the IT services business.

With reference to the acquisition of the DEPA Infrastructure Group, the main gas distribution operator in Greece, it is considered that the gas distribution service in Italy and in Greece present similar economic characteristics insofar as the DEPA Infrastructure Group carries out activities similar to those of Italgas in a market with a similar regulatory framework.

In addition, the two activities are similar with respect to:

- a. nature of the products and services, i.e. gas distribution and metering;
- b. the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession;
- c. type or class of customers according to their products and services, or sales companies;
- d. methods used to distribute its products or provide its services; i.e. transporting gas through local pipeline networks, and
- e. nature of the regulatory environment, i.e. the operation of a regulated business that is essentially based on the return on invested capital and the coverage of costs incurred by the operator. In fact, both regulatory systems guarantee a return on investment and coverage of the management costs regardless of volumes and the WACC formulas. They are entirely similar and essentially able to neutralise differences in risk between the two countries;

therefore, can be aggregated into a single operational sector.

In light of the above and given the insignificance of the residual activities reported, based on the provisions of subsections 12 and 13 of IFRS 8 governing segment reporting, a single operating segment was identified as Gas Distribution and Metering.

4. Financial Statements

The formats adopted for the preparation of the financial statements are consistent with the provisions of IAS 1 - "Presentation of financial statements" (hereinafter "IAS 1"). In particular:

- the Statement of Financial Position items are broken down into assets and liabilities, and then further into "current or non-current items"³;
- the Income Statement classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with international best practice;
- the Statement of Comprehensive Income shows the profit or loss in addition to the income and expense recognised directly in shareholders' equity as expressly provided for by the IFRS;
- the Statement of Changes in Shareholders' Equity reports the total income (expense) for the financial year, shareholder transactions and the other changes in Shareholders' equity;
- the Statement of Cash Flows is prepared using the "indirect" method, adjusting the profit for the year of non-monetary components.

3. The assets and liabilities are classified as current if: (i) their realisation/settlement is expected in the company's normal operating cycle or within twelve months after the financial year-end; (ii) they are composed of cash or cash equivalents which do not have restrictions on their use over the twelve months following the year-end date; (iii)

It is believed that these statements adequately represent the Group's situation with regard to its Statement of Financial Position, Income Statement and Statement of Cash Flows.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in the note "Related party transactions", are shown separately in the financial statements.

5. Use of estimates

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenues and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the main accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on results of subsequent years.

they are mainly held for trading purposes; or (iv) with reference to liabilities, the company does not have the unconditional right to defer settlement of the liability for at least twelve months from the financial year closing date.

<p>Impairment of assets</p>	<p>Measurement of tangible and intangible assets, including goodwill, requires recording of these in the financial statements for a value no higher than their recoverable value (so-called Impairment test). In determining the recoverable amount, the Group applies the higher of the fair value less cost to sell criterion and the value in use criterion. "Fair value less cost to sell" is:</p> <ol style="list-style-type: none"> i. In Italy, the estimated value of net invested Capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority, net of the flat-rate components, employee severance pay and contributions received. RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated from assets⁴. The RAB value is defined using the revalued historical cost method for Fixed Capital and on a flat-rate basis for Working Capital and employee severance pay; ii. In Greece, the estimated value of net invested capital updated to the balance sheet date attributed to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Authority, net of the flat-rate components related to working capital and connection costs; iii. the reimbursement value (RV) valid for ATEM (Minimum Territorial Areas) tenders, which is the value to be paid to the operator selling the infrastructure after the tender procedure. In Greece, the reimbursement value is calculated as the value of the RAB at the date of interruption/expiry of the licence, increased by at least 15%; iv. the market value of the asset observable in a recent transaction net of sales costs. <p>Value in use refers to:</p> <ol style="list-style-type: none"> v. the present value of the future cash flows expected to be derived from the asset being measured. These flows are determined in line with the most recent business plan approved by management, which is based not only on developments in the regulations, but also on estimates relating to reference market trends and investment and divestment decisions. In the process of determining the recoverable value, flows are discounted at a discount rate that reflects current market conditions, the time value of money and the specific risks of the asset. <p>More information on the impairment test carried out by the Company's management on property, Plant and equipment and on intangible Assets can be found in the "Impairment of non-financial fixed assets" section. The recoverable value is sensitive to the estimates and assumptions used to determine the total invested capital, cash flows and discount rates applied. Therefore, possible variations in the estimation of the factors on which the calculation of the aforesaid recoverable values is based could result in different measurements. Analysis of each of the groups of non-financial assets is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.</p>
<p>Business combinations</p>	<p>Recognition of business combination transactions requires determination of the fair value of any assets and liabilities acquired as a result of obtaining control of the business. With the help of independent professionals, the company's management measured the fair value of assets, liabilities and potential liabilities, on the basis of information on facts and circumstances available at the acquisition date. Determination of the fair value of assets and liabilities acquired is subject to estimates and measurements by the company's management. Possible variations in the estimation of the factors on which determination of the fair value is based could generate different measurements. Analysis of each business combination transaction is unique and requires use by the company's management of estimates and assumptions considered prudent and reasonable in relation to the specific circumstances.</p>
<p>Environmental liabilities</p>	<p>The Italgas Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. The measurement of future liabilities in connection with reclamation and restoration obligations in relation to sites and/or land on which the company carries out its business is a complex process based on technical and financial assumptions made by the company's management and supported by independent experts where necessary. The restoration cost estimate is discounted using a risk-free rate in accordance with IAS 37. The estimate is made using a principle of prudence based on the known market, legislative and technological conditions at the time of measurement. The estimates are reviewed at each balance sheet date to verify that the amounts recorded are the best reflection of the costs the Group will face. If any significant variations are found, the amounts are adjusted. The key factors for revising cost estimates are the revision of the timeframes for implementing the site reclamation and restoration plan, developments in the technologies and environmental regulations and discount rate trends. Measurement of environmental liabilities recorded in the financial statements takes into account the environmental legislation currently in force. However, this measurement could be subject to variations, even to a significant extent, in relation to: (i) the possibility of further contamination arising; (ii) the results of current and future refurbishment and the other possible effects arising from the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental cleansing; and (v) the possibility of disputes concerning the environmental liability for specific sites and the difficulty of determining the potential consequences of this, including in relation to the liability of other parties and any indemnity.</p>

4. The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors.

<p>Provisions for employee benefits</p>	<p>Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.</p> <p>The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.</p> <p>Differences in the value of net liabilities relating to employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the statement of comprehensive income. Actuarial assumptions are also used to determine other long-term employee benefit obligations; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.</p>
<p>Provisions for risks and charges</p>	<p>In addition to the amounts allocated to the provisions for environmental liabilities, Italgas recorded provisions mainly relating to the following in the financial statements: (i) operational restoration of metering instruments; (ii) legal and tax disputes; (iii) staff leaving incentives; (iv) expenses related to meeting the Energy Efficiency Certificates targets (EEC) set by the Authority; (v) provision for contractual risks.</p> <p>The provision for operational restoration of metering instruments is determined by the company's management on the basis of assumptions that take into account (i) hypothesised malfunctioning of smart meters currently installed; (ii) the warranties agreed with the meter suppliers; (iii) the estimated costs for replacing the smart meters.</p> <p>Provisions are made to cover the risk of future outlay for the cases set out above. The value of the provisions recorded in the financial statements for such risks reflects the best estimate made by the company's management with the support of independent professionals at the preparation date of this document. This estimate involves making assumptions based on factors that may vary over time, which could, therefore, produce a significantly different outcome with respect to the current estimates made by the company's management for the preparation of the Group's financial statements.</p>

6. Business combination transactions

During the financial year, the equity investments in DEPA Infrastructure Single Member S.A. (hereinafter DEPA Infrastructure) and Janagas S.r.l. were acquired.

As part of the public tender called by the Greek government for the privatization of the distribution operator DEPA Infrastructure, on 9 September 2021 Italgas was declared the "preferred bidder" by the Greek privatization fund (HRADF); on 10 December 2021 the preliminary purchase and sale contract was signed. At that date DEPA Infrastructure owned 51% of Thessaloniki - Thessalia Gas Distribution S.A. (EDA Thess), 100% of Attiki Natural Gas Distribution Single Member Company S.A. (EDA Attikis) and 100% of Public Gas Distribution Networks S.A. (DEDA), the three main players in gas distribution in Greece.

Furthermore, on 31 July 2021 DEPA Infrastructure had undertaken to acquire from ENI Plenitude Società Benefit S.p.A. the remaining 49% of the share capital of EDA Thess, upon the occurrence of the same conditions precedent to which the acquisition of DEPA Infrastructure was subject as well as the completion of the acquisition of the same company.

The acquisition transaction was finalized on 1 September 2022, following the occurrence of the conditions precedent set forth in the sales agreements, for a total consideration of € 929,146 thousand.

The signing of the acquisition agreements by Italgas Newco S.p.A. of 100% of DEPA Infrastructure and by DEPA Infrastructure of the remaining share of the share capital of EDA Thess took place respectively on 1 September 2022 for a consideration of € 763,949 thousand and on 19 December 2022 for a consideration of € 165,196 thousand.

The provisional allocation of the purchase price based on the information available led to adjustments to redetermine the net assets acquired at their fair value for € 101,883 thousand, against:

- a. the recognition of Intangible assets relating to the licences for natural gas distribution for € 134,055 thousand and the related deferred tax for € 29,492 thousand;

- b. the recognition of prepaid tax on previous tax losses for € 11,120 thousand;
- c. higher liabilities for provisions for risks and charges for € 13,800 thousand;

The residual value against the purchase cost was posted to the item "Goodwill" for € 115,789 thousand.

On 2 August 2022, Italgas signed a binding agreement for the acquisition from Fiamma 2000 Group of the LPG distribution and sales business, with related networks and plants, managed in 12 municipalities in Sardinia.

Following the fulfilment of the conditions precedent set out in the purchase and sale contract, on 13 December 2022 the purchase from the Fiamma 2000 Group of the entire share capital of Janagas S.r.l. by Medea S.p.A. was finalised. Janagas S.r.l. is the corporate vehicle to which the Fiamma 2000 Group transferred the LPG distribution and sales networks in Sardinia, which will subsequently be converted to natural gas.

The provisional allocation of the purchase price based on the information available led to fair value adjustments of the net assets acquired for € 13,222 thousand, against:

- a. the greater value of Intangible assets relating to the distribution and metering of other gases for € 7,946 thousand;
- b. the development of the customer list, for € 1,070 thousand, and related deferred tax for € 257 thousand;
- c. the recognition of prepaid tax on depreciation and amortisation recoverable through tax, for € 4,462 thousand;

The negative difference between the purchase price and the fair value of the net assets acquired has been posted to the income statement for € 13,558 thousand.

Acquisition of companies		
(€ thousands)	JANAGAS S.r.l	DEPA INFRASTRUCTURE Group
Cash and cash equivalents	12	107,118
Trade and other receivables	695	19,876
Inventories	201	10,919
Tax assets		1,230
Other current assets	15	6,680
Current assets	923	145,823
Property, plant and equipment		11,537
Intangible assets	41,150	873,222
Equity investments		
Financial assets		
Deferred tax assets	4,463	11,120
Other non-current assets		43,724
Non-current assets	45,613	939,603
TOTAL ASSETS	46,536	1,085,426
Short-term financial liabilities	45	18,789
Trade and other payables	893	43,747
Tax liabilities		8,550
Other current liabilities	196	2,762
Current liabilities	1,134	73,848
Long-term financial liabilities		87,690
Provisions for risks and charges	51	22,644
Provisions for employee benefits	396	2,615
Deferred tax liabilities	257	50,591
Other non-current liabilities	239	34,681
Non-current liabilities	943	198,221
TOTAL LIABILITIES	2,077	272,069
NET VALUE OF ACQUIRED ASSETS	44,459	813,357
GOODWILL	(13,558)	115,789
PRICE OF THE ACQUIRED ASSETS	30,901	929,146
of which paid	30,700	929,146
to be paid	201	

With regard to the acquisition transactions, it should be noted that the values entered are subject to the valuation period referred to in paragraph 45 of IFRS 3 which allows provisional amounts to be recognised in the closing financial statements, pending acquisition within a year. additional information that may derive from any adjustments relating to the assets and liabilities acquired.



7. Cash and cash equivalents

Cash and cash equivalents, equal to € 451,946 thousand (€ 1,391,763 thousand as at 31 December 2021), refer to current account deposits held at banks.

Cash and cash equivalents are not subject to any usage restrictions.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the Statement of Cash Flows.

8. Current financial assets

Current financial assets, amounting to € 5,770 thousand, (€ 5,120 thousand as at 31 December 2021), relate mainly to financial receivables from credit institutions that can be liquidated in the short-term, essentially as guarantee of M&A operations with Con-scoop (€ 5,001 thousand), and to the remaining amount of the equity investment of Italgas Reti S.p.A. in Acqua Campania S.p.A. (€ 119 thousand).

9. Trade and other receivables

Trade and other receivables, which amount to € 1,142,950 thousand (€ 588,098 thousand as at 31 December 2021) comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Trade receivables	388,614	315,708
Receivables from investment/divestment activities	5,278	5,278
Other receivables	194,206	821,964
	588,098	1,142,950

Trade receivables (€ 315,708 thousand as at 31 December 2022 and € 388,614 thousand as at 31 December 2021), decreased by € 72,906 thousand mainly due to the reduction in receivables from sales companies (€ -232,800 thousand), from customers (€ -31,900 thousand) and due to the deconsolidation of Gaxa (€ -16,100 thousand) partially offset by higher receivables related to the "Super/ECobonus" (€ 114,536 thousand), from the CSEA mainly related to the equalisation balance (€ 61,500 thousand) and the first-time consolidation of DEPA Infrastructure (€ 28,148 thousand).

These are reported net of the provision for impairment losses (€ 16,742 thousand at 31 December 2022 and € 15,643 thousand at 31 December 2021). Changes in the provision for impairment losses on receivables during the year are shown below:

(€ thousands)	Provision for impairment at 31.12.2020	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2021
Trade receivables	14,606	1,213	320	(1,384)	888	15,643
Other receivables	888				(888)	
	15,494	1,213	320	(1,384)		15,643

(€ thousands)	Provision for impairment at 31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	Provision for impairment at 31.12.2022
Trade receivables	15,643	183	8	(350)	(108)	15,376
Other receivables		405			961	1,366
	15,643	588	8	(350)	853	16,742

The provision for impairment of receivables reflects estimated losses in connection with the Group's credit portfolio. Provisions are made for expected losses on receivables, estimated both on the basis of past experience with receivables with similar credit risk and on the basis of future expected loss on open positions as at the balance sheet date, as well as careful monitoring of the quality of credit portfolios.

Receivables for investment/divestment activities (€ 5,278 thousand as at 31 December 2022 unchanged compared to 31 December 2021) involve receivables for sales of property, plant and equipment and intangible assets.

Other receivables (€ 821,964 thousand as at 31 December 2022 and € 194,206 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	31.12.2022
IRES receivables for the national tax consolidation scheme	16,285	16,516
VAT receivables for liquidation of Group VAT	2	
Receivables due from CSEA	130,575	744,101
Receivables from the Public administration	5,979	6,654
Advances to suppliers	32,805	45,976
Receivables from personnel	2,258	2,088
Other receivables	6,302	6,629
	194,206	821,964

IRES receivables for the national tax consolidation scheme (€ 16,516 thousand as at 31 December 2022) mainly concern receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2004 to 2007 (pursuant to Article 6 of Decree-Law no. 185 of 28 November 2008, converted by Law no. 2 of 28 January 2009) and to tax years 2007 to 2011 (pursuant to Decree-Law no. 201/2011).

Receivables from the CSEA (€ 744,101 thousand as at 31 December 2022) mainly refer to additional gas distribution tariff components (Safety Incentives, UG2⁵ and the Gas Bonus⁶) for € 706,024 thousand and for safety incentives for € 38,076 thousand. The change compared to the previous period refers to Resolutions issued by ARERA to address the increase in energy prices and energy bills. For more details, please see item "27) Revenues".

Receivables from public administrations (€ 6,654 thousand at 31 December 2022) relate to receivables from Municipalities, mainly for Cosap.

The market value of trade and other receivables is analysed in the Note "Guarantees, commitments and risks - Other information about financial instruments". All receivables are in Euro.

The fair value measurement of trade and other receivables has no material impact considering the short period of time from when the receivable arises and its due date and contractual conditions.

The length of time the trade receivables and other receivables have been outstanding is shown below:

(€ thousands)	31.12.2021			31.12.2022		
	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
Receivables not overdue	364,628	199,484	564,112	227,483	821,964	1,049,447
Receivables overdue:	23,986		23,986	88,225		88,225
- from 0 to 3 months	5,575		5,575	47,713		47,713
- from 3 to 6 months	1,375		1,375	12,314		12,314
- from 6 to 12 months	2,438		2,438	18,768		18,768
- over 12 months	14,598		14,598	9,430		9,430
	388,614	199,484	588,098	315,708	821,964	1,137,672

5. Additional component of the distribution tariff for the purpose of containing the cost of the gas service for low consumption end users.

6. Component relating to requests for subsidies for natural gas provision by economically disadvantaged customers.

Receivables overdue, amounting to € 88,225 thousand, mainly relate to receivables from end users for gas and water supply (€ 27,411 thousand) and ESCo service customers (€ 64,373 thousand).

As at 31 December 2022 there were no significant credit risks. Note that on average 98.44% of trade receivables relating to gas distribution are settled by the due date and over 99.67% within the following 4 days, confirming the strong reliability of the customers.

It should be noted that the Group has finalised factoring agreements with financial counterparties on the basis of which the Group's receivables can be factored without recourse. In particular, with reference to 31 December 2022, we finalised the assignment of VAT receivables in the amount of € 30.0 million.

Receivables from related parties are described in the note "Related party transactions".

Specific information on credit risk is provided in the note "Guarantees, commitments and risks - Financial risk management - Credit risk".

10. Inventories

Inventories, which amount to € 120,486 thousand, are analysed in the table below:

(€ thousands)	31.12.2021			31.12.2022		
	Gross value	Provision for impairment losses	Net value	Gross value	Provision for impairment losses	Net value
Raw materials, consumables and supplies	106,013	(719)	105,294	124,733	(4,247)	120,486
	106,013	(719)	105,294	124,733	(4,247)	120,486

Inventories of raw materials, consumables and supplies (€ 120,486 thousand at 31 December 2022) mainly consisted of gas meters.

The provision for impairment losses on inventories of raw materials, consumables and supplies amounts to € 4,247 thousand (€ 719 thousand as at 31 December 2021).

Inventories are not collateralised. Inventories do not secure liabilities, nor are they recognised at net realisation value.

11. Current and non-current income tax assets/liabilities

Current and non-current income tax assets/liabilities break down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Income tax assets	21,625	22,936	44,561	8,703	54,862	63,565
- IRES	18,153	22,936	41,089	4,328	54,862	59,190
- IRAP	3,472		3,472	720		720
- Foreign Taxes				3,655		3,655
Income tax liabilities	3,430		3,430	16,105		16,105
- IRES	3,162		3,162	6,856		6,856
- IRAP	268		268	3,776		3,776
- Foreign Taxes				5,473		5,473

The change in income tax assets of € 19,005 thousand is mainly due to accrued tax credits for energy efficiency works falling under the legislation of Superbonus incentives as provided for in the Relaunch Decree (Decree-Law 34/2020). The tax credits arising from the Superbonus as at 31 December 2022 amount to € 37,209 thousand and can be used in 4 years, as envisaged by legislation. The Superbonus credits are related to the company Geoside S.p.A., which is part of the tax consolidation scheme of Italgas S.p.A., and Management therefore expects recovery through the taxable base of that company and of the tax consolidation scheme.

Taxes pertaining to the year under review are shown in the note "Income taxes".

12. Other current and non-current non-financial assets

Other current non-financial assets, amounting to € 80,775 thousand, and *other non-current non-financial assets*, amounting to € 153,575 thousand, break down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other regulated activities	38,664	77,175	115,839	38,424	73,919	112,343
Other assets	15,415	3,191	18,606	42,351	79,656	122,007
- Other current taxes	10,710		10,710	36,645		36,645
- Prepayments	4,701	163	4,864	5,706	76,376	82,082
- Security deposits		2,970	2,970		3,221	3,221
- Other	4	58	62		59	59
	54,079	80,366	134,445	80,775	153,575	234,350

Other regulated activities (€ 112,343 thousand as at 31 December 2022) essentially relate to the tariff recognition, by the Authority, following the plan to replace traditional meters with electronic meters pursuant to Article 57 of ARERA Resolution no. 367/14, as amended, due to the change in methodology over previous years and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas and Resolution no. 570/2019/R/gas and Determination no. 3/2021.

The *other current tax assets*, amounting to € 36,645 thousand (€ 10,710 thousand as at 31 December 2021) refer to VAT receivables for € 23,061 thousand (€ 6,976 thousand as at 31 December 2021) and to other taxes for € 13,584 thousand (€ 3,734 thousand as at 31 December 2021).

Prepayments amounting to € 82,568 thousand increased mainly as a result of the entry into the scope of consolidation of the DEPA Infrastructure Group (€ 76,729 thousand), which recognises in such item the positive difference between the revenues recognised and the revenues effectively accrued in the years between 2017 and 2022, recoverable through the tariffs of the subsequent regulation periods. The residual part of the item is instead related to prepayments of the Single Equity Charge recognised to Municipalities and insurance policies.

13. Property, plant and equipment

Property, plant and equipment, which amounts to € 379,026 thousand as at 31 December 2022 (€ 372,108 thousand at 31 December 2021), breaks down as follows:

(€ thousands)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2020	13,015	460,922	34,170	162,086	37,872	18,944	727,009
Right of Use as at 1.1.2021		45,627		44,709	25,717		116,053
Investments	2	19,349	2,208	3,576		5,705	30,840
Right of Use investments		1,044		4,031	9,829		14,904
Divestments	(183)	(4,040)	(416)	(13,432)	(960)	(216)	(19,247)
Disposals of Right of Use		(1,099)		(3,509)	(18)		(4,626)
Change in scope of consolidation			129	793			922
Change in scope of consolidation right of use				92			92
Other changes	(96)	11,212	211	2,084	484	(16,955)	(3,060)
Other change in rights of use		(169)		(39)	(86)		(294)
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Accumulated depreciation at 31.12.2020		(210,377)	(14,846)	(112,903)	(18,296)		(356,422)
Amortisation of Right of Use as at 1.1.2021		(10,010)		(18,063)	(6,657)		(34,730)
Depreciation		(7,779)	(1,723)	(6,416)	(270)		(16,188)
Amortisation of Right of Use		(6,687)		(10,020)	(6,230)		(22,937)
Divestments		1,986	2	12,576	941		15,505
Disposals of Right of Use		565		3,016	6		3,587
Change in scope of consolidation			(1)	(580)			(581)
Change in scope of consolidation right of use				(4)			(4)
Other change in rights of use		62		77	47		186
Other changes		2,534	4	177	(182)		2,533
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Provision for impairment losses at 31.12.2020				(657)		(31)	(688)
(Write-down)/Value restorations						31	31
Divestments				653			
Other changes				4		(111)	(107)
Provision for impairment losses at 31.12.2021						(111)	(111)
Net balance at 31.12.2020	13,015	250,545	19,324	48,526	19,576	18,913	369,899
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
- of which Right of Use		29,333		20,290	22,608		72,231

	31.12.2022						
(€ thousands)	Land	Buildings	Plant and equipment	Industrial and commercial equipment	Other assets	Work in progress and payments on account	Total
Cost at 31.12.2021	12,738	487,219	36,302	155,682	47,121	7,478	746,540
Right of Use as at 1.1.2022		45,403		45,284	35,442		126,129
Investments		2,248	812	3,581	121	3,888	10,650
Right of Use investments	379	11,145		5,633	9,206		26,363
Divestments	(59)	(1,772)	(889)	(1,151)	(2)	(12)	(3,885)
Disposals of Right of Use	(350)	(6,644)		(458)			(7,452)
Reclassifications	(149)	696	52	1,661		(2,260)	
Reclassifications of rights of use	2,339						2,339
Change in scope of consolidation	1,949	8,544	2,311	581	15,400	499	29,284
Change in scope of consolidation right of use		8,998		2,277	1,889		13,164
Other changes	(1)	3,793	(159)	144	(223)	(610)	2,944
Other change in rights of use		(1,432)		(37)	2		(1,467)
Cost at 31.12.2022	16,846	512,795	38,429	167,913	73,514	8,983	818,480
Accumulated depreciation at 31.12.2021		(219,696)	(16,564)	(114,077)	(23,984)		(374,321)
Amortisation of Right of Use as at 1.1.2022		(16,070)		(24,994)	(12,834)		(53,898)
Depreciation		(8,543)	(2,076)	(6,350)	(366)		(17,335)
Amortisation of Right of Use	(99)	(6,789)		(9,763)	(7,974)		(24,625)
Divestments		1,192	4	945			2,141
Disposals of Right of Use	7	3,121		316			3,444
Change in scope of consolidation		(5,975)	(1,422)	(437)	(13,224)		(21,058)
Change in scope of consolidation right of use		(4,917)		(1,229)	(1,435)		(7,581)
Other change in rights of use		(3)		5	1		3
Other changes		(2)	(34)	(443)	468		(11)
Accumulated depreciation at 31.12.2022	(92)	(241,612)	(20,092)	(131,033)	(46,514)		
Provision for impairment losses at 31.12.2021						(111)	(111)
Provision for impairment losses at 31.12.2022						(111)	(111)
Net balance at 31.12.2021	12,738	267,523	19,738	41,605	23,137	7,367	372,108
Net balance at 31.12.2022	16,754	271,183	18,337	36,880	27,000	8,872	379,026
- of which Right of Use	2,276	32,812		17,034	24,297		76,419

Investments (€ 37,013 thousand) mainly refer to industrial and commercial equipment (€ 3,581 thousand), office buildings (€ 2,248 thousand) and leased goods (€ 26,363 thousand).

The Rights of use are detailed in the following table:

(€ thousands)	01.01.2022	depreciation	Change consolidation area	increases	decreases	reclassifications	Other changes	31.12.2022
Land		(99)		379	(343)	2,339		2,276
Buildings	29,333	(6,789)	4,080	11,145	(3,523)	1	(1,435)	32,812
- operating properties	29,333	(6,789)	4,080	11,145	(3,523)	1	(1,435)	32,812
Industrial and commercial equipment	20,290	(9,763)	1,048	5,633	(142)		(32)	17,034
- ICT	5,017	(2,012)		4,330				7,335
- motor vehicles	15,273	(7,751)	1,048	1,303	(142)		(32)	9,699
Other assets	22,608	(7,973)	454	9,206			2	24,297
	72,231	(24,624)	5,582	26,363	(4,008)	2,340	(1,465)	76,419
Interest expense (included in financial expense)	290							321

Land and buildings, of € 287,935 thousand, mainly include buildings for office use, workshops, warehouses and depots used in the corporate business, of which rights of use of € 35,088 thousand.

Plant and machinery (€ 18,337 thousand) mainly related to photovoltaic plants (€ 14,661 thousand) and charging stations (€ 2,883 thousand).

Industrial and commercial equipment (€ 36,880 thousand) include rights of use for € 17,034 thousand relating to IT infrastructures and leased vehicles.

During the year, there were no changes in the estimated useful life of assets or in the depreciation rates applied and explained by category in the Note - "Measurement criteria - Property, plant and equipment".

Property, plant and equipment are not collateralised and there are no restrictions on ownership and property.

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in the Note "Guarantees, commitments and risks".

During the year, no impairment indicators were observed, nor any significant variations to the measurement of the recoverability of the value recognised in the financial statements for Property, plant and equipment.

14. Intangible assets

Intangible assets, which amount to € 8,509,368 thousand as at 31 December 2022 (€ 7,469,805 as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021						
	Finite useful life					Indefinite useful life	
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	Total
Cost at 31.12.2020	11,320,032	470,779	315,206	11,661	75,578	67,438	12,260,694
Investments	632,359	6,382	141,394	39,124	15,396	6,501	841,156
Government grants			(33,140)				(33,140)
Change in the scope of consolidation	26,864	217			1,142		28,223
Divestments	(63,653)	(989)	(87)	(1,880)	(290)		(66,899)
Reclassifications	(77,757)				77,757		
Other changes	106,731	35,261	(105,100)	(36,911)	85	567	633
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667
Accumulated amortisation at 31.12.2020	(4,749,781)	(381,823)			(62,639)		(5,194,243)
Amortisation	(364,339)	(37,598)			(3,325)		(405,262)
Change in the scope of consolidation	(1,666)	(207)			(704)		(2,577)
Divestments	50,904	288			287		51,479
Reclassifications	76,619				(76,619)		
Other changes	(752)	11			1,136		395
Accumulated amortisation at 31.12.2020	(4,989,015)	(419,329)			(141,864)		(5,550,208)
Provision for impairment losses at 31.12.2020	(9,276)			(2,147)			(11,423)
(Write-down)/Value restorations	(895)						(895)
Divestments	17			2,095			2,112
Change in the scope of consolidation		(10)			(438)		(448)
Provision for impairment losses at 31.12.2021	(10,154)	(10)		(52)	(438)		(10,654)
Net balance at 31.12.2020	6,560,975	88,956	315,206	9,514	12,939	67,438	7,055,028
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805

(€ thousands)	31.12.2021						
	Finite useful life					Indefinite useful life	
	Service concession arrangements	Industrial patent rights and intellectual property rights	Work in progress and payments on account IFRC 12	Work in progress and payments on account	Other Intangible Assets	Goodwill	Total
Cost at 31.12.2021	11,944,576	511,650	318,273	11,994	169,668	74,506	13,030,667
Investments	630,829	33,518	99,199	13,257	505		777,308
Government grants	(48)		(10,787)				(10,835)
Change in the scope of consolidation	1,437,696	(2,416)	48,934	(307)	20,206	115,789	1,619,902
Divestments	(594,948)	(22)	(4,141)	(64)	(309)		(599,484)
Reclassifications	184,046	9,945	(184,046)	(9,945)			
Other changes	(2,408)	12,097	5,261	(214)	(11,789)	168	3,115
Cost at 31.12.2022	13,599,743	564,772	272,693	14,721	178,281	190,463	14,820,673
Accumulated amortisation at 31.12.2021	(4,989,015)	(419,329)			(141,864)		(5,550,208)
Amortisation	(396,361)	(38,092)			(1,878)		(436,331)
Change in the scope of consolidation	(562,062)	450			(17,135)		(578,747)
Divestments	276,639	7			309		276,955
Other changes	8,753	(10,943)			9,411		7,221
Accumulated amortisation at 31.12.2022	(5,662,046)	(467,907)			(151,157)		(6,281,110)
Provision for impairment losses at 31.12.2021	(10,154)	(10)		(52)	(438)		(10,654)
(Write-down)/Value restorations			(895)				(895)
Divestments	8,684		147				8,831
Change in the scope of consolidation	(15,918)						(15,918)
Other changes	(10,659)		(98)	52	(854)		(11,559)
Provision for impairment losses at 31.12.2022	(28,047)	(10)	(846)		(1,292)		(30,195)
Net balance at 31.12.2021	6,945,407	92,311	318,273	11,942	27,366	74,506	7,469,805
Net balance at 31.12.2022	7,909,650	96,855	271,847	14,721	25,832	190,463	8,509,368

Service concession agreements including the related work in progress, amounting to € 8,181,497 thousand (€ 7,263,680 thousand as at 31 December 2021), refer to agreements between the public and private sectors on the development, financing, management and maintenance of infrastructure under concession by a contracting party. The provisions relating to the service concession agreements are applicable for Italgas in its role as a public service natural gas distributor in Italy and Greece and in integrated water service management, i.e. they are applicable to the agreements under which the operator is committed to providing the public natural gas distribution and integrated water service at the tariff established by the Authority, holding the right to use the infrastructure, which is controlled by the grantor, for the purposes of providing the public service.

The item Service concession arrangements also includes for € 134,055 thousand the value of the intangible asset "licences" measured during the purchase price allocation of the DEPA Infrastructure Group relating to the licences for gas distribution in Greece expiring in 2043 and possibility of renewal for another 30 years.

IFRIC 12 Work in progress of € 271,849 thousand (€ 318,273 thousand at 31 December 2021) mainly refers to new networks under construction and digitisation of natural gas distribution networks.

Industrial patent rights and intellectual property rights of € 96,853 thousand (€ 92,311 thousand as at 31 December 2021) mainly concern information systems and applications in support of operating activities.

Other intangible assets of € 25,833 thousand (€ 27,366 thousand as at 31 December 2021) predominately concern the customer lists relating to the acquisition of ESCo and gas sales businesses (€ 14,736 thousand).

Intangible assets with an undefined useful life of € 190,463 thousand (€ 74,506 thousand at 31 December 2021) mainly refer to goodwill arising in previous years in relation to the process of allocation of prices paid for the acquired companies. The increase compared to 31 December 2021 mainly derives from the business combination transaction relating to the DEPA Infrastructure Group (€ 115,789 thousand). For information about the business combination transaction of the DEPA Infrastructure Group, please see subsection "6) Business combination transactions".

IFRIC 12 Work in progress of € 271,849 thousand (€ 318,273 thousand at 31 December 2021) mainly refers to new networks under construction.

Investments for the year mainly relate to concession agreements for the maintenance and development of the smart metering network and the digitisation of networks. In particular:

- gas distribution investments (€ 712.8 million, -0.8% compared to 2021), which recorded the installation of an additional 532 km of pipeline (2021: 732 km), were largely driven by network development, maintenance and repurposing initiatives. The reduction compared to 2021 is caused by less construction of new gas distribution networks, mainly due to the gradual completion of the methanisation project in Sardinia, where an additional 12 km of new network was built, bringing the total of networks laid to 909 km; in addition, 13 LNG storage plants were installed, with a total of 66 in service. DEPA Infrastructure's subsidiaries made € 26.9 million in investments, of which € 3.7 million went into the construction of new gas distribution networks;
- investments in digitisation (€ 190.9 million, up +30.2% compared to 2021) relate to the installation of digital devices for the acquisition of data for the

control and monitoring of the distribution network and plants.

- metering investments (€ 43.3 million, -43.4% compared to 2021, of which 1.9 was made in Greece for 7 thousand units) were affected by the completion of the plan to replace traditional meters in Italy pursuant to ARERA Resolution no. 631/2013/R/gas as amended. In 2022, the Company installed 372 thousand new meters in Italy, of which 89 thousand to replace traditional G4/G6 meters, 269 thousand for the repair of digital meters with anomalies and 14 thousand to replace large-caliber meters. At 31 December 2022⁷, a total of 7.6 million smart meters have been installed as part of the plan to replace traditional meters with smart meters (93.0% of the total number of meters and practically all active meters). As at 31 December 2022, the digital meter stock installed by the DEPA Infrastructure Group amounted to 41 thousand units.

"Service concession arrangements", net of the effect caused by the sale on 1 December 2022, of fixed assets relating to the Municipalities of ATEM Naples 1, increased by € 941.1 million mainly following the acquisition of the DEPA Infrastructure Group, which resulted in the recognition of assets pursuant to IFRIC 12 in the amount of € 824.9 million and goodwill in the amount of € 115.8 million.

On 21 December 2022, the closing of the transaction through which Medea S.p.A. acquired 49% of the share capital of Energie Rete Gas S.r.l. was finalised through the transfer to the same of assets and activities relating to gas transmission to serve the distribution networks operating in the municipalities under concession.

Amortisation refers to economic and technical amortisation determined on the basis of the finite useful life of the intangible assets or their remaining possible use by the Company.

The provision for impairment, amounting to € 30,195 thousand, mainly relates to service concession arrangements and increased by € 19,541 mainly due to the entry into the scope of consolidation of Janagas (€ 15,918 thousand).

Advanced research and development expenses of the period are not of a considerable amount.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in the Note - "Guarantees, commitments and risks".

Impairment test

The impairment test is conducted for all CGUs with impairment indicators and/or goodwill allocated to them. In 2022, the test was carried out for all the CGUs, regardless of the presence of impairment indicators and/or goodwill.

7. Also taking into account the affiliates, over which Italgas does not exercise control, 406 thousand new meters were installed during the period, bringing the total number of smart meters installed as a

31 December 2022 to 7.7 million (92.5% of the total number of meters and practically all active meters).

The impairment test therefore concerned the following CGUs (Cash Generating Units):

- Distribution and metering of natural and other gases;
- Distribution and metering of natural gas abroad;
- Sale of natural and other gases;
- Integrated water service;
- Other activities (ESCOs).

As compared with last year, it is noted that the CGU "Distribution and metering of natural gas abroad" was introduced, by virtue of the business combination relating to the DSOs of the DEPA Infrastructure Group operating in Greece.

As required by the reference accounting standards (IAS 36), impairment testing was conducted on assets and goodwill by determining their recoverable value and comparing this with the net book value of the CGUs to which they belong.

Goodwill posted to the financial statements is allocated to the CGUs as follows:

- Distribution and metering of natural and other gases: € 66.2 million;
- distribution and metering of natural gas abroad: € 115.8 million;
- Other activities (ESCOs): € 8.3 million.

With reference to the Natural and other gas distribution and metering CGU and the Integrated water service CGU, the recoverable value was defined in accordance with the estimated value of Net Invested Capital attributed to such assets for tariff purposes (RAB - Regulatory Asset Base⁸) by the Authority.

The "Distribution and metering of natural gas and other gases" CGU includes, as described previously, the "Municipalities in start-up", mainly concentrated in Sardinia, for which the remuneration mechanism provides for a limit to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 (expressed at 2017 prices) per delivery point set by resolution no. 704/2016/R/gas. The RAB considered is based on the achievement of break-even delivery points.

The use of the RAB for estimating recoverable amount is a generally accepted method in regulated utility sectors; reasonable changes in valuation inputs would not result in losses of value in the asset.

With reference to the CGU "Distribution and metering of natural gas abroad", the recoverable value was defined on the basis of the price of a recent market transaction (sale of 10% of the capital of Italgas Newco S.p.A. to a minority shareholder at a price corresponding to an implicit measurement of the equity investment of 100% in DEPA Infrastructure in line with the price offered by Italgas for the purchase during privatisation).

With reference to the "Sale of natural and other gases" CGU, the recoverable amount was defined on the basis of the price of recent market transactions.

With reference to the CGU "Other activities", the recoverable value was determined using the Discounted Cash Flow (DCF) Method based on the flows resulting from the 2022-2028 Business Plan. No impairment was found as a result of the test carried out. A sensitivity analysis was also carried out on the WACC used to determine the recoverable value.

8. The RAB is the reference basis for determining the service tariffs and, therefore, the cash flows generated by the activities. The value of the RAB is defined using the historical cost method revalued by how much concerns fixed capital, and on a flat-rate basis for working capital and severance indemnities.

15. Investments valued using the equity method

Equity investments valued using the equity method, which amount to € 47,243 thousand (€ 30,108 thousand at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	Increases for investments	Income (expense) from shareholders' equity	Decrease for dividends	Other changes	31.12.2022
Umbria Distribuzione Gas S.p.A.	1,515		(118)			1,397
Sant'Angelo Lodigiano S.p.A.	1,103		43	(113)		1,033
Gesam Reti S.p.A.	21,633		708	(1,211)		21,130
Valdarno S.r.l.	5,461				(5,461)	
Enerpaper S.r.l.	396		29		63	488
Gaxa S.p.A.					93	93
Energie Rete Gas S.r.l.		23,102				23,102
	30,108	23,102	662	(1,324)	(5,305)	47,243

During the financial year, the following was reported:

- the sale, on 4 May 2022, of 36.29% of Gaxa S.p.A.; the company was deconsolidated and entered into the scope of investments accounted for using the equity method;
- the entry, on 21 December 2022, into 49% of the share capital of Energie Rete Gas S.r.l. through the transfer of a number of gas transmission assets located in Sardinia;
- the non-proportional partial demerger of Valdarno S.p.A., which transferred part of the assets held to the newly formed Immogas S.r.l., fully consolidated.

Income from valuation using the equity method, of € 662 thousand, refers mainly to the company Gesam Reti (€ 708 thousand).

The decrease for dividends, of € 1,324 thousand concerns the company Gesam Reti (€ 1,211 thousand) and Metano Sant'Angelo Lodigiano (€ 113 thousand).

Equity investments are not collateralised.

With regard to the recoverable value of equity investments, for companies operating exclusively in regulated businesses, it is calculated using the adjusted RAB value of the net financial position, while for companies operating in other businesses, it is estimated based on future cash flows deriving from the business plans. In the light of the positive performance of those companies, the value estimated in this way is higher for all equity investments than the value recorded in the financial statements, and therefore there are no losses in value.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Appendix "Subsidiaries, associates and equity investments of Italgas S.p.A. at 31 December 2022", which is an integral part of these notes.

Other information on equity investments

In accordance with the provisions of IFRS 12 - "Disclosure of interests in other entities", the economic and financial data for joint ventures and associates are provided below.

Equity investments in joint ventures

The IFRS-compliant economic and financial data on equity investments in joint ventures operating in the distribution of natural gas⁹ are reported below according to their relevance.

(€ thousands)	31.12.2022	31.12.2022
	Gas distribution companies under joint control	Gas transmission companies under joint control
Current assets	5,971	17,459
- of which Cash and cash equivalents	3,590	4,675
Non-current assets	16,973	95,099
Total assets	22,944	112,558
Current liabilities	(12,618)	(9,885)
- of which Short-term financial liabilities	(1,568)	(2,388)
Non-current liabilities	(5,160)	(61,162)
- of which Long-term financial liabilities	(2,000)	(61,112)
Total liabilities	(17,778)	(71,047)
Shareholders' equity	5,166	41,511
Group interest	2,428	20,340
Other adjustments	2	2,762
Book value	2,430	23,102
Revenues	6,953	12,650
Operating costs	(6,075)	(2,765)
Amortisation, depreciation and impairment	(778)	(2,077)
EBIT	100	7,808
Financial Income (Expense)	(68)	428
Income taxes	(59)	(2,281)
Net profit	(27)	5,955
Total comprehensive income	(27)	5,955

9. Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method.



Umbria Distribuzione Gas S.p.A.

Umbria Distribuzione Gas S.p.A. operates in the natural gas distribution segment in Umbria.

The share capital of Umbria Distribuzione Gas S.p.A. is held by Italgas S.p.A. (45%), by A.S.M. Terni S.p.A. (40%) and by Acea S.p.A. (15%).

Umbria Distribuzione Gas manages the natural gas distribution service in the Terni municipality, making use of an integrated system of infrastructures, mainly owned by Terni Reti S.r.l., a wholly-owned subsidiary of the Terni municipality, comprising stations for withdrawing gas from the transportation network, pressure reduction plants, the local transportation and distribution network, user derivation plants and redelivery points comprising technical equipment featuring meters at the end users.

The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partners (Italgas S.p.A. and Acea S.p.A.) and the Public Partner (Municipalities).

Metano Sant'Angelo Lodigiano S.p.A.

Metano Sant'Angelo Lodigiano S.p.A. operates in the natural gas distribution sector in the municipalities of Sant'Angelo Lodigiano (LO), Villanova del Sillaro, Bargano (LO), Castiraga Vidardo (LO), Marudo (LO) and Villanterio (PV).

The share capital of Metano Sant'Angelo Lodigiano S.p.A. is held by Italgas S.p.A. (50%) and by Comune di Sant'Angelo Lodigiano (50%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the private partner (Italgas S.p.A.) and the Public Partner (Municipalities).

Energie Rete Gas S.r.l.

Energie Rete Gas S.r.l. is a company active in gas transmission through a network of regional methane pipelines located in Valle D'Aosta, Piedmont, Liguria, Tuscany and Sardinia.

The share capital of the company is held by Energetica S.p.A. (51%) and Medea S.p.A. (49%). The corporate governance rules establish that the decisions on the significant activities have to be taken with the unanimous consent of the partners.

Equity investments in associates

The IFRS-compliant economic and financial data for each significant associate, are reported below:

(€ thousands)	31.12.2022	
	Gesam Reti	Enerpaper
Current assets	9,989	1,819
- of which Cash and cash equivalents	1,841	200
Non-current assets	56,781	423
Total assets	66,770	2,242
Current liabilities	(11,159)	(506)
- of which Short-term financial liabilities	(2,533)	(163)
Non-current liabilities	(18,296)	(786)
- of which Long-term financial liabilities	(14,510)	(700)
Total liabilities	(29,455)	(1,292)
Shareholders' equity	37,315	950
Equity investment held by the group %	42,96%	20,01%
Group interest	16,031	190
Other adjustments	5,099	298
Value of the equity investment	21,130	488
Revenues	13,902	5,986
Operating costs	(7,180)	(5,107)
Amortisation, depreciation and impairment	(3,484)	(140)
EBIT	3,238	739
Financial Income (Expense)	(284)	(79)
Income taxes	(950)	(100)
Net profit	2,004	560
Total comprehensive income	2,004	560

Gesam Reti S.p.A.

Gesam Reti S.p.A. operates in the natural gas distribution and network management sector (owned 42.96% by Toscana Energia S.p.A.) in the municipality of Lucca and in another 7 municipalities of the province.

Enerpaper S.r.l.

Enerpaper S.r.l. operates in Turin, is 20.01% owned through Geoside S.p.A., whose activities carried out on its own behalf or on behalf of third parties are mostly focused on energy efficiency, building production in general, development, production, installation and sale of innovative products or services having high technological value.

Gaxa S.p.A.

Gaxa S.p.A. is a company active in the sale of natural gas and other gases in Sardinia, in which Italgas holds a 15.56% stake.

16. Non-current financial assets

Non-current financial assets, amounting to € 22,945 thousand (€ 7,855 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021	31.12.2022
Financial receivables instrumental to operations	2,848	3,984
Other equity investments	5,007	18,961
	7,855	22,945

The item Other equity investments of € 13,956 thousand relates to the fair value measurement of the investments in Picarro Inc. and Reti Distribuzione S.p.A. The increase in the item, equal to € 13,954 thousand, is mainly due to the acquisition of a stake in Picarro, on 2 March 2022, with an outlay of \$ 15 million.

17. Assets held for sale

Assets held for sale, worth € 11 thousand (€ 2,180 thousand at 31 December 2021) decrease by € 2,169 thousand, mainly due to the sale of the real estate complex in via Avezzana, Milan and the gas distribution plants in certain municipalities of the ATEM Milan 1 to another operator awarded the related area tender.

18. Short-term and long-term financial liabilities

Short-term financial liabilities, amounting to € 142,437 thousand (€ 591,188 thousand as at 31 December 2021) and long-term financial liabilities, totalling € 6,545,350 thousand (€ 5,785,707 thousand as at 31 December 2021), break down as follows:

(€ thousands)	31.12.2021					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	350,470	42,186	392,656	830,429	458,494	1,288,923
Bonds		146,111	146,111	880,791	3,564,619	4,445,410
Financial payables for leased assets (IFRS 16)		19,625	19,625	45,066	5,307	50,373
Other shareholders	32,796		32,796	1,001		1,001
	383,266	207,922	591,188	1,757,287	4,028,420	5,785,707

(€ thousands)	31.12.2022					
	Short-term liabilities			Long-term liabilities		
	Short-term liabilities	Short-term portion of long-term liabilities	Total short-term liabilities	Long-term portion due within 5 years	Long-term portion due beyond 5 years	Total long-term liabilities
Bank loans	1,060	67,713	68,773	1,040,937	598,203	1,639,140
Bonds		49,993	49,993	933,448	3,745,076	4,678,524
Financial payables for leased assets (IFRS 16)		21,571	21,571	40,415	10,062	50,477
Other shareholders	2,065	35	2,100	22	34,750	34,772
	3,125	139,312	142,437	2,014,822	4,388,091	6,402,913

Loans are initially recognised at cost represented by the fair value of the amount received net of incidental charges for obtaining the loan. After this initial recognition, loans are recognised with the amortised cost criterion calculated using the effective interest rate. All financial liabilities are accounted for using the amortised cost method.

On 15 September 2022, the Board of Directors resolved on the renewal of the EMTN Programme launched in 2016 and already renewed in all prior financial years, confirming the maximum nominal amount of € 6.5 billion, which was subscribed on 26 October 2022.

On 23 May 2022 Italgas took out a floating-rate loan with Banca Intesa Sanpaolo for a total amount of € 250 million and for a duration of three years.

On 20 September 2022 Italgas signed a fixed-rate framework loan with the European Investment Bank (EIB) to support the works to be carried out in Italy through Geoside, the Group's Energy Service Company, for a total amount of € 150 million and a duration of 14 years.

On 30 September 2022, DEPA Infrastructure signed a loan package with a leading Greek bank for a total nominal amount of € 580 million. On 13 December 2022, the provision was released for the first tranche of the bond loan necessary to finance the purchase of the remaining 49% of the capital of EDA Thess on 19 December 2022.

Financial debt to other lenders for € 34,750 thousand refers to a shareholder loan granted by Pheaton S.A. to settle part of the consideration paid for the acquisition of 10% of Italgas Newco S.p.A.

As required by IAS 7 (§44A), below is the statement showing the prospectus containing a reconciliation of the changes in liabilities deriving from financing, distinguishing between changes deriving from cash flow and other non-monetary changes.

(€ thousands)	Values at 31.12.2021	Cash flow	Other non-monetary changes				Values at 31.12.2022
			Conversion differences	Other changes	Business combinations	Total change	
Bank loans	1,681,579	171,111		(156,903)	12,126	26,334	1,707,913
<i>of which short-term</i>	392,656	(387,891)		63,882	126	(323,883)	68,773
<i>of which long-term</i>	1,288,923	559,002		(220,785)	12,000	350,217	1,639,140
Bonds	4,591,521	(156,066)		204,916	88,146	136,996	4,728,517
<i>of which short-term</i>	146,111	(146,111)		33,340	16,653	(96,118)	49,993
<i>of which long-term</i>	4,445,410	(9,955)		171,576	71,493	233,114	4,678,524
Financial payables for leased assets (IFRS 16)	69,998	(2,355)		(1,475)	5,880	2,050	72,048
<i>of which short-term</i>	19,625	(50)			1,996	1,946	21,571
<i>of which long-term</i>	50,373	(2,305)		(1,475)	3,884	104	50,477
Other shareholders	33,797	3,078		(48)	45	3,075	36,872
<i>of which short-term</i>	32,796	(30,671)		(70)	45	(30,696)	2,100
<i>of which long-term</i>	1,001	33,749		22		33,771	34,772
	6,376,895	15,768		46,490	106,197	168,455	6,545,350

Short-term financial liabilities

Short-term financial liabilities, of € 142,437 thousand (€ 591,188 thousand as at 31 December 2021), including the short-term portions of long-term liabilities, mainly refer to the use of uncommitted credit lines. The reduction of € 448,751 thousand is mainly due to the decreased use of the credit lines.

There are no short-term financial liabilities denominated in currencies other than the Euro.

Long-term financial liabilities

Long-term financial liabilities amount to € 6,402,913 thousand overall (€ 5,785,707 thousand as at 31 December 2021).

Net of financial payables for leased assets, the increase compared to 31 December 2021, of € 166,405 thousand, is primarily due to the consolidation of bank loans subscribed by DEPA Infrastructure Group companies (€ 240,120 thousand), partially offset by a decrease in the use of bank lines by Italgas S.p.A.

The breakdown of the bonds (€ 4,728,517 thousand), with the issuing company, year of issue, currency, average interest rate and due date, is provided in the following table.

(€ thousands) Issuing company	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2022	Rate (%)	Due date (year)
Euro Medium Term Notes							
ITALGAS S.p.A.	2017	€	750,000	7,888	757,888	1.625%	2027
ITALGAS S.p.A.	2017	€	381,326	3,022	384,348	1.125%	2024
ITALGAS S.p.A.	2017	€	750,000	8,755	758,755	1.625%	2029
ITALGAS S.p.A.	2019	€	600,000	(2,443)	597,557	0.875%	2030
ITALGAS S.p.A.	2019	€	500,000	(3,713)	496,287	1.000%	2031
ITALGAS S.p.A.	2020	€	500,000	(2,087)	497,913	0.250%	2025
ITALGAS S.p.A.	2021	€	500,000	(5,469)	494,531	0.000%	2028
ITALGAS S.p.A.	2021	€	500,000	(3,604)	496,396	0.500%	2033
EDA ATTIKIS	2021	€	25,000	(5,575)	19,425	1.90% + 3M Euribor	2027
EDA THESS	2018	€	3,600	(1,200)	2,400	2.30% + 3M Euribor	2023
EDA THESS	2019	€	13,750	(1,250)	12,500	2.17% + 3M Euribor	2027
EDA THESS	2020	€	13,000	(1,000)	12,000	1.90% + 3M Euribor	2028
EDA THESS	2021	€	38,500	(1,069)	37,431	1.85% + 3M Euribor	2031
DEPA INFRASTRUCTURE	2022	€	166,000	(4,914)	161,086	1.70% + 3M Euribor	2029
			4,741,176	(12,659)	4,728,517		

(a) Includes issue discount/premium and interest rate.

The breakdown of bank loans, amounting to € 1,707,913 thousand is provided in the table below.

(migliaia di €) Tipologia	Issue (year)	Currency	Nominal Value	Adjustments (a)	Balance as at 31.12.2022	Rate (%)	Due date (year)
ITALGAS S.p.A. - EIB	2017	€	360,000	(250)	359,750	0.35+Euribor 6M	15.12.2037
ITALGAS S.p.A. - EIB	2015	€	107,467	24	107,491	0.14+Euribor 6M	22.10.2035
ITALGAS S.p.A. - EIB	2016	€	250,000	(291)	249,709	0.47+Euribor 6M	30.11.2032
ITALGAS S.p.A. - EIB	2022	€	150,000	284	150,284	3.180%	15.12.2037
TOSCANA ENERGIA S.p.A. - EIB	2016	€	90,000	(16,364)	73,636	1.049%	30.06.2031
ITALGAS S.p.A. - TL MEDIO-BANCA	2021	€	200,000		200,000	0.000%	15.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2021	€	300,000		300,000	0.000%	27.10.2024
ITALGAS S.p.A. - TL INTESA SANPAOLO	2022	€	250,000	1,346	251,346	0.60+Euribor 3M	20.05.2025
GEOSIDE - FIN LT INTESA SANPAOLO	2021	€	1,342		1,342	0.830%	23.12.2025
DEDA - European Investment Bank (EIB)	2022	€	12,000		12,000	2.772%	2042
Financial payables due to other banks					2,355		
			1.720.809	(15.251)	1.707.913		

(a) Includes issue discount/premium and interest rate.

There are no long-term bank loans denominated in currencies other than the Euro.

There were no breaches of loan agreements as at the reporting date.

There were no breaches of loan agreements as at the reporting date. See the "Financial covenants and negative pledge contractual clauses" paragraph.

Breakdown of total financial liabilities by interest rate type

As at 31 December 2022, the breakdown of debt by type of interest rate, inclusive of liabilities for leases pursuant to IFRS 16 was as follows:

(€ million)	31.12.2021		31.12.2022	
	Value	%	Value	%
Fixed rate	5,910,9	92,7%	5,940,6	90,8%
Floating rate	466,0	7,3%	605,0	9,2%
	6,376,9	100,0%	6,545,6	100,0%

Financial covenants and negative pledge contractual clauses

As at 31 December 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of the EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants¹⁰. Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

The option for the lender to request additional guarantees if Italgas' credit rating is below BBB- (Fitch Ratings Limited) or Baa3 (Moody's) is envisaged only for the EIB loans taken out by Italgas. As at 31 December 2022, these criteria were met (see "Rating risk").

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas and Toscana Energia failure to comply and could trigger the early repayment of the relative loan.

Breakdown of net financial debt

Below is the net financial position in line with the CONSOB provisions of 28 July 2006 and with the provisions of ESMA guideline no. 39 issued on 04 March 2021, applicable from 05 May 2021 and CONSOB's Warning Notice no. 5/21 issued on 29 April 2021, reconciled with the financial debt prepared according to the Italgas Group representation methods

10. The contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2022 have been respected.

(€ thousands)	31.12.2021	31.12.2022
A. Cash	1,390,711	450,894
B. Cash equivalents	1,052	1,052
C. Other current financial assets	5,120	23,225
D. Liquidity (A+B+C)	1,396,883	475,171
E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)	383,556	3,415
F. Current portion of non-current financial debt (*)	207,922	139,312
G. Current financial debt (E+F)	591,478	142,727
of which, related parties	464	118
H. Net current financial debt (G-D)	(805,405)	(332,444)
I. Non-current financial debt (excluding the current portion and debt instruments) (*)	1,345,910	1,688,981
J. Debt instruments	4,445,410	4,678,525
K. Trade and other non-current payables		
L. Non-current financial debt (I+J+K)	5,791,320	6,367,506
of which, related parties	1,351	(2,048)
M. Total financial debt as per ESMA guideline (H+L)	4,985,915	6,035,062

For a better presentation of the items with reference to the provisions contained in the ESMA Guidelines on reporting obligations pursuant to Regulation (EU) 2017/1129, net financial debt for 2022 considers the value of the assets from derivative financial instruments to hedge financial debt. As a result, the items "E. Current financial debt (including debt instruments but excluding the portion of non-current financial debt)" and "I. Non-current financial debt (excluding the current portion and debt instruments)" relating to 2021 have been recalculated in order to provide a homogeneous comparison.

Net financial debt as at 31 December 2022, including the effects of the application of IFRS 16, of € 72,048 million, amounted to € 6,035,062 thousand, up by € 1,049,147 thousand (€ 4,985,915 thousand as at 31 December 2021). Net of that effect, the net financial debt amounted to € 5,963,014 thousand (€ 4,915,917 thousand as at 31 December 2021, up by € 1,047,097 thousand).

Financial and bond debt as at 31 December 2022 totalled € 6,545,350 thousand (€ 6,376,895 thousand as at 31 December 2021) and mainly refer to: bonds (€ 4,728,517 thousand), loan agreements with the European Investment Bank (EIB) (€ 952,870 thousand), (iii) payables to banks (€ 755,043 thousand) and financial liabilities pursuant to IFRS 16 (€ 72,048 thousand).

Cash, amounting to € 451,946 thousand, is held in current accounts and fixed-term deposits that can be immediately liquidated with leading banks.

Net financial debt does not include payables for dividends resolved and yet to be distributed and payables for investments.

19. Trade and other payables

Trade payables and other payables, which amount to € 1,197,117 thousand (€ 769,137 thousand as at 31 December 2021), comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Trade payables	300,906	709,352
Payments on account and prepayments	2,269	4,173
Payables for investment activities	247,055	308,745
Other payables	218,907	174,847
	769,137	1,197,117

Trade payables of € 709,352 thousand (€ 300,906 thousand as at 31 December 2021) relate to payables to suppliers. The increase of € 408,445 thousand was mainly due to the effect of the debt position with sales companies (€ 445,942 thousand) referring to the Resolutions issued by ARERA to address the increase in energy prices and energy bills; for more details, please see item "27) Revenues".

Payables for investment activities equal to € 308,745 thousand (€ 247,055 thousand as at 31 December 2021) mainly relate to payables to suppliers for technical activities.

The 2021 purchase of the concession of Olevano sul Tusciano is subject to a price adjustment clause according to the ultimate RAB to be approved by ARERA following the upholding of a specific request for correction of the equity data submitted by the seller on 14 September 2018 as concession-holder, in accordance with the provisions of RTDG 2014-2019, subject to the final tariffs of 2020. The Group has reflected the best estimate available of said value in the financial statements.

Other payables (€ 174,847 thousand at 31 December 2022 and € 218,907 thousand as at 31 December 2021) break down as follows:

(€ thousands)	31.12.2021	31.12.2022
Payables - shareholders for dividends		874
Payables to the public administration	75,816	83,591
Payables to CSEA	71,578	34,708
Payables to personnel	29,523	29,300
Payables to social security institutions	15,045	7,947
Payables to consultants and professionals	6,628	8,148
Other payables	20,317	10,279
	218,907	174,847

Payables to the public administration (€ 83,591 thousand; € 75,816 thousand as at 31 December 2021) primarily involve payables to municipalities for concession fees for the gas distribution business.

Payables to the CSEA (€ 34,708 thousand; € 71,578 as at 31 December 2021) relate to safety penalties for € 11,681 thousand (€ 11,694 as at 31 December 2021) and to several ancillary components of tariffs relating to the gas distribution service to be paid to this Fund (RE, RS, UG1 and GS)¹¹ for the remaining amount.

11. These components refer to: (i) RE - Variable portion to cover the expenses for calculating and implementing energy savings and the development of renewable energy sources in the natural gas sector; (ii) RS - Variable portion as coverage for expenses for gas services quality; (iii) UG1 - Variable portion to cover any imbalances in the equalisation system and to cover any adjustments; and (iv) GS - Variable portion to cover the tariff compensation system for economically disadvantaged customers.

Payables to related parties are described in the note "Related party transactions".

The book value of trade payables and other payables, considering the limited time interval between the occurrence of the payable and its maturity, is an approximation of the fair value. See the "Guarantees, commitments and risks - Other information on financial instruments" note for the market value of the trade payables and other payables.

20. Other current and non-current financial assets/ liabilities

The market value of the derivative financial instruments as at 31 December 2022 is analysed below:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other assets		670	670	17,455	35,442	52,897
<i>Derivative financial instruments Cash flow hedge</i>						
- Fair value interest rate hedging instruments				16,809	34,368	51,177
<i>Derivative financial instruments for foreign exchange risk</i>						
- Fair value instruments for foreign exchange risk		670	670	646	1,074	1,720
Other liabilities	(290)	(6,283)	(6,573)	(290)	(34)	(324)
<i>Derivative financial instruments Cash flow hedge</i>						
- Fair value interest rate hedging instruments	(290)	(6,283)	(6,573)	(290)	(34)	(324)

The value of other current and non-current assets for € 52,897 thousand is essentially related to the fair value of derivative financial instruments to hedge the risk of fluctuations in interest rates accounting for according to IFRS 9 in hedge accounting. The item also contains, for a net value of € 1,396 thousand, the fair value of the instrument for foreign exchange risk to hedge future payment flows in USD on Picarro invoices, the total hedged amount for which is \$ 14.9 million. The Group did not apply hedge accounting under IFRS 9 for instruments to hedge payment flows in USD, as it is for operational hedging only.

	Date stipulated	Initial amount as at 15.01.2021 USD hedging	Residual value as at 31.12.2022 USD	Foreign exchange rate on the subscription date	Foreign exchange rate on expiry (*)	Expiry date (last hedge)
Foreign exchange risk derivative	15.01.2021	16,300,000,00	14,980,000,00	1,2131	from 1.2143 to 1.2517	31.10.2024

(*) based on future instalments.

On 28 December 2017 Italgas entered into an EIB loan for an amount of € 360 million, expiring on 15 December 2037. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.355%.

On 15 January 2018 Italgas entered into an Interest Rate Swap, effective from 15 January 2018, expiring in 2024 and with the same coupon frequency as the loans.

On 12 December 2016 Italgas entered into an EIB loan for an amount of € 300 million, expiring on 30 November 2032. The loan involves the payment of half-yearly coupons at a variable rate of Euribor 6M + spread 0.47%.

On 24 July 2019 Italgas also entered into an Interest Rate Swap, effective from 24 July 2019, expiring in 2029 and with the same coupon frequency as the loans.

The IRS characteristics are summarised below:

	Date stipulated	Amount	ITG rate	Bank rate	Coupon	Expiration date
"Italgas Gas Network Upgrade" EIB loan	28.12.2017	360,000,000	var EUR 6M+spread 0.355%		half-yearly	15.12.2037
IRS derivative	15.01.2018	360,000,000	0,62%	var EUR 6M	half-yearly	15.12.2024
"Smart Metering" EIB loan	12.12.2016	250,000,000	var EUR 6M+spread 0.47%		half-yearly	30.11.2032
IRS derivative	24.07.2019	250,000,000	(0.06)%	var EUR 6M	half-yearly	30.11.2029

The derivatives stipulated to hedge the interest rate are booked according to the rules of hedge accounting. The effectiveness testing carried out as at 31 December 2022 did not show any impacts on the income statement in terms of ineffectiveness.

21. Other current and non-current non-financial liabilities

Other current non-financial liabilities, amounting to € 30,072 thousand (€ 13,111 thousand as at 31 December 2021) and *other non-current non-financial liabilities*, amounting to € 545,192 thousand (€ 534,425 thousand as at 31 December 2021), are broken down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Current	Non-current	Total	Current	Non-current	Total
Other tax liabilities	8,686		8,686	12,073		12,073
Accruals and deferrals connection contributions		531,678	531,678		510,760	510,760
Liabilities for security deposits		2,747	2,747		4,683	4,683
Other	4,425		4,425	17,999	29,749	47,748
	13,111	534,425	547,536	30,072	545,192	575,264

Other non-current liabilities of € 545,192 thousand mainly relate to connection contributions of € 510,760 thousand and non-current advances of € 23,137 thousand relating to the DEPA Infrastructure Group. The decrease during the year is mainly related to the sale of the facilities of the ATEM Naples 1 to another operator.

Other current tax liabilities of € 12,073 thousand mainly refer to payables to the tax authorities for IRPEF withholdings for employees.

22. Provisions for risks and charges

Provisions for risks and charges, which amount to € 144,277 thousand as at 31 December 2022 (€ 159,506 thousand as at 31 December 2021), comprise the following:

31.12.2021								
(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	108,482			774	(13,703)	(6,094)	(5,650)	83,809
Provisions for site decommissioning risks and charges	5,677			(818)	(6)		4	4,857
Risk provision for litigation	12,799		7,667		(5,367)	(1,732)	(1)	13,366
Provisions for other risks - energy efficiency certificates	8,239		3,043		(492)	(4,903)	(1)	5,886
Provision for retirement risks	12,782				(1,124)			11,658
Provision for operational restoration of metering instruments	44,550				(14,130)			30,420
Other personnel risk provisions	3,035		664		(942)	(16)	(7)	2,734
Risk provision for tax disputes	171		152			(41)	1	283
Other provisions	6,882	18	237		(534)		(110)	6,493
	202,617	18	11,763	(44)	(36,298)	(12,786)	(5,764)	159,506

31.12.2022								
(€ thousand)	Opening balance	Change in scope of consolidation	Provisions	Discounting	Uses against charges	Releases	Other changes	Closing balance
Provisions for environmental risks and charges	83,809			(176)	(8,525)	(60)		75,048
Provisions for site decommissioning risks and charges	4,857			(4)	(94)		(826)	3,933
Risk provision for litigation	13,366	3,740	1,190		(1,480)	(4,607)	(959)	11,250
Provisions for other risks - energy efficiency certificates	5,886		2,562		(4,205)	(822)		3,421
Provision for retirement risks	11,658				(1,981)			9,677
Provision for operational restoration of metering instruments	30,420				(14,715)		(2,858)	12,847
Other personnel risk provisions	2,734		782		(819)	(53)	163	2,807
Risk provision for tax disputes	283							283
Other provisions	6,493	18,954	257		(685)		(8)	25,011
	159,506	22,694	4,791	(180)	(32,504)	(5,542)	(4,488)	144,277

The provision for environmental risks and charges of € 75,048 thousand (€ 83,809 thousand as at 31 December 2021) mainly included costs for environmental soil reclamation, pursuant to Law no. 471/1999, as subsequently amended, primarily for the disposal of solid waste, in relation to the gas distribution business. The decrease of € 8,761, thousand, is mainly due to uses in view of period expenses (€ 8,525 thousand).

The risk provision for litigation (€ 11,250 thousand) included costs which the Group has estimated it will incur for existing lawsuits. The net decrease of € 2,116 thousand is mainly due to the combined effect of the entry into the scope of consolidation of the DEPA Infrastructure Group, for € 3,690 thousand, and releases for € 4,607 thousand following favourable rulings received during the financial year. For further information, please see subsection "Disputes and other measures".

The Energy Efficiency Certificates risk provision (EEC) of € 3,421 thousand (€ 5,886 thousand as at 31 December 2021) is connected with reaching the targets set by the Authority.

The provision for operational restoration of metering instruments (€ 12,847 thousand as at 31 December 2022 and € 30,420 thousand as at 31 December 2021), was determined by management based on assumptions that take into account (i) the number of meters that have already malfunctioned and assumptions on future occurrences; (ii) the guarantees agreed upon with meter suppliers to resolve faults; (iii) the estimated costs to restore the functionality of smart meters that have operational problems.

The reduction, of € 17,573 thousand, is mainly due to uses in respect of expenses incurred during the year.

The risk provision for early retirement of € 9,677 thousand (€ 11,658 thousand as at 31 December 2021) involves personnel incentive and mobility schemes for the 2021-2023 period.

In accordance with ESMA Recommendation 2015/1608 of 27 October 2015, the effects on provisions of risks and charges arising from a reasonably possible change to the discount rate used at year-end are shown below. The sensitivity analysis on the discounting rates shows the change in value of the actuarial liabilities obtained with the year-end assessment data, by changing the discounting rate, without prejudice to other hypotheses.

(€ thousands)	% change in discounting rates	
	10% reduction	10% increase
Effect on net obligation at 31.12.2022		
Provision for site decommissioning risks and charges	135	(127)
Provisions for environmental risks and charges	660	(435)

23. Provisions for employee benefits

Provisions for employee benefits, which amount to € 69,917 thousand as at 31 December 2022 (€ 95,648 thousand as at 31 December 2021) comprise the following:

(€ thousands)	31.12.2021	31.12.2022
Employee severance pay (TFR)	62,445	49,824
Supplementary healthcare provision for company executives of Eni (FISDE)	8,868	6,543
Gas Fund	20,479	9,942
Other provisions for employee benefits	3,856	3,608
	95,648	69,917

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until

the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS.

The supplementary healthcare provision (€ 6,543 thousand as at 31 December 2022) includes the estimate of costs (determined on an actuarial basis) related to contributions benefiting current¹² and retired executives.

FISDE provides financial supplementary healthcare benefits to Eni Group¹³ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions from member companies; (ii) contributions from individual members for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The Gas Fund (€ 9,942 thousand at 31 December 2022) relates to the estimate, made on an actuarial basis, of the charges sustained by the employer due to the elimination, as at 1 December 2015, of the fund pursuant to Law no. 125 of 6 August 2015. In particular, Articles 9-decies and 9-undecies of the Law stipulate that the employer must cover: (i) an extraordinary contribution to cover expenses related to supplementary pension benefits in place at the time of the elimination of the Gas Fund for the years 2015 to 2020¹⁴; and (ii) a contribution in favour of those registered or in voluntary continuation of the contribution, that as at 30 November 2015 were not entitled to supplementary pension benefits from the eliminated Gas Fund, of 1% for each year of registration in the supplementary fund, multiplied by the social security tax base relating to the same supplementary fund for 2014, to be allocated through the employer or the supplementary pension scheme.

At present, the criteria, procedures and time periods for payment of the extraordinary contribution have not yet been announced. Employee selection of where the amounts would be allocated (supplementary pension scheme or to the employer) were concluded, pursuant to the law, on 14 February 2016.

The other provisions for employee benefits (€ 3,608 thousand as at 31 December 2022) relate to seniority bonuses and the long-term incentive plans (LTI).

The long-term incentive plans (IAS 19) envisage, after three years of assignment, the disbursement of a variable monetary benefit linked to a corporate performance parameter, not linked to the share price. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the "vesting period"). This benefit is allocated pro rata over the three-year period depending on the final performance parameters.

Seniority bonuses are benefits paid upon reaching a minimum service period at the Company and are paid in kind.

Deferred cash incentive plans, long-term cash incentive plans and seniority bonuses are classified as other long-term benefits pursuant to IAS 19.

12. For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

13. The fund provides the same benefits for Italgas Group executives.

14. Article 9-quinquiesdecies also stipulates that "...If monitoring shows that the extraordinary contribution pursuant to Article 9-decies is insufficient to cover the relative expenses, a decree issued by the Ministry of Labour and Social Policy, in concert with the Ministry of Economic Development and the Ministry of Economy and Finance, provides for the redetermination of the extraordinary contribution, the criteria for redistribution of the contribution between employers and the time periods and procedures for payment of the extraordinary INPS contribution".

The composition of and changes in provisions for employee benefits, determined by applying actuarial methods, are as follows¹⁵:

(€ thousands)	31.12.2021					31.12.2022				
	Employee severance fund	FISDE	Gas Fund	Other provisions	Total	Employee severance fund	FISDE	Gas Fund	Other provisions	Total
Current value of the obligation at the start of the year	67,644	8,621	24,257	4,100	104,622	62,445	8,868	20,479	3,856	95,648
Current cost	185	192		1,615	1,992	146	139		1,427	1,712
Cost for interest	(26)	40	(12)	8	10	209	53	44	23	329
Revaluations / (Impairment):	1,162	199	(613)	(505)	243	(1,389)	(2,517)	(421)	711	(3,616)
- Actuarial (Gains) / Losses resulting from changes in the demographic assumptions	(583)		(25)		(608)					
- Actuarial (Gains) / Losses resulting from changes in the financial assumptions	608	715	(351)		972	(7,036)	(2,063)	(2,431)	(901)	(12,431)
- Effect of past experience	575	(579)	(425)	(575)	(1,004)	2,913	(454)	2,046	1,612	6,117
- Other changes	562	63	188	70	883	2,734		(36)		2,698
Paid benefits	(6,520)	(184)	(3,153)	(1,389)	(11,246)	(11,560)		(10,160)	(2,409)	(24,129)
Effect of transfers				27	27	(27)				(27)
Current value of the obligation at the end of the year	62,445	8,868	20,479	3,856	95,648	49,824	6,543	9,942	3,608	69,917

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below:

	2021				2022			
	Employee severance fund	FISDE	Gas Fund	Other provisions	Employee severance fund	FISDE	Gas Fund	Other provisions
Discount rate (%)	0.37	0.60	0.27	0.99	3.65	3.80	3.63	3.39
Inflation rate (%) (*)	1.50	N/A	N/A	1.50	2.50	N/A	N/A	2.50

(*) With reference to the other provisions, the rate refers only to the seniority bonuses.

The discount rate adopted was determined by considering the yields on corporate bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Italgas are subject, in particular, to interest rate risk, in the sense that a change in the discount rate could result in a significant change in the liability.

15. The table also provides a reconciliation of liabilities recorded for provisions for employee benefits.

The table below illustrates the effects of a reasonably possible change¹⁶ in the discount rate at the end of the year. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

(€ thousands)	Discount rate			
	reduction		increase	
	%	amount	%	amount
Effect on net obligation at 31.12.2022				
Employment severance pay	3.15	1,184	4.15	(1,129)
FISDE	3.30	371	4.30	(338)
Gas Fund	3.13	319	4.13	(306)
Other provisions for employee benefits	2.89	91	3.89	(85)
		1,965		(1,858)

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(€ thousands)	31.12.2021					31.12.2022				
	Employee severance fund	FISDE	Gas Fund	Other provisions	Total	Employee severance fund	FISDE	Gas Fund	Other provisions	Total
Within the next year	8,998	342	620	1,261	11,221	8,246	335	601	1,866	11,048
Within five years	22,570	1,258	5,163	1,323	30,314	22,651	1,136	5,053	1,742	30,582
Beyond five and up to ten years	21,527	1,394	7,636	878	31,435	17,363	1,044	4,288		22,695
Beyond ten years	9,350	5,874	7,060	394	22,678	1,564	4,028			5,592
	62,445	8,868	20,479	3,856	95,648	49,824	6,543	9,942	3,608	69,917

24. Deferred tax liabilities

Net deferred tax liabilities of € 91,633 thousand (€ 50,791 thousand as at 31 December 2021) are stated net of offsettable prepaid tax assets and are analysed in the tables below:

(€ thousands)	31.12.2020	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2021
Deferred tax liabilities	323,852	791	166	(20,913)	9,421	313,317
Deferred tax assets	(268,637)	(328)	(24,990)	26,878	4,551	(262,526)
	55,215	463	(24,824)	5,965	13,972	50,791

(€ thousands)	31.12.2021	Change in scope of consolidation	Provisions	Uses	Other changes	31.12.2022
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	15,857	358,878
Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	3,665	(267,245)
	50,791	35,826	(16,133)	1,627	19,522	91,633

There are no prepaid income taxes which cannot be offset.

16. With regard to FISDE, any changes relating to mortality do not have a significant effect on the liability.

Deferred tax liabilities and deferred tax assets break down as follows, based on the most significant temporary differences:

31.12.2021									
(€ thousands)	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	323,852	791	166	(15,711)	458	3,761	313,317	318,496	(5,179)
Amortisation and depreciation exclusively for tax purposes	192,263		24	(2,824)		696	190,159	182,250	7,909
Revaluations of property, plant and equipment	100,888		(32)	(10,758)		2,914	93,012	106,448	(13,436)
Capital gains subject to deferred taxation	2,050		31	(592)		32	1,521	1,521	
Employee benefits	12,181		4				12,185	12,185	
Capitalisation of financial expense	2,459			(124)			2,335	1,987	348
Impairment losses on receivables in excess of tax deductibility and other temporary differences									
Other temporary differences	14,011	791	139	(1,413)	458	119	14,105	14,105	
Deferred tax assets	(268,637)	(328)	(24,017)	26,878	3,623	(45)	(262,526)	(241,125)	(21,401)
Provisions for risks and charges and other non-deductible provisions	(55,073)		(3,407)	15,776		13	(42,691)	(36,731)	(5,960)
Non-repayable and contractual grants	(64,690)			2,789		(576)	(62,477)	(50,728)	(11,749)
Non-deductible amortisation and depreciation	(124,144)		(18,542)	5,230		830	(136,626)	(135,762)	(864)
Employee benefits	(9,776)		(994)	1,161	540	(345)	(9,414)	(7,707)	(1,707)
Other temporary differences	(14,954)	(328)	(1,074)	1,922	3,083	33	(11,318)	(10,197)	(1,121)
Net deferred tax liabilities	55,215	463	(23,851)	11,167	4,081	3,716	50,791	77,371	(26,580)

31.12.2022									
(€ thousands)	Opening balance	Changes in scope of consolidation	Provisions	Uses	Impacts recorded in shareholders' equity	Other changes	Closing balance	of which: IRES	of which: IRAP
Deferred tax liabilities	313,317	51,436	8,104	(29,836)	11,835	4,022	358,878	308,303	50,575
Amortisation and depreciation exclusively for tax purposes	190,159		24	(15,142)		(118)	174,923	148,871	26,052
Revaluations of property, plant and equipment	93,012		34	(12,283)		56	80,819	68,782	12,037
Capital gains subject to deferred taxation	1,521		7,250	(2,083)		(1)	6,687	6,687	
Employee benefits	12,185			(6)	18		12,197	12,197	
Capitalisation of financial expense	2,335			(123)			2,212	1,883	329
Impairment losses on receivables in excess of tax deductibility and other temporary differences			495	(180)		1	316	316	
Other temporary differences	14,105	51,436	301	(19)	11,817	4,084	81,724	69,567	12,157
Deferred tax assets	(262,526)	(15,610)	(24,237)	31,463	2,147	1,518	(267,245)	(250,077)	(17,168)
Provisions for risks and charges and other non-deductible provisions	(42,691)		(1,753)	12,785		(170)	(31,829)	(27,210)	(4,619)
Non-repayable and contractual grants	(62,477)			9,524		207	(52,746)	(45,909)	(6,837)
Non-deductible amortisation and depreciation	(136,626)		(21,936)	7,190		379	(150,993)	(150,336)	(657)
Employee benefits	(9,414)		(354)	1,454	173	2,655	(5,486)	(4,332)	(1,154)
Other temporary differences	(11,318)	(15,610)	(194)	510	1,974	(1,553)	(26,191)	(22,290)	(3,901)
Net deferred tax liabilities	50,791	35,826	(16,133)	1,627	13,982	5,540	91,633	58,226	33,407

Deferred tax assets and deferred tax liabilities are considered to be long term.

It should be noted that there are no deductible temporary differences, tax losses and unused tax credits for which, in the balance sheet, the deferred tax asset is not recognized.

Furthermore, there are no temporary differences relating to investments in subsidiaries, branches and associated companies, and to jointly controlled investments, for which a deferred tax liability has not been recognized.

The Group has deemed it appropriate to set aside prepaid taxes on the timing differences at 31 December 2022, insofar as it believes it is likely they will be recovered. The Company Management assessed for the financial statements as at 31 December 2022, on the basis of the Business Plan, that there was reasonable certainty around the recovery of prepaid tax posted during the Purchase Price Allocation of the DEPA Infrastructure Group and of Janagas.

The note "Income taxes" provides information about taxes for the year.

25. Shareholders' equity

Shareholders' equity, which amounts to € 2,390,570 thousand as at 31 December 2022 (€ 2,142,491 thousand as at 31 December 2021) breaks down as follows:

(€ thousands)	31.12.2021	31.12.2022
Shareholders' equity attributable to Italgas	1,891,414	2,108,262
Share capital	1,002,016	1,002,608
Legal reserve	200,246	200,246
Share premium reserve	622,377	624,449
Reserve Cash Flow Hedge on derivative contracts	(4,750)	38,261
Consolidation reserve	(323,907)	(323,907)
Reserve for business combinations under common control	(349,839)	(349,839)
Stock grant reserve	5,602	7,202
Fair value valuation reserve for equity investments		609
Other reserves	19,921	12,534
Profits relating to previous years	372,075	496,006
Reserve for remeasurement of defined-benefit plans for employees	(15,140)	(7,195)
Net profit (loss)	362,813	407,288
to be deducted		
- Treasury shares		
Shareholders' equity attributable to minority interests	251,077	282,308
	2,142,491	2,390,570

On 10 March 2021, as part of the 2018-2020 Co-investment Plan approved by the Company's Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Italgas' Board of Directors resolved on the free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the Plan itself and implemented the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from other reserves.

On 9 March 2022, in execution of the 2018-2020 Co-Investment Plan approved by the Ordinary and Extraordinary Shareholders' Meeting of 19 April 2018, the Board of Directors resolved on the free allocation of a total of 477,364 new ordinary shares of the Company to the beneficiaries of said Plan (second cycle of the Plan) and executed the second tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 591,931.36, taken from retained earning reserves.

As a result of the aforementioned capital increase, the share capital of the Company amounts to € 1,002,608,186.28, made up of 810,245,718 shares.

Moreover, on 20 April 2021, the Italgas Shareholders' Meeting approved the 2021-2023 Co-investment Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Co-investment Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares. These shares are to be assigned, in accordance with Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group.

Legal reserve

The legal reserve stood at € 200,246 thousand as at 31 December 2022, unchanged compared to the previous year.

Share premium reserve

The share premium reserve, which totalled € 624,449 thousand (€ 622,377 thousand as at 31 December 2021), was created after the equity investment in Italgas Reti S.p.A. was acquired.

Reserve Cash Flow Hedge on derivative contracts

The reserve includes the negative fair value of the IRS derivative net of the related tax effect. The reserve changes with the accounting of cash flows deriving from instruments which, for the purposes of IFRS 9, are designated as "cash flow hedging instruments". The related tax effect is reported in the "tax effect" item of the "Components reclassifiable to the income statement" in the Statement of comprehensive income.

Consolidation reserve

The consolidation reserve, amounting to € -323,907 thousand, was determined during the first consolidation (year 2016) following the sale by Snam S.p.A. to Italgas S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A. (difference between the purchase cost of the equity investment of Italgas Reti and the related shareholders' equity pertaining to the group).

Reserve for business combinations under common control

The reserve for business combinations under common control, amounting to -€ 349,839 thousand, relates to the acquisition by Snam S.p.A. of 38.87% of the equity investment in Italgas Reti S.p.A.

To this regard it should be specified that the natural gas distribution activities were acquired through three simultaneous transactions (transfer, sale and demerger) of the equity investment held by Snam S.p.A. in Italgas Reti S.p.A. in favour of Italgas S.p.A. This transaction led to the deconsolidation of the natural gas distribution sector for Snam, and the acquisition of the equity investment in Italgas Reti and, at consolidated level, of the net assets of the gas distribution sector for Italgas S.p.A. The reader is reminded that the shareholder of reference of Snam, CDP, is concomitantly the shareholder of reference of Italgas. The exposure described above reflects an approach based on the continuity of book values (as regards Snam) since the transaction represents an "aggrega-

tion of corporate entities or activities under common control" within the scope of the broader group of which Italgas is part. The companies taking part in the business combination (Snam, Italgas and Italgas Reti) remained subject to control because of the transactions and therefore they were fully consolidated by the same subject (CDP) pursuant to the IFRS 10 accounting standard, as Snam explained in its disclosure document pursuant to Article 70 and Italgas explained in its disclosure document pursuant to Article 57.

Stock grant reserve

The reserve includes valuation according to IFRS 2 of the co-investment plan approved on 19 April 2018 by the Shareholders' Meeting of Italgas S.p.A.

On 19 April 2018 the Italgas' Shareholders' Meeting approved the 2018-2020 Long term share incentive plan, intended for the Chief Executive Officer, General Manager and senior executives identified among those in a position to influence the company's results, with the annual assignment of three-year objectives. At the end of the performance period of three years, if the conditions set out in the Plan have been met, the beneficiary shall be entitled to receive Company shares free of charge. The maximum number of shares that may be allocated through the plan is 4,000,000 shares. In relation to the aforementioned plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2018 Remuneration Policy, rights to receive Italgas shares in the amounts of 341,310 for the 2018-2020 plan, 279,463 for the 2019-2021 plan, and 327,760 for the 2020-2022 plan. The unitary fair value of the share, determined by the value of the Italgas share on the grant date, is respectively € 4.79, € 5.58 and € 4.85 per share. The cost related to the Long Term Share Incentive Plan is recorded during the vesting period as a component of the personnel costs, with a contra entry in the shareholders' equity provision.

On 10 March 2021, the Board of Directors resolved on: (i) free allocation of a total of 632,852 new ordinary shares of the Company to the beneficiaries of the 2018-2020 Plan; and (ii) execution of the first tranche of the capital increase resolved on by the aforesaid Shareholders' Meeting, for a nominal amount of € 784,736.48, drawn from retained earning reserves.

Moreover, Italgas' Shareholders' Meeting held on 20 April 2021 approved the 2021-2023 Incentive Plan and the proposed free share capital increase, in one or more tranches, for the purposes of the aforesaid 2021-2023 Incentive Plan for a maximum nominal amount of € 5,580,000.00, by means of the issuance of up to 4,500,000 new ordinary shares to be assigned free of charge, by means of assignment pursuant to Article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earning reserves, to the beneficiaries of the Plan only; in other words, only to employees of the Company and/or of the companies in the Group. In connection with this plan, the Board of Directors attributed, upon the recommendation of the Appointments and Remuneration Committee and in keeping with the 2021 Remuneration Policy, rights to receive 254,765 Italgas shares for the 2021-2023 co-investment plan. The unitary fair value per share is € 5.55.

Fair value valuation reserve for equity investments

The fair value valuation reserve (€ 609 thousand) includes the change in fair value, net of tax effects, of minority interests which on initial recognition were designated as valued at FVTOCI (fair value recognised through other comprehensive income). For more details, see the note "Non-current financial assets".

Other reserves

The other reserves relate to the effects deriving from the valuation of equity investments.

Reserve for remeasurement of defined-benefit plans for employees

The reserve for remeasurement of employee benefit plans (€ -7,195 thousand at 31 December 2022) included actuarial losses, net of the relative tax effect, recognised under other components of comprehensive income pursuant to IAS 19. The changes in the reserve during the course of the year are shown below:

(€ thousands)	Gross reserve	Tax effect	Net reserve
Reserve as at 31.12.2020	(22,814)	6,406	(16,408)
Changes of the year 2021	1,761	(493)	1,268
Reserve as at 31.12.2021	(21,053)	5,913	(15,140)
Changes of the year 2022	11,035	(3,090)	7,945
Reserve as at 31.12.2022	(10,018)	2,823	(7,195)

Treasury shares

As at 31 December 2022 Italgas did not have any treasury shares in its portfolio.

Shareholders' equity attributable to minority interests

The Shareholder's equity attributable to minority interests is broken down below:

(€ thousands)	Shareholders' equity attributable to minority interests 31.12.2021	Shareholders' equity attributable to minority interests 31.12.2022	Net income attributable to minority interests 31.12.2021	Net income attributable to minority interests 31.12.2022
Toscana Energia S.p.A.	209,122	201,334	20,411	18,080
Medea S.p.A.	39,672	38,082	723	8,176
Geoside S.p.A.	(1,519)	14,160	589	2,892
Gaxa S.p.A.	300		(1,158)	(305)
Italgas Newco S.p.A. sub-consolidated		4,486		43
Ceresa	3,502		42	
Immogas S.r.l.		2,604		(79)
Janagas S.r.l.		21,642		31
	251,077	282,308	20,607	28,838

Dividends

In its meeting of 9 March 2023, the Board of Directors proposed to the Shareholders' Meeting the distribution of an ordinary dividend of € 0.317 per share. The dividend will be paid out as at 24 May 2023, with an ex-coupon date of 22 May 2023 and a record date of 23 May 2023.

Reconciliation statement of the result for the year and of the shareholders' equity of Italgas S.p.A. with the consolidated ones.

(€ thousands)	Profit net 2022	Shareholders' equity 31.12.2022
Financial statements Italgas S.p.A.	259,813	1,806,556
Profit of the companies included in the consolidation	433,743	
Difference between book value of investments consolidated companies and shareholders' equity of the financial statements, including the result		369,505
Adjustments consolidation:		
Dividends net of the tax effect	(268,351)	
Income from valuation of equity investments with the equity method and other income from equity investments	17	(16,416)
Other consolidation adjustments net of the tax effect	10,904	230,925
Net income attributable to minority interests	(28,838)	(282,308)
	147,475	301,706
Consolidated financial statements Group	407,288	2,108,262

26. Guarantees, commitments and risks

Guarantees, commitments and risks, amounting to € 2,324,782 thousand as at 31 December 2022 comprise:

(€ thousands)	31.12.2021	31.12.2022
Bank guarantees given in the interest of Group companies	460,618	495,565
Financial commitments and risks:	1,730,859	1,829,217
Commitments	1,430,705	1,528,667
Commitments for the purchase of goods and services	1,430,705	1,528,667
Other		
Risks	300,154	300,550
- for compensation and litigation	300,154	300,550
	2,191,477	2,324,782

Guarantees

Guarantees of € 495,565 thousand refer mainly to guarantees issued with regard to sureties and other guarantees issued in the favour of subsidiaries.

Commitments

At 31 December 2022, commitments with suppliers to purchase property, plant and equipment and provide services relating to the purchase of property, plant and equipment and intangible assets under construction amounted to € 1,528,667 thousand.

The acquisition of 51% of the share capital of ACAM Gas S.p.A. by the subsidiary Italgas Reti, which took place in 2015, involves mutual commitments by the parties in relation to the first public tender for the awarding of the La Spezia ATEM.

The acquisition of the equity investment of Enerco Distribuzione by the subsidiary Italgas Reti, which took place in 2017, is subject to an ownership price adjustment (so-called "earn-out") clause.

The acquisition of the "Alessandria 4 ATEM" business unit by the subsidiary Italgas Reti, which took place in 2020, is subject to a price adjustment (so-called "earn-out") clause if the Alessandria 4 ATEM tender is awarded within 10 years of the signing date and if the contracting authority in the aforesaid tender procedure recognises a higher reimbursement value than the pro-forma value under the agreement, for the same year of reference.

On 27 December 2022, Italgas S.p.A., Toscana Energia S.p.A. and Alia Servizi Ambientali S.p.A. ("Alia") signed an agreement aimed at defining: (i) the terms and conditions for the approval by the Board of Directors of Toscana Energia in relation to Alia's takeover of the ownership of the Toscana Energia shares held by the Municipality of Florence as a result of the contribution of treasury shares in favour of its subsidiary Alia, (ii) the recognition of an option right in favour of Italgas on the Toscana Energia shares held by the Municipality of Florence at the time the option is exercised.

The price for the purchase of the Shares subject to the option will be equal to the "Fair market value" referring to the date of execution of the option, calculated using a valuation methodology compliant with the best international practice for a regulated business of natural gas distribution (i.e. RAB) and subject to adjustment based on the value of the net financial position of Toscana Energia at the date on which the option is executed.

As part of the investment agreement signed on 26 July 2022 between Medea S.p.A. and Energetica S.p.A. (the "Parties") related to the acquisition by Medea of a 49% stake in the share capital of Energie Rete Gas S.r.l. ("ERG") through a mixed transaction involving the contribution and sale of assets included in a business unit, the Parties mutually agreed to ensure that ERG, in relation to the assets sold, would obtain: (i) recognition, from the competent ministry, among the Company's infrastructure and/or regional transmission services of natural gas ("Transport Authorisation") and (ii) recognition, under the tariff regulatory profile, as regional transport service ("Tariff Recognition").

The Parties also mutually agreed to ensure that, should the aforementioned Transport Authorisation not be recognised by 30 April 2023 or by another date agreed in writing between the Parties, the necessary measures be implemented for restoration of the legal situation in place prior to the date of the agreement for an asset value of €52.9 million.

Pending receipt by ERG of the Transport Authorisation, should a situation occur in which (i) Medea continues to collect the payments envisaged by the General Conditions of Contract for the activities of the business unit while (ii) ERG incurs the costs for those activities, Medea shall transfer as soon as possible to ERG the revenues under point (i) above until they are allocated directly to ERG.

Risks

Risks concerning compensation and litigation (€ 300,550 thousand) relate to possible (but not probable) claims for compensation arising from ongoing litigation, with a low probability that the pertinent economic risk will arise.

Foreword

Italgas has established the Enterprise Risk Management (ERM) unit, which reports directly to the CFO and oversees the integrated process of managing corporate risk for all Group companies. The main objectives of the ERM are to define a homogeneous and transversal risk assessment model, to identify priority risks and to guarantee the consolidation of mitigation actions and the development of a reporting system.

The ERM methodology adopted by the Italgas Group is in line with the reference models and existing international best practices (COSO Framework and ISO 31000).

The ERM unit operates as part of the wider Italgas' Internal Control and Risk Management System.

The main corporate financial risks identified, monitored and, where specified below, managed by Italgas are as follows:

- risk arising from exposure to fluctuations in interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments;
- rating risk;
- debt covenant and default risk.

There follows a description of Italgas' policies and principles for the management and control of the risks arising from the financial instruments listed above. In accordance with IFRS 7 - "Financial instruments: Additional information", there are also descriptions of the nature and size of the risks resulting from such instruments.

Information on other risks affecting the business (operational risk and risks specific to the segment in which Italgas operates) can be found in the "Elements of risk and uncertainty" section of the Directors' Report.

Interest rate risk

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

An increase in interest rates, not implemented – in full or in part – in the regulatory WACC, could have negative effects on the assets and on the economic and financial situation of the Italgas Group for the variable component of the debt in place and for future loans.

At full performance, Italgas aims to maintain a debt ratio between a fixed rate and floating rate to minimise the risk of rising interest rates. As at 31 December 2022 the financial debt at floating rate was 9.2% and at fixed rate was 90.8%. Please refer to the paragraph "Short-term and long-term financial liabilities" for further details.

Below are the impacts on shareholders' equity and the net period result at 31 December 2022 of a hypothetical positive and negative variation of 10 basis points (bps) of the interest rates effectively applied during the year.

(€ thousands)	Result of the income statement		Other items of the statement of comprehensive income	
	interest +10 bps	interest -10 bps	interest +10 bps	interest -10 bps
Variable-rate loans not hedged				
Effect of change in interest rate	(600)	600		
Variable-rate loans converted into fixed-rate loans by means of IRSs				
Effect of change in interest rate on the fair value of the hedge derivative contracts - effective portion of hedge			1,482	(1,491)
Impacts gross of the tax effect				
Tax effect	162	(162)	(400)	402
Impacts net of the tax effect	(438)	438	1,082	(1,089)

Credit risk

Credit risk is the exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of amounts owed may have a negative impact on the Italgas financial results and financial situation.

The rules for customer access to the gas distribution service are established by the relevant regulatory Authority and set out in the Network Codes, namely, in documents that establish, for each type of service, the rules regulating the rights and obligations of the parties involved in the process of providing said services and contain contractual conditions that reduce the risk of non-compliance by customers, such as the provision of bank or insurance guarantees on first request.

In addition to this, in order to manage credit risk, the Group has established procedures for monitoring and assessing its customer portfolio. The reference markets are the Italian and Greek markets.

As at 31 December 2022 there were no significant credit risks. Note that on average: (i) in Italy, 98.4% of trade receivables relating to gas distribution are settled by the due date and over 99.7% within the following 4 days, (ii) in Greece, 83.2% of trade receivables relating to gas distribution are settled by the due date and over 90.8% within the following 4 days, confirming the strong reliability of the customers.

It cannot be ruled out that Italgas could incur liabilities and/or losses due to its customers' failure to fulfil their payment obligations.

Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

Italgas does not foresee any significant negative impacts, taking the following into account: (i) the Company has cash deposited with primary credit institutions in the amount of € 451.9 million as at 31 December 2022, which, also in light of the investment plans in place and the operations planned in the short term, would allow it to manage, without significantly material effects, any restrictions on access to credit; (ii) the next bond repayment is scheduled for 2024, so there are no refinancing requirements in the short term. (iii) the bonds issued by Italgas as at 31 December 2022 as part of the Euro Medium Term Notes Programme, do not require compliance with covenants relating to financial statement data.

Italgas aims, in financial terms, at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and

the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed rate and floating rate debt and the ratio between bank credit granted and bank credit used.

Rating risk

With regard to Italgas' long-term debt, on 9 August 2022 the rating agency Moody's confirmed Italgas' long-term credit rating at Baa2, revising the Outlook from stable to negative, reflecting Italgas' exposure to the pressures accompanying a deterioration in sovereign credit quality, in consideration of the fact that its activities are essentially concentrated in Italy.

On 23 September 2022, the rating agency Moody's confirmed the long-term credit rating of Italgas, as Baa2, Negative Outlook.

On 29 November 2022, Fitch Ratings (Fitch) confirmed the long-term credit rating of Italgas, as BBB+ with Stable outlook.

Based on the methodologies adopted by the rating agencies, the downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating, which in turn could have an impact on the cost of future debt.

Debt covenant and default risk

As at 31 December 2022, there were no loan agreements containing financial covenants and/or secured by collateral, with the exception of an EIB loan taken out by Toscana Energia, and loans taken out by several subsidiaries of DEPA Infrastructure, which require compliance with certain financial covenants¹⁷. Some of these contracts provide, inter alia, for the following: (i) negative pledge undertakings, pursuant to which Italgas and the subsidiaries are subject to limitations regarding the creation of real rights of guarantee or other restrictions concerning all or part of the respective assets, shares or goods; (ii) *pari passu* and change of control clauses; (iii) limitations on some extraordinary transactions that the company and its subsidiaries may carry out. As at 31 December 2022, these commitments were respected.

The bonds issued by Italgas as at 31 December 2022 as part of the Euro Medium Term Notes programme provide for compliance with covenants that reflect international market practices regarding, inter alia, negative pledge and *pari passu* clauses.

Failure to comply with the commitments established for these loans - in some cases only when this non-compliance is not remedied within a set time period - and the occurrence of other events, such as cross-default events, some of which are subject to specific threshold values, may result in Italgas' failure to comply and could trigger the early repayment of the relative loan.

With reference to the EIB, the relative contracts contain a clause whereby, in the event of a significant loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required.

The Group monitors these cases closely in the context of financial management and business performance.

17. The contracts contain a clause whereby, in the event of a significant reduction in EBITDA resulting from the loss of concessions, there is a disclosure obligation to the EIB and a subsequent consultation period, after which the early repayment of the loan may be required. The economic and financial parameters as at 31 December 2022 have been respected.

Future payments for financial liabilities

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments not discounted:

(€ thousands)	Balance as at 31.12.2021	Balance as at 31.12.2022	Portion with due date within 12 months	Portion with due date beyond 12 months	Due date				
					2024	2025	2026	2027	Beyond
Financial liabilities									
Bank loans	1,332,110	1,741,660	67,748	1,673,911	566,617	317,967	78,673	77,701	632,953
Bonds	4,591,521	4,728,517	49,993	4,678,525	380,916	497,262		55,271	3,745,076
Short-term liabilities	383,266	3,125	3,125						
Interest on loans			54,435	276,380	43,382	43,295	38,913	37,575	113,215
Liabilities Right of Use	69,998	72,048	21,571	50,477	16,921	14,557	5,013	3,924	10,062
Interest Right of Use			321	540	214	140	89	53	44
	6,376,895	6,545,350	197,194	6,679,833	1,008,050	873,221	122,688	174,524	4,501,350

With reference to the payment times with regard to trade and other payables, refer to the note "Short-term and long-term liabilities" in the consolidated financial statements.

As for the sensitivity on the interest rate, any changes in interest rates do not lead to significant effects in consideration of the fact that 90.8% of the Group's financial debt is at fixed rate.

Please refer to note "Trade and other receivables" for the breakdown of receivable by due date bracket.

Market value of financial instruments

Below is the classification of financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy defined on the basis of the significance of the inputs used in the measurement process. More specifically, in accordance with the characteristics of the inputs used for measurement, the fair value hierarchy comprises the following levels:

- a. level 1: listed prices (unadjusted) on active markets for identical financial assets or liabilities;
- b. level 2: measurements made on the basis of inputs differing from the quoted prices referred to in the previous point, which, for the assets/liabilities submitted for measurement, are directly (prices) or indirectly (price derivatives) observable;
- c. level 3: inputs not based on observable market data.

In connection with the above, classification of the assets and liabilities measured at fair value in the Statement of Financial Position according to fair value concerned the IRS and exchange rate derivative instruments classified level 2 and recorded under the note "Other current and non-current financial assets" and "Other current and non-current financial liabilities".

Equity investments measured at fair value with effects posted to the income statement and on OCI fall under fair value category level 3.

Other information on financial instruments

With reference to the categories established by IFRS 9 "Financial instruments", the book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(€ thousands)	Book value		Income / expense recognised		Income / expense recognised	
			to income statement		to shareholders' equity (a)	
	Balance as at 31.12.2021	Balance as at 31.12.2022	Balance as at 31.12.2021	Balance as at 31.12.2022	Balance as at 31.12.2021	Balance as at 31.12.2022
Financial instruments measured at amortised cost						
- Cash	1,391,763	451,946				
- Current financial assets	5,120	5,770				
- Trade and other receivables	588,098	1,142,950				
- Non-current financial assets	2,848	39,426				
- Other investments	5,007	18,961				
- Other current and non-current non-financial assets	134,445	234,350				
- Trade and other payables	769,137	1,231,867				
- Financial payables (b)	6,376,895	6,510,600	(63,851)	(59,570)		
- Other current and non-current non-financial liabilities	547,536	552,127				
- Financial instruments measured at fair value						
- Financial assets (liabilities) for hedge derivative contracts	(6,573)	52,573				51,524

(a) Net of tax effect.

(b) The effects in the income statement are recognised in the item "Financial income (expense)".

The table below provides a comparison between the book value of financial assets and liabilities and their respective fair value.

(€ thousands)	Balance as at 31.12.2021		Balance as at 31.12.2022	
	Book value	Market value	Book value	Market value
Financial instruments measured at amortised cost				
- Long-term financial debt	5,734,333	5,939,843	6,317,686	5,568,986

The book value of trade receivables, other receivables and financial payables is close to the related fair value measurement, given the short period of time between when the receivable or the financial payable arises and its due date.

Disputes and other measures

Italgas is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements.

Below is a summary of the most significant proceedings; no provisions have been made pursuant to IAS 37 for these proceedings in the financial statements, as the company deems that the risk of an adverse outcome is possible, but not likely, or the amount of the allocation cannot be reliably estimated.

Civil dispute

Italgas Reti S.p.A. / Municipality of Rome – Rome Civil Court

The Municipality of Rome, where Italgas Reti carries out the service of gas distribution on the basis of a specific Service Contract, after a series of discussions aiming at reaching an agreement for the adjustment of timetable for the implementation of the Business plan, charged Italgas Reti, arbitrarily, with alleged delays in the execution of the Plan itself. In rejecting the claims of the Municipality of Rome, Italgas Reti had already filed an appeal with the Lazio Regional Administrative Court on 11 January 2019 for cancellation of the notice with which the Municipality of Rome had starting the procedure to apply default penalties. Subsequently, the Municipality of Rome notified Italgas Reti of a Managerial Resolution in which it quantified the amount allegedly owed by Italgas Reti by way of penalties for the alleged failure to timely implement the Business Plan at € 91,853,392.79, and reserved the right to enforce the bank guarantee issued to guarantee the proper performance of the aforesaid Contract. Italgas appealed to the Regional Administrative Court of Lazio against the above-mentioned Managerial Resolution, submitting a precautionary petition for the suspension of the measure's effectiveness, contesting, in brief, the nullity of the penalty clause due to vagueness. The Board, however, expressed some doubts as to the applicability of its jurisdiction.

In light of these circumstances, the lodging of an appeal before the Court of Cassation was proposed for the prior settlement of jurisdiction. The Court of Cassation declared the Jurisdiction of the Ordinary Court. Therefore, on 11 February 2021, Italgas resumed the proceedings before the Civil Court of Rome.

During the chamber proceedings of 22 April 2020, the Regional Administrative Court with Order no. 4140/2020 acknowledged the proposal for prior settlement of jurisdiction and suspended the proceedings and, considering itself to be without jurisdiction, declared the precautionary application inadmissible. On 13 May 2020, Italgas Reti challenged this order before the Council of State, which upheld the precautionary appeal filed by Italgas Reti, suspending the effectiveness of the first instance order until the definition of the merits.

On 5 June 2020, Italgas lodged an appeal with the Regional Administrative Court of Lazio, by which it re-

quested that the Municipality of Rome be ordered to pay Italgas Reti compensation of the total amount of € 106,290,396.25 resulting from the failure of the Municipality of Rome to comply with the concession contract. Subsequently, consistent with the previous judgement, the Regional Administrative Court declared the jurisdiction of the Ordinary Court and Italgas Reti resumed the judgement before the Ordinary Court of Rome, asking for a joining with the judgement concerning the penalties applied by Municipality of Rome. The hearing for appearance for both proceedings has been scheduled for 21 March 2023.

At the same time, Italgas Reti obtained an order from the Court of Rome suspending the effects of the measure quantifying the penalties and preventing Roma Capitale from enforcing the surety given in relation to the penalty payment claims.

The parties in any case keep dialogue and the related investigations of the respective positions open in order to verify that the conditions for coming to an agreement are met. Also on the basis of an external legal opinion, the Company, at present, does not believe it likely it will lose.

Italgas Reti S.p.A. / Municipality of Andria – Trani Court

With the ruling of 21 February 2023, the Court of Trani declared that the Municipality of Andria was not entitled to obtain the reimbursement from Italgas Reti for the component of the gas distribution tariff referred to as "locational costs" for the year 2019. According to the Court's ruling, this right is non-existent because the Municipality of Andria has not yet acquired the right to become the owner of the facilities.

Municipality of Venice / Italgas Reti S.p.A. – Court of Venice

On 24 April 2019, the Municipality of Venice served, at the Court of Venice, a writ of summons, aimed at the verification and consequent payment of € 59,006,552.03 as a consideration for use of the portion of the network subject to free acquisition for the period 1/6/2010-31/12/2018 as well as the sums due for the same reason for the period after 31/12/2018 and up until the judgement. Italgas Reti contested the quantification of the fee and requested the restitution of the amount unduly paid to the Municipality following the free transfer of Block A. Having carried out the introductory procedural steps, by order dated 26 April 2021, the Judge ordered Italgas Reti to produce relevant documentation and consequently set the hearing for 31 May 2022 for the examination of the documentation. On 31 May 2022, the Municipality requested that Italgas Reti be ordered to supplement the documentation produced. For its part, Italgas Reti opposed the request for supplementation formulated by the Municipality and requested, principally, the postponement of the case for the clarification of the conclusions or, alternatively, the granting of a time limit to possibly counter-respond. At the outcome of the hearing, the Judge requested additional documentation and adjourned the hearing to 17 January 2023. On that date, the Municipality insisted on the admission of a technical expert's report, while Italgas Reti requested that the hearing

for clarification of the conclusions be postponed. The Court's decision is currently pending.

Supported by a technical and economic appraisal issued by an expert and on the basis of an external legal opinion, the Company does not believe it likely it will lose.

Municipality of Cavallino Treporti / Italgas Reti S.p.A. – Court of Venice

The Municipality of Cavallino-Treporti, which was established in 1999 by means of the separation of a portion of the territory formerly belonging to the Municipality of Venice, summoned Italgas Reti to appear before the Court of Venice, requesting the payment of € 4,669,129.00 or any other amount as consideration due under the applicable tariff regulations for the use of the plants that make up the so-called "Block A", which became the property of the Municipality of Cavallino-Treporti as a result of the Concession no. 19309/1970 from 1 June 2010 until 31 December 2018. With the appearance before the Court, Italgas Reti requested that the Municipality of Cavallino be ordered to repay the total amount of € 37,313.69 paid in fees for the occupation of public spaces and areas (COSAP) for Block A in the period between 1 January 2013 and 31 December 2018. Following the various legal proceedings, by decision dated 25 June 2022, the Court of Venice, notwithstanding the acknowledgement of the right of ownership of the plants in Block A in favour of the Municipality of Cavallino-Treporti with effect from the date of expiry pursuant to the concession (1 January 2013), ordered the Municipality of Cavallino-Treporti to pay Italgas € 37,313.69 plus interest for the COSAP unduly paid by Italgas for the period between 1 January 2013 and 31 December 2018 and € 40,000 for legal expenses. The Municipality of Cavallino-Treporti notified an appeal against the ruling. The first hearing was held on 24 January 2023 and the Court's decision on the continuation of the proceedings is pending.

Publiserizi S.p.A. / Italgas S.p.A. – Florence Court

Publiserizi, on its own behalf and as agent of other municipalities that are shareholders of Toscana Energia, served Italgas S.p.A. with a writ of summons in which they alleged a breach of a Shareholders' Agreement entered into on 28 June 2018. Publiserizi, therefore, claims that Italgas should be ordered to purchase 3% of the share capital of Toscana Energia S.p.A. (for the price of € 70,000,000.00 indicated in the tender notice of 20 July 2018) or, in any case, to fulfil the aforementioned Shareholders' Agreement and, otherwise, to pay Publiserizi € 59,800,000.00 by way of compensation for damages for breach or, alternatively, by way of unjust enrichment. Following the exchange of introductory documents, by order of 30 April 2021, the Judge ruled that the case could be settled at that stage and therefore scheduled the hearing for specification of the pleadings for 13 September 2023. Supported by an external legal opinion, the Company does not, at present, believe it likely it will lose.

Criminal dispute

The main criminal disputes in which the Group is involved are set out below.

Italgas Reti S.p.A. – Rome/Via Parlatore Event

The Public Prosecutor's Office of Rome opened an investigation in relation to the event that took place on 7 September 2015 during an ordinary intervention in the gas distribution network in the Municipality of Rome.

The incident caused a fire that involved three people. Two of them, workers for an Italgas Reti contractor, suffered mild injuries. The third person – an employee of Italgas Reti – died. The preliminary investigation involved three employees of Italgas Reti. At the conclusion of these investigations, the Public Prosecutor's Office asked for all defendants to be dismissed, but the Judge for Preliminary Investigations ordered further investigations, following which the Public Prosecutor again asked for all defendants to be dismissed. On 17 November 2020, the Judge for the Preliminary Investigation, also rejecting the second request for dismissal, ordered the Public Prosecutor to formulate the indictment, without finding Italgas Reti liable under Legislative Decree no. 231/2001. Pursuant to the order by the Judge for Preliminary Investigations, the prosecutor formulated the request for committal for trial of the three Italgas Reti persons under investigation. At the outcome of the preliminary hearing, the Judge ordered the indictment of the defendants. At present, the first instance trial is ongoing. The family members of the deceased employee have joined the proceedings, while the two employees of the contractor who sustained injuries have withdrawn their participation as a result of the award of damages.

Italgas Reti S.p.A. – Cerro Maggiore/Via Risorgimento Event

The public prosecutor opened criminal proceedings against several Italgas Reti executives, technicians and manual workers in relation to an incident that took place on 11 November 2015 during an emergency intervention. The accident was caused by a gas leak due to drilling work for laying fibre optic cable carried out by a third-party company, whose employees were also investigated.

The explosion resulted in the collapse of a house and the death of the lady who lived there, a serious injury to an Italgas Reti employee and to two other people who suffered mild injuries.

On 24 April 2017, a notice of conclusion of preliminary investigations was served on the defendants and Italgas Reti for failure to adopt appropriate preventive measures in terms of safety at work pursuant to Legislative Decree no. 231/2001.

The position of one employee of Italgas Reti (employer), was subsequently terminated, while for the other employees an indictment request was submitted.

In the course of the preliminary hearing, it was acknowledged that damages had been awarded to the heirs of the deceased lady and the other injured persons, who

therefore waived their right to bring civil proceedings. The Municipality of Cerro Maggiore was allowed to initiate civil proceedings.

At the outcome of the preliminary hearing, on 19 March 2019, the Preliminary Hearing Judge (i) pronounced a verdict of non-suit against two Italgas Reti employees for not having committed the act; (ii) issued a judgment of conviction against certain employees of the third-party contractor for the laying of the fibre optics who had requested the abbreviated trial; and (iii) ordered the committal for trial, at the hearing of 9 December 2019, of Italgas Reti and three of its employees, in addition to the other defendants of the third-party contractor for the laying of the fibre optics.

At the outcome of the trial, the Public Prosecutor requested the acquittal of the Italgas Reti safety manager and two defendants of the contracting company, while it requested two years' imprisonment for the other two defendants of Italgas Reti, with a suspended (and therefore not enforceable) sentence. For Italgas Reti, the Public Prosecutor requested the application of a minimum fine, considering the modest amount of the profit.

In a ruling of 4 June 2021, the judge acquitted one of the two remaining Italgas Reti defendants and sentenced the other to one year and six months in prison with suspended and unremitted sentence. A minimum fine was imposed on Italgas Reti.

Italgas Reti and the convicted employee appealed against the sentence, while the Public Prosecutor appealed the acquittal of the other Italgas Reti employee acquitted at first instance. The setting of the first appeal hearing is pending.

Italgas Reti S.p.A. – Rocca di Papa Event

The Public Prosecutor's Office of Velletri opened an investigation relating to the incident on 10 June 2019 in the municipality of Rocca di Papa, caused by the rupture of an Italgas Reti pipe by a company carrying out works for the same Municipality.

The gas leak caused an explosion in which some people were injured, two of which died in the following days.

The Public Prosecutor's Office conducted the preliminary investigation against individuals unrelated to Italgas Reti, who cooperated in the investigation as an aggrieved party in relation to the damage to its conduct and participated in the expert investigation and preliminary investigation through their technical consultants.

The Public Prosecutor's investigation concluded with the filing, on 28 April 2021, of the notice of conclusion of preliminary investigations against the suspects: the geologist appointed by the Municipality, the geologist appointed by the drilling contractor, the owner of the drilling contractor and their Technical Director, and the Project Manager of the Municipality of Rocca di Papa (the latter was subsequently removed).

At the preliminary hearing, Italgas Reti formalised its claim as a civil party.

The defence of some of the injured parties requested the summons of Italgas as civilly liable and supplement-

tary investigations against Italgas Reti, requests that were rejected by the Judge, who instead admitted the summons of the excavation company, the geotechnical company and the Municipality of Rocca di Papa as civilly liable. At present, Italgas Reti remains in the proceedings only as a damaged civil party. At the outcome of the preliminary hearing, the Judge ordered the indictment of the defendants for 4 May 2023.

Other events

Italgas Reti S.p.A. – Ravanusa event

The Public Prosecutor's Office of Agrigento opened an investigation into an explosion that occurred in the town of Ravanusa on 11 December 2021.

At 9:02 p.m., the Fire Brigade requested the Integrated Supervision Centre to deploy the emergency services. Italgas Reti's technical staff arrived on site at 21:20.

The first sectioning of the network, aimed at securing the pipeline, was completed at 2:05 a.m. on 12 December 2021.

The cathodically protected coated low pressure steel pipe, measuring 100 mm in diameter, was laid in 1988 by Siciliana Gas (a company merged by incorporation into Società Italiana per il gas S.p.A. in 2008, which in turn became Italgas Reti from 7 November 2016) and is therefore well within its useful life as per ARERA requirements.

There were no Italgas Reti construction sites on the section of pipeline affected by the explosion, either at the time of the accident or in the weeks preceding it.

The previous week, Italgas Reti had not received any reports of any type to its Emergency Intervention service, complaining of gas leaks.

The whole of the Ravanusa network - including that installed in the area involved by the event - had been checked using the cutting-edge Picarro Surveyor technology, and in 2020 and 2021 and no critical issues had arisen.

On 31 December 2021, the Public Prosecution issued ten notices of investigation to ten employees of Italgas Reti in order to be able to examine the unrepeatability technical assessments.

Italgas Reti has acknowledged these provisions, guaranteeing maximum collaboration during activities in support of investigators, just as it has since the outset.

During these technical assessments, a breakage of a steel pipe installed along via Trilussa, was found. This breakage was the subject of further metallurgical investigation, the results of which have not yet been filed.

In addition, further laboratory investigations were carried out on odouring gas and soil samples taken near the site of the event in the days following the explosion and the presence of the odouring molecule was confirmed.

An extension of the preliminary investigation was requested and granted in July 2022, and a subsequent extension request for a further six months was notified in February 2023.

It is currently not possible to predict the duration or the outcome of the investigations conducted by the Public Prosecutor's Office in Agrigento, investigations which are ongoing and therefore covered by investigative secrecy.

Following the incident, a precautionary claim has been promptly opened with the insurance companies with which the "civil liability" and "property" policies were taken out, in order to ensure the orderly handling of any claims, the amount of which is not quantified at present.

Italgas Reti has granted its willingness to the Municipality of Ravanusa to carry out a project for the removal of rubble following the explosion, which is currently being finalised.

Informative priorities ESMA 2022

In accordance with what was envisaged for the 2020 and 2021 financial statements, including for the purpose of preparing the 2022 financial statements, the Regulators issued specific recommendations in order to draw attention to the main areas of focus of the current context of reference, characterised by a combination of factors associated with the residual impacts of the COVID-19 pandemic, the impacts of the Russia-Ukraine conflict, the increase in inflation and interest rates and the general worsening of the macroeconomic scenario, geopolitical risks and uncertainties around future developments.

In particular, with Public Statement no. 32-63-1320 of 28 October 2022, "European common enforcement priorities for 2022 annual financial reports", ESMA reinforced the message disseminated in its previous publications 2020 and 2021, regarding the need to provide adequate financial and non-financial disclosure on climate change issues, the impacts of the Russian-Ukrainian conflict and the current macroeconomic scenario.

In light of the recommendations of ESMA and other Regulators, such as the Bank of Italy and Consob, and in accordance with the provisions of the IAS 34 in subsections 15-15C with reference to "significant events" during the year, an update for 2022 to the information already presented in the 2021 Integrated Annual Financial Report is provided below.

In particular, specific thematic areas have been identified and expanded on below which, with reference to the individual IFRS standards, provide a better understanding of the information.

Update information on COVID-19

With reference to the residual impacts of COVID-19, taking into account the activities of the Italgas Group and the impact on the Group of the spread of the pandemic, there are no significant updates with respect to what has already been illustrated in the 2021 Integrated Annual Financial Report and in the Half-Year Financial Report at 30 June 2022.

For a more in-depth analysis of this topic, please refer to the chapter "External context, markets and Italgas share" in the Integrated Annual Report.

Environmental regulations

With respect to environmental risk, although the Group conducts its business in compliance with laws and regulations, it cannot be ruled out with certainty that the Group may incur costs or liabilities, which could be significant.

It is difficult to foresee the repercussions of any environmental damage, partly due to new laws or regulations that may be introduced for environmental protection, the impact of any new technologies for environmental clean-ups, possible litigation and the difficulty in determining the possible consequences, also with respect to other parties' liability and any possible insurance compensation.

The Group closely monitors the various risks and associated financial impacts (which at present could mainly concern matters of impairment and recoverability of the value of assets and provisions under IAS 37) that could ensue from environmental and climate change issues.

As described in the Directors' Report, in recent years, Italgas' corporate strategy has been increasingly influenced by climate change matters and various initiatives have been developed with a view to reducing GHG emissions (e.g. leak detection using Picarro technology, conversion of the corporate fleet to methane gas, green gas initiatives, etc.).

In the short term, the main elements influencing the development of Italgas' strategy are the regulatory aspects of climate change such as European policy objectives, while in the short-to-medium term, the main elements are the efficient procurement of natural gas, aimed at reducing its impacts on climate change.

In the Strategic Plan, Italgas defines a macro-comprehensive scenario that includes contexts and trends of the Energy and Environmental Policies (decarbonisation - Paris Agreement, renewal sources, energy efficiency, sustainable mobility, power to gas and green gas) and presents its own Sustainability Plan. The Group's strategy is developed consistently with the United Nations Sustainable Development Goals.

Italgas' strategy is outlined in the 2022-2028 Strategic Plan, which highlights the digital transformation and technological innovation that will enable Italgas to play a key role in the energy transition, etc.

Topics related to climate change

In consideration of the requirements contained in the European Common Enforcement Priorities of October 2021 on climate-related matters, confirmed as a priority in the Public Statement of 2022, ESMA requires that adequate information be provided on climate-related issues and their effects on business development and performance, together with a description of the main risks and uncertainties to which the Italgas Group is exposed.

With regard to the areas relating to the inclusion of climate risk in the Business Plan, its impact on sustainability objectives and the main significant risks and uncertainties, please refer to the chapters "Strategy and forward-looking vision", "Risk management" and "Information on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)" in the Directors' Report.

In particular, note the preparation of the 2022-2028 Sustainable Value Creation Plan, which sets concrete actions and ambitious targets for the creation of value for the Group's stakeholders and for the territories in which it is present and operates, and the "Driving innovation for energy transition" report, which explores the relationship between the Italgas Group's business and climate change-related impacts, in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

The document not only describes the new opportunities identified in the climate transition and the potential risks, but also the adequacy of the climate strategy implemented by the Group in that regard.

Finally, set out below are the assessments associated with the main risks considered in the development of the estimates, which could result in a significant adjustment to the carrying value of assets and liabilities.

Impairment testing and expected useful life of tangible and intangible assets

With reference to the impact of climate risks in determining the expected useful life of tangible and intangible fixed assets and their estimated residual value, there are no (i) indicators suggesting that assets have reduced in value, (ii) significant impacts of climate change on the Group's assumptions used in estimating their recoverable value and (iii) there is no need to perform sensitivity analyses of the effects of climate risk within the assumptions made.

At present, therefore, company management does not reasonably expect climate change to have a significant impact on forecast future cash flows of a given asset or cash generating unit (CGU) and, consequently, on the relevant recoverable value.

IAS 37 - Provisions for risks and potential liabilities

In accordance with IAS 37, the company management believes that there are no provisions for risks or potential liabilities requiring consideration in the financial statements in connection with possible disputes, specific regulatory requirements aimed at mitigating environmental damages, sanctions connected with failure to comply with environmental requirements, contracts that may become onerous, possible restructuring works aimed at achieving the climate objectives required.

Effects of the climate risk on measuring expected credit loss

No significant climate and environmental risks are noted worthy of consideration in assessing the credit risk and therefore worthy of inclusion in calculating the ECL (Expected Credit Loss), as required by IFRS 7.

Information on the Russia-Ukraine conflict

With its Recommendation of October 2022, ESMA confirmed the validity of the requirements contained in the May 2022 Public Statement "Implications of Russia's invasion of Ukraine on half-yearly financial reports", considering the recommendations contained therein also relevant for the preparation of annual financial statements as at 31 December 2022, in order to ensure the right level of transparency in financial reporting.

Therefore, below are the assessments related to the current and, as far as possible, foreseeable impact of the Russian-Ukrainian military conflict, following the invasion by the Russian army of Ukrainian sovereign territory, on Italgas Group's activities, financial performance and cash flows.

The state of political and military tension generated and the consequent economic sanctions adopted by the international community against Russia have had significant effects and created turbulence on the global markets, on both the financial front and in terms of prices and the export of raw materials, considering the significant role that Russia and Ukraine play in the international economic chessboard.

Italgas confirms that it does not have production activities or personnel deployed in Russia, Ukraine or countries geo-politically aligned with Russia, nor does it have commercial and/or financial relationships with such countries. Italgas has continued to see no materially significant restrictions to the execution of financial transactions through the bank system, even after the exclusion of Russia from the SWIFT international payment system. Nevertheless, in a market already characterised by restrictions and slow-downs in the procurement chain, especially in relation to components, we cannot rule out that the political and economic tension induced by the conflict might exacerbate such difficulties and have implications, in a way that cannot yet be estimated or predicted, on the effectiveness and timeliness of the Group's procurement capacity.

In particular, following a survey of a significant portion of our suppliers, conducted in the months following the start of the conflict, it was found that none of the suppliers surveyed reported any impact with the Russian market, while only one supplier reported sub-supplies of Ukrainian origin for which it took steps to seek alternatives.

All the suppliers surveyed confirmed that they have implemented measures to prevent the effects of any cyber attacks. Monitoring in the following months did not show any critical issues arising as a result of the conflict.

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

The survey confirmed, as previously highlighted, the growing problems in the procurement of electronics and components linked to steel, both in terms of price, delivery time and availability. The subsequent increase in utilities costs is creating tensions on prices. Currently there are no significant critical issues in production on the energy materials/commodities markets. With reference to the tensions on the financial markets, Italgas continues to be only marginally exposed to foreign exchange risk and in any case only against the US dollar.

With regard to the availability of sources of financing and the related costs, it is reported that i) more than 90% of Italgas' financial debt is fixed rate, ii) the upcoming repayment of a bond envisaged for 2024 has no refinancing requirements in the short term, iii) the Group in any case holds liquidity at leading credit institutions for an amount, as at 31 December 2022, of € 451.9 million, which, including in light of the existing investment plans and the operations planned in the short term, would make it possible to manage any restrictions on access to credit with no significantly material effects.

With reference to the indirect risks associated with the sales companies that use the Italgas Group's networks, if they are found to be suffering, in a deteriorated international scenario, from adverse commodity procurement conditions such as, for example, huge increases in the prices of the commodity that cannot be passed on to end customers resulting in a worsening of their financial conditions and related difficulty in regularly complying with their contractual obligations towards the Italgas Group, it is recalled 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 for existing financial guarantees to protect the distributor.

With reference to the risk of lower volumes of gas injected into the infrastructure, as we know, the current tariff regulation does not lead to exposure of the distributors to changes in volumes of gas distributed. In any case, the risk of a prolonged interruption to injection of natural gas into the distribution infrastructure, which could impact in a significantly negative way upon the Group's operating continuity, would nevertheless be mitigated by the actions already in place and/or being studied at national and European level, such as the optimisation of storage, the diversification of procurement sources and the increase in domestic output.

Lastly, examining the natural gas distribution service in Greece, and in light of the scenarios illustrated above, the Group has not noted and does not anticipate any significant adverse repercussions on receipts expected from gas sales companies such as to jeopardise the financial balance of the Group, or on the regularity of payments by counterparties.

In light of the above, no significant impacts are reported in the following areas:

- Business Continuity;
- Impairment test of non-financial assets;
- Impairment of financial assets;
- Impacts on governance exercised over affiliated companies;
- Assets or groups of assets held for sale;
- Recognition of deferred tax assets;
- Fair value measurement;
- Remeasurement of foreign currency transactions and translation of financial statements in foreign currencies;
- Provisions for contingent liabilities;
- Liabilities arising from insurance contracts.

Macroeconomic scenario

In consideration of the requirements of ESMA's October 2022 recommendation, below are the assessments related to the potential impacts that the current macroeconomic scenario and related uncertainties may have on Italgas Group operations.

Impairment test of non-financial assets

The Italgas Group, consisting of Italgas S.p.A., the consolidating company, and its subsidiaries, is an integrated group at the forefront of the regulated natural gas sector and a relevant player in terms of invested capital in its regulatory asset base (RAB) in the sector.

The RAB (Regulatory Asset Base) is calculated on the basis of the rules defined by the relevant regulatory authority for the purpose of determining base revenues.

At present, following the impairment tests carried out, there are no effects that would suggest a reduction in the value of assets under concession or of intangible assets with a finite or indefinite useful life (goodwill).

In particular, as regards the value of property, plant and equipment under concession that fall within the scope of regulated activities, their recoverable value is determined by considering: (i) the amount quantified by the Authority on the basis of the rules that define the tariffs for the provision of the services they are intended for; (ii) the value the group expects to recover from the transfer or at the end of the concession that governs the service for which they are intended.

Therefore, for any valuation of regulated assets, reference should be made to the provisions of current regulations, for which see the "Legislative and Regulatory Framework" chapter of the Integrated Annual Report.

In light of the above, no impairment indicators emerged as at 31 December 2022 concerning the recoverability of asset values and goodwill due to the general deterioration of the macroeconomic scenario.

Employee benefits

There was no change in the approach used in determining the actuarial assumptions necessary to calculate the various Employee Benefits liabilities in accordance with IAS 19.

Therefore, there were no methodological amendments or specific changes to the economic, demographic, financial or behavioural assumptions (e.g. turnover).

Please refer to Note 22 "Provisions for employee benefits" for details on the main actuarial assumptions adopted and the sensitivity analyses performed.

Revenues from Contracts with Customers

The most significant portion of the Italgas Group's revenues relates to regulated activities, whose income is governed by the regulatory framework defined by the Regulatory Authority. Thus, the economic conditions of the services provided are defined through regulatory schemes and not on a negotiated basis; there are no significant costs charged to assets incurred in the performance of a contract.

Financial instruments

The impacts deriving from the worsening of the macroeconomic situation did not have significant effects on the Italgas financial instruments.

For information on the Italgas Group's exposure to the risk of changes in interest rates, liquidity risk and credit risk, please refer to Note 26 "Guarantees, commitments and risks – Financial risk management" in which Italgas' policies and principles for managing and controlling risks arising from financial instruments are described.

Information on Article 8 of the Taxonomy Regulation

In connection with the disclosure obligations pursuant to Article 8 of the European Regulation on Taxonomy, the system envisaged for classifying economic activities as environmentally-sustainable on the basis of six environmental objectives for two of which, (i) climate change mitigation and (ii) climate change adaptation, the European Commission has prepared technical criteria, the Group has:

- assessed the degree of alignment of its economic activities with the taxonomy criteria;
- prepared internal reporting systems to comply with the requirements envisaged.
- specifically collected data in order to guarantee a timely and correct application of taxonomy requirements.

For more details, see the chapter on "Information on the activities that are eligible and non-eligible to the Taxonomy of sustainable investments" of the Integrated annual report.

Public funds received

With reference to the new rules introduced by Law no. 124 of 4 August 2017 "Annual competition law", under Article 1, paragraphs 125-129, please note that the following grants from public authorities relating to the construction of gas networks in Italy were collected in 2022.

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
ITALGAS RETI S.P.A.	MORRO D'ORO	81000370676	00516370673	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	14,421,08
ITALGAS RETI S.P.A.	TORRE ANNUNZIATA	00581960630	01244431217	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,106,94
ITALGAS RETI S.P.A.	ROANA	00256400243	00256400243	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	5,907,24
ITALGAS RETI S.P.A.	MANIAGO	81000530931	00199780933	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	5,774,49
ITALGAS RETI S.P.A.	GAZZO VERONESE	82002770236	01700550237	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	1,923,00
ITALGAS RETI S.P.A.	PINETO	00159200674	00159200674	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	6,475,00
ITALGAS RETI S.P.A.	MONTESILVANO	00193460680	00193460680	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	11,089,19
ITALGAS RETI S.P.A.	ROSE	80001170788	00427870787	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	2,518,08
ITALGAS RETI S.P.A.	CANOSA DI PUGLIA	81000530725	01091490720	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	234,24
ITALGAS RETI S.P.A.	CARDETO	80009020803	80009020803	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	427,894,79
ITALGAS RETI S.P.A.	MELITO DI PORTO SALVO	00281270801	00281270801	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	415,546,71
ITALGAS RETI S.P.A.	MONTEBELLO JONICO	80003190800	00710360801	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	402,738,85
ITALGAS RETI S.P.A.	PALIZZI	81000970806	00728590803	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	178,866,96
ITALGAS RETI S.P.A.	SAN LORENZO	00283710804	00283710804	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	466,840,37
MEDEA S.P.A.	OZIERI	00247640907	00247640907	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	485,616,97
TOSCANA ENERGIA S.P.A.	MONSUMMANO TERME	81004760476	00363790478	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	6,917,66
TOSCANA ENERGIA S.P.A.	TERRICCIOLA	00286650502	00286650502	Plant account grants - Reg. Law no. 25 of 3 APRIL 1995 and - REGIONAL LAW NO. 84 of 27.12.2001	40,983,61
TOTAL					2,475,855,18

For information purposes only, below please note that the following contributions have been collected via the factor:

Beneficiary	Grantor			Type of transaction	Amount €
	Designation Company name	Tax code	VAT Number		
MEDEA S.P.A.	OROSEI	00134670918	00518920913	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	2,457,649,91
MEDEA S.P.A.	SENORBI'	80008070924	80008070924	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,108,483,55
MEDEA S.P.A.	DORGALI	00160210910	00160210910	Plant account grants Resolution 54/28 of 22.11.2005 of the Autonomous Region of Sardinia Article 5	1,581,222,21
TOTALE					5,147,355,67

27. Revenues

The breakdown of *revenues* for the year, which totalled € 2,312,476 thousand as at 31 December 2022 (€ 2,163,232 thousand as at 31 December 2021) is shown in the following table.

(€ thousands)	2021	2022
Revenues	2,098,463	2,182,712
Other revenues and income	64,769	129,764
	2,163,232	2,312,476

Group revenues are earned in Italy and Greece, as described below.

Revenues

Revenues, which amount to € 2,182,712 thousand (€ 2,098,463 thousand as at 31 December 2021), are analysed in the table below:

(€ thousands)	2021	2022
Gas distribution	1,213,906	1,228,314
Revenues for infrastructure construction and improvements (IFRIC 12)	772,005	727,755
Technical assistance, engineering, IT and various services	66,643	50,514
Energy efficiency interventions	21,688	138,973
Water distribution and sale	7,715	8,867
Gas sales	16,506	12,924
Sale of other products		15,365
	2,098,463	2,182,712

Revenues refer primarily to the consideration for the natural gas distribution service and other regulated revenues (€ 1,228,314 thousand) and revenues deriving from the construction and upgrading of gas distribution infrastructure connected with concession agreements pursuant to IFRIC 12 (€ 727,755 thousand).

Revenues from natural gas distribution correspond to the regulatory revenues allowed and therefore contain the positive differential that was generated during the year against the turnover for € 151,041 thousand.

Gas distribution revenues in Italy are reported net of the following items, involving tariff components in addition to the tariff applied to cover gas system expenses of a general nature. The amounts in question are paid, where positive, charged, where negative, for an equal amount, to the CSEA.

(€ thousands)	2021	2022
RE-RS-UG1 fees	111,093	4,055
UG3 fees	14,501	(1,096)
Gas Bonus and GS fees	(61,206)	(575,977)
UG2 fees	(3,101)	(636,821)
	61,287	(1,209,839)

The fees in addition to the distribution service (€ -1,209,839 thousand) mainly relate to the following fees: (i) RE, to cover the expenses burdening the *Fund for calculating and implementing energy savings and the development of renewable energy sources in the gas sector*; (ii) RS, to cover expenses burdening the *Account for gas services quality*; (iii) UG1, to cover any imbalances in and adjustments to the equalisation system; (iv) UG2, to cover the costs of retail sales marketing; (v) UG3int, to cover expenses connected to the interruption of services; (vi) UG3ui, to cover expenses connected to any imbalances in specific equalisation mechanism balances for the Default Distribution Service Provider (FDD) as well as the expenses for payment delays incurred by Suppliers of Last Instance (FUL), limited to end customers for which the supply cannot be suspended; (vii) UG3ft, to cover the arrears paid to temporary providers on the transport system; (viii) GS, to cover the tariff compensation system for economically disadvantaged customers.

In 2022, ARERA, given the notable issues of energy prices and higher energy bills, as already envisaged at the end of 2021, wrote off, for all gas sector customers, the components relating to the system charges and introduced supplementary social bonuses (extension of the pre-existing Gas Bonus). Furthermore, from the second quarter of 2022, Resolutions no. 148/2022/R/gas and no. 296/2022/R/gas provided for an update of the UG2 component with the application of a negative component in instalments up to 5,000 Sm³/year, in order to immediately transfer to customers the containment effects of the measures adopted in relation to the exceptional situation of operating tension on the gas markets. The economic effect of such measure for the Group is null since such items are entirely charged back to the CSEA; this therefore led to the increase in receivables from the CSEA posted to item "9) Trade and other receivables" and the emergence of payables to the Sales Companies, posted to item "19) Trade and other payables" for the UG2 and Gas Bonus negative components.

Gas distribution revenues (€ 1,228,314 thousand) refer to natural gas distribution on behalf of all commercial operators requesting access to the networks of the distribution companies based on the Network Code. These revenues include the higher revenues associated with the contribution pursuant to Article 57 of ARERA Resolution no. 570/2019/R/gas relating to the replacement of traditional meters with electronic smart meters and the recovery of non-depreciation (so-called IRMA) pursuant to Consultation Document 545/2020/R/gas, Resolution no. 570/2019/R/gas, Resolution no. 287/2021 and Determination no. 3/2021 in the amount of € 1,951 thousand as at 31 December 2022 (€ 13,930 thousand as at 31 December 2021).

With regard to the recognition of revenues relating to the so-called "Municipalities in start-up", mainly concentrated in Sardinia, the remuneration mechanism provides for a limit ("cap") to tariff recognitions for investments in distribution networks for locations with year of first supply after 2017, in the amount of € 5,250 per re-delivery point, expressed at 2017 prices, determined by Resolution no. 704/2016/R/gas. Payment of the price by ARERA is made on the basis of the "three-phase" system, whereby the first phase lasts three years (in addition to the year of first supply), during which investments are recognised in full; this is then followed by a second phase during which a cap applies, calculated on the basis of a prospective valuation of the delivery points, which may potentially be connected to the network, based on the penetration curves of the typical users of each tariff area and, finally, a third phase, which starts from the sixth

year of service management, during which, if the cap is exceeded, the investments recognised from the first year of service management will be cut retroactively. Resolution no. 525/2022/R/gas subsequently governed the operating procedures for application of the cap on the tariff recognition of capital costs in locations in the start-up phase and the application methods of the mechanism, relating in particular to the determination of the service deployment ratio and the procedures for verifying that the maximum unit expenditure threshold has been exceeded, for the second and third stages of the mechanism. In connection with these municipalities, the Group records the revenue on the basis of the RAB expected at the sixth year of supply, considering it to be highly likely that on the basis of the expected delivery points, there will not be any significant reversal of revenues accrued after resolving the uncertainty.

Revenues deriving from energy efficiency interventions (€ 138,973 thousand) mainly relate to work carried out during the year, generally referred to as "superbonus", as envisaged by the "Relaunch Decree" (Decree Law 34/2020), which introduced the "Superbonus 110", an incentive to access the tax bonus for work carried out on houses to improve energy efficiency and/or the "sismabonus" that makes it possible to receive 110% of the expense generated and admissible in 4 years.

Revenues from the sale of gas (€ 12,924 thousand) relate to gases sold in Sardinia by the subsidiary Gaxa S.p.A. until its deconsolidation.

Revenues from the sale of water (€ 8,867 thousand) relate to the water distributed in Campania by Italgas Acqua.

Other revenues and income

Other revenues and income, which amounted to € 129,764 thousand, can be broken down as follows:

(€ thousands)	2021	2022
Income from gas distribution service safety recovery incentives	22,399	27,207
Plant safety assessment pursuant to ARERA Resolution no. 40/04	2,520	2,139
Capital gains from sale of assets	4,458	36,709
Sundry management refunds and chargebacks	399	3,952
Contractual penalties receivable	659	1,340
Revenues from regulated activities	11,110	10,077
Connection contribution uses	19,589	19,233
Income from real estate investments	525	200
Revenues from seconded personnel	283	578
Net revenues from Energy Efficiency Certificates (EEC)	232	
Other revenues	2,595	28,329
	64,769	129,764

Income from safety recovery incentives, equal to € 27,207 thousand, relates to refunds paid by the Authority connected to achieving quality and technical standards relating to the natural gas distribution service.

Revenues from capital gains on the sale of assets amounting to € 36,709 thousand as at 31 December 2022 mainly relate to the sale of the ATEM Naples 1 plants following the awarding of the tender to another operator.

The item Other revenues includes the negative difference arising from the Purchase Price Acquisition of Janagas for € 13,558 thousand.

28. Operating costs

The breakdown of operating costs for the period, which totalled € 1,191,952 thousand, is shown in the following table:

(€ thousands)	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	150,932	154,746
Costs for services	614,831	656,231
Costs for the use of third-party assets	90,780	102,319
Personnel cost	256,808	265,466
Allocations to/(releases from) provision for risks and charges	(1,868)	(1,797)
Allocations to/(releases from) provisions for doubtful debt	320	(342)
Other expenses	25,783	25,440
To be deducted:		
Increases for own work	(2,836)	(10,111)
- of which costs for services	(608)	(2,137)
- of which labour costs	(2,228)	(7,974)
	1,134,750	1,191,952

Operating costs relating to the construction and upgrading of gas distribution and water service infrastructure connected with concession agreements pursuant to what is set forth in IFRIC 12, amount to € 727,755 thousand and are broken down as follows:

(€ thousands)	2021	2022
Purchase costs for raw materials, consumables, supplies and goods	121,277	111,220
<i>of which external</i>	40,622	37,570
<i>of which internal</i>	80,655	73,650
Costs for services	520,816	483,477
<i>of which external</i>	468,576	412,984
<i>of which internal</i>	52,240	70,493
Costs for the use of third-party assets	10,264	24,988
<i>of which external</i>	10,264	24,988
Personnel cost	113,576	104,737
<i>of which internal</i>	113,576	104,737
Other expenses	6,072	3,333
<i>of which external</i>	6,072	3,333
	772,005	727,755

Costs for raw materials, consumables, supplies and goods, amounting to € 154,746 thousand (150,932 as at 31 December 2021), comprise the following:

(€ thousands)	2021	2022
Inventories	115,361	120,178
Purchase of gas	27,107	24,238
Purchase of water	2,194	2,534
Motive power	1,594	2,267
Purchase of fuel	3,298	4,596
Consumables	1,378	933
	150,932	154,746

Inventories refer in particular to the acquisition of meters and gas pipes.

Purchase costs for raw materials, consumables, supplies and goods include costs relating to the construction and upgrading of gas distribution and water service infrastructure (€ 111,220 thousand), recorded in accordance with IFRIC 12.

Costs for services of € 654,094 thousand relate to:

(€ thousands)	2021	2022
Project management and plant maintenance	485,405	512,015
Consultancy and professional services	56,230	69,219
Costs for personnel services	11,757	15,011
IT and telecommunications services	37,481	38,010
Electricity, water and other (utility) services	6,751	7,208
Insurance	5,508	6,125
Cleaning, security service and guard services	4,871	4,745
Advertising and entertainment	3,896	4,462
Costs for seconded personnel	367	494
Other services	29,863	21,342
Use of risk provision	(27,298)	(22,400)
	614,831	656,231
To be deducted:		
Increases for own work	(608)	(2,137)
	614,223	654,094

Costs for services include costs relating to the construction and upgrading of gas distribution and water distribution infrastructure (€ 483,477 thousand) recognised pursuant to IFRIC 12.

Costs for project management and plant maintenance planning (€ 512,015 thousand) essentially relate to the extension and maintenance of gas distribution plants.

Costs for the use of third-party assets, of € 102,319 thousand, regard:

(€ thousands)	2021	2022
Patent, license and concession fees	80,501	77,309
Leases and rentals	10,440	25,282
Use of risk and charges provision	(161)	(272)
	90,780	102,319

Fees, patents and licences (€ 77,309 thousand) refer primarily to fees recognised to contracting parties for the running of natural gas distribution activities under concession.

Costs for use of third-party assets include costs relating to the construction and upgrading of gas distribution infrastructure (€ 24,988 thousand) recognised in accordance with IFRIC 12.

Allocations to/releases from provision for risks and charges, amounting to € -1,797 thousand net of utilisations, refer mainly to the provision for risks and charges relative to legal disputes.

For more details on the changes in provisions for risks and charges, please refer to the note "Provisions for risks and charges".

Personnel cost, totalling € 257,492 thousand, breaks down as follows:

(€ thousands)	2021	2022
Wages and salaries	180,176	186,491
Social charges	54,827	53,996
Employee benefits	16,544	19,634
Other expenses	5,261	5,345
	256,808	265,466
To be deducted:		
Increases for own work	(2,228)	(7,974)
	254,580	257,492

The item includes costs relating to the construction and upgrading of gas distribution infrastructure (€ 104,737 thousand) recognised pursuant to IFRIC 12.

Employee benefits (€ 19,634 million) mainly regard the employee severance pay accrued, to be paid to pension funds or to INPS.

Other expenses of € 5,345 thousand, in particular refer to charges for the incentive plan for senior executives (co-investment plan). For Stock Grant plans for Company employees, the fair value of the option, determined at the time it is granted (calculated on the basis of the "Black-Scholes" economic and actuarial method) is posted to the income statement as a cost throughout the vesting period, with a corresponding balancing item in a reserve under shareholders' equity.

More details are provided in the "Provisions for employee benefits" note.

Average number of employees

The average number of payroll employees of the consolidated entities, broken down by status, is as follows:

Professional qualification	2021	2022
Executives	61	74
Middle Managers	312	378
Employees	2,175	2,488
Manual workers	1,389	1,457
	3,937	4,397

The average number of employees is calculated on the basis of the monthly number of employees for each category. The increase mainly derives from the entry into the scope of consolidation of the DEPA Infrastructure Group companies.

At 31 December 2022, there were 4,390 employees on average.

Remuneration due to key management personnel

The remuneration due to persons with powers and responsibilities for the planning, management and control of the Company, i.e. executive and non-executive directors, general managers and managers with strategic responsibilities ("key management personnel"), in office at 31 December 2022, amounted to € 10,710 thousand and breaks down as follows:

(€ thousands)	2021	2022
Wages and salaries	8,215	7,893
Post-employment benefits	742	725
Other long-term benefits	1,314	1,442
Compensation for termination of employment		650
	10,271	10,710

Remuneration due to Directors and Statutory Auditors

Remuneration due to Directors, except for the Chairman and the CEO who form part of the key management personnel as explained in the foregoing paragraph, amounted to € 2,084 thousand and remuneration due to Statutory Auditors amounted to € 604 thousand (Article 2427, no. 16 of the Italian Civil Code). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor giving rise to a cost for the Company, even if not subject to personal income taxes.

Other expenses, of € 25,440 thousand, are analysed below:

(€ thousands)	2021	2022
Gas distribution service safety improvement penalties	440	
Other penalties	2,259	1,839
Indirect taxes, local taxes	6,729	8,201
Capital losses from disposal/recovery of property, plant and equipment and intangible assets	8,011	11,377
Other expenses	8,344	4,023
	25,783	25,440

The capital losses from the disposal/recovery of fixed assets (€ 11,377 thousand) mainly relate to the replacement of faulty meters and pipes and connections.

29. Amortisation, depreciation and impairment

Amortisation, depreciation and impairment, totalling € 479,186 thousand, breaks down as follows:

(€ thousands)	2021	2022
Amortisation and depreciation	444,387	478,291
- Property, plant and equipment	16,188	17,335
- Right of use pursuant to IFRS 16	22,937	24,625
- Intangible assets	405,262	436,331
Impairment	864	895
- Write-backs of tangible assets	(31)	
- Impairment of intangible assets	895	895
	445,251	479,186

Impairment of intangible assets, of € 895 thousand (€ 895 thousand in 2021) relate to the exit from the production process of certain assets.

30. Financial Income (Expense)

Net financial expense, amounting to € 56,275 thousand, comprises:

(€ thousands)	2021	2022
Financial Income (Expense)	(63,292)	(59,399)
Financial expense	(64,060)	(59,570)
Financial income	768	171
Other financial income (expense)	2,913	3,124
Other financial expenses	(619)	(1,797)
Other financial income	3,532	4,921
	(60,379)	(56,275)

(€ thousands)	2021	2022
Financial Income (Expense)	(63,292)	(59,400)
Borrowing costs:	(64,060)	(59,571)
- Interest expense on bonds	(54,602)	(49,078)
of which the effect of the bond buyback transaction of 5 February 2021	6,433	
- Commission expense on bank loans and credit lines	(8,702)	(5,182)
- Interest expense on credit line and loan expense due to banks and other lenders	(756)	(5,311)
Financial expense capitalised		
Income on financial receivables:	768	171
- Interest income and other income on financial receivables non-held for operations	768	171
Other financial income (expense):	2,913	3,125
- Capitalised financial expense	1,920	1,565
- Financial income (expense) connected with the passing of time (accretion discount) (*)	(839)	(1,618)
- Expense for right of use pursuant to IFRS 16	(290)	(321)
- Other expenses	(1,410)	(1,422)
- Other income	3,532	4,921
	(60,379)	(56,275)

(*) The item relates to the increase in the provisions for risks and charges and employee benefit funds that are specified, at a discounted value, in the notes "Provisions for risks and charges" and "Provisions for employee benefits".

31. Income (expense) from equity investments

Income (expense) from equity investments, totalling € 3,432 thousand, breaks down as follows:

(€ thousands)	2021	2022
Effect of valuation using the equity method	2,011	662
Net income from valuation using the equity method	2,011	662
Other income (expense) from equity investments	441	2,770
Dividends	50	48
Other income from equity investments	391	2,722
	2,452	3,432

The increase of € 980 thousand compared to 2021 derives mainly from the combined effect of the capital gain for the sale of Gaxa S.p.A. (€ 2,587 thousand) and the reduction in income from the measurement at shareholders' equity (€ 1,349 thousand, mainly arising from the lower result of the subsidiary Gesam Reti).

Details of capital gains and capital losses from the valuation of equity investments using the equity method can be found in the note "Equity investments valued using the equity method".

32. Income taxes

Income taxes for the year, amounting to € 152,369 thousand (€ 141,884 thousand as at 31 December 2021) comprise:

(€ thousands)	31.12.2021			Total
	IRES	IRAP	FOREIGN	
Current taxes	128,146	26,422		154,568
Current taxes for the year	134,322	27,967		162,289
Adjustments for current taxes pertaining to previous years	(6,176)	(1,545)		(7,721)
Deferred and prepaid taxes	(13,470)	786		(12,684)
Deferred taxes	(14,183)	(1,362)		(15,545)
Prepaid taxes	713	2,148		2,861
	114,676	27,208		141,884

(€ thousands)	31.12.2022			Total
	IRES	IRAP	FOREIGN	
Current taxes	137,190	27,111	(3,524)	160,777
Current taxes for the year	138,800	26,973	(3,524)	162,249
Adjustments for current taxes pertaining to previous years	(1,610)	138		(1,472)
Deferred and prepaid taxes	(16,099)	291	7,400	(8,408)
Deferred taxes	(19,903)	(2,952)	9,006	(13,849)
Prepaid taxes	(3,804)	(3,243)	1,606	(5,441)
	121,091	27,402	3,876	152,369

Income taxes include current taxes of € 160,777 thousand (€ 154,568 thousand as at 31 December 2021) and net deferred taxes of € 8,408 thousand.

The rates applied and provided for by the Italian tax regulations for current taxes are 24% for IRES and 4.2% for IRAP. The rate applied and provided for by the Greek tax regulations for current taxes is 22%.

The reconciliation of the theoretical tax charge, calculated by applying the corporation tax (IRES) rate in force in Italy of 24%, with the actual tax charge for the year can be broken down as follows:

(€ thousands)	2021		2022	
	Tax rate	Balance	Tax rate	Balance
IRES and FOREIGN				
Gross profit		525,304		588,496
IRES tax calculated based on the theoretical tax rate	24,00%	126,073	24,00%	141,239
Changes compared to the theoretical rate:				
- Income from equity investments	0,9%	3,209	0,5%	3,220
- Current taxes for previous years	0,0%	(207)	(0,0)%	(139)
- "Super Iper amortisation and depreciation" tax benefit	(2,3)%	(12,111)	(1,7)%	(10,213)
- Other permanent differences	(0,4)%	(2,425)	(1,6)%	(9,140)
IRES taxes for the year through profit or loss	22,2%	114,539	21,2%	124,967

(€ thousands)	2021		2022	
	Tax rate	Balance	Tax rate	Balance
IRAP				
EBIT for IRAP		583,231		619,957
IRAP tax calculated based on the theoretical tax rate	4,2%	24,496	4,2%	26,038
Changes compared to the theoretical rate				
- Taxes for previous years	(0,1)%	(245)	0,0%	116
- Regional IRAP adjustments	0,8%	3,519	0,7%	3,858
- Other permanent differences	(0,1)%	(425)	(0,4)%	(2,610)
IRAP taxes for the year through profit or loss	4,8%	27,345	4,5%	27,402

The lower taxation of the Greek companies totalled € 7,400 thousand.

An analysis of deferred tax assets and liabilities based on the nature of the significant temporary differences that generated them can be found in the note "Deferred tax liabilities".

In Italy, pursuant to Article 157 of Decree-Law no. 34 of 19 May 2020, converted, with amendments, by Law no. 77 of 17 July 2020, amended by Article 22-bis of Decree Law no. 183 of 31 December 2020, converted, with amendments, by Law no. 21 of 26 February 2021, notifications of investigations, disputes, imposition of penalties, recovery of tax credits, settlements and adjustment and settlement, for which the time limits expired between 8 March 2020 and 31 December 2020 - including documents relating to IRES and IRAP declarations for the 2015 tax year - had to be issued by 31 December 2020, but may be filed in the period between 1 March and 28 February 2022.

Taxes related to components of comprehensive income

Current and deferred taxes related to other components of comprehensive income can be broken down as follows:

(€ thousands)	31.12.2021			31.12.2022		
	Gross value	Tax impact	Net tax value	Gross value	Tax impact	Net tax value
<i>Remeasurement of defined-benefit plans for employees</i>	1,929	(540)	1,389	11,659	(3,265)	8,394
Change in fair value of investments measured at fair value with effects on OCI				802	(193)	609
<i>Change in fair value of cash flow hedge derivative financial instruments</i>	14,753	(3,541)	11,212	56,593	(13,582)	43,011
Other components of comprehensive income	16,682	(4,081)	12,601	69,054	(17,040)	52,014
Deferred tax assets/liabilities		(4,081)			(17,040)	

33. Profit (loss) per share

The earnings per basic share, equal to € 0.50, was calculated by dividing the net profit attributable to Italgas (€ 407,288 thousand) by the weighted average number of Italgas shares outstanding during the year (810,245,718 shares).

The diluted earnings per share is calculated by dividing the net profit attributable to Italgas (€ 407,288 thousand) by the weighted average number of shares outstanding during the period, excluding any treasury shares, increased by the number of shares that could potentially be added to those outstanding as a result of the assignment or disposal of treasury shares in the portfolio for stock grant plans. The diluted earnings per share, calculated also considering the co-investment plan, was € 0.50 per share.

34. Information by geographical area

With reference to the provisions of the IFRS 8 accounting standard governing segment reporting, the Italgas Group's segment information provides for a single operating segment represented by Gas Distribution and Metering, as a result of the aggregation of the activities carried out in Italy and Greece, following the acquisition of the DEPA Infrastructure Group finalised in the last months of 2022.

This representation reflects the structure of the reports that are periodically analysed by management for the purpose of managing and planning the Group's business.

In fact, the management considered that the two segments have similar economic characteristics considering that:

- the Italgas Group and the DEPA Infrastructure Group carry out their main activities in the highly regulated gas distribution sector. In both cases the rate system establishes in particular that the reference revenues for the formulation of rates is determined so as to cover the costs incurred by the operator and allow for a fair return on invested capital;
- the way in which the rate of return (WACC) is determined is quite similar in both cases, and is therefore essentially able to neutralise differences in risk between the two countries,
- the WACC values provided in the two tariff systems, 7% in Greece expressed in nominal pre-tax terms, and 5.6% in Italy expressed in real pre-tax terms, are fully comparable;
- DEPA Infrastructure Group's access to financial markets will benefit from being part of the Italgas Group, as it will be able to access financing conditions similar to those within the Group and, therefore, a more established and calmer situation than if left to the market alone.

Moreover, the gas distribution service in Italy and Greece has similar economic characteristics in terms of:

- a. nature of the products and services, i.e. gas distribution and metering. DEPA Infrastructure, through its subsidiaries, which are active in gas distribution and metering throughout Greece, operates a total of approximately 7,500 kilometres of network and more than 600,000 active re-delivery points;
- b. the nature of the production processes, i.e. the development and maintenance of assets related to the gas distribution service under concession. The finalisation of the DEPA Infrastructure transaction enabled Italgas to acquire the licence to distribute natural gas in 140 Municipalities on the Greek peninsula, of which 105 are already in operation;
- c. type or class of customer according to their products or services, i.e. sales companies;
- d. methods used to distribute its products or provide its services; i.e. the transport of gas through local pipeline networks, and
- e. nature of the regulatory environment, i.e. the management of a regulated business with a similar risk profile.

In accordance with Subsection 33 of IFRS 8, revenues, non-current assets and investments by geographic area are shown below:

(€ thousands) 2022	Italy	Greece
Revenues	2,230,362	82,114
Non-current assets	8,099,588	1,079,736
Investments in tangible and intangible assets	775,414	38,904

35. Related party transactions

Considering the "de facto" control of CDP S.p.A. over Italgas S.p.A., pursuant to the international accounting standard IFRS 10 - Consolidated Financial Statements, Italgas' related parties, based on the current ownership structure, are represented by Italgas' associates and joint ventures, as well as by the parent company, CDP S.p.A., and by its subsidiaries and associates and direct or indirect subsidiaries, associates and joint ventures of the Ministry of Economy and Finance (MEF). Members of the Board of Directors, Statutory Auditors and managers with strategic responsibilities of the Italgas Group and their families, are also regarded as related parties.

As explained in detail below, related-party transactions involve the trading of goods and the provision of regulated services in the gas sector. Transactions between Italgas and related parties are part of ordinary business operations and are generally settled at arm's length, i.e. at the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Italgas Group.

Pursuant to the provisions of the applicable legislation, the Company has adopted internal procedures to ensure that transactions carried out by the Company or its subsidiaries with related parties are transparent and correct in their substance and procedure.

The Directors and Statutory Auditors declare potential interests that they have in relation to the company and the group every six months, and/or when changes in said interests occur; in any case, they promptly inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of the individual transactions that the company intends to carry out and in which they have an interest.

Italgas is not subject to management and coordination activities. Italgas exerts management and coordination activities over its subsidiaries pursuant to Articles 2497 et seq. of the Civil Code.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties, are shown below. The nature of the most significant transactions is also stated.

With reference in particular to the balances exposed towards the Eni Group and Enel Group, the underlying relations refer to the natural gas distribution service business, according to the terms of the Network Code, defined by the Regulatory Authorities for Energy, Networks and the Environment. The Network Code regulates the non-discriminatory conditions, including tariffs, applicable to distribution users. These relations shall take the form of ordinary transactions concluded at arm's length conditions insofar as part of the core operating business of the Group, as envisaged by the Italgas Compliance Standard "Transactions involving the interests of the Directors and Statutory Auditors and Related Party Transactions".

Commercial and other transactions

Commercial and other transactions are analysed below:

(€ thousands)	31.12.2021			2021			2021	
	Receivables	Payables	Guarantees and commitments	Costs (a)			Revenues (b)	
				Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		101			81			
		101			81			
Companies under joint control and associates								
- Umbria Distribuzione Gas	690				(5)		572	102
- Metano Sant'Angelo Lodigiano	565				(5)		387	106
- Gesam Reti	147							151
- Valdarno		36			185	14	39	
- Enerpaper					54			
	1,402	36			229	14	998	359
Companies owned or controlled by the State								
- Eni Group	180,121	28,341		2,881	837	2,552	651,409	3,990
- Snam Group	743	771			654	39	240	7
- Enel Group	41,499	5,009			27	760	151,435	1,328
- Anas Group	15	841			10	449		37
- Ferrovie dello Stato Group	238	61			1	699		
- GSE Gestore Servizi Group	2,481	(29)			15	95,793	2,137	
- Poste italiane Group	4	245			200			3
- Terna Group								1
- Saipem Group		53			130			
	225,101	35,292		2,881	1,874	100,292	805,221	5,366
Other related parties								
- Zecca dello Stato								1
- Eur Group		4				6		
- Gruppo Valvitalia		1,286		8,215				
- Trevi		139			742			
		1,429		8,215	742	6		1
Total	226,503	36,858		11,096	2,926	100,312	806,219	5,726

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

(€ thousands)	31.12.2022			2022			2022	
				Costs (a)			Revenues (b)	
	Receivables	Payables	Guarantees and commitments	Assets	Services	Other	Services	Other
Parent company								
- Cassa Depositi e Prestiti		184			90	9		
		184			90	9		
Companies under joint control and associates								
- Umbria Distribuzione Gas	2,649	21			(14)		1,456	318
- Metano Sant'Angelo Lodigiano	489	(2)			(2)		759	146
- Gesam Reti	61						58	6
- Enerpaper	329	1,613			4,704			
- Energie Rete Gas	2,156							5,090
	5,684	1,632			4,688		2,273	5,560
Companies owned or controlled by the State								
- Eni Group	13,638	326,501		5,005	762	1,168	(148,369)	4,068
- Snam Group	308	359			218	7	241	49
- Enel Group	5,532	112,783			74	213	(87,468)	6,817
- Anas Group	20	1,061			9	482		
- Ferrovie dello Stato Group	265	33			7	534	1	
- GSE Gestore Servizi Group	2,033	(8)			41	153,728	3,866	34
- Poste italiane Group	4	242			64			
- Leonardo Group		265			298			
- Saipem Group		54						
	21,800	441,290		5,005	1,473	156,132	(231,729)	10,968
Other related parties								
- Eur Group		4				2		
- Valvitalia Group		832		4,318				
- Oper Fiber	1							
- UniCredit Previdenza		134						
- Dispositivi protezione individuale	1	7		2	12			
- E-Distribution	1				61	1		
- CESI - Giacinto Motta		13						
- Assicurazioni Generali	1,335							1,335
- Valdarno		81			463	2		
- Trevi		66			66			
	1,338	1,137		4,320	602	11		1,335
Total	28,822	444,243		9,325	6,853	156,152	(229,456)	17,863

(a) Include costs for goods and services for investment.

(b) Gross of the regulation components having contra entry in costs.

Companies under joint control and associates

The main receivable commercial transactions mostly regarded IT supplies and staff services to Umbria Distribuzione Gas S.p.A. and Metano Sant'Angelo Lodigiano S.p.A.

The main receivable commercial transactions mainly regard IT services.

Companies owned or controlled by the State

The main receivable commercial transactions refer to:

- the distribution of natural gas to the Eni Group;
- the distribution of natural gas to Enel Energia S.p.A.

The main payable commercial transactions refer to:

- the supply of electricity and methane gas for internal consumption by the Eni Group.

The main payable commercial transactions to the GSE refer to:

- acquisition of Energy Efficiency Certificates

Financial transactions

Financial transactions can be broken down as follows:

(€ thousands)	31.12.2021		2021	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti				163
				163
Companies under joint control and associates				
- Valdarno		1,815		
		1,815		
Other companies				
- Sace				751
				751
Total		1,815		914

(€ thousands)	31.12.2022		2022	
	Receivables	Payables	Income	Expense
Parent company				
- Cassa Depositi e Prestiti	612	(50)	1	
	612	(50)	1	
Companies under joint control and associates				
- Energie Reti Gas	2,126			
	2,126			
Companies owned or controlled by the State				
- Ferrovie dello Stato Group		(124)		
- Anas Group		(162)		
- ENI Group		-		
- Snam Group		(1,581)		
		(1,867)		
Altre imprese				
- Sace				
- Acqua Campania	120			
- Personal protective equipment		(13)		
	120	(13)		
Total	2,858	(1,930)	1	

Relations with the parent company CDP

The main financial transactions carried out with CDP specifically concern commissions on subscribed loans.

Companies under joint control and associates

The main financial transactions with Energie Reti Gas S.r.l. relate to a shareholder loan agreement.

Other companies

The main financial transactions entertained with Sace Ft S.p.A. relate to financial commission following the transfer of receivables.

Transactions with Directors, Statutory Auditors and key managers, with reference in particular to their remuneration, are described in the note "Operating costs", to which reference is made.

Impact of related-party transactions or positions on the statement of financial position, income statement and statement of cash flows

The impact of related-party transactions or positions on the Statement of Financial Position is summarised in the following table:

(€ thousands)	31.12.2021			31.12.2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Statement of financial position						
Current financial assets	5,120		0.00%	5,770	2,246	38.93%
Trade and other receivables	588,098	225,831	38.40%	1,142,950	28,586	2.50%
Other current financial assets				17,455		0.00%
Other current non-financial assets	54,079	4	0.01%	80,775	4	0.00%
Other non-current financial assets	2,848		0.00%	22,945	612	2.67%
Other non-current non-financial assets	80,366	668	0.83%	153,575	232	0.15%
Short-term financial liabilities	591,188	464	0.08%	142,437	118	0.08%
Trade and other payables	769,137	36,683	4.77%	1,197,117	444,040	37.09%
Other current financial liabilities	290		0.00%	290		0.00%
Other current non-financial liabilities	13,111	175	1.33%	30,072	194	0.65%
Long-term financial liabilities	5,785,707	1,351	0.02%	6,402,913	(2,048)	(0.03)%
Other non-current financial liabilities	6,283		0.00%	34		0.00%
Other non-current non-financial liabilities	534,425		0.00%	545,192		0.00%

The impact of related-party transactions on the income statement is summarised in the following table:

(€ thousands)	2021			2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Income Statement						
Revenues	2,098,463	806,219	38.42%	2,182,712	(229,456)	(10.51)%
Other revenues and income	64,769	5,726	8.84%	129,764	17,863	13.77%
Costs for raw materials, consumables, supplies and goods	150,932	11,096	7.35%	154,746	9,325	6.03%
Costs for services	614,223	2,926	0.48%	654,094	6,853	1.05%
Costs for leased assets	90,780	1,142	1.26%	102,319	1,021	1.00%
Personnel cost	254,580		0.00%	257,492		0.00%
Other expenses	25,783	99,170	384.63%	25,440	155,131	609.79%
Financial expense	64,645	914	1.41%	61,367		0.00%
Financial income	3,630		0.00%	4,043	1	0.02%

Related-party transactions are generally carried out at arm's length, i.e. at the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table:

(€ thousands)	2021	2022
Revenues and income	811,945	(211,593)
Costs and charges	(115,248)	172,330
Change in current financial assets		(121)
Change in trade and other current receivables	27,351	197,245
Change in non-current financial assets		(612)
Change in other assets	7	436
Change in trade and other payables	8,148	407,357
Change in other current liabilities		19
Interest collected (paid)	(914)	(1)
Net cash flow from operating activities	731,289	565,060
Net investments		
- (Purchase) Sale of equity investments	(807)	(12,128)
Net cash flow from investment activities	(807)	(12,128)
Dividends distributed to minority shareholders	(88,646)	(94,334)
Increase (decrease) in financial debt	(818)	(3,745)
Net cash flow from financing activities	(89,464)	(98,079)
Total cash flows to related entities	641,018	454,853

The incidence of cash flows with related parties are shown in the following table:

(€ thousands)	2021			2022		
	Total	Related entities	Incidence %	Total	Related entities	Incidence %
Cash flow from operating activities	839,634	731,289	87.10%	548,169	565,060	103.08%
Cash flow from investment activities	(813,741)	(807)	0.10%	(1,283,826)	(12,128)	0.94%
Cash flow from financing activities	701,844	(89,464)	(12.70)%	(204,160)	(98,079)	48.04%

36. Significant non-recurring events and transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no significant non-recurring events or transactions took place during the course of the year.

37. Positions or transactions arising from atypical and/or unusual transactions

Pursuant to Consob Communication DEM/6064293 of 28 July 2006, it should be stated that no atypical and/or unusual positions or transactions took place during the course of the year.

38. Significant events after year end

Further post-balance sheet events are described in the section "Other information" contained in the Directors' Report.

39. Publication of the financial statements

The financial statements were authorised for publication by the Board of Directors of Italgas at its meeting of 09 March 2023. The Board of Directors authorised the Chairman and the Chief Executive Officer to make any changes which might be necessary or appropriate for finalising the form of the document.

Certification of the Consolidated Financial Statements pursuant to Article 154-bis, paragraph 5 of Legislative Decree 58/1998 (Consolidated Finance Act)

1. Pursuant to article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998, the undersigned Paolo Gallo and Giovanni Mercante, as Chief Executive Officer and Director in charge of preparing company accounting documents of Italgas S.p.A. respectively, certify::
 - the adequacy, considering the Company's characteristics, and
 - the effective implementation

of the administrative and accounting procedures for the preparation of the consolidated financial statements during the course of 2022.
2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2022 were defined and their adequacy was assessed using the rules and methods in line with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a benchmark framework for the internal control system generally accepted at international level.
3. It is also certified that:
 - 3.1 The consolidated financial statements at 31 December 2022:
 - a. were prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b. are consistent with the accounting books and records;
 - c. are able to provide a true and fair view of the financial position, results of operations and cash flows of the issuer and the consolidated companies.
 - 3.2 The Directors' Report includes a reliable analysis of the operating performance and results, as well as the position of the issuer and of all the companies included in the scope of consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

9 March 2023

Chief Executive Officer

Paolo Gallo

Executive responsible for preparing
the corporate accounting documents

Giovanni Mercante

Independent Auditors' Report



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**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
Italgas Sp.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Italgas Sp.A. and its subsidiaries ("Italgas Group" or "Group"), which comprise the consolidated statement of financial position as at December 31, 2022, the income statement and the consolidated statement of comprehensive income, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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 Italgas Sp.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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Pavia Torino Treviso Udine Verona

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Investments in service concession agreements for the natural gas distribution and metering services and related impairment test

Description of the key audit matter As at December 31, 2022, the Group accounts for intangible assets including the captions “Service concession agreements” and “Work in progress and payments on account IFRIC 12”, respectively equal to euro 7,909,650 thousand and euro 271,847 thousand, mainly related to investments made for development and maintenance of the infrastructures related to the service concession agreements for the natural gas distribution and metering services located in Italy and Greece. Investments made in the financial year relating to these items of intangible assets totaled euro 730,028 thousand. The goodwill allocated to the cash-generating units for the “distribution and metering of natural and other gases” and for the “distribution and metering of natural gas abroad” (the business combination, which identified the latter cash-generating unit, is the topic of the next key audit matter) amounts to euro 66,200 thousand and euro 115,789 respectively.

The natural gas distribution and metering activity is regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, “ARERA”) and Greek Regulatory Authority for Energy (“RAE”), which define, among the others, the rules for the remuneration of the natural gas distribution and metering services. In particular, the regulated revenues for the natural gas distribution and metering services provided by the Group are determined by ARERA and by RAE and provide for recognition of a predefined return on net invested capital recognized for regulatory purposes (RAB – Regulatory Asset Base), relative depreciation and certain operating expenses – the so-called “revenue cap”. The RAB value is mainly determined through the “revalued historical cost” and the “historical cost” method, respectively by ARERA and by RAE.

At the end of the financial year, the Group's Management assessed the recoverability of non-financial fixed assets related to the natural gas distribution and metering services comparing the carrying amount, represented by the net invested capital of the relative cash-generating unit, with the corresponding recoverable amount. In performing the impairment test, the recoverable amount of the cash-generating unit “distribution and metering of natural and other gases” and the cash-generating unit “distribution and metering of natural gas abroad” were estimated respectively according to the methodology of the RAB updated as at the balance sheet date and the fair value less cost to sell estimated on the basis of a recent market transaction. No impairment loss resulted from the test.

We believe that investments in service concession agreements related to the natural gas distribution and metering services and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at December 31, 2022 due to: (i) The relevance of the intangible assets related to such service concession agreements compared



to the Group's total assets, (ii) the relevance of the investments made during the year, compared to the amount of the intangible assets for service concession agreements and (iii) their impact in determining the revenue cap for the remuneration of the natural gas distribution and metering services.

Paragraphs "3) Measurement criteria – Intangible assets", "3) Measurement criteria – Impairment of non-financial fixed assets", "5) Use of estimates" and "14) Intangible assets" of the consolidated financial statements include the disclosure on the investments and the relative impairment test.

Audit procedures performed

With reference to investments in service concession agreements for the natural gas distribution and metering services and the relative impairment test, our audit procedures included, among the others, the following:

- Understand the processes and relevant controls related to the recognition of such investments in the financial statements and assessment of their operating effectiveness.
- Understand the processes and relevant controls related to impairment test.
- Critical analysis of the composition of the intangible assets caption, including the analysis of any unusual item.
- For a sample of investment items accounted within intangible assets for which the amortization process begun during the year, test of the accurate start of depreciation when the asset is available for use and aging analysis of the assets capitalized within work 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 under concession and their regulatory useful life and reperforming of the periodic depreciation.
- Discussion meetings with the Group's Management in order to understand the impairment test methodology.
- Assessment of the reasonableness of the assumptions underlying the determination of the recoverable amount, also using the work of experts of the Deloitte network.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Recognition of Group DEPA business combination

Description of the key audit matter

On September 1, 2022, the Group finalized the acquisition of DEPA Infrastructure Single Member S.A. and its subsidiaries Thessaloniki - Thessalia Gas Distribution S.A., Attiki Natural Gas Distribution Single Member Company S.A. e Public Gas Distribution Networks S.A., the three main players in gas distribution in Greece for a total consideration of euro 929,146 thousand.

The transaction was recognized in the consolidated financial statements as required by the International Accounting Standard IFRS3 "Business combinations" which provides for an allocation process of the acquisition cost ("*Purchase price allocation – PPA*") and which required Management to assess the fair value of the assets acquired and liabilities assumed, also through the support of independent experts.

The values allocation process performed as a part of the PPA involved, among other, the recognition of intangible assets related to the licenses for natural gas distribution for euro 134,055 thousand and the related deferred tax, deferred tax asset on tax losses carryforward for euro 11,120 thousand, higher provisions for euro 13,800 thousand and, for the residual amount, goodwill for euro 115,789 thousand. The Directors report that, in accordance with the provisions of the IFRS3, the values allocation process is not definitive, considering the fact that certain information, already available at the acquisition date, is still under analysis.

Considering the subjectivity and complexity of the valuation matters affecting the process of determining the fair value of net assets acquired, as well as the relevance of the effects of this transaction, we considered the recognition of the business combination of Group DEPA Infrastructure S.A. a key audit matter of the Group's consolidated financial statements.

Paragraphs "2) Consolidation principles – Business combination", "5) Use of estimates" and "6) Business combination transactions" of the consolidated financial statements include the disclosure on the process followed by the Group Management and the effects in the consolidated financial statements.

Audit procedures performed

As part of our audits work, we carried out the following procedures also using the work of experts of the Deloitte network:

- Analysis of the agreements related to the investments acquisition in order to understand the relevant terms and conditions.
- Understand the processes and relevant controls adopted by the Group related to the recognition of business combinations in accordance with the international accounting standard IFRS3.
- Understand the criteria used by Management for the recognition of the transaction.



- Examination of the reports issued by the independent experts appointed by the Company to support the Management in the purchase price allocation process.
- Assessment of the competence, capacity and objectivity of independent experts.
- Obtain information from Management and independent experts.
- Analysis of the reasonableness of the main assumption adopted by the Management to determine the fair value of the acquired assets and liabilities.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the 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 Italgas S.p.A. has appointed us on May 12, 2020 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 on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Italgas S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the “Delegated Regulation”) to the consolidated financial statements as at December 31, 2022, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2022 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Due to certain technical limitations, some information contained in the illustrative notes to the consolidated financial statements, when extracted from XHTML format in an XBRL instance, may not be reproduced in the same way as the corresponding information displayed in the consolidated financial statements in XHTML format.

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 Italgas S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Italgas 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 report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Italgas 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 some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Italgas 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.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Italgas S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
March 24, 2023

As disclosed by the Directors on page 1, the accompanying consolidated financial statements of Italgas S.p.A. constitute a non-official version which has not been prepared in accordance with the provisions of the Commission Delegated Regulation (EU) 2019/815. 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.